UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended October 31, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-21084

CHAMPION INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

West Virginia	55-0717455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2450 First Avenue P.O. Box 2968 Huntington, West Virginia	25728
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (304) 528-2700

Securities registered pursuant to Section 12(g) of Act: Common Stock, $1.00 par value

OTCQB
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(b) of Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes ☐No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒No ☐

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒No ☐

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer ", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filter ☐	Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).
Yes ☐No ☒

As of April 30, 2012, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $4,566,887 based on the closing price as reported on the National Association of Securities Dealers Automated Quotation System Global Market.

The outstanding common stock of the Registrant at the close of business on January 9, 2013, consisted of 11,299,528 shares of Common Stock, $1.00 par value.

Total number of pages including cover page: 196

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Registrant’s definitive proxy statement expected to be dated February 15, 2013, with respect to its Annual Meeting of Shareholders to be held on March 18, 2013, are incorporated by reference into Part III, Items 10-14. Exhibit Index located in Part IV Item 15.

SPECIAL NOTE 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.

PART I

The Company experienced net losses in 2012, 2011 and 2009, due primarily to non-cash charges for impairment of goodwill and other intangible assets associated with the newspaper segment of the Company as well as a valuation allowance increase against our deferred tax assets in 2012. In addition through October 31, 2012, the Company has paid down approximately $47.7 million or 55.8% of the initial balance of syndicated outstanding debt of $85.5 million primarily incurred in the acquisition of the Herald-Dispatch. This debt was paid down during a significant economic downturn and a severe secular decline within our printing and newspaper segments. Our ability to operate is dependent on our ability to complete a restructuring or refinancing of the existing debt, due to the Company’s inability to satisfy short term obligations with currently available funds, primarily related to the maturity of its credit obligations to a syndicate of banks in June of 2013 or earlier if the Company is unable to comply with the multitude of covenants in its Restated Credit Agreement (as defined in Note 3) many of which are beyond the direct control of the Company. Therefore, the Company believes there is a reasonable possibility of default at or before March 31, 2013 and our ability to operate as a going concern is dependent on our ability to address our current credit situation. (see Item 1A, "Risk Factors", Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of the Notes to Consolidated Financial Statements)

ITEM 1 - BUSINESS

HISTORY

Champion Industries, Inc. (“Champion” or the “Company”) is a major commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets 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 23,000 and 28,000 respectively. The Company's sales offices and/or production facilities are located in Huntington, Charleston, Parkersburg, Clarksburg, Morgantown, West Virginia; Lexington, Kentucky; Baton Rouge and New Orleans, Louisiana; Cincinnati, Ohio (production consolidated into existing facilities in the third quarter of 2012); Kingsport, Tennessee (substantially all of the assets of this division were sold in December 2012); Evansville, Indiana; and Asheville, North Carolina. The Company's sales force of approximately 90 salespeople sells printing services, business forms management services, office products, office furniture and newspaper advertising.

The Company was chartered as a West Virginia corporation on July 1, 1992. Prior to the public offering of the Company's Common Stock on January 28, 1993 (the “Offering”), the Company's business was operated by The Harrah and Reynolds Corporation (“Harrah and Reynolds”), doing business as Chapman Printing Company, together with its wholly-owned subsidiaries, The Chapman Printing Company, Inc. and Stationers, Inc. Incident to the Offering, Harrah and Reynolds and the Company entered into an Exchange Agreement, pursuant to which, upon the closing date of the Offering: (i) Harrah and Reynolds contributed to the Company substantially all of the operating assets of its printing division, including all inventory and equipment (but excluding any real estate and vehicles) and all issued outstanding capital stock of its subsidiaries, The Chapman Printing Company, Inc. and Stationers, Inc.; (ii) the Company assumed certain liabilities relating to the operations of the printing divisions of Harrah and Reynolds and its subsidiaries, The Chapman Printing Company, Inc. and Stationers, Inc., excluding debts associated with real estate, certain accounts payable to affiliates and certain other liabilities; and (iii) Harrah and Reynolds was issued 2,000,000 shares of Common Stock of the Company.

The Company and its predecessors have been headquartered in Huntington since 1922. Full scale printing facilities, including web presses for manufacturing business forms and sales and customer service operations, are located in Huntington. The Company's Charleston division was established in 1974 through the acquisition of the printing operations of Rose City Press. Sales and customer service operations, as well as the pre-press departments, are located in Charleston. The Parkersburg division opened in 1977 and was expanded by the acquisitions of Park Press and McGlothlin Printing Company. In addition to sales and customer service operations, this division houses a large full-color printing facility and a state-of-the-art studio with scanners, electronic color retouching equipment and 4-, 5- and 6-color presses.

The Lexington division commenced operations in 1983 upon the acquisition of the Transylvania Company. This location includes a pre-press department, computerized composition facilities, as well as sales and customer service operations.

The Company acquired Stationers, Inc. (“Stationers”), an office product, office furniture and retail bookstore operation located in Huntington, in 1987 and consolidated its own office products and office furniture operations with Stationers. On August 30, 1991, Stationers, Inc. sold the assets, primarily inventory and fixtures, of its retail bookstore operation. In July 1993, Stationers expanded through acquisition and began operations in Marietta, Ohio, under the name “Garrison Brewer.” The Company’s Garrison Brewer operation was relocated across the Ohio River to the nearby Chapman Printing Parkersburg location in 2002.

The Bourque Printing division (“Bourque” or “Champion Graphic Communications - Baton Rouge”) commenced operations in June 1993, upon the acquisition of Bourque Printing, Inc. in Baton Rouge, Louisiana. This location includes a pre-press department, computerized composition facilities, a pressroom with up to 6-color presses and a bindery department, as well as sales and customer service operations. Bourque was expanded through the acquisition of Strother Forms/Printing in Baton Rouge in 1993, through the acquisition of the assets of E. S. Upton Printing Company, Inc. (“Upton” or "Champion Graphic Communications - New Orleans”) in New Orleans in 1996 and through the acquisition of Transdata Systems, Inc. in Baton Rouge and New Orleans in 2001. The Upton production operations were relocated to Baton Rouge in the fourth quarter of 2005 as a result of Hurricane Katrina. However, the sales and customer service staff continue to operate in New Orleans.

The Dallas Printing division (“Dallas” or “Champion Jackson”) commenced operations in September 1993, upon the acquisition of Dallas Printing Company, Inc. in Jackson, Mississippi. This location includes a pre-press department, computerized composition facilities, as well as sales and customer service operations. The operations of Dallas were moved to Baton Rouge, Louisiana, in August 2005 and consolidated into an existing facility.

On November 2, 1993, a wholly-owned subsidiary of the Company chartered to effect such acquisition purchased selected assets of Tri-Star Printing, Inc., a Delaware corporation doing business as “Carolina Cut Sheets” in the manufacture and sale of business forms in Timmonsville, South Carolina. The Company's subsidiary has changed its name to “Carolina Cut Sheets, Inc.” Carolina Cut Sheets manufactures single-part business forms for sale to dealers and through the Company's other divisions. Carolina Cut Sheets was relocated to Huntington, West Virginia in 2001.

On February 25, 1994, Bourque acquired certain assets of Spectrum Press Inc. (“Spectrum”), a commercial printer located in Baton Rouge, Louisiana.

On June 1, 1994, the Company acquired certain assets of Premier Data Graphics, a distributor of business forms and data supplies located in Clarksburg, West Virginia.

On August 30, 1994, Dallas acquired certain assets of Premier Printing Company, Inc. (“Premier Printing”) of Jackson, Mississippi. This operation was moved to Baton Rouge, Louisiana, with the Dallas relocation.

On June 1, 1995, in exchange for issuance of 52,383 shares of its common stock, the Company acquired U.S. Tag & Ticket Company, Inc. (“U.S. Tag”), a Baltimore, Maryland based manufacturer of tags used in the manufacturing, shipping, postal, airline and cruise industries. The operations of U.S. Tag were moved to Huntington, West Virginia in August 2003 and were consolidated into an existing facility.

On November 13, 1995, the Company acquired Donihe Graphics, Inc. (“Donihe”), a high-volume color printer based in Kingsport, Tennessee. The Company sold substantially all of the assets of Donihe in December 2012.

On July 1, 1996, the Company acquired Smith & Butterfield Co., Inc. (“Smith & Butterfield”), an office products company located in Evansville, Indiana, and Owensboro, Kentucky. Smith & Butterfield is operated as a division of Stationers, Inc.

On August 21, 1996, the Company purchased the assets of The Merten Company (“Merten”), a commercial printer headquartered in Cincinnati, Ohio. Merten's operation was consolidated into other existing facilities in the third quarter of 2012 and substantially all of the machinery and equipment was sold in December of 2012.

On December 31, 1996, the Company acquired all outstanding capital stock of Interform Corporation (“Interform”), a business form manufacturer in Bridgeville, Pennsylvania. Primarily as result of the global economic crisis, the Interform division ceased manufacturing in January of 2011. The CGC division which operated under the Interform subsidiary was sold in July 2012.

On May 21, 1997, the Company acquired all outstanding common shares of Blue Ridge Printing Co., Inc. of Asheville, North Carolina (“Blue Ridge”). During the second quarter of 2004, the Blue Ridge Knoxville plant was consolidated into the Asheville plant.

On February 2, 1998, the Company acquired all outstanding common shares of Rose City Press (“Rose City”) of Charleston, West Virginia.

On May 18, 1998, the Company acquired all outstanding common shares of Capitol Business Equipment, Inc. (“Capitol”), doing business as Capitol Business Interiors, of Charleston, West Virginia.

On May 29, 1998, the Company acquired all outstanding common shares of Thompson’s of Morgantown, Inc. and Thompson’s of Barbour County, Inc. (collectively, “Thompson’s” or “Champion Morgantown”) of Morgantown, West Virginia.

Rose City, Capitol and Thompson’s are operated as divisions of Stationers.

On June 1, 1999, the Company acquired all of the issued and outstanding common stock of Independent Printing Service, Inc. (“IPS”) of Evansville, Indiana. IPS is operated as a division of Smith & Butterfield.

On July 16, 1999, the Company’s Blue Ridge subsidiary acquired certain assets and assumed certain liabilities of AIM Printing (“AIM”) of Knoxville, Tennessee.

On November 30, 1999, the Company acquired all of the issued and outstanding common stock of Diez Business Machines (“Diez”) of Gonzales, Louisiana. Diez was operated as a subsidiary of Stationers until 2004 when it was relocated to the Bourque facility in Baton Rouge, Louisiana.

On November 6, 2000, the Company acquired certain assets of the Huntington, West Virginia paper distribution division of the Cincinnati Cordage Paper Company (“Cordage”). On April 30, 2001, the Company entered into a strategic alliance with Xpedx resulting in the assumption by Xpedx of the Cordage customer list and the sale of certain inventory items.

On October 10, 2001, the Company acquired Transdata Systems, Inc. (“Transdata”) of Baton Rouge and New Orleans, Louisiana. In 2004, Transdata was relocated to existing facilities in New Orleans and Baton Rouge. In 2005, Transdata New Orleans operations were relocated to Baton Rouge.

On June 18, 2003, the Company acquired certain assets of Contract Business Interiors ("CBI") of Wheeling, West Virginia pursuant to acceptance by the U.S. Bankruptcy Court for the Northern District of West Virginia. As a result of this transaction, the Company also assumed certain customer deposit liabilities in the ordinary course of business.

On July 1, 2003, the Company acquired certain assets of Pittsburgh based Integrated Marketing Solutions, the direct sales division and distributorship of Datatel Resources Corporation.

On May 13, 2004, the Company acquired certain assets of Cincinnati, Ohio, Westerman Print Company (“Westerman”). The assets of Westerman were moved to the Company’s Merten operation in Cincinnati, Ohio.

On September 7, 2004, the Company acquired all the issued and outstanding capital stock of Syscan Corporation ("Syscan"), a West Virginia corporation, for a gross 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. At closing, after considering the cash received in the transaction, the acquisition of a building and acquisition costs, the net assets acquired totaled approximately $2,688,000. On December 14, 2006, the Company satisfied the contingent purchase price for a payment of $1,350,725.

On September 14, 2007, the Company completed, pursuant to an asset purchase agreement, the acquisition of The Herald-Dispatch daily newspaper in Huntington, West Virginia, through a newly formed subsidiary Champion Publishing, Inc. 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.

All acquisitions have been accounted for using the purchase method of accounting except for U.S. Tag, Blue Ridge, Capitol and Thompson's, which utilized the "pooling-of-interest" method of accounting.

BUSINESS

Champion is engaged in the commercial printing and office products and furniture supply business in regional markets 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 23,000 and 28,000. The Company's sales force markets a full range of printing services, business forms, office products and office furniture. Management views these sales activities as complementary, since frequent customer sales calls required for one of its products or services provide opportunities to cross-sell other products and services. The Company believes it benefits from significant customer loyalty and customer referrals because it provides personal service, quality products, convenience and selection with one-stop shopping.

The Company's printing services range from the simplest to the most complex jobs, including business cards, books, tags, labels, brochures, posters, 4- to 6-color process printing and multi-part, continuous and snap-out business forms. The Company's state-of-the-art equipment enables it to provide computerized composition, art design, paste-up, stripping, film assembly and color scanner separations. Included within our print segment are fulfillment services to our customers which encompass warehousing, distribution, and reporting services. The Company also offers complete bindery and letterpress services. The printing operations contributed $55.4 million, $55.4 million, and $57.4 million or 53.1%, 53.0% and 54.1% of the Company's total revenues for the fiscal years ended October 31, 2012, 2011 and 2010.

The Company provides a full range of office products and office furniture primarily in the budget and middle price ranges, and also offers office design services. The Company publishes a catalog of high volume, frequently ordered items purchased directly from manufacturers. These catalog sales account for the bulk of sales volume and afford sales personnel flexibility in product selection and pricing. Medium to large volume customers are offered levels of pricing discounts. In addition, the Company offers a broad line of general office products through major wholesalers' national catalogs. The Company has implemented Internet e-commerce sites, which allow customers to order office products, furniture and forms online. The e-commerce sites include the office products and office furniture catalog, which is customized specifically for each customer requesting Internet e-commerce access. These sites include www.stationers-wv.com and www.cbiwv.com. In addition, the Company offers customized on-line forms management solutions through http://printwithchampion.com. The Company believes that its e-commerce sites will allow customers to access data concerning their company's purchase habits so as to better control expenditures for office products and business forms and eliminate large in-house inventories. The Company is a member of a major office products purchasing organization. Members benefit from volume discounts, which permit them to offer competitive prices and improve margins. The Company's office furniture business focuses on the budget to middle price range lines, although upscale lines are offered as well. Office products, office furniture and office design operations contributed $35.0 million, $34.5 million, and $33.4 million, or 33.5%, 33.1% and 31.5% of the Company's total revenues for the fiscal years ended October 31, 2012, 2011 and 2010.

The Company operates a daily newspaper in Huntington, West Virginia. The Company entered the newspaper business by purchasing the assets of The Herald-Dispatch from Gatehouse Media, Inc. The Herald-Dispatch was previously owned by Gannett, Inc. since 1971 and was sold to Gatehouse Media, Inc. in May of 2007.

The newspaper contributed $14.0 million, $14.6 million, and $15.3 million, or 13.4%, 13.9%, and 14.4% of the Company's total revenues for the fiscal years ended October 31, 2012, 2011 and 2010.

ORGANIZATION

Champion’s three lines of business were comprised of seventeen operating divisions (one of which is held for sale at October 31, 2012). The Huntington headquarters provides centralized financial management and administrative services to all of its business segments.

Commercial Printing

Seven commercial printing divisions are located in Huntington, Charleston and Parkersburg, West Virginia; Lexington, Kentucky; Baton Rouge, Louisiana; Cincinnati, Ohio (production ceased in June of 2012); Kingsport, Tennessee (Held for sale) and substantially all of the property, plant and equipment sold in December 2012); and Asheville, North Carolina. Each has a sales force, a customer service operation and a pre-press department that serve the customers in their respective geographic areas. Although each customer's interface is solely with its local division's personnel, its printing job may be produced in another division using the equipment most suited to the quality and volume requirements of the job. In this way, for example, Champion can effectively compete for high quality process color jobs in Lexington by selling in Lexington, printing in Parkersburg and binding in Huntington. The full range of printing resources is available to customers in the entire market area without Champion having to duplicate equipment in each area.

Consolidated Graphic Communications division in Bridgeville, Pennsylvania, operated as a full line printing and printing services distributor. The division offered complete print management, fulfillment services and B2B e-commerce solutions. This division was sold on July 2, 2012.

Carolina Cut Sheets, Inc., located in Huntington, West Virginia, manufactures single sheet business forms which are sold to other commercial printers and dealers and through the Company's other divisions.

The Huntington, West Virginia, division of Chapman Printing Company manufactures single sheet and multi-part, snap-out and continuous business forms for sale through many of the Company's commercial printing divisions.

U.S. Tag, located in Huntington, West Virginia, manufactures and sells tags used in the manufacturing, shipping, postal, airline and cruise industries throughout the United States through dealers and the Company's other divisions.

Chapman Printing in Charleston, West Virginia, operates as a full line printing, printing services distributor and office products and office furniture distributor. Chapman Printing Charleston offers complete print management, fulfillment, mail, digital print, office furniture and print and office products and B2B e-commerce solutions. The Syscan operation was consolidated into the Chapman Printing Charleston division effective November 1, 2005. This division also operates a facility in Morgantown, West Virginia, providing printing, office products and office furniture, distribution and integration services. In 2007, the Chapman Printing Charleston division spun off its print on demand and mail operations into a new division located in Charleston, West Virginia, operating under the name Champion Output Solutions. Champion Output Solutions is a comprehensive transactional printing and mail center providing statement rendering, check and explanation of benefits variable print, medical billing and postal optimization.

River Cities Printing was acquired via the acquisition of The Herald-Dispatch and is a commercial printer with sales comprised primarily of stick-on labels and other commercial printing. In 2008, River Cities Printing was relocated to an existing facility in Huntington, WV.

Office Products, Office Furniture and Office Design

Stationers, located in Huntington, Clarksburg (doing business as “Champion Clarksburg”), Morgantown (through its Chapman Printing Morgantown division) and Parkersburg, West Virginia (doing business as “Chapman Printing”), provides office products and office furniture primarily to customers in the Company's West Virginia, Ohio and Kentucky market areas. Products are sold by printing division sales people and delivered in bulk daily to each division, or shipped directly to customers.

Smith & Butterfield, located in Evansville, Indiana, provides office products and office furniture primarily to customers in the Company's Indiana and Kentucky market areas. Products are sold by Smith & Butterfield sales personnel and delivered to customers daily.

Stationers, through its Capitol division, offers office design services throughout West Virginia and eastern Kentucky.

Newspaper

The Herald-Dispatch, located in Huntington, WV, publishes a daily newspaper with a daily and Sunday circulation of approximately 23,000 and 28,000 respectively.

PRODUCTS AND SERVICES

Printing Services

Champion's primary business is commercial printing and business forms manufacturing. The Company, unlike most of its regional competitors, offers the full range of printing production processes, enabling the Company to provide customers a one-stop, one-vendor source without the time and service constraints of subcontracting one or more aspects of production. Major production areas include: (i) printing of business cards, letterhead, envelopes, and one, two, or three color brochures; (ii) process color manufacturing of brochures, posters, advertising sheets and catalogues; (iii) die cutting and foil stamping; (iv) bindery services, including trimming, collating, folding and stitching the final product; (v) forms printing, encompassing roll-to-roll computer forms, checks, invoices, purchase orders and similar forms in single-part, multi-part, continuous and snap-out formats; (vi) tag and label manufacturing; (vii) high volume process color web printing of brochures and catalogs; and (viii) output solutions including print on demand, inserting and mailing services. The capabilities of the Company's various printing divisions are stated below.

Division	Sales & Customer Service	Pre-Press	Sheet Printing	Rotary Printing	Full Color	High Volume Full Color	Output Solutions
Huntington	*	*	*	*			
Charleston / Morgantown	*	*					
Champion Output Solutions	*						*
Parkersburg	*	*	*		*		
Lexington	*	*					
Champion Graphic Communications (Baton Rouge)	*	*	*		*		
Carolina Cut Sheets, Inc.	*						
U.S. Tag & Ticket Company, Inc.	*	*		*			
Donihe Graphics, Inc. (Sold in December 2012)	*	*	*	*	*	*	
Blue Ridge Printing Co., Inc.	*	*	*		*		
River Cities Printing	*	*		*			

* - Services Provided

Office Products, Office Furniture and Office Design

Champion provides its customers with a wide range of product offerings in two major categories: supplies, such as file folders, paper products, pens and pencils, computer paper and laser cartridges; and furniture, including budget and middle price range desks, chairs, file cabinets and computer furniture. Office supplies are sold primarily by Company salespeople through the Company's own catalogs. Office furniture is primarily sold from catalogs and supplied from in-house stock. Special orders constitute a small portion of sales. The Capitol division of Stationers provides interior design services to commercial customers. The design services include space planning, purchasing and installation of office furniture, and management of design projects.

Newspaper

The Company provides its customers in the Tri-State region surrounding Huntington, West Virginia, with the primary and premier print advertising solutions for the region.

MANUFACTURING AND DISTRIBUTION

The Company's pre-press facilities have desktop publishing, typesetting, laser image setting and scanning/retouching equipment, as well as complete layout, design, stripping and plate processing operations. Sheet printing equipment (for printing onto pre-cut, individual sheets) includes single color duplicators, single to eight color presses and envelope presses. Rotary equipment (for printing onto continuous rolls of paper) includes multi-color business form web presses, carbon and multi-part collators, and a high-speed 5-color half-web press.

Binding equipment consists of hot-foil, embossing and die cutting equipment, perforators, folders, folder-gluers, scoring machines, collator/stitcher/trimmers for saddle stitching, automatic and manual perfect binders, numbering machines and mailing equipment.

Each of the Company's offices is linked with overnight distribution of products and on-line electronic telecommunications permitting timely transfer of various production work from facility to facility as required. While the Company maintains a fleet of delivery vehicles for intracompany and customer deliveries, it utilizes the most cost effective and expeditious means of delivery, including common carriers.

Requirements for the Company's press runs are determined shortly before the runs are made and, therefore, backlog is not a meaningful measure in connection with the Company's printing business.

The Company's inventory goal is to have approximately 85% of the office product items the Company sells in stock. Another 12% are ordered on a daily basis and received overnight. The remaining 3% are items that come direct from manufacturers and may take one week or more from placement of order to delivery to customer. Office furniture sales for mid-line and budget are made primarily from the Company's in-house stock. However, special orders from manufacturers and project furniture may require 30 to 90 days for delivery.

The newspaper is produced nightly at its own in-house facility. The paper is then distributed via contract haulers between 3:00AM and 4:00AM each morning. The contract haulers then deliver the papers to each of the route delivery personnel for a targeted delivery of 6:00AM each morning.

CUSTOMERS

The Company believes that its reputation for quality, service, convenience and selection allows it to enjoy significant loyalty from its customers. Champion's marketing strategy is to focus on manufacturers, institutions, financial services companies and professional firms. Consistent with customary practice in the commercial printing and office products industries, the Company ordinarily does not have long-term contracts with its customers, although a number of high volume customers issue yearly purchase orders. These purchase orders, which are typically for office products but may include printing services, are for firm prices adjustable for paper price changes. Depending upon customer satisfaction with price and service, these purchase orders may be renewed for another year or up to three years without repeating the full bidding process.

During the fiscal years ended October 31, 2012, 2011 and 2010, no single customer accounted for more than 5% of the Company’s total revenues. 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.

SUPPLIERS

The Company has not experienced difficulties in obtaining materials in the past and does not consider itself dependent on any particular supplier for supplies. The Company has negotiated company-wide paper purchasing agreements directly with paper manufacturers and is a member of a major office products buying group, which management believes provides the Company with a competitive advantage. The Company is also affiliated with a buying group with a national organization for its newsprint purchases.

COMPETITION

The markets for the Company's printing services and office products are highly competitive, with success based primarily on price, quality, production capability, capacity for prompt delivery and personal service.

Champion's printing competitors are numerous and range in size from very large national companies with substantially greater resources than the Company to many smaller local companies. In recent years, despite consolidation within the printing industry, there has been a substantial increase in technological advances in new equipment, resulting in excess capacity and highly competitive pricing. The Company has remained competitive by maintaining its printing equipment at state-of-the-art levels and emphasizing personal attention to customers.

Large national and regional mail order discount operations provide significant competition in the office products and office furniture business. The economies afforded by membership in a national purchasing association and by purchasing directly from manufacturers, and the high level of personal services to customers, contribute substantially to the Company's ability to compete in the office supply and office furniture market segments.

The Herald-Dispatch faces limited competition from other daily newspapers in its primary market area of Cabell County, West Virginia. The Herald-Dispatch competes with other advertising media in its designated market area, including television and radio advertising.

ENVIRONMENTAL REGULATION

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 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.

GEOGRAPHIC CONCENTRATION AND ECONOMIC CONDITIONS

The Company's operations and the majority of its customers are located in the United States of America, east of the Mississippi River. The Company and its profitability may be more susceptible to the effects of unfavorable or adverse local or regional economic factors and conditions than a company with a more geographically diverse customer base.

The Company's newspaper operations are geographically concentrated and serve a regional market area in southwestern West Virginia primarily covering Cabell County, West Virginia, parts of neighboring Wayne County, West Virginia, and eastern Lawrence County, Ohio.

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.

EMPLOYEES

On October 31, 2012, the Company had approximately 550 employees.

As a result of the acquisition of The Herald-Dispatch, the Company also is party to a collective bargaining agreement with Graphic Communication Conference/ International Brotherhood of Teamsters Local 619-M of District Council 3 covering newspaper press production employees (totaling approximately 10 employees at October 31, 2012) at The Herald-Dispatch Huntington, West Virginia, location. The contract expires December 31, 2013. The Company believes relations with the unions and covered employees are good.

EXECUTIVE OFFICERS OF CHAMPION

Name	Age	Position and offices with Champion; Principal occupation or employment last five years
Marshall T. Reynolds	76	Chief Executive Officer and Chairman of the Board of Directors of the Company from December 1992 to present; President of the Company December 1992 to September 2000; President and General Manager of Harrah and Reynolds, predecessor of the Company from 1964 (and sole shareholder from 1972 to present) to 1993; Chairman of the Board of Directors of River City Associates Inc. (owner of the Pullman Plaza Hotel) since 1989; Chairman of the Board of Directors of Broughton Foods Company from November 1996 to June 1999; Director (from 1983 to November 1993) and Chairman of the Board of Directors (from 1983 to November 1993) of Banc One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.).
J. Mac Aldridge	71	Senior Vice President of the Company and Division Manager - Stationers since January 2005; Vice President and Division Manager - Stationers from December 1992 to January 2005; Vice President of Company and Division Manager - Huntington from September 1995 to October 1997; President and General Manager of Stationers since November 1989; Sales Representative of Huntington Division of Harrah and Reynolds from July 1983 to October 1989. (Mr. Aldridge retired effective December 17, 2012)

R. Douglas McElwain	65	Senior Vice President and Division Manager - Champion Graphic Communications Division of the Company since January 2005; Vice President and Division Manager - Bourque Printing division of the Company from December 1993 to January 2005; General Manager of Bourque Printing from June 1993 to December 1993; Sales Representative of Charleston Division of Harrah and Reynolds and Company from 1986 until June 1993.
Todd R. Fry	47	Senior Vice President and Chief Financial Officer of the Company since January 2005; Vice President and Chief Financial Officer of the Company from November 1999 to January 2005; Treasurer and Chief Financial Officer of Broughton Foods Company from September 1997 to June 1999; Coopers & Lybrand L.L.P. from 1991 to September 1997.
Jeff Straub	56	Senior Vice President of the Company since May 2012, production manager from July 2010 to May 2012; general manager of Wise Business Forms from February 1999 to July 2010.

ITEM 1A - RISK FACTORS

The Company’s business and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, and cash flows.

Dependence on Marshall T. Reynolds; Control of the Company.

The Company's operations and prospects are dependent in large part on the continued efforts of Marshall T. Reynolds. The loss of Mr. Reynolds could have an adverse effect on the Company. In addition, by virtue of Mr. Reynolds' ownership of Company common stock, Mr. Reynolds will continue to significantly influence our operations. As of October 31, 2012, Marshall T. Reynolds and his affiliated entities, including The Harrah and Reynolds Corporation ("Harrah and Reynolds"), held 6,067,742 shares (53.7%) of the common stock of the Company prior to the effect of the issuance of stock warrants. Mr. Reynolds and Harrah and Reynolds have pledged 3,771,500 of these shares (constituting 62.2% of all outstanding shares beneficially owned by Mr. Reynolds) as collateral to secure loans made to Mr. Reynolds or Harrah and Reynolds in the ordinary course of business by several commercial banks. Any disposition of such pledged shares upon a default by Mr. Reynolds or Harrah and Reynolds under such loans could result in a change in control of the Company or adversely affect the prevailing market price of the common stock. The Company has no reason to believe that any such default will occur.

Our indebtedness could adversely affect our financial health and reduce the funds available to us for other purposes, including dividend (if any in the future) payments and our credit position may result in dilution to our shareholders

We have a significant amount of indebtedness. Our credit facilities with a syndicate of banks have a maturity of June 30, 2013 and are collateralized by substantially all of our assets. The Company has several covenants which may trigger a default in our credit facilities prior to contractual maturity. Although the Company is making reasonable efforts to comply with the applicable covenants many of the covenants are beyond the direct control of the Company. The Company does not believe it will have sufficient cash flows from operations to repay its credit facilities by the June 30, 2013 maturity date. The Company has engaged the investment banking group of Raymond James and Associates, Inc. as well as a chief restructuring advisor to assist the Company in a potential restructuring or refinancing of the existing debt and other potential alternatives. At October 31, 2012, we had total indebtedness of $39.8 million, net of debt discounts, under our credit facilities. Our interest expense for the year ended October 31, 2012, was approximately $3.8 million. At October 31, 2012, the borrowings under our credit facilities were subject to a floating interest rate of LIBOR plus the applicable margin or the prime rate plus the applicable margin. Failure to maintain compliance with financial and other covenants as required by our credit facility could result in default and acceleration of amounts due under those facilities.

Pursuant to the Restated Credit Agreement, the Company issued its secured lenders warrants to purchase 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. Therefore, after a full warrant exercise by the secured lenders Mr. Reynolds' ownership would decline from 53.7% to 37.6%. The Company is currently unable to predict the amount, if any, of any further dilution in common stock.

Volatility in U.S. credit markets could affect the Company's ability to obtain financing to fund acquisitions, investments, or other significant operating or capital expenditures.

At the end of 2012, the Company had approximately $39.8 million, net of discounts, of indebtedness. A further tightening of credit availability could restrict the Company's ability to finance significant transactions and also limit its ability to refinance its existing capital structure or to fund its current operation pursuant to the terms of the Company's Applicable Credit Agreements. The Company's Credit facilities expire on June 30, 2013.

The Company operates in a highly competitive market that could negatively impact our results of operations.

In the printing segment, there has been an ongoing consolidation resulting in fewer competitors. This in part has resulted in numerous competitors that are larger with greater geographic diversity and broader product offerings. In addition, the office products and office furniture industries are extremely competitive and fragmented. The Company competes with numerous large and small companies that operate in each industry, some of which have greater financial resources than the Company. The Company competes on the basis of its reputation for quality, production capability, prompt delivery, price and strength of its continuing customer relationships.

Our supply-chain management services are embedded into our printing and office products and office furniture segments. The competitive factors faced by the Company include customer service, price, distribution geography, information technology and the customer's fulfillment and distribution needs.

The Company may be adversely impacted by the rising costs of critical raw materials such as paper, ink, energy and other raw materials.

Our primary raw material is paper; therefore the purchase of paper and other raw materials such as ink, energy and items we distribute such as office products and office furniture and goods and services represent a large portion of our costs. Any increases in the costs of these items will also increase our costs. Depending on the nature of such increases we may not be able to pass these costs on to customers through higher prices. Increases in the costs of these items may also adversely impact our customers' demand for printing and related services as well as for office products and office furniture.

The Company has substantial investment in the credit worthiness and financial condition of our customers.

The largest current asset on the Company's balance sheet on a net basis is our accounts receivable balances from our customers. We grant credit to substantially all of our customers. A decline in financial condition across a significant component of our customer base could hinder our ability to collect amounts owed by customers. In addition, such a decline could result in lower demand for our services. The potential causes of such a decline include national or local economic downturns, the fact that many of our customers are in highly-competitive industries or markets and the impact of regulatory actions may hinder the financial stability of our customers.

We may have difficulty adjusting our operating models to meet changing or current market conditions.

Because the markets in which we compete are highly-competitive, we must continue to improve our operating efficiency in order to maintain or improve our profitability. Although we have been able to improve efficiency and reduce costs in the past, there is no assurance that we will continue to do so in the future. In addition, the need to reduce ongoing operating costs may result in significant up-front costs to reduce workforce, close or consolidate facilities, or upgrade equipment and technology.

We may be unable to grow through acquisitions or to successfully integrate acquired businesses.

The Company has historically grown through a combination of organic growth and acquisitions. It is critical that the Company achieve the anticipated benefits of acquisitions. The integration of companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of acquired businesses may also require the dedication of significant management resources, which may temporarily shift senior management’s attention from the other day-to-day operations of the Company. Our strategy is, in part, predicated on our ability to realize cost savings and to increase revenues through the acquisition of businesses that strategically enhance our capabilities and services.

We may have difficulty hiring and retaining appropriate employees including senior management.

Our success depends, in part, on our general ability to attract, develop, motivate and retain highly skilled employees. The loss of a significant number of our employees or the inability to attract, hire, develop, train and retain additional skilled personnel could have a material adverse effect on us. We currently operate in several locations with geographic diversity. Individual locations may encounter strong competition from other employers for skilled labor. In addition, many members of our management have significant industry experience and a long track record with us that are important to our continued success. If one or more members of our senior management team leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in managing our business properly, which could harm our business and results of operations.

We may be negatively impacted by strikes or other work stoppages by our employees.

We employ approximately 10 persons who are covered by collective bargaining agreements. If our unionized employees were to engage in a concerted strike or other work stoppage, or if our other employees were to become unionized, we could experience a disruption of operations, higher labor costs or both.

We may have increased employee benefit costs for health care and other benefits.

We provide health care and certain other benefits to our employees. In recent years, costs for health care have increased more rapidly than general inflation in the U.S. economy. If this trend in health care costs continues, our cost to provide such benefits could increase, adversely impacting our business and results of operations.

We may be negatively impacted by declines in general economic conditions or acts of war and terrorism.

Demand for printing services is highly correlated with general economic conditions. A decline in U.S. economic conditions may, therefore, adversely impact our business and results of operations. Because such outcomes are difficult to predict, the industry may experience excess capacity resulting in declines in prices for our services. The overall business climate may also be impacted by foreign wars or domestic or foreign acts of terrorism. Such acts may have sudden and unpredictable adverse impacts on demand for our services.

We may face adverse pricing pressures as a result of operating in a highly-competitive market.

The markets for our services are highly fragmented and we have a large number of competitors, resulting in a highly-competitive market and increasing the risk of adverse pricing pressures in various circumstances outside of our control, including economic downturns.

We are dependent on the markets utilizing printed materials in lieu of alternative media. If this changes we may be adversely affected.

In addition to traditional non-print based marketing and advertising channels, online distribution and hosting of media content may gain broad acceptance or preferred status relative to printed materials among consumers generally and have an adverse effect on our business. Consumer acceptance of electronic delivery as well as the extent that consumers may have previously replaced traditional reading of print material with online hosted media contents is uncertain. We have no ability to predict the likelihood that this may occur.

We may be adversely affected by regulatory and tax requirements.

We are subject to numerous rules and regulations, including, but not limited to, environmental and health and welfare benefit regulations as well as those associated with being a public company in addition to numerous federal, state, and local tax rules and regulations. These rules and regulations and associated interpretations may be changed by local, state or federal governments or agencies. Changes in these regulations may result in a significant increase in our compliance costs. Compliance with changes in rules and regulations could require increases to our workforce, increased cost for services, compensation and benefits, or investments in new or upgraded equipment. In addition, audits and examinations of prior years may result in liabilities and additional financial burdens.

We are highly dependent on information technology. If our systems fail or are unreliable, our operations may be adversely impacted.

The efficient operation of our business depends on our information technology infrastructure and our management information systems. In addition, production technology in the printing industry has continued to evolve specifically related to the pre-press component of production. We rely on our management information systems to effectively manage accounting and financial functions, job entry, tracking and cost accumulation and certain purchasing functions as well as fulfillment and inventory management including e-commerce activities. Our information technology infrastructure includes both third party solutions and applications designed and maintained internally. Since our Company operates on multiple platforms, the failure of our information technology infrastructure and/or our management information systems to perform could severely disrupt our business and adversely affect our results of operation. In addition, our information technology infrastructure and/or our management information systems are vulnerable to damage or interruption from natural or man-made disasters, terrorist attacks, computer viruses or hackers, power loss, or other computer systems, Internet telecommunications or data network failures. Any such interruption could adversely affect our business and results of operations.

Competition from alternative forms of media may impair our ability to achieve revenue growth.

Advertising produces the predominant share of our newspaper revenues. With the continued development of alternative forms of media, particularly those based on the Internet, our traditional print business faces increased competition. Alternative media sources also affect our ability to increase our circulation revenues. This competition could make it difficult for us to grow our advertising and circulation revenues, which we believe will challenge us to expand the contributions of our online business.

Changes in economic conditions in the markets we serve may produce volatility in demand for our products and services.

Our operating results depend on the relative strength of the economy in our principal newspaper market as well as the strength or weakness of national and regional economic factors. Continuing or deepening softness in the U.S. economy could significantly affect key national advertising and automotive advertising, as well as retail and classified employment revenue.

If there is a significant increase in the price of newsprint or a reduction in the availability of newsprint, our results of operations and financial condition may suffer.

Newsprint is the major component of our cost of raw materials associated with production of the newspaper. Accordingly, our earnings are sensitive to changes in newsprint prices. We have not attempted to hedge fluctuations in the normal purchases of newsprint or enter into contracts with embedded derivatives for the purchase of newsprint. If the price of newsprint increases materially, our operating results could be adversely affected. If our newsprint suppliers experience labor unrest, transportation difficulties or other supply disruptions, our ability to produce and deliver newspapers could be impaired and/or the cost of the newsprint could increase, both of which would negatively affect our operating results.

We may not be able to pay or maintain dividends and the failure to do so may negatively affect our share price.

We had historically paid regular quarterly dividends through the first quarter of 2009 to the holders of our common stock. Our ability to pay dividends, if any, will depend on, among other things, our cash flows, our cash requirements, our financial condition, the degree to which we are/or become leveraged, contractual restrictions binding on us, provisions of applicable law and other factors that our board of directors may deem relevant. There can be no assurance that we will generate sufficient cash from continuing operations in the future, or have sufficient surplus or net profits to pay dividends on our common stock. Our dividend policy is based upon our directors' current assessment of our business and the environment in which we operate and that assessment could change based on competitive or technological developments (which could, for example, increase our need for capital expenditures) or new growth opportunities. Our board of directors may, in its discretion, amend or repeal our dividend policy to decrease the level of dividends or entirely discontinue the payment of dividends. The reduction or elimination of dividends may negatively affect the market price of our common stock.

The Board of Directors suspended the Company's dividend during fiscal 2009. Any future dividends will be subject to the above mentioned factors and compliance provisions regarding dividend payments described further in the applicable credit agreements, between the Company and its lenders (See Note 3 to Consolidated Financial Statements).

Our newspaper business is subject to seasonal and other fluctuations, which affect our revenues and operating results.

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 also because of 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.

We could be adversely affected by declining newspaper circulation.

According to the Newspaper Association of America, overall daily newspaper circulation, including national and urban newspapers, has continued to decline. There can be no assurance that our circulation will not decline in the future. Further declines in circulation could impair our ability to maintain or increase our advertising prices, cause purchasers of advertising in our publications to reduce or discontinue those purchases and discourage potential new advertising customers which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We may incur Additional Non-Cash Impairment Charges

We have significant amounts of goodwill and identifiable intangible assets. In 2012, 2011 and 2009, we recorded substantial impairment charges to reduce the value of certain of these assets. Should general economic, market or business conditions decline further, and continue to have a negative impact on our stock price or projected future cash flows, we may be required to record additional impairment charges in the future. See Item 7, “Critical Accounting Policies Involving Significant Estimates”, included herein, for additional information on the risks associated with such assets.

Cyber security risks could harm our ability to operate effectively

In 2012, online revenue that is classified as advertising revenue made up approximately 7% of our newspaper segment. We use computers in substantially all aspects of our business operations. Such uses give rise to cyber security risks. We believe we have appropriate preventive systems and processes in place to protect against the risk of cyber-incidents. Prolonged system outages or a cyber-incident that would be undetected for an extended period could reduce our revenue, increase our operating costs, or disrupt our operations.

ITEM 2 - PROPERTIES

The Company conducts its operations primarily from fifteen (15) different physical locations, ten (10) of which are leased and five (5) of which are owned in fee simple by Company subsidiaries. The Company also owns three facilities which are classified as held for sale. The Company also leases other facilities primarily as sales and customer service locations which are not included as core operating facilities. The Company does not anticipate any issues regarding the renewal of certain leases when the terms expire. The properties leased and certain of the lease terms are set forth below and may be subject to periodic adjustments based on the consumer price index:

Property	Division Occupying Property	Square Feet	Annual Rental	Expiration Of Term
2450 1st Avenue Huntington, West Virginia (1)	Chapman Printing- Huntington	85,000	$116,400	2013
1945 5th Avenue Huntington, West Virginia (1)	Stationers	37,025	30,000	2013

Property	Division Occupying Property	Square Feet	Annual Rental	Expiration Of Term
615-619 4th Avenue Huntington, West Virginia (1)	Stationers	59,641	21,600	2013
405 Ann Street Parkersburg, West Virginia (1)	Chapman Printing - Parkersburg	36,614	57,600	2013
890 Russell Cave Road Lexington, Kentucky (1)	Chapman Printing - Lexington	20,135	57,600	2013
2800 Lynch Road Evansville, Indiana (1)	Smith & Butterfield	42,375	155,558	2014
1515 Central Parkway Cincinnati, Ohio (1)	The Merten Company	40,000	107,163	2013
3000 Washington Street Charleston, West Virginia (1)	Chapman Printing-Charleston	37,710	150,000	2014
953 Point Marion Road Morgantown, West Virginia (1)	Chapman Printing-Charleston	11,000	119,820	2017
120 Hills Plaza Charleston, West Virginia (3)	Champion Output Solutions	22,523	115,992	2014
Route 2 Industrial Lane Huntington, West Virginia (1)	The Herald-Dispatch	35,000	84,000	2013

(1) Lease is “triple net”, whereby the Company pays for all utilities, insurance, taxes, repairs and maintenance and all other costs associated with properties.

(2) Lease is gross to the extent it excludes taxes and insurance during the lease term.

(3) Lease is gross to the extent it excludes taxes and insurance during the initial lease term. The Company has renewal options through 2024 at various rates and the lease essentially converts to a triple net lease in the renewal period. The Company has entered into a sublease agreement commencing January 2007 through June 30, 2011, at an annual sublease of $44,370, representing approximately 8,500 square feet.

The Chapman Printing Charleston operation previously conducted business from a single story masonry building of approximately 21,360 square feet owned by the Company at 1563 Hansford Street, Charleston, West Virginia. This building is currently utilized for overflow storage and certain warehousing.

The Bourque Printing subsidiary owns, and operates from, a single-story building of approximately 42,693 square feet at 10848 Airline Highway, Baton Rouge, Louisiana. The Company also owns a warehouse and storage facility of approximately 18,501 square feet at 13112 South Choctaw Drive, Baton Rouge, Louisiana.

Stationers' Clarksburg operation is conducted from a single-story masonry building of approximately 20,800 square feet owned by the Company at 700 N. Fourth Street, Clarksburg, West Virginia.

Donihe owns, and operates from, a single-story steel building of approximately 38,500 square feet situated on roughly 14.5 acres at 766 Brookside Drive, Kingsport, Tennessee, which was sold December 17, 2012.

Blue Ridge owns, and operates from, a two-story masonry and steel building of approximately 28,000 square feet and a contiguous 1,692 square foot former residential structure at 544 and 560 Haywood Road, Asheville, North Carolina.

The Capitol subsidiary of Stationers owns and operates from a 22,000 square foot building at 711 Indiana Avenue, Charleston, West Virginia.

The Herald-Dispatch owns and operates from a five-story masonry building of approximately 65,000 square feet at 946 5th Avenue, Huntington, West Virginia.

The Company continually reviews its production facilities and has and continues to consolidate facilities as deemed economically feasible. The Company believes its production facilities are suitable and adequate to meet current production needs.

ITEM 3 - LEGAL PROCEEDINGS

The Company is subject to various claims and legal actions 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.

ITEM 4 - RESERVED

PART II

ITEM 5 - 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 2012		Fiscal Year 2011	
	High	Low	High	Low
First quarter	$1.04	$0.73	$2.00	$1.10
Second quarter	0.99	0.60	2.22	1.58
Third quarter	0.97	0.18	1.58	1.21
Fourth quarter	0.35	0.20	1.44	1.10

At the close of business on January 9, 2013, there were 356 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 Year 2013	Fiscal Year 2012	Fiscal Year 2011
First quarter	$ -	$ -	$ -
Second quarter	-	-	-
Third quarter	-	-	-
Fourth quarter	-	-	-

ITEM 6 - SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2012, 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,				
	2012(4)	**2011(3)**	**2010(2)**	**2009 (1)**	**2008 (Restated)**
	(In thousands, except share and per share data)				
OPERATING STATEMENT DATA:					
Revenues:					
Printing	$ 55,447	$ 55,377	$ 57,405	$ 62,493	$ 72,301
Office products and office furniture	34,975	34,546	33,438	35,875	41,540
Newspaper	13,992	14,589	15,333	16,303	18,819
Total revenues	104,414	104,512	106,176	114,671	132,660
Cost of sales & newspaper operating costs:					
Printing	40,369	40,536	41,320	46,361	50,385
Office products and office furniture	24,936	24,521	23,633	24,859	28,457
Newspaper cost of sales & operating costs	8,167	8,255	8,107	8,610	9,338
Total cost of sales & newspaper operating costs	73,472	73,312	73,060	79,830	88,180
Gross profit	30,942	31,200	33,116	34,841	44,480
Selling, general and administrative expense	28,441	26,276	26,815	31,480	33,006
Restructurings / asset impairments costs	11,426	9,369	1,641	41,295	(33)
(Loss) income from operations	(8,925)	(4,445)	4,660	(37,934)	11,507
Other income (expense):					
Interest income	-	-	-	3	66
Interest expense - related party	(58)	(65)	(82)	-	-
Interest expense	(3,739)	(3,553)	(5,060)	(4,894)	(5,449)
Gain on early extinguishment of debt to a related party	-	1,338	-	-	-
Other income (expense)	(13)	50	952	(513)	24
(Loss) income before income taxes	(12,735)	(6,675)	470	(43,338)	6,148
Income tax (expense) benefit	(10,813)	2,449	(273)	15,773	(2,012)
(Loss) income from continuing operations	(23,548)	(4,226)	197	(27,565)	4,136
Income from discontinued operations	635	250	291	44	522
Net (loss) income	$ (22,913)	$ (3,976)	$ 488	$ (27,521)	$ 4,658
(Loss) earnings per share:					
Basic					
Continuing operations	$ (2.09)	$ (0.41)	$ 0.02	$ (2.76)	$ 0.42
Discontinued operations	0.06	0.03	0.03	-	0.05
	$ (2.03)	$ (0.38)	$ 0.05	$ (2.76)	$ 0.47
Diluted					
Continuing operations	$ (2.09)	$ (0.41)	$ 0.02	$ (2.76)	$ 0.41
Discontinued operations	0.06	0.03	0.03	-	0.05
	$ (2.03)	$ (0.38)	$ 0.05	$ (2.76)	$ 0.46

	Year Ended October 31,				
	2012	2011	2010	2009	2008 (Restated)
	(In thousands, except shares and per share data)				
Dividends per share	$ -	$ -	$ -	$ 0.06	$ 0.24
Weighted average common shares outstanding:					
Basic	11,300,000	10,362,000	9,988,000	9,988,000	9,986,000
Diluted	11,300,000	10,362,000	9,988,000	9,988,000	10,024,000

(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 $(15.6) 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. (inclusive of discontinued operations)

	At October 31,				
	2012	2011	2010 (Restated)	2009 (Restated)	2008 (Restated)
			(in thousands)		
BALANCE SHEET DATA:					
Cash and cash equivalents/negative book cash balances	$ 1,845	$ (1,154)	$ (1,014)	$ 1,159	$ (987)
Working capital (1)	(23,566)	(31,538)	12,822	(42,907)	20,039
Total assets	47,967	82,024	92,453	101,241	141,498
Long-term debt (net of current portion) (2)	2,652	431	47,582	918	61,615
Shareholders' equity	(1,377)	20,928	23,094	22,606	50,168

(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.

(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 $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. In 2008 and 2010 net of debt allocated to discontinued operations/assets held for sale.

ITEM 7 - 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 23,000 and 28,000 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. As a result of various provisions of the Company's applicable Credit Agreements and as a result of the impact global economic crisis, 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. 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.

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 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: 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.

Cash Flow restatement: The Company has restated the Consolidated Statements of Cash Flows for 2011 and 2010 to reflect $621,000, and $459,000 of vehicle purchases as cash activities that were previously classified as non-cash activities.

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 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 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 because the impact of recognizing impairment could have a significant effect on operations. Management's assumptions about future cash flows require 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 this management, discussion and analysis (MD&A).

In accordance with GAAP, a two-step impairment test is performed on goodwill. In the first step, a comparison is made of the estimated fair value of a reporting unit to its carrying value. If the carrying value of a reporting unit exceeds the estimated fair value, the second step of the impairment test is required.

The Company determined that it should perform impairment testing of goodwill and intangible assets during the fourth quarter of 2012, 2011 and 2010, due, in part, to declines in our stock price, increased volatility in operating results and declines in market transactions in the industry and for goodwill and non-amortizing intangible assets as part of our annual impairment test. The valuation methodology utilized to estimate the fair value of the newspaper operating segment was based on both the market and income approach. (see interim testing discussion above) The Company then undertook the next step in the impairment testing process by determining the fair value of assets and liabilities within this reporting unit. The implied fair values of goodwill and other intangibles for this reporting unit was less than their carrying amounts based on the analysis by the Company and with assistance of a third party valuation specialist, and therefore an impairment charge was taken. 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. 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.

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 2012, 2011 and 2010, 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, 2011 and 2010. As a result, no additional testing or impairment charges were necessary.

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 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 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. 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.

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. 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 $665,000 and $614,000 at October 31, 2012 and 2011. 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 and in newspaper cost of sales and operating costs, of the newspaper segment. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2012, 2011, and 2010 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. 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.

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 2012, 2011 and 2010, $729,000, $283,000, and $304,000 of bad debt expense was incurred and the allowance for doubtful accounts was $1,157,000, $643,000, and $988,000 of October 31, 2012, 2011 and 2010. The actual write-offs for the periods were $214,000, $628,000, and $344,000 during 2012, 2011 and 2010. 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.

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)					
	2012		2011		2010	
Revenues:						
Printing	$ **55,447**	**53.1%**	$ 55,377	53.0%	$ 57,405	54.1%
Office products and office furniture	**34,975**	**33.5**	34,546	33.1	33,438	31.5
Newspaper	**13,992**	**13.4**	14,589	13.9	15,333	14.4
Total revenues	**104,414**	**100.0**	104,512	100.0	106,176	100.0
Cost of sales & newspaper operating costs:						
Printing	**40,369**	**38.7**	40,536	38.7	41,320	38.9
Office products and office furniture	**24,936**	**23.9**	24,521	23.5	23,633	22.3
Newspaper cost of sales & operating costs	**8,167**	**7.8**	8,255	7.9	8,107	7.6
Total cost of sales & newspaper operating costs	**73,472**	**70.4**	73,312	70.1	73,060	68.8
Gross profit	**30,942**	**29.6**	31,200	29.9	33,116	31.2
Selling, general and administrative expenses	**28,441**	**27.2**	26,276	25.1	26,815	25.3
Restructuring / asset impairment costs	**11,426**	**10.9**	9,369	9.0	1,641	1.5
(Loss) income from operations	**(8,925)**	**(8.5)**	(4,445)	(4.2)	4,660	4.4
Other income (expense):						
Interest expense - related party	**(58)**	**(0.1)**	(65)	(0.1)	(82)	(0.1)
Interest expense	**(3,739)**	**(3.5)**	(3,553)	(3.4)	(5,060)	(4.8)
Gain on early extinguishment of debt from a related party	**-**	**-**	1,338	1.3	-	-
Other (loss) income	**(13)**	**(0.0)**	50	0.0	952	0.9
(Loss) income before income taxes	**(12,735)**	**(12.1)**	(6,675)	(6.4)	470	0.4
Income tax (expense) benefit	**(10,813)**	**(10.4)**	2,449	2.3	(273)	(0.2)
(Loss) income from continuing operations	**(23,548)**	**(22.5)**	(4,226)	(4.1)	197	0.2
Income from discontinued operations	**635**	**0.6**	250	0.3	291	0.3
Net (loss) income	$ **(22,913)**	**(21.9)%**	$ (3,976)	(3.8)%	$ 488	0.5%

Year Ended October 31, 2012 Compared to Year Ended October 31, 2011

Revenues

Consolidated net revenues were $104.4 million for the year ended October 31, 2012 compared to $104.5 million in the prior fiscal year. This change represents a decrease in revenues of approximately $0.1 million. Printing revenues increased by $0.1 million from $55.4 million in 2011 to $55.4 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. In 2012, newspaper revenues were composed of approximately $10.8 million in advertising revenue and $3.2 million in circulation revenue compared to the same period in 2011, in which the newspaper revenues were composed of approximately $11.2 million in advertising revenue and $3.4 million in circulation revenues. Newspaper revenues decreased $0.6 million or 4.1% in fiscal 2012 compared with fiscal 2011. 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, 2012 was $73.5 million, compared to $73.3 million in the previous year. This change represented an increase of $0.2 million, or 0.2%, in cost of sales. Printing cost of sales decreased $0.2 million to $40.4 million in 2012 compared to $40.5 million in 2011. Printing cost of sales as a percentage of printing sales decreased to 72.8% as a percent of printing sales in 2012 from 73.2% in 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 attributable to an increase in office products and office furniture sales. Office products and office furniture cost of sales as a percent of office products and office furniture sales increased slightly in 2012 from 71.0% in 2011 to 71.3% in 2012. Newspaper cost of sales and operating costs decreased $0.1 million to $8.2 million in 2012 from $8.3 million in 2011. Newspaper cost of sales and operating costs as a percentage of newspaper sales were 58.4% in 2012 and 56.6% in 2011. The primary contributor to the increase was higher newsprint, ink and distribution costs as a percent of sales in 2012 compared to 2011.

.<u>Operating Expenses and Income</u>

Selling, general and administrative (S,G&A) expenses increased $2.2 million to $28.4 million in 2012 from $26.3 million in 2011. S,G&A as a percentage of net sales represented 27.2% of net sales in 2012 and 25.1% of net sales in 2011. The increase in SG&A in total and as a percent of sales was primarily reflective of increased professional fees resulting in part from provisions related to the Limited Forbearance Agreement, the Forbearance Agreement, the September Forbearance Agreement and the First Amended and Restated Credit Agreement (see Note 3 of the Consolidated Financial Statements) of approximately $2.0 million in 2012 compared to $0.1 million in 2011. The Company's selling, general and administrative expenses also increased as a result of legal fees incurred to defend the Company in various legal actions and legal expenses incurred by the Company to effectuate various credit actions including the Revised Credit and Forbearance Agreements. These amounts approximated $0.5 million in 2012 and $0.1 million in 2011. Bad debt expense increased approximately $0.4 million from 2011 levels primarily associated with specific accounts within one operating division of the printing segment, incurred in the second quarter of 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 as a result of this transaction analysis. 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.

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 valuation methodology utilized 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 and 2011. Therefore, there were no impairment indicators identified by the Company to proceed to step two of the impairment test.

In 2011, the Company recorded charges related to a restructuring and profitability enhancement plan of approximately $0.6 million. This plan was implemented to effectuate certain key initiatives and was a key provision to the Second Amendment to the Credit Agreement among the Company and its Lenders. These actions were taken to comply with the provisions and targeted covenants of the Second Agreement to the Credit Agreement and to address the impact of the global economic crisis on the Company. The charges incurred in 2011 also related to revisions in targeted cash flows related to sublease rentals and revised estimates of remaining facility related costs. The Company believes the economic environment has contributed to the inability to achieve sublease rentals as originally forecasted. The Company incurred these additional charges related to revised estimates for aggregate facility exposure costs including rent, taxes, insurance and maintenance related costs. The aggregate charges associated with this restructuring adjustment totaled approximately $0.6 million in 2011. The costs primarily related to excess facility and maintenance costs primarily associated with operating leases, inventory costs and costs associated with streamlining production and personnel. The Company incurred $48,000 in 2012 associated with efforts 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 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 provisions of the Restated Credit Agreement. The Company incurred approximately $53,000 in costs in the first quarter of 2013 for severance and employee related costs at the Company's Donihe Graphics subsidiary. The amount of future charges beyond the $53,000 incurred at Donihe Graphics is currently not estimable by the Company.

The implementation of the restructuring and profitability enhancement plan should not have a material impact on the Company's future liquidity position. 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 the cost of sales and aggregated approximately $30,000 for 2011.

The Company also incurred asset impairment charges in 2012 and 2011 in the printing segment from property, plant and equipment. The 2011 charges were related to a specialized printing press of approximately $109,000 on a pre-tax basis, related to a final determination of a remote likelihood of future functionality and market utilization of this press's capability. The 2012 charges are associated with certain long-lived assets held for sale at the Merten Company in Cincinnati, Ohio. The Company recorded impairment charge in 2012 of $309,000 associated with this equipment. The Company also incurred in 2012, $48,000 of severance and other employee related costs at the Merten Company.

<u>Segment Operating Income (loss)</u>

The printing segment reported an operating loss of $(1.8) million for 2012 and $(0.5) million in 2011. The increase in operating loss was primarily attributable to higher SG&A expenses which were primarily reflective of increased 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) 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.

The newspaper segment reported an operating loss of $(9.0) million in 2012 compared to an operating loss of $(6.3) million, in 2011. The increase in newspaper operating loss was primarily attributable to a pre-tax impairment charge associated with goodwill and other intangible assets aggregating $(11.1) million in 2012 and $(8.7) million in 2011. The results also reflected a 4.1% decrease in newspaper revenue. The newspaper revenue reduction was primarily attributable to a reduction in advertising revenues, primarily related to retail accounts.

Other Income (Expense)

Other expense increased approximately $1.6 million from $2.2 million in 2011 to $3.8 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 a negative (84.9%) and a benefit of 36.7%. 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 $0.4 million in the third and fourth quarters of 2012. The 2012 tax rate was also impacted by a tax benefit from continuing operations resulting from interim implications of intraperiod tax allocations for discontinued operations when there is a loss from continuing operations to maintain Financial Statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis. 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 in addition the Company recorded a tax benefit resulting from the application of certain provisions of ASC 740 to maintain financial statement neutrality and recognize the tax components between continuing operations and discontinued operations on a discrete basis of $0.5 million and $0.2 million in 2012 and 2011.

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 is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. 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.

Net (Loss) (Continuing Operations)

For the reasons set forth above, the Company recorded a net loss from continuing operations of $(23.5) million in 2012 compared to a net loss from continuing operations of $(4.2) million in 2011.

Discontinued Operations

The net income from discontinued operations of $0.6 million for the year ended October 31, 2012 is primarily attributable to a pre-tax gain recorded as a result of the sale of CGC to Safeguard of approximately $1.6 million. The Company reported net income from discontinued operations for the year ended October 31, 2011 of approximately $0.2 million. 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 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.

Earnings from discontinued operations on a pre-tax basis before gain on sale of discontinued operations decreased from $0.4 million in 2011 to a loss of $(0.4) million in 2012. This resulted primarily from a sales reduction of $7.4 million or 31.2% primarily as a result of the CGC sale effective date of July 2, 2012 thus representing approximately four months less sales in 2012 when compared to 2011 for the CGC division.

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.

Year Ended October 31, 2011 Compared to Year Ended October 31, 2010

Revenues

Consolidated net revenues were $104.5 million for the year ended October 31, 2011 compared to $106.2 million in the prior fiscal year. This change represents a decrease in revenues of approximately $1.7 million, or 1.6%. Printing revenues decreased by $2.0 million or 3.5% from $57.4 million in 2010 to $55.4 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 $3.4 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 $3.6 million in circulation revenues. Newspaper revenues decreased $0.7 million or 4.8% 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 $73.3 million, compared to $73.1 million in the previous year. This change represented an increase of $0.3 million, or 0.3%, in cost of sales. Printing cost of sales decreased $0.8 million to $40.5 million in 2011 compared to $41.3 million in 2010. Printing cost of sales as a percentage of printing sales increased to 73.2% as a percent of printing sales in 2011 from 72.0% 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 $0.1 million to $8.3 million in 2011 from $8.1 million in 2010. Newspaper cost of sales and operating costs as a percentage of newspaper sales were 56.6% in 2011 and 52.9% 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 $0.5 million to $26.3 million in 2011 from $26.8 million in 2010. S,G&A as a percentage of net sales represented 25.1% of net sales in 2011 and 25.3% of net sales in 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 valuation methodology utilized to estimate the fair value of the printing, and office products and office furniture operating segment was analyzed by the Company with assistance from the 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. Therefore, there were no impairment indicators identified by the Company to proceed to step two of the impairment test.

In 2011 and 2010, the Company recorded charges related to a restructuring and profitability enhancement plan of approximately $0.6 million and $1.8 million. This plan was implemented to effectuate certain key initiatives and was a key provision to the Second Amendment to the Credit Agreement among the Company and its Lenders. These actions were taken to comply with the provisions and targeted covenants of the Second Agreement to the Credit Agreement and to address the impact of the global economic crisis on the Company. The charges incurred in 2011 also related to revisions in targeted cash flows related to sublease rentals and revised estimates of remaining facility related costs. The Company believes the economic environment has contributed to the inability to achieve sublease rentals as originally forecasted. The Company incurred these additional charges related to revised estimates for aggregate facility exposure costs including rent, taxes, insurance and maintenance related costs. The aggregate charges associated with this restructuring adjustment totaled approximately $0.6 million in 2011. The costs primarily related to excess facility and maintenance costs primarily associated with operating leases, inventory costs and costs associated with streamlining production and personnel. 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 provisions of the Limited Forbearance Agreement. The amount of future charges is currently not estimable by the Company.

The implementation of the restructuring and profitability enhancement plan should not have a material impact on the Company's future liquidity position. 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 the cost of sales and aggregated approximately $30,000 and $0.2 million for 2011 and 2010.

The Company also incurred asset impairment charges in 2011 in the printing segment from property, plant and equipment related to a specialized printing press of approximately $109,000, or $66,000 net of tax or $0.01 per share on a basic and diluted basis, related to a final determination of a remote likelihood of future functionality and market utilization of this press's capability.

Segment Operating Income (loss)

The printing segment reported an operating loss of $(0.5) million for 2011 compared to $(0.6) million in 2010. These results were also reflective of a reduction of approximately $1.2 million in restructuring costs in 2011 from 2010 levels. Total SG&A decreased $0.5 million. Of the total SG&A reductions, approximately $0.3 million of those reductions were attributable to the printing segment. These cost reductions were partially offset by lower printing sales and lower gross profit margins.

The office products and office furniture segment reported operating profits of $2.4 million, in 2011, compared to $2.1 million, in 2010. This represented an increase in profitability of $0.3 million or 16.6%. This increase is primarily the result of an increase in gross margin dollar contribution due to higher sales and a decrease in SG&A expenses partially offset by a lower gross profit percent.

The newspaper segment reported a reduction in operating income from $3.2 million, in 2010, to an operating loss of $(6.3) million, in 2011. The decrease in newspaper operating profit was primarily attributable to a pre-tax impairment charge associated with goodwill and other intangible assets aggregating $8.7 million. The results also reflected 4.8% decrease in newspaper revenue. The newspaper revenue reduction was primarily attributable to a reduction in advertising revenues, primarily related to retail accounts.

Other Income (Expense)

Other expense decreased approximately $2.0 million from $4.2 million in 2010 to $2.2 million in 2011. The Company recorded other income in the first quarter of 2010 resulting from an interest rate swap agreement, in the amount of $0.2 million, net of tax, due to ineffectiveness in a cash flow hedge. 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.

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 36.7% in 2011 compared with an expense of (58.0 %) 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 (Continuing Operations)

For the reasons set forth above, the Company recorded a net loss from continuing operations of $(4.2) million in 2011 compared with net income from continuing operations of $0.2 million in 2010.

Discontinued operations

Net income from discontinued operations was $250,282 in 2011 compared to $291,215 in 2010. This decrease was primarily driven by a loss at Donihe in 2011 compared to income at Donihe in 2010, partially offset by an increase in income at CGC.

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 newspaper and 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 has 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 has 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 has paid approximately $49.6 million in principal through December 31, 2012. Thus, the Company has demonstrated the ability to generate cash flow and has continued to service its debt commitments under the most difficult conditions in recent history.

The Company is currently operating under the provisions of a Restated Credit Agreement as defined herein which expires June 30, 2013. The Restated Credit Agreement requires the Company to achieve a multitude of targeted goals and covenants to remain in compliance. Many of these requirements are 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 June 30, 2013 contractual maturity date. The Company currently believes there is a reasonable possibility of a default under its Restated Credit Agreement prior to contractual maturity and perhaps on or before March 31, 2013 due in part to substantial challenges to achieve compliance with all of the requirements under the Restated Credit Agreement and the current status of the numerous initiatives being pursued by the Company. As a result of our current credit situation there is significant uncertainty about our ability to operate as a going concern. In recent years, the Company has continued to operate for extended periods both in default and under forbearance agreements as it navigates 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 and newspaper segments, 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 secured lenders have expressed a desire to have lower leverage associated with various earnings measures related to funded indebtedness. 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.

The Company is unable to definitively predict the course of action which the Company's secured lenders will take to address its pending maturities. This is due in part to the fact the Company's secured lenders are composed of six different lenders who may have different agendas, metrics and requirements and as such there may be in certain cases six different points of view as to the direction of the Company's credit. The Company is able to affirmatively state that it has: (1) made every scheduled payment of principal and interest pursuant to applicable agreements in place from time to time; (2) exhibited an ability to operate under difficult credit environments and shown a history of negotiating mutually acceptable resolutions to the Credit Agreement in recent years; (3) shown an ability to maintain positive cash flow from operating activities in recent years; (4) shown an ability to scale down its operating model to adapt to a changing economic landscape; (5) shown an ability to implement its plans and initiatives and to receive guidance from nationally recognized advisors; (6) received $5.5 million in funds from the Company's CEO; (7) implemented substantial cost savings initiatives, including but not limited to facility consolidations, personnel reductions, employee benefit reductions and numerous other cost savings initiatives. In short, the Company believes it has exhibited numerous positive attributes and resilience in working through these difficult conditions.

In the event the Company's secured lenders determine that they will not renew or extend the Company's Credit Agreement under terms that are mutually acceptable to the Lenders and the Company, then the secured lenders under the provisions of the Restated Credit Agreement would have the right to enforce their liens, which could result in a sale of the Company's assets, including a liquidation or change in control of the Company. The Company believes that due to the fact that its operations and prospects are dependent in a large part on the continued efforts of Marshall T. Reynolds, a sale of such assets in whole or in part may not yield a full return of the debt principal to the secured lenders due to the cash flow nature of the loan from inception to date. The Company is working in good faith with its investment bankers to identify reasonably acceptable options and alternatives that include transaction alternatives, which would make reasonable sense for all parties. These alternatives include various restructuring initiatives including asset, segment, division and subsidiary sales as well as a sale of the Company in whole or in part, debt refinancing initiatives and other capitalization options. If the secured lenders ultimately feel that they could maximize their returns by foreclosing on the Company's assets, which the Company does not believe have adequate collateral coverage, then it would be the prerogative of the secured lenders to do so, in the event the Company is unable to identify an alternative financing source or other solution acceptable to the secured lenders, which may be challenging in the current economic climate. The Company issued to the secured lenders warrants to purchase common stock as a result of the Restated Credit Agreement and additional shareholder dilution is possible in the event the Company is able to identify a longer term financing solution with its current lenders or a new lender. The Company ultimately believes the best course of action is for the Company to continue to negotiate in good faith with the secured lenders and work with its external advisory group to define a path to deleverage the Company in a prudent, deliberate fashion while serving its core customer base and striving to the best of its ability to assure that all obligations are satisfied to both secured and unsecured creditors.

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 challenges for fiscal 2013 and beyond. The liquidity factors we face include:

· Implementation of a restructuring and profitability plan to rationalize and improve our cost and operating structure.
· Identify assets which can be strategically sold to improve our overall credit metrics. This may include real estate and other asset sales or segment and division sales or a sale of the Company as a whole.
· 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 and borrowing base requirements to maximize liquidity.
· Carefully monitor capital expenditures to assure cash flow is maximized.
· 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 in June of 2013 or earlier if the Company is unable to maintain compliance with all covenants, some of which are beyond the control of the Company.
· The Company achieved its first Bullet payment threshold as required prior to December 31, 2012 in the amount of $1.9 million of which $650,000 was paid prior to October 31, 2012. The Company is diligently working with Raymond James to identify funding mechanisms to achieve the remaining $2.1 million payment due March 31, 2013. The Company is currently unable to predict the likelihood of achieving this payment requirement.

As of October 31, 2012, the Company had a $1.8 million book cash balance, compared with the prior year when the Company had a $1.2 million negative book cash balance. Working capital as of October 31, 2012 was $(23.6) million, and $(31.5) million at October 31, 2011. The change in working capital is primarily associated with a reduction in debt due to a combination of amortization payments, payments from a Contribution Agreement with the Company's CEO and payments from the sale of a division.

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 based on available liquidity. The Company has available a line of credit totaling up to $10.0 million ($8.4 million outstanding at October 31, 2012) 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 Restated Credit Agreement (See Note 3 of the Consolidated Financial Statements). For the foreseeable future, including through Fiscal 2013, 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 credit facility which matures in June 2013

The Company has engaged the investment banking group of Raymond James & Associates, Inc. (Raymond James) to assist it with a potential restructuring or refinancing of the existing debt and other potential transaction alternatives. Pursuant to the terms of the Limited Forbearance Agreement, the Company also engaged a Chief Restructuring Advisor to work with the Company, Raymond James, the Administrative Agent and syndicate of banks to address various factors and initiatives as further defined in the Restated Credit Agreement, including the expiration of the Company's Credit Facilities in June of 2013. The Company continues to have ongoing dialogue with the Administrative Agent and the syndicate of banks with respect to its credit facilities. At October 31, 2012, a total of $37.8 million of current and long-term debt and outstanding revolving line of credit borrowings are subject to accelerated maturity in the event of default under the Restated Credit Agreement. The Company was in compliance with applicable covenants at October 31, 2012.

The Company may incur costs in 2013 related to facility consolidations, employee termination costs and other restructuring related activities. These costs may be incurred, in part, as a response to the Company's efforts to overcome the impact of the global economic crisis, and may occur pursuant to certain initiatives being reviewed in accordance with the provisions of the Restated Credit Agreement.

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 lenders 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 has various milestone dates, which may reduce the number of warrants outstanding upon satisfaction of certain conditions. The Company is working with its outside advisors regarding these items but is unable to predict the outcomes or likelihood of success regarding the achievement of such milestones. 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

The Company had borrowed under its $10.0 million line of credit approximately $8.4 million at October 31, 2012 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 Restated Credit Agreement, the Company's borrowing base certificate as submitted to the Administrative Agent reflected minimum excess availability of $2.0 million as of October 31, 2012. The minimum excess availability is subject to a $1,000,000 reserve and may be adjusted by the Administrative Agent.

As of October 31, 2012 the Company had contractual obligations in the form of leases and debt as follows:

	Payments Due by Fiscal Year						
Contractual Obligations	**2013**	**2014**	**2015**	**2016**	**2017**	**Residual**	**Total**
Non-cancelable operating leases	$ 1,036,560	$ 600,904	$ 165,124	$ 162,837	$ 97,307	$ -	$ 2,062,732
Revolving line of credit	8,425,496	-	-	-	-	-	8,425,496
Term debt	29,998,791	99,291	-	-	-	-	30,098,082
Capital lease obligations	13,014	13,817	15,932	15,652	7,304	-	65,719
Debt discounts	(1,287,527)	-	-	-	-	-	(1,287,527)
Notes payable - related party	-	2,500,000	-	-	-	-	2,500,000
	$ 38,186,334	$ 3,214,012	$ 181,056	$ 178,489	$ 104,611	$ -	$41,864,502

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, 2012. 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.

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 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 has no prepayment obligation due January 31, 2013 or in 2012 pursuant to the calculations of the applicable credit agreements.

Cash Flows from Operating Activities (continuing operations)

Cash flows from operating activities for the years ended October 31, 2012, 2011 and 2010 were $7.8 million, $6.4 million, and $7.2 million. The increase in cash flows from operating activities for fiscal 2012 compared to 2011 was primarily associated with timing changes in assets and liabilities. 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 impairment costs, and deferred tax asset valuation allowance associated primarily with the acquisition of the Herald-Dispatch had no impact on cash flows from operating activities.

Cash Flows from Investing Activities (continuing operations)

Cash provided by (used in) investing activities were $(0.5) million, $(1.0) million, and $(0.8) million for the years ended October 31, 2012, 2011 and 2010. Cash flows used in investing activities decreased in 2012 from 2011 due to a decrease in purchases of property and equipment. The cash used in investing activities in 2011 and 2010 was primarily related to purchases of property and equipment.

Cash Flows from Financing Activities (continuing operations)

Net cash flows used in financing activities for the years ended October 31, 2012, 2011 and 2010 were $(5.6) million, $(5.9) million, and $(8.3) million. During 2012, 2011, and 2010, the Company reduced net borrowings of term debt and revolving line of credit by $4.0 million, $6.0 million and $8.9 million. The remaining activity in 2012 and 2010 was associated with various fees paid for credit related agreements and in, 2012, 2011 and 2010 for changes in negative book cash balances. In 2010 and 2012, the Company also paid down syndicated term debt with proceeds of $3.0 million and $2.5 million from issuing subordinated debt to a related party.

Cash Flows from Discontinued Operations

The Company has reported cash flows from discontinued operations as discrete single items of operating, investing and financing activities. The Company believes the resulting effect of these transactions should improve overall credit metrics. However, the allocation of proceeds may negatively impact overall liquidity due primarily to a reduction in borrowing base capacity.

Net cash provided by operating activities of discontinued operations were $0.2 million, $0.6 million and $0.7 million in 2012, 2011, and 2010. The reduction in 2012 was primarily attributable to a reduction in earnings at Donihe and CGC driven in part by only a partial year of CGC results reported in 2012 due to the sale of the division.

Net cash provided by (used in) investing activities of discontinued operations were $3.7 million, $(0.2) million and $(41,000) in 2012, 2011, and 2010. In 2012, the Company sold its CGC operating division for $3,750,000, the proceeds of which were used to pay debt.

Net cash used in financing activities of discontinued operations were $3,750,000, $0, and $0 for 2012, 2011, and 2010. The net cash used in financing activities represented debt payments from the sale of CGC.

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.

NEWLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of October 31, 2012, the FASB has issued ASU's 2009-01 through 2012- 07. 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.

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement ("ASU 2011-04"), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The Company applied this standard in the second quarter of fiscal 2012, and it had no material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued 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" deferred the adoption of presentation of reclassification items out of accumulated other comprehensive income. The Company is expected to adopt the new guidance on ASU 2011-05 beginning November 1, 2012, and the adoption of the new guidance is not expected to impact the Company's 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. The Company will consider the applicability of the new guidance beginning November 1, 2012, and the adoption of the new guidance is not expected to impact the Company's financial position, results of operations 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. The Company will consider the applicability of the new guidance beginning November 1, 2012, and any adoption of the new guidance is not expected to impact the Company's financial position, results of operations or cash flows, other than related disclosures.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not have any significant exposure relating to market risk. Market risk is generally defined as loss risk exposure from financial instruments as a result of movements in interest rates, foreign currency rates and commodity prices. As of October 31, 2012, the Company did not hold or utilize derivative financial instruments to manage market risk that could expose the Company to other market risk. The debt the Company holds is variable rate debt and therefore the interest expense would fluctuate based on interest rate volatility.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this Item are contained in the financial statements and footnotes thereto included in Item 15 and listed in the index on page F-1 of this report.

ITEM 9A - CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Company management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-15c as of the end of the period covered by this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion.

b) Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has used the framework set forth in the report entitled "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year.

There were no changes in internal controls over financial reporting during the fourth fiscal quarter that have materially affected or are reasonably likely to materially affect the company's internal controls over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

/s/Marshall T. Reynolds
Marshall T. Reynolds
Chairman and Chief Executive Officer

/s/Todd R. Fry
Todd R. Fry
Senior Vice President and Chief Financial Officer

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to the directors and corporate governance of the Company is contained under the captions “Election of Directors”, “Meetings, Committees and Attendance”, “Section 16a Beneficial Ownership Reporting Compliance” and “Code of Ethics” in the Company’s definitive Proxy Statement, expected to be dated February 15, 2013, with respect to the Annual Meeting of Shareholders to be held on March 18, 2013, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference. Certain information concerning executive officers of the Company appears in “EXECUTIVE OFFICERS OF CHAMPION” at Part I of this report.

ITEM 11 - EXECUTIVE COMPENSATION

The information called for by this Item is contained under the captions "Executive Compensation" including "Compensation Discussion and Analysis", "Compensation Committee Report", "Summary Compensation Table", "Outstanding Equity Awards at Fiscal Year End" and "Director Compensation" in the Company’s definitive Proxy Statement, expected to be dated February 15, 2013, with respect to the Annual Meeting of Shareholders to be held on March 18, 2013, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this Item is contained under the captions “Equity Compensation Plan Information” and “Ownership of Shares” in the Company’s definitive Proxy Statement, expected to be dated February 15, 2013, with respect to the Annual Meeting of Shareholders to be held on March 18, 2013, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this Item is contained under the captions “Transactions with Directors, Officers and Principal Shareholders” and "Meetings, Committees and Attendance" in the Company’s definitive Proxy Statement, expected to be dated February 15, 2013, with respect to the Annual Meeting of Shareholders to be held on March 18, 2013, which will be filed pursuant to regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item is contained under the caption “Independent Auditors” in the Company’s definitive Proxy Statement, expected to be dated February 15, 2013, with respect to the Annual Meeting of Shareholders to be held on March 18, 2013, which will be filed pursuant to regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2)

The Consolidated Financial Statements and Schedule, required by Item 8, are listed on the index on page F-1 and included as part of Item 15.

All other Schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. EXHIBITS

(2)		Plan of Acquisition	Stock Purchase Agreement between Company and William G. Williams, Jr., sole shareholder of Syscan Corporation, dated September 7, 2004, filed as Exhibit 2.1 to Form 8-K dated September 7, 2004, filed September 10, 2004, is incorporated herein by reference.
(3)	3.1	Articles of Incorporation	Articles of Amendment to Articles of Incorporation dated December 7, 2012
	3.2	Articles of Incorporation of Registrant	(Reflecting amendments through December 7, 2012) [For SEC reporting compliance purposes only - not filed with West Virginia Secretary of State].
	3.3	By Laws	Filed as Exhibit 3.2 to Form 10-K dated January 21, 2008, filed on January 25, 2008, incorporated herein by reference.
(4)		Instruments defining the rights of security holders, including debentures.	See Exhibit 3.2 above.
	4.1	Specimen Warrant Certificate	
(10)		Material Contracts	Realty Lease dated January 28, 1993, between ADJ Corp. and Company regarding 2450 1st Avenue, Huntington, West Virginia, filed as Exhibit 10.1 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Realty Lease dated January 28, 1993, between The Harrah and Reynolds Corporation and Company regarding 615 4th Avenue, Huntington, West Virginia, filed as Exhibit 10.2 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Realty Lease dated January 28, 1993, between ADJ Corp. and Company regarding 617-619 4th Avenue, Huntington, West Virginia, filed as Exhibit 10.3 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Realty Lease dated January 28, 1993, between The Harrah and Reynolds Corporation and Company regarding 1945 5th Avenue, Huntington, West Virginia, filed as Exhibit 10.4 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Realty Lease dated January 28, 1993, between Printing Property Corp. and Company regarding 405 Ann Street, Parkersburg, West Virginia, filed as Exhibit 10.5 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Realty Lease dated January 28, 1993, between Printing Property Corp. and Company regarding 890 Russell Cave Road, Lexington, filed as Exhibit 10.6 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Form of Indemnification Agreement between Company and all directors and executive officers, filed as Exhibit 10.4 to Registration Statement on Form S-1, File No. 33-54454, filed on November 10, 1992, is incorporated herein by reference.

Executive Compensation Plans and Arrangements	Company's 1993 Stock Option Plan, effective March 22, 1994, filed as Exhibit 10.14 to Form 10-K dated January 27, 1994, filed January 31, 1994, is incorporated herein by reference.

Company’s 2003 Stock Option Plan, filed as Exhibit A to proxy statement dated February 12, 2004, filed February 13, 2004, is incorporated herein by reference.

Form of Stock Option Agreement pursuant to Company’s 2003 Stock Option Plan filed as Exhibit 10.2 to form 10-Q dated September 10, 2004, filed September 13, 2004, is incorporated herein by reference.

Confidentiality and Non-Competition Agreement dated September 7, 2004, among William G. Williams, Jr., Syscan Corporation and the Company, filed as Exhibit 10.2 to Form 8-K dated September 7, 2004, filed September 10, 2004, is incorporated herein by reference.

Lease Agreement dated November 1, 1999, between Randall M. Schulz, successor trustee of The Butterfield Family Trust No. 2 and Smith & Butterfield Co., Inc. regarding 2800 Lynch Road, Evansville, Indiana, filed as Exhibit 10.3 to Form 10-K dated January 25, 2000, filed January 28, 2000, is incorporated herein by reference.

Agreement of Lease dated September 25, 1998, between Ronald H. Scott and Frank A. Scott dba St. Clair Leasing Co. and Interform Corporation, regarding 1901 Mayview Road, Bridgeville, Pennsylvania, filed as Exhibit 10.4 to Form 10-K dated January 25, 2000, filed January 28, 2000, is incorporated herein by reference.

First Amendment of Real Estate Lease Agreement dated May 6, 2003, by and between Ronald H. Scott and Frank J. Scott dba St. Clair Leasing Company and Interform Corporation, filed as Exhibit 10.1 to Form 8-K filed October 4, 2004, is incorporated herein by reference.

Agreement of Lease dated September 1, 2002, between Marion B. and Harold A. Merten, Jr. and The Merten Company regarding 1515 Central Parkway, Cincinnati, Ohio, filed as Exhibit 10.1 to form 10-K dated January 21, 2002, Filed January 25, 2002, is incorporated herein by reference.

Agreement Amending and Extending term of lease dated May 24, 2002, between Earl H. and Elaine D. Seibert and Smith and Butterfield Co., Inc. Filed as Exhibit 10.2 to form 10-K dated January 20, 2003, Filed January 24, 2003, is incorporated herein by reference.

Agreement Amending and Extending term of lease dated May 9, 2003, between Champion Industries, Inc. dba Upton Printing and AMB Property, L.P, filed as Exhibit 10.5 to form 10-K dated January 19, 2004, filed January 26, 2004, is incorporated herein by reference.

Agreement of Lease dated as of September 1, 2004, between Williams Land Corporation and Syscan Corporation regarding North Hills Drive and Washington Street, Charleston, West Virginia, filed as Exhibit 10.3 to Form 8-K dated September 7, 2004, filed September 10, 2004, is incorporated herein by reference.

Agreement of Lease dated as of September 1, 2004, between Williams Land Corporation and Syscan Corporation regarding 2800 Seventh Avenue, Charleston, West Virginia, filed as Exhibit 10.4 to Form 8-K dated September 7, 2004, filed September 10, 2004, is incorporated herein by reference.

Agreement of Purchase and Sale dated September 7, 2004, between Syscan Corporation and Williams Properties, LLC regarding 811 Virginia Street, East, Charleston, West Virginia, filed as Exhibit 10.5 to Form 8-K dated September 7, 2004, filed September 10, 2004, is incorporated herein by reference.

Exercise of Lease renewal option for 2800 Lynch Road Evansville, Indiana, dated as of September 22, 2003, filed as Exhibit 10.1 to form 10-K dated January 17, 2005, filed January 31, 2005, is incorporated herein by reference.

Lease Agreement dated October 31, 2005, between SANS LLC and Champion Industries, Inc. dba Chapman Printing Company regarding 951 Point Marion Road Morgantown, West Virginia, filed as Exhibit 10.2 to Form 10-K dated January 16, 2006, filed January 27, 2006, is incorporated herein by reference.

Lease Agreement dated June 28, 2006, between White Properties No. II, LLC and Champion Industries, Inc. regarding 120 Hills Plaza Charleston, West Virginia, filed as Exhibit 10.1 to Form 8-K dated July 3, 2006, filed July 3, 2006, is incorporated herein by reference.

$642,831.68 term note between Champion Industries, Inc. and First Bank of Charleston, Inc. dated as of August 30, 2006, filed as Exhibit 10.1 to Form 10-K dated January 15, 2007, filed January 28, 2007, is incorporated herein by reference.

$324,408.00 promissory note between Champion Industries, Inc. and First Bank of Charleston, Inc. dated as of March 23, 2007, filed as Exhibit 10.1 to Form 10-Q dated June 8, 2007, filed June 8, 2007, is incorporated herein by reference.

Credit Agreement between Champion Industries, Inc. and Fifth Third Bank, filed as Exhibit 10.1 to Form 8-K dated September 14, 2007, filed September 19, 2007, is incorporated herein by reference.

$767,852 term loan between Champion Industries, Inc. and First Bank of Charleston, Inc. dated April 22, 2008, filed as Exhibit 10.1 to Form 8-K dated April 25, 2008, filed April 25, 2008, is incorporated herein by reference.

Agreement of Lease dated November 1, 2008, between ADJ Corporation and Champion Publishing, Inc. regarding 100 Industrial Lane Property, Huntington, West Virginia, filed as Exhibit 10.1 to Form 10-K dated January 19, 2009, is incorporated herein by reference.

$1,000,000 revolving line of credit between Stationers, Inc. and First Sentry Bank dated as of January 13, 2009, filed as Exhibit 10.2 to Form 10-K dated January 19, 2009, is incorporated herein by reference.

Forbearance Agreement and related Promissory Note and Debt Subordination Agreement dated December 19, 2009, between Champion Industries Inc., Marshall Reynolds and Fifth Third Bank as Lender, L/C Issuer and Administrative Agent for Lenders, filed as Exhibits 10.1, 10.2 and 10.3 to Form 8-K dated January 4, 2010, is incorporated herein by reference.

$600,000 Promissory Note dated June 10, 2009, between Champion Industries, Inc. and First Sentry Bank, filed as Exhibit 10.1 to Form 10-K dated January 29, 2010, is incorporated herein by reference.

Agreement of Lease dated October 27, 2009, between ADJ Corporation and Champion Industries, Inc. regarding 3000 Washington St. West, Charleston, WV, filed as Exhibit 10.2 to Form 10-K dated January 29, 2010, is incorporated herein by reference.

Second Amendment to Credit Agreement and Waiver dated March 31, 2010, between Champion Industries, Inc., Fifth Third Bank as Lender, L/C Issuer and Administrative Agent for Lenders, and the other Lenders party to Champions Credit Agreement dated September 14, 2007, filed as Exhibit 10.1 to Form 8-K dated April 6, 2010, is incorporated herein by reference.

Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010, among Marshall Reynolds, Champion Industries, Inc. and Fifth Third Bank, as Administrative Agent for Lenders, filed as Exhibit 10.2 to Form 8-K dated April 6, 2010, is incorporated herein by reference.

Subordinated Promissory Note dated March 31, 2010, from Champion Industries, Inc. to Marshall Reynolds, filed as Exhibit 10.3 to Form 8-K dated April 6, 2010, is incorporated herein by reference.

Exchange Agreement dated July 18, 2011 between Marshall T. Reynolds and Champion Industries, Inc. filed as Exhibit 10.1 to Form 8-K dated July 18, 2011, is incorporated herein by reference.

Limited Forbearance Agreement and Third Amendment to Credit Agreement dated December 28, 2011, among Champion Industries, Inc., its subsidiaries, Marshall Reynolds, Lenders and Fifth Third Bank, as Lender, L/C Issuer and Administrative Agent for Lenders, filed as Exhibit 10.1 to Form 8-K dated January 3, 2012, is incorporated herein by reference.

First Amended and Restated Limited Forbearance Agreement and Fourth Amendment to Credit Agreement dated July 13, 2012 by and among Champion Industries, Inc. (the "Borrower"), Mr. Marshall Reynolds, individually (the "*Shareholder"*), each of the undersigned Guarantors *("Guarantors*"), the Lenders party hereto, and Fifth Third Bank, an Ohio banking corporation, as a Lender, L/C Issuer, and Administrative Agent for the Lenders (the "Administrative Agent"), filed as Exhibit 10.1 to Form 8-K dated July 31, 2012 is incorporated herein by reference.

The Second Amended and Restated Limited Forbearance Agreement and Fifth Amendment to Credit Agreement is entered into as of September 12, 2012, by and among Champion Industries, Inc. (the *"Borrower"*), Mr. Marshall Reynolds, individually (the *"Shareholder"*), each of the undersigned Guarantors *("Guarantors"*), the Lenders party hereto, and Fifth Third Bank, an Ohio banking Corporation, as a Lender, L/C Issuer, and Administrative Agent for the Lenders (the *"Administrative Agent"*), filed as Exhibit 10.1 to Form 8-K dated September 17, 2012 is incorporated herein by reference.

First Amended and Restated Credit Agreement dated October 19, 2012 among Champion Industries, Inc. and various lenders from time to time party hereto and Fifth Third Bank, an Ohio Banking Corporation, as Administrative Agent and L/C issuer, filed as Exhibit 10.1 to Form 8-K dated October 25, 2012 is incorporated herein by reference.

Side letter Agreement dated October 19, 2012 by and between each Lender, the Borrower, each Guarantor and the Shareholder regarding Credit Facilities Extended to Borrower, filed as Exhibit 10.2 to Form 8-K dated October 25, 2012 is incorporated herein by reference. (Portions of this letter have been redacted pursuant to a Confidential Treatment Request pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. This request was granted on January 3, 2013.)

Investors' Rights Agreement dated as of December 10, 2012 among Champion Industries, Inc., Marshall T. Reynolds, Fifth Third Bank, The Huntington National Bank, Old National Bank N.A., United Bank, Inc., Sun Trust Bank and Summit Community Bank, filed as Exhibit H to Exhibit 10.1 to Form 8-K dated October 25, 2012 is incorporated herein by reference.

(10.1)	Asset Purchase Agreement	By and among Safeguard Acquisitions, Inc., Interform Corporation and Champion Industries, Inc. dated July 2, 2012.	
(10.2)	Asset Purchase Agreement	By and between Donihe Graphics, Inc, The Merten Company and Graphics International, LLC dated November 30, 2012.	
(10.3)	Real Estate Purchase Agreement	By and between Donihe Graphics, Inc. and Graphics International, LLC dated December 4, 2012.	
(14)	Code of Ethics	Code of Ethics for the Chief Executive Officer, Chief Operating Officer and Chief Accounting Officer, filed as Exhibit 14 to form 10-K dated January 19, 2004, filed January 26, 2004, is incorporated herein by reference.	
		Code of Business Conduct and Ethics, filed as Exhibit 14.2 to Form 10-K dated January 19, 2004, filed January 26, 2004, is incorporated herein by reference.	
(16)		Letter of BKD, LLP dated April 20, 2007, filed as Exhibit 16 to Form 8-K dated April 20, 2007, filed April 20, 2007, is incorporated herein by reference.	
(21)	Subsidiaries of the Registrant	Exhibit 21	Page Exhibit 21-p1
(23.1)	Consent of Arnett Foster Toothman PLLC	Exhibit 23.1	Page Exhibit 23.1-p1
(31.1)	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Marshall T. Reynolds	Exhibit 31.1	Page Exhibit 31.1-p1
(31.2)	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Todd R. Fry	Exhibit 31.2	Page Exhibit 31.2-p1
(32)	Marshall T. Reynolds and Todd R. Fry Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley act of 2002	Exhibit 32	Page Exhibit 32-p1

(b) Exhibits - Exhibits are filed as a separate section of this report.

(c) Financial Statement Schedules - Filed as separate section on page F-46.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Champion Industries, Inc.

By /s/ Marshall T. Reynolds
Marshall T. Reynolds
Chief Executive Officer

By /s/ Todd R. Fry
Todd R. Fry
Senior Vice President and Chief Financial Officer

Date: January 21, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

SIGNATURE AND TITLE	DATE
/s/ Gregory D. Adkins Gregory D. Adkins, Controller	January 21, 2013
/s/ Louis J. Akers Louis J. Akers, Director	January 21, 2013
/s/ Philip E. Cline Philip E. Cline, Director	January 21, 2013
/s/ Todd R. Fry Todd R. Fry, Senior Vice President and Chief Financial Officer	January 21, 2013
/s/ Harley F. Mooney, Jr. Harley F. Mooney, Jr., Director	January 21, 2013
/s/ A. Michael Perry A. Michael Perry, Director	January 21, 2013
/s/ Marshall T. Reynolds Marshall T. Reynolds, Director, Chairman of the Board and Chief Executive Officer	January 21, 2013
/s/ Neal W. Scaggs Neal W. Scaggs, Director	January 21, 2013
/s/ Glenn W. Wilcox, Sr. Glenn W. Wilcox, Sr., Director	January 21, 2013

Champion Industries, Inc.

Audited Consolidated Financial Statements and Schedule

October 31, 2012

Contents

arnett foster toothman pllc
CPAs & Advisors

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, 2012 and 2011, and the related consolidated statements of operations, shareholders' (deficit) equity and cash flows for each of the three years in the period ended October 31, 2012. Our audits also included the financial statement schedule in the index on page F-46 as required for Item 15(a). 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, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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 charge of approximately $11.1 million on a pre-tax, non-cash basis for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of the Company's newspaper segment.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has been unable to obtain a longer term financing solution with its lenders, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

ARNETT FOSTER TOOTHMAN PLLC

Arnett Foster Toothman PLLC

Charleston, West Virginia
January 28, 2013

101 Washington Street East | P.O. Box 2629
Charleston, WV 25301
304.346.0441 | 800.642.2601

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

ASSETS		**October 31,**	
	2012	**2011**
Current assets:		
Cash and cash equivalents	$ 1,844,797	$ -
Accounts receivable, net of allowance of $1,157,000 and $643,000	11,906,228	15,493,693
Inventories	6,187,920	7,420,934
Income tax refund	-	9,293
Other current assets	480,043	558,560
Current portion assets held for sale/discontinued operations (see Note 12)	2,705,280	4,776,233
Deferred income tax assets	-	864,108
Total current assets	23,124,268	29,122,821
Property and equipment, at cost:		
Land	1,468,505	1,485,506
Buildings and improvements	9,599,951	10,167,233
Machinery and equipment	47,479,066	47,157,146
Equipment under capital lease	72,528	-
Furniture and fixtures	4,071,328	4,035,895
Vehicles	2,874,664	3,157,597
	65,566,042	66,003,377
Less accumulated depreciation	(51,157,165)	(48,829,619)
	14,408,877	17,173,758
Non-current assets held for sale/discontinued operations (see Note 12)	-	2,585,636
Goodwill	3,457,322	12,968,255
Deferred financing costs	324,692	830,323
Other intangibles, net of accumulated amortization	4,485,294	4,778,052
Trademark and masthead	2,091,022	3,648,972
Deferred tax asset, net of current portion	-	10,894,159
Other assets	75,116	22,306
	10,433,446	35,727,703
Total assets	$ 47,966,591	$ 82,024,282

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	**October 31,**	
	2012	**2011**
Current liabilities:		
Notes payable, line of credit (see Note 3)	$ 8,425,496	$ 9,725,496
Negative book cash balances	-	1,153,931
Accounts payable	3,682,147	3,735,445
Deferred revenue	764,010	737,748
Accrued payroll and commissions	1,351,067	1,393,147
Taxes accrued and withheld	1,031,297	1,030,201
Accrued expenses	2,192,171	2,818,435
Current portion liabilities held for sale/discontinued operations (see Note 3 and Note 12)	2,705,280	7,373,029
Debt discount (see Note 3)	(1,287,527)	-
Notes payable (see Note 3)	27,813,064	32,693,857
Capital lease obligations (see Note 3)	13,014	-
Total current liabilities	46,690,019	60,661,289
Long-term debt, net of current portion:		
Notes payable - related party (see Note 3)	2,500,000	-
Notes payable (see Note 3)	99,291	430,997
Capital lease obligations (see Note 3)	52,705	-
Other liabilities	1,950	3,750
Total liabilities	49,343,965	61,096,036
Shareholders' (deficit) 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	23,874,377	23,267,024
Retained deficit	(36,551,279)	(13,638,306)
Total shareholders' (deficit) equity	(1,377,374)	20,928,246
Total liabilities and shareholders' (deficit) equity	$ 47,966,591	$ 82,024,282

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended October 31, 2012	2011	2010
Revenues:			
Printing	$ 55,446,476	$ 55,376,887	$ 57,405,320
Office products and office furniture	34,975,487	34,545,733	33,437,588
Newspaper	13,991,752	14,589,210	15,332,671
Total revenues	104,413,715	104,511,830	106,175,579
Cost of sales & newspaper operating costs:			
Printing	40,368,870	40,536,169	41,319,701
Office products and office furniture	24,935,766	24,521,153	23,632,686
Newspaper cost of sales & operating costs	8,167,313	8,254,557	8,107,487
Total cost of sales & newspaper operating costs	73,471,949	73,311,879	73,059,874
Gross profit	30,941,766	31,199,951	33,115,705
Selling, general and administrative expenses	28,441,187	26,275,952	26,814,794
Asset impairments/restructuring charges	11,426,055	9,369,018	1,640,795
(Loss) income from operations	(8,925,476)	(4,445,019)	4,660,116
Other income (expense):			
Interest expense - related party	(57,733)	(65,316)	(82,334)
Interest expense	(3,738,725)	(3,553,031)	(5,060,437)
Gain on early extinguishment of debt from a related party	-	1,337,846	-
Other	(13,117)	50,410	952,018
	(3,809,575)	(2,230,091)	(4,190,753)
(Loss) income from continuing operations before income taxes	(12,735,051)	(6,675,110)	469,363
Income tax (expense) benefit	(10,812,773)	2,448,785	(272,444)
Net (loss) income from continuing operations	(23,547,824)	(4,226,325)	196,919
Net income from discontinued operations	634,851	250,282	291,215
Net (loss) income	$ (22,912,973)	$ (3,976,043)	$ 488,134
(Loss) earnings per share:			
Basic and diluted (loss) income from continuing operations	$ (2.09)	$ (0.41)	$ 0.02
Basic and diluted income from discontinued operations	0.06	0.03	0.03
Total (loss) earnings per common share	$ (2.03)	$ (0.38)	$ 0.05
Weighted average shares outstanding:			
Basic	11,300,000	10,362,000	9,988,000
Diluted	11,300,000	10,362,000	9,988,000

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Shareholders' (Deficit) Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Other Comprehensive (Loss) income	Total
Balance, October 31, 2009 (Restated)	9,987,913	$ 9,987,913	$ 22,768,610	$ (10,150,397)	$ -	$ 22,606,126
Net income for 2010	-	-	-	488,134	-	488,134
Other comprehensive income (net of tax)	-	-	-	-	407,289	407,289
Gain on hedging arrangement expiration	-	-	-	-	(407,289)	(407,289)
Total comprehensive income	-	-	-	488,134	-	488,134
Balance, October 31, 2010 (Restated)	9,987,913	$ 9,987,913	$ 22,768,610	$ (9,662,263)	$ -	$ 23,094,260
Stock issuance	1,311,615	1,311,615	498,414	-	-	1,810,029
Comprehensive loss:						
Net loss for 2011	-	-	-	(3,976,043)	-	(3,976,043)
Total comprehensive loss	-	-	-	(3,976,043)	-	(3,976,043)
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	-	-	-	(22,912,973)	-	(22,912,973)
Stock warrants (net of tax)	-	-	607,353	-	-	607,353
Total comprehensive loss	-	-	607,353	(22,912,973)	-	(22,305,620)
Balance, October 31, 2012	**11,299,528**	**$ 11,299,528**	**$ 23,874,377**	**$ (36,551,279)**	**$ -**	**$ (1,377,374)**

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended October 31,		
	2012	2011 (Restated)	2010 (Restated)
Cash flows from operating activities:			
Net (loss) income	$ (22,912,973)	$ (3,976,043)	$ 488,134
Net income from discontinued operations	634,851	250,282	291,215
Net (loss) income from continuing operations	(23,547,824)	(4,226,325)	196,919
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	3,669,291	3,965,513	4,062,807
Loss (gain) on sale of assets	51,506	(35,486)	15,490
(Gain) on early extinguishment of debt from a related party	-	(1,337,846)	-
Deferred income taxes	11,353,465	(2,024,921)	14,169
Deferred financing costs	571,790	436,855	372,610
Bad debt expense	728,882	282,612	304,333
Intangible impairment	11,068,883	8,716,868	-
Asset impairment	309,134	109,255	-
Restructuring charges	48,038	571,746	1,812,325
(Gain)/Loss on hedging agreements	-	-	(691,368)
Changes in assets and liabilities:			
Accounts receivable	2,858,583	(1,286,713)	(380,029)
Deferred revenue	26,262	17,199	47,181
Inventories	1,233,014	582,232	1,504,958
Other current assets	200,559	51,540	273,815
Accounts payable	(101,335)	1,477,814	(1,322,720)
Accrued payroll and commissions	(42,080)	(306,145)	(241,139)
Taxes accrued and withheld	1,096	50,634	(192,436)
Accrued income taxes	9,293	27,000	1,875,107
Accrued expenses	(595,093)	(681,643)	(421,838)
Other liabilities	(1,800)	(1,800)	(1,800)
Net cash provided by operating activities continuing operations	7,841,664	6,388,389	7,228,384
Net cash provided by operating activities discontinued operations	157,644	632,035	739,225
	7,999,308	7,020,424	7,967,609

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended October 31,		
	2012	2011 (Restated)	2010 (Restated)
Cash flows from investing activities:			
Purchase of property and equipment	(756,189)	(1,330,677)	(815,543)
Proceeds from sale of fixed assets	306,548	320,083	32,256
Change in other assets	(52,810)	5,147	8,719
Net cash (used in) investing activities continuing operations	(502,451)	(1,005,447)	(774,568)
Net cash provided by (used in) investing activities discontinued operations	3,692,822	(156,861)	(40,933)
	3,190,371	(1,162,308)	(815,501)
Cash flows from financing activities:			
Borrowings on line of credit	17,777,004	33,540,000	52,260,000
Payments on line of credit	(17,777,004)	(34,240,000)	(50,560,000)
Increase (decrease) in negative book cash balances	(1,153,931)	140,218	1,013,713
Principal payments on long-term debt	(4,973,837)	(5,919,470)	(11,043,871)
Proceeds from term debt	996,459	621,136	459,353
Financing cost paid	(341,531)	-	-
Forbearance fees	(122,042)	-	-
Deferred financing costs	-	-	(440,585)
Net cash used in financing activities continuing operations	(5,594,882)	(5,858,116)	(8,311,390)
Net cash used in financing activities discontinued operations	(3,750,000)	-	-
	(9,344,882)	(5,858,116)	(8,311,390)
Net increase (decrease) in cash and cash equivalents	1,844,797	-	(1,159,282)
Cash and cash equivalents at beginning of year	-	-	1,159,282
Cash and cash equivalents at end of year	$ 1,844,797	$ -	$ -

See notes to consolidated financial statements.

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, West Virginia with a total daily and Sunday circulation of approximately 23,000 and 28,000 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 (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

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 and 2010 to reflect $621,000 and $459,000 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.

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.

Discontinued Operations and Assets Held for Sale

The Company's operations comprising CGC and Donihe were classified as discontinued operations in the Consolidated Statements of Operations for all years presented. (see Note 12).

Accounts Receivable

Accounts receivable are stated at the amount billed to customers and generally do not bear interest. 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 2012, 2011 and 2010, $728,882, $282,612, and $304,333 of bad debt expense was incurred and the allowance for doubtful accounts was $1,157,465, $642,761, and $987,950 as of October 31, 2012, 2011 and 2010. The actual write-offs for the periods were $214,000, $628,000, and $344,000 during 2012, 2011 and 2010. 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 8.1% of the gross outstanding accounts receivable at October 31, 2012 and 2011. The Company's ten largest accounts receivable balances represented 22.1% and 22.5% of gross outstanding accounts receivable at October 31, 2012 and 2011.

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 leashold improvements and equipment under capital leases from continuing operations approximated $3,377,000, $3,543,000, and $3,614,000 for the years ended October 31, 2012, 2011 and 2010 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 in the fourth quarter and in 2012 performed an interim test for goodwill at the newspaper segment. The Company recorded various charges associated with Goodwill and other assets in 2012 and 2011 as further disclosed in Note 11 to the Consolidated Financial Statements.

Intangible Assets

Trademark and masthead are not subject to amortization whereas other remaining intangible assets are subject to amortization and 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, 2012, 2011 and 2010 approximated $488,000, $522,000, and $578,000.

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, 2011, and 2010.

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.

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. 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 $665,000 and $614,000 at October 31, 2012 and 2011. 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 and in newspaper cost of sales and operating costs, of the newspaper segment. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2012, 2011, and 2010 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 shall be 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 2012, 2011 or 2010. 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 measured and recorded in the accompanying Consolidated Financial Statements certain liabilities at fair value on a recurring basis. This liability was associated with an interest rate swap agreement which expired October 29, 2010. 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

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of October 31, 2012, the FASB has issued ASU's 2009-01 through 2012- 07. 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.

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement ("ASU 2011-04"), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements (as defined in Note 1). The Company applied this standard in the second quarter of fiscal 2012, and it had no material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued 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" deferred the adoption of presentation of reclassification items out of accumulated other comprehensive income. The Company is expected to adopt the new guidance on ASU 2011-05 beginning November 1, 2012, and the adoption of the new guidance is not expected to impact the Company's 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. The Company will consider the applicability of the new guidance beginning November 1, 2012, and the adoption of the new guidance is not expected to impact the Company's financial position, results of operations 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. The Company will consider the applicability of the new guidance beginning November 1, 2012, and any adoption of the new guidance is not expected to impact the Company's financial position, results of operations or cash flows, other than related disclosures.

2. Inventories

Inventories consisted of the following:

	October 31,	
	2012	2011
Printing and Newspaper:		
Raw materials	**$ 2,049,447**	$ 2,142,793
Work in process	**834,678**	1,217,681
Finished goods	**1,383,094**	1,806,374
Office products and office furniture	**1,920,701**	2,254,086
	$ 6,187,920	$ 7,420,934

3. Long-term Debt

Long-term debt consisted of the following:

	October 31, 2012	2011
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 2011-September 2014, collateralized by equipment and vehicles (0% interest on Lessor note) (see Note 10)	**$ 677,167**	$ 1,175,784
Notes payable to shareholders. The shareholder note of $2.5 million plus all accrued interest is due in one balloon payment in September 2014.	**2,500,000**	-
Term loan facility with a syndicate of banks, due in quarterly installments of $1,225,000 plus interest payments equal to the base rate plus the applicable margin or the adjusted LIBOR rate plus the applicable margin maturing September 2013, collateralized by substantially all of the assets of the Company.	**-**	37,884,224
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 (currently 8%) maturing June 2013, collateralized by substantially all of the assets of the Company.	**19,762,000**	-
Term loan B with a syndicate of banks, due 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 $2.1 million on or before March 31, 2013 with interest at LIBOR plus the applicable margin (currently 8%), collateralized by substantially all of the assets of the Company.	**3,350,000**	-
Revolving line of credit loan facility with a syndicate of banks, interest payments based on LIBOR plus the applicable margin (currently 6%) maturing in June 2013, collateralized by substantially all of the assets of the Company.	**8,425,496**	9,725,496
Accrued Deferred fee (interest) Bullet loan B, Due June 30, 2013	**31,171**	-
Capital lease obligation for printing equipment at an imputed interest rate of 6.02% per annum	**65,719**	-
Unamortized debt discount	**(1,287,527)**	-
	39,801,770	48,785,504
Less current portion revolving line of credit	**8,425,496**	9,725,496
Less long-term portion revolving line of credit	-	-
Less current portion long-term debt	**29,998,791**	38,629,011
Less current portion obligation under capital lease	**13,014**	-
Less debt discount	**(1,287,527)**	-
Long-term debt, net of current portion and revolving line of credit, capital lease obligation and notes payable to related party	**$ 2,651,996**	$ 430,997
Continuing operations:		
Long-term debt, net of current portion and revolving line credit	**$ 99,291**	$ 430,997
Long-term capital lease obligation	**52,705**	-
Current portion of long-term debt and revolving line of credit	**36,238,560**	42,419,353
Long-term notes payable to related party	**2,500,000**	-
Current portion of capital lease obligation	**13,014**	-
Debt Discount	**(1,287,527)**	-
Total debt from continuing operations	**37,616,043**	42,850,350
Liabilities held for sale/discontinued operations - debt	**2,185,727**	5,935,154
Total indebtedness	**$ 39,801,770**	$ 48,785,504

The Company has determined in accordance with applicable provisions of GAAP that indebtedness that is required to be repaid as a result of a disposal transaction should be allocated to discontinued operations. The specific allocation of sale proceeds would typically be allocated at the discretion of the Administrative Agent between the revolving credit facility and term debt. The proceeds from assets held for sale are required to be remitted to the Administrative Agent for the extinguishment of debt. Therefore, the debt allocated to liabilities held for sale/discontinued operations reflects actual or estimated debt pay downs based on either proceeds received or the carrying amount of the related assets held for sale, net of associated liabilities held for sale prior to debt allocated to liabilities held for sale/discontinued operations. The Company utilized estimated, or if available, actual debt payments required to be made associated with the held for sale/discontinued operations classification. The prior period amounts were equivalent to the allocations or payments in the third and fourth quarter of 2012.

Maturities of long-term debt, capital lease obligations and revolving line of credit from continuing and discontinued operations for each of the next five years follow:

2013	$ 37,149,774
2014	2,613,108
2015	15,932
2016	15,652
2017	7,304
	$ 39,801,770

Debt 2012:

The Company is currently 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 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 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 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 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 is $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 relates 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 provides, 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 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. Champion acknowledged in the Forbearance Agreement that as a result of the existing defaults, the Lenders are 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 is $13,600,000 and provides 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 Agreement. The Company had been notified that any extension of additional credit would be made by the Lenders in their sole discretion without any intention to waive any Event of Default. The Lenders had continued to provide the Company with access to the applicable revolving credit facilities during this default period.

On September 12, 2012, the Company entered into a Second Amendment to the Limited Forbearance Agreement and Fifth Amendment to Credit Agreement ("September Forbearance Agreement") which extended the maturity of the credit facility through October 15, 2012. The September Forbearance Agreement provided that during the forbearance period, so long as the Company met the conditions of the September Forbearance Agreement, it may continue to request credit under the revolving credit line.

The September Forbearance Agreement required the Company to/or changed as follows:

- pay a 0.10% extension fee based on the then-outstanding loans, interests in Letters of Credit and Unused Revolving Credit Commitments;
- 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 has various milestone dates, which may reduce the number of warrants outstanding upon satisfaction of certain conditions. The Company is working with its outside advisors regarding these items but is unable to predict the outcomes or likelihood of success regarding the achievement of such milestones. 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.

Debt 2011:

The Company operated under the provisions of the Second Amendment until its default on 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.

Debt 2010:

The following is a sequential summary of various debt actions in 2010.

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. ("Second Amendment")

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 had pledged substantially all of the assets of the Company as collateral for the indebtedness under the Credit Agreement and Second Amendment.

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.

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 funded totaling $2,500,000 and $0 at October 31, 2012 and 2011 and was unfunded at October 31, 2010. The Subordinated Promissory Note bears interest at the Wall Street Journal prime rate (3.25% at inception and at October 31, 2012 and 2011), 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 amount of $2.5 million, the proceeds of which were used by the Administrative Agent to repay outstanding term loans in the inverse order of maturity.

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.

Other debt provisions:

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 2011 and 2012 that would have been payable January 2012 and 2013 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) (after the Restated Credit Agreement effective date, the primary interest rate was LIBOR plus the applicable margin). Prime rate approximated 3.25% at October 31, 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 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, 2012 and 2011 (see Note 15). The swap agreement terminated effective October 29, 2010, therefore, converting from fixed interest rate debt to variable interest upon termination. Interest paid from total operations during the years ended October 31, 2012, 2011 and 2010 approximated $3,463,000, $3,598,000, and $5,256,000. In 2012, the Company amortized approximately $0.1 million of debt discount to interest expense. The Company had accrued interest of approximately $129,000 and $162,000 at October 31, 2012 and 2011 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 2012, 2011 and 2010, $572,000, $437,000, and $373,000 of 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 discount debt associated with the issuance of warrants as well as lender fees and other cost associated with the Restated Credit Agreement.

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 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 $0.7 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.

The Company may incur costs in 2013 related to facility consolidations, employee termination costs and other restructuring related activities. These costs may be incurred, in part, as a response to the Company's efforts to overcome the impact of the global economic crisis and may occur pursuant to certain initiatives being reviewed in accordance with the provisions of the Restated Credit Agreement and initiatives to improve operating performance. (see Note 10)

The Company had no non-cash activities for 2012, 2011 and 2010. The Company had previously recorded certain purchases for 2011 and 2010 of $621,000 and $459,000, respectively as non-cash activities. The cash flow statement has been restated for 2011 and 2010 to reflect these transactions as cash activities.

The Company achieved its first Bullet payment threshold as required prior to December 31, 2012 in the amount of $1.9 million of which $650,000 was paid prior to October 31, 2012. The Company is diligently working with Raymond James to identify funding mechanisms to achieve the remaining $2.1 million payment due March 31, 2013. The Company is currently unable to predict the likelihood of achieving this payment requirement.

Status of Debt Refinancing and Liquidity

Due in part to the reasonable possibility of a default by the Company prior to the contractual maturity of its Restated Credit Agreement and the Company's inability to achieve a longer term financing solution, which was contemplated upon the commencement of the Limited Forbearance Agreement, there is significant uncertainty about our ability to operate as a going concern.

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 challenges for fiscal 2013 and beyond. The Company has engaged the investment banking group of Raymond James & Associates, Inc. (Raymond James) to assist it with a potential restructuring or refinancing of the existing debt and other potential transaction alternatives. Pursuant to the terms of the Limited Forbearance Agreement, the Company also engaged a Chief Restructuring Advisor to work with the Company, Raymond James, the Administrative Agent and syndicate of banks to address various factors and initiatives as further defined in the Restated Credit Agreement, including the expiration of the Company's Credit Facilities in June of 2013. The Company continues to have ongoing dialogue with the Administrative Agent and the syndicate of banks with respect to its credit facilities.

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's expense under these plans was approximately $0, $0, and $105,000 for the years ended October 31, 2012, 2011 and 2010.

The Company's accrued vacation liability as of October 31, 2012 and 2011, was approximately $736,000, and $760,000. 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, 2012, 2011, and 2010. Options vest immediately and may be exercised within five years from the date of grant.

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

	2012	Weighted Average Exercise Price	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price
Outstanding-beginning of year	-	$ -		$ -	220,000	$ 4.26
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited or expired	-	-	-	-	(220,000)	4.26
Outstanding-end of year	-	-	-	-		$
Weighted average fair value of options granted during the year	$ -		$ -		$ -	

5. Income Taxes

Income tax (expense) benefit consisted of the following:

	Year Ended October 31,		
	2012	2011	2010
Current benefit (expense) :			
Federal	**$ 1,257,942**	$ 582,274	$ 925,052
State	**258,293**	279,984	373,839
Deferred (expense) benefit	**(12,329,008)**	1,586,527	(1,571,335)
Income tax (expense) benefit continuing operations	**(10,812,773)**	2,448,785	(272,444)
Intraperiod tax allocation expense discontinued operations	**(509,520)**	(184,087)	(211,307)
Total income tax (expense) benefit	**$ (11,322,293)**	$ 2,264,698	$ (483,751)

Deferred tax assets and liabilities are as follows:

	October 31,	
	2012	2011
Deferred tax assets:		
Allowance for doubtful accounts	**$ 466,249**	$ 329,860
Net operating loss carry forward	**3,187,375**	2,191,478
Accrued vacation	**297,014**	316,953
Other accrued liabilities	**410,822**	595,519
Intangible assets	**14,201,325**	11,873,969
Gross deferred tax assets	**18,562,785**	15,307,779
Deferred tax liabilities:		
Property and equipment	**(2,009,265)**	(2,951,801)
Warrants	**(374,693)**	-
Gross deferred tax liability	**(2,383,958)**	(2,951,801)
Net deferred tax asset before valuation allowance	**16,178,827**	12,355,978
Valuation allowance:		
Beginning balance	**597,711**	552,783
Increase during the period	**15,581,116**	44,928
Ending balance	**16,178,827**	597,711
Net deferred tax asset	**$ -**	$ 11,758,267

The above net deferred tax asset is presented on the balance sheet as follows:

	2012	2011
Deferred tax asset - current	$ -	$ 864,108
Deferred tax assets -non-current	-	10,894,159
	$ -	$ 11,758,267

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,		
	2012	**2011**	2010
Statutory federal income tax rate	**34.0%**	34.0%	(34.0)%
State taxes, net of federal benefit	**3.8**	5.4	54.5
Change in valuation allowance	**(122.4)**	(0.7)	(15.7)
Selling expenses	**(0.6)**	(1.2)	(15.0)
State apportionment and deferred tax adjustments	-	0.2	(48.3)
Federal and state tax net operating loss adjustments	-	(1.4)	-
Other	**0.3**	0.4	0.5
Effective tax rate, (expense) benefit	**(84.9)%**	36.7%	(58.0)%

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, 2012 and over a seven-year period ended October 31, 2012. 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 seven year look back period.

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 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 that a full valuation was warranted at October 31, 2012. This resulted in an increase in the valuation allowance from $0.6 million at October 31, 2011 to approximately $16.2 million 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 its secured lenders, and such adjustments may be material to the Consolidated Financial Statements.

The Company's effective tax rate for continuing operations for 2012 was negative (84.9)% compared to an effective tax rate of 36.7% (benefit) and 58.0% (expense) for 2011 and 2010. 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 an incremental $0.4 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 2012, 2011 and 2010 resulting from the application of certain provisions of ASC 740 regarding interim implications of intraperiod tax allocations for discontinued operations when there is a loss from continuing operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis.

Income taxes (refunded) paid during the years ended October 31, 2012, 2011 and 2010 approximated $0, $(272,000), $(1,675,000). 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 $3.2 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, 2009. 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, 2012 and 2011. 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. 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,		
	2012	2011	2010
Rent expense paid to affiliated entities for operating facilities	**$ 517,000**	$ 517,000	$ 517,000
Sales of office products, office furniture and printing services to affiliated entities	**968,000**	951,000	913,000

In addition, the Company leases property and equipment from unrelated entities under operating leases. Rent expense from continuing operations amounted to $491,000, $613,000, and $1,265,000 for the years ended October 31, 2012, 2011 and 2010.

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 $66,000, $223,000, and $101,000 for the years ended October 31, 2012, 2011 and 2010.

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, 2012:

2013	$ 1,036,560
2014	600,904
2015	165,124
2016	162,837
2017	97,307
	$ 2,062,732

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. The Company's allocated expense related to this program (excluding claims paid) for the years ended October 31, 2012, 2011 and 2010 was approximately $0.4 million, $0.4 million, and $0.5 million. (expenses are inclusive of discontinued operations)

During 2012, 2011 and 2010, 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 $128,000, $110,000, and $47,000. 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 is self-insured for certain of the claims made under its employee medical insurance programs. The Company had recorded liabilities totaling $0.9 million and $0.7 million for estimated costs related to outstanding claims as of October 31, 2012 and 2011, 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. Prior to 2012 these amounts were classified as accounts payable and to conform with the current year presentation these amounts are classified as accrued liabilities.

The Company exercised its option to purchase a building at 3000 Washington Street, Charleston, WV on June 16, 2009. The Company assigned its option to a related party purchaser 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.

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.

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, 2012 and 2011), 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. 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.

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 the accrual to the extent such loss is reasonably possible, but not probable. Management believes an estimate of the aggregate of reasonably possible losses, in excess of amounts accrued, for current legal proceedings not covered by insurance is not greater than $0.4 million at October 31, 2012 and may be substantially lower than this amount. 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.

While the final outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, Management believes that there is no accrual for legal contingencies required at this time. 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. 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.

As a result of the acquisition of Syscan Corporation in 2004, 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 23,000 and 28,000 respectively. The Company employs approximately 550 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. 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 $2,705,280 at October 31, 2012 and $7,361,869 at October 31,2011. These assets were part of the printing segment 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, 2012, 2011 and 2010 are $47,966,591, $82,024,282, and $92,452,662. The identifiable assets reported below represent $45,261,311, $62,894,853, and $76,501,708.

The table below presents information about reported segments for the years ended October 31:

2012	**Printing**	**Office Products & Furniture**	**Newspaper**	**Total**
Revenues from continuing operations	**$ 60,204,947**	**$ 40,606,947**	**$ 13,991,752**	**$ 114,803,646**
Elimination of intersegment revenue	**(4,758,471)**	**(5,631,460)**	**-**	**(10,389,931)**
Consolidated revenue from continuing operations	**$ 55,446,476**	**$ 34,975,487**	**$ 13,991,752**	**$ 104,413,715**
Operating (loss) income from continuing operations	**(1,832,029)**	**1,915,331**	**(9,008,778)**	**(8,925,476)**
Depreciation & amortization	**2,426,059**	**113,671**	**1,129,561**	**3,669,291**
Capital expenditure	**646,728**	**50,469**	**58,992**	**756,189**
Identifiable assets	**25,738,617**	**7,077,977**	**12,444,717**	**45,261,311**
Goodwill	**2,226,837**	**1,230,485**	**-**	**3,457,322**

2011	Printing	Office Products & Furniture	Newspaper	Total
Revenues from continuing operations	$ 60,626,443	$ 41,098,106	$ 14,589,210	$ 116,313,759
Elimination of intersegment revenue	(5,249,556)	(6,552,373)	-	(11,801,929)
Consolidated revenues from continuing operations	$ 55,376,887	$ 34,545,733	$ 14,589,210	$ 104,511,830
Operating (loss) income from continuing operations	(500,704)	2,397,703	(6,342,018)	(4,445,019)
Depreciation & amortization	2,688,378	135,426	1,141,709	3,965,513
Capital expenditures	1,199,163	77,336	54,178	1,330,677
Identifiable assets	28,304,364	9,151,757	25,438,732	62,894,853
Goodwill	2,226,837	1,230,485	9,510,933	12,968,255

2010	Printing	Office Products & Furniture	Newspaper	Total
Revenues from continuing operations	$ 66,541,632	$ 39,691,717	$ 15,332,671	$ 121,566,020
Elimination of intersegment revenue	(9,136,312)	(6,254,129)	-	(15,390,441)
Consolidated revenues from continuing operations	$ 57,405,320	$ 33,437,588	$ 15,332,671	$ 106,175,579
Operating income (loss) from continuing operations	(559,261)	2,055,990	3,163,387	4,660,116
Depreciation & amortization	2,795,377	131,529	1,135,901	4,062,807
Capital expenditures	702,491	53,556	59,496	815,543
Identifiable assets	32,143,086	8,806,943	35,551,679	76,501,708
Goodwill	2,226,837	1,230,485	11,874,961	15,332,283

A reconciliation of total segment revenue, assets and operating (loss) income to consolidated (loss) income before income taxes for the years ended October 31, 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Revenues:			
Total segment revenues	**$ 114,803,646**	$116,313,759	$121,566,020
Elimination of intersegment revenue	**(10,389,931)**	(11,801,929)	(15,390,441)
Consolidated revenue from continuing operations	**$ 104,413,715**	$104,511,830	$106,175,579
Operating (loss) income from continuing operations:			
Total segment operating (loss) income from continuing operations	**$ (8,925,476)**	$ (4,445,019)	$ 4,660,116
Interest expense - related party	**(57,733)**	(65,316)	(82,334)
Interest expense	**(3,738,725)**	(3,553,031)	(5,060,437)
Gain on early extinguishment of debt from a related party	-	1,337,846	-
Other income (loss)	**(13,117)**	50,410	952,018
Consolidated (loss) income before income taxes from continuing operations	**$ (12,735,051)**	$ (6,675,110)	$ 469,363
Identifiable assets:			
Total segment identifiable assets	**$** 45,261,311	$ 62,894,853	$ 76,501,708
Elimination of intersegment assets	2,705,280	19,129,429	15,950,954
Total consolidated assets	**$ 47,966,591**	$ 82,024,282	$ 92,452,662

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 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"). 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 provisions of the Restated Credit Agreement. The amount of future charges not discussed herein is currently not estimable by the Company. The costs in 2012 related to the Consolidation of the Company's commercial printing production operation in Cincinnati, Ohio into existing Company facilities in other locations.

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. 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 $613,000. 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.

The following information summarizes the costs incurred with respect to restructuring, integration and asset impairment charges during the three and twelve months ended October 31, 2012 and 2011, as well as the cumulative total of such costs representing fiscal 2010, fiscal 2011, and fiscal 2012, such costs are included as a component of the printing segment:

	Three Months Ended		Twelve Months Ended		Cumulative Total
	October 31, 2012	October 31, 2011	October 31, 2012	October 31, 2011	
Occupancy and equipment related costs	$ -	$ 322,237	$ -	$ 445,790	$ 1,618,965
Costs incurred to streamline production, personnel and other	-	-	48,038	97,105	612,764
Inventory	-	-	-	28,851	200,380
Total	$ -	$ 322,237	$ 48,038	$ 571,746	$ 2,432,109

The activity pertaining to the Company's accruals related to restructuring and other charges since October 31, 2010, 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, 2010	$ 1,037,548	$ 8,462	$ 1,046,010
2011 expenses	445,790	97,105	542,895
Paid in 2011	(477,986)	(189,495)	(667,481)
Reclassifications	(139,503)	139,503	-
Balance at October 31, 2011	$ 865,849	$ 55,575	$ 921,424
2012 expenses	$ -	$ 48,038	$ 48,038
Paid in 2012	(678,765)	(48,876)	(727,641)
Reclassifications	54,737	(54,737)	-
Balance at October 31, 2012	$ 241,821	$ -	$ 241,821

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 in Lexington, Kentucky and Parkersburg and Huntington, West Virginia. As a result of this action, the Company recorded a reduction in force of 24 employees. The Company expects to incur costs associated with work force reductions, lease termination costs and other related costs in future periods beyond the fourth quarter of 2012. The Company recorded severance and other employee related costs of approximately $48,000 in 2012 and has incurred incremental charges for severance and other costs in the first quarter of 2013 of $53,000, associated primarily with the sale of substantially all of the property, plant and equipment of the Donihe Graphics subsidiary in Kingsport, Tennessee in the first quarter of 2013. The amount of any remaining restructuring related charges are currently not estimable by the Company. The Company also recorded asset impairment charges of $0.6 million, representing assets classified as held for sale at October 31, 2012. (See Note 12).

The remaining restructuring accrual at October 31, 2012 is primarily reflected on the Company’s Financial Statements as a component of debt due to two payments of $135,000 due November 30, 2012 and $99,456 due February 28, 2013 being evidenced as part of 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)

11. Acquired Intangible Assets and Goodwill

	2012		2011	
	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**	**1,026,935**	2,451,073	904,837
Advertising and subscriber base	**4,989,768**	**1,952,322**	4,989,768	1,804,660
Other	**564,946**	**541,236**	564,946	518,238
	9,005,787	**4,520,493**	9,005,787	4,227,735
Unamortizable intangible assets:				
Goodwill	**3,964,600**	**507,278**	13,475,533	507,278
Trademark and masthead	**2,091,022**	**-**	3,648,972	-
	6,055,622	**507,278**	17,124,505	507,278
Total goodwill and other intangibles	**$15,061,409**	**$ 5,027,771**	$ 26,130,292	$ 4,735,013

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 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 interest 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.

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. 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 2012, 2011 and 2010, due, in part, to declines in our stock price, increased volatility in operating results and declines in market transactions in the industry and for goodwill and non-amortizing intangible assets as part of our annual impairment testing. The valuation methodology utilized to estimate the fair value of the newspaper operating segment in 2011 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 2011 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.

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 2012, 2011 and 2010, 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, 2011 and 2010. As a result, no additional testing or impairment charges were necessary.

Amortization expense for the years ended October 31, 2012, 2011 and 2010 was $293,000, $417,000, and $450,000 respectively. A non-compete agreement is being amortized over a period of seven years and the customer relationships are being amortized over a period of 20 years. These items are both related to the acquisition of Syscan in 2004. The advertising and subscribers bases related to the acquisition of The Herald-Dispatch are being amortized over 25 and 20 years respectively. The trademark and masthead associated with the acquisition of The Herald-Dispatch are non-amortizing assets. The weighted average remaining life of the Company's amortizable intangible assets was approximately 16 years. Estimated amortization expense for each of the following years is:

2013	$ 287,261
2014	275,970
2015	269,761
2016	269,761
2017	269,761
Thereafter	3,112,780
	$ 4,485,294

The changes in the carrying amount of goodwill, trademark and masthead and other amortizing intangibles for the years ended October 31, 2012 and 2011 were:

Goodwill:

	Printing	Office Products and Furniture	Newspaper	Total
Balance at October 31, 2010				
Goodwill	$ 2,226,837	$ 1,230,485	$ 35,437,456	$ 38,894,778
Accumulated Impairment losses	-	-	(23,562,495)	(23,562,495)
	2,226,837	1,230,485	11,874,961	15,332,283
Goodwill acquired Fiscal 2011	-	-	-	-
Impairment losses Fiscal 2011	-	-	(2,364,028)	(2,364,028)
Balance at October 31, 2011				
Goodwill	2,226,837	1,230,485	35,437,456	38,894,778
Accumulated Impairment Losses	-	-	(25,926,523)	(25,926,523)
	2,226,837	1,230,485	9,510,933	12,968,255
Goodwill acquired Fiscal 2012	-	-	-	-
Impairment losses Fiscal 2012	-	-	(9,510,933)	(9,510,933)
Balance at October 31, 2012				
Goodwill	2,226,837	1,230,485	35,437,456	38,894,778
Accumulated Impairment Losses	-	-	(35,437,456)	(35,437,456)
	$ 2,226,837	$ 1,230,485	$ -	$ 3,457,322

Trademark and Masthead:

	Printing	Office Products and Furniture	Newspaper	Total
Balance at 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 at 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
Trademark and Masthead acquired Fiscal 2012	-	-	-	-
Impairment losses Fiscal 2012	-	-	(1,557,950)	(1,557,950)
Balance at October 31, 2012				
Trademark and Masthead	-	-	18,515,316	18,515,316
Accumulated impairment losses	-	-	(16,424,294)	(16,424,294)
	$ -	$ -	$ 2,091,022	$ 2,091,022

Amortizing Intangible Assets (net of amortization expense):

	Printing	Office Products and Furniture	Newspaper	Total
Balance at October 31, 2010				
Amortizing Intangible Assets (net of amortization expense)	$ 673,979	$ 1,188,608	$ 12,384,258	$ 14,246,845
Accumulated Impairment losses	-	-	(9,051,484)	(9,051,484)
	673,979	1,188,608	3,332,774	5,195,361
Amortizing Intangible Assets (net of amortization expense) acquired Fiscal 2011	-	-	-	-
Impairment losses Fiscal 2011	-	-	-	-
Amortization expense	109,281	160,362	147,666	417,309
Balance at October 31, 2011				
Amortizing Intangible Assets (net of amortization expense)	564,698	1,028,246	12,236,592	13,829,536
Accumulated Impairment Losses	-	-	(9,051,484)	(9,051,484)
	564,698	1,028,246	3,185,108	4,778,052
Amortizing intangible acquired in Fiscal 2012	-	-	-	-
Impairment losses Fiscal 2012	-	-	-	-
Amortization expense	63,977	81,119	147,662	292,758
Balance at October 31, 2012				
Amortizing intangible	500,721	947,127	12,088,930	13,536,778
Accumulated Impairment losses	-	-	(9,051,484)	(9,051,484)
	$ 500,721	$ 947,127	$ 3,037,446	$ 4,485,294

A summary of impairment charges is included in the table below:

	2012	2011	2010
Goodwill	$ 9,510,933	$ 2,364,028	$ -
Other intangibles	-	-	-
Trademark & masthead	1,557,950	6,352,840	-
	$ 11,068,883	$ 8,716,868	$ -

12. 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 Asset Purchase Agreement. 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 at October 31, 2012. The Company recorded an impairment charge in 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 is currently expected to retain a sales presence in Cincinnati, Ohio at Merten. As part of the Company’s revised restructuring plan submitted to the Company’s secured lenders in July 2012 (Revised Restructuring Plan) 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 July 31, 2012 and October 31, 2012.

The Company recorded an impairment charge of approximately $309,000 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 a joint effort with its Chapman Printing-Lexington 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 million, net of commissions, and in December 2012, the Company completed the sale of Donihe real estate for $175,000.

The Company identified two Company owned facilities within the printing segment that the Company intends to sell as a result of the Company’s Revised Restructuring Plan. These facilities are being carried at their carrying amount which the Company believes to currently be lower than the estimated fair value less cost to sell.

The Company is currently evaluating the sale or potential sale of either segments or divisions or operations within segments for each of the Company’s three operating segments. Except as disclosed herein these evaluations have not met the applicable GAAP requirements for classification as assets held for sale at the balance sheet date of October 31, 2012 nor after the balance sheet but before the issuance of the Financial Statements.

The following is selected financial information included in net earnings (loss) from discontinued operations for two divisions classified within the printing 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, 2012, 2011, and 2010, was approximately $211,000, $270,000, and $272,000.

	Twelve months Ended October 31,								
	2012			2011			2010		
	CGC	Donihe	Total	CGC	Donihe	Total	CGC	Donihe	Total
Net sales	$10,464,516	$ 5,819,306	$16,283,822	$17,758,633	$ 5,914,982	$23,673,615	$ 18,169,202	$ 5,369,177	$ 23,538,379
Earnings (loss) from discontinued operations	140,761	(563,621)	(422,860)	561,257	(126,888)	434,369	417,752	84,770	502,522
Income tax (expense) benefit	(57,487)	188,024	130,537	(231,239)	47,152	(184,087)	(173,033)	(38,274)	(211,307)
Gain on sale of discontinued operations	1,567,231	-	1,567,231	-	-	-	-	-	-
Income tax (expense) on sale	(640,057)	-	(640,057)	-	-	-	-	-	-
Net earnings (loss) from discontinued operations	1,010,448	(375,597)	634,851	330,018	(79,736)	250,282	244,719	46,496	291,215

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, 2012			October 31, 2011		
Assets:						
Accounts Receivable	$ -	$ 777,740	$ 777,740	$ -	$ 3,285,899	$ 3,285,899
Inventories	-	283,467	283,467	-	1,476,792	1,476,792
Other current assets	-	-	-	-	13,542	13,542
Property and equipment, net	1,219,073	425,000	1,644,073	-	-	-
Total current assets	1,219,073	1,486,207	2,705,280	-	4,776,233	4,776,233
Property and equipment, net	-	-	-	1,741,725	840,159	2,581,884
Other assets	-	-	-	-	3,752	3,752
Total noncurrent assets	-	-	-	1,741,725	843,911	2,585,636
Total assets held for sale/discontinued operations	$ 1,219,073	$ 1,486,207	$ 2,705,280	$1,741,725	$ 5,620,144	$ 7,361,869
Liabilities:						
Accounts payable	$ -	$ 278,266	$ 278,266	$ -	$ 890,889	$ 890,889
Deferred revenue	-	4,726	4,726	-	-	-
Accrued payroll and commissions	-	55,310	55,310	-	345,435	345,435
Taxes accrued and withheld	-	138,148	138,148	-	165,698	165,698
Accrued expenses	-	43,103	43,103	-	35,853	35,853
Debt (see Note 3)	1,219,073	966,654	2,185,727	1,218,500	4,716,654	5,935,154
Total current liabilities	1,219,073	1,486,207	2,705,280	1,218,500	6,154,529	7,373,029
Total noncurrent liabilities	-	-	-	-	-	-
Total liabilities held for sale/discontinued operations	$ 1,219,073	$ 1,486,207	$ 2,705,280	$1,218,500	$ 6,154,529	$ 7,373,029

13. Shareholders Rights Agreement and Warrants to Purchase Shares of Class B Common Stock

In accordance with the provisions of the Restated Credit Agreement, the Company issued $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 benefit of the Lenders. The Company has various milestone dates, which may reduce the number of warrants outstanding upon satisfaction of certain conditions. The Company is working with its outside advisors regarding these items but is unable to predict the outcomes or likelihood of success regarding the achievement of such milestones. The warrants expire after October 19, 2017.

The warrants were deemed to be freestanding financial instruments and indexed to the Company's stock and as such have been classified as shareholder's equity. The Company determined this treatment after assessment of the facts and circumstances of the relevant warrant related documents and disregarded any non-substantive or minimal features. The debt discount will be amortized over the life of the Restated Credit Agreement using the interest method. The Company valued the allocation of the warrants using a market approach based on warrant pricing empirical data, and a Black-Scholes analysis with assistance from a third party valuation expert.

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 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 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 Lenders have 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 Company is unable to predict the likelihood of attaining any of these goals, and shareholders should not assume any such goals will be met.

The call options are 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.

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 confidential 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 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. 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.

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 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 its secured lenders, and such adjustments may be material to the Consolidated Financial Statements.

15. 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.

16. (Loss) earnings Per Share

(Loss) earnings per share (EPS) were computed as follows:

	(Loss) Income	Weighted Average Shares	Per Share Amount
Year Ended October 31, 2012			
Continuing operations	**$(23,547,824)**	**11,300,000**	**$ (2.09)**
Discontinued operations	**634,851**	**11,300,000**	**0.06**
Net Loss	**(22,912,973)**		
Basic loss per share			
Loss available to common shareholders, total	**(22,912,973)**	**11,300,000**	**(2.03)**
Effect of dilutive securities stock options			
Diluted loss per share			
Loss available to common shareholders and assumed conversions	**$(22,912,973)**	**11,300,000**	**$ (2.03)**
Year Ended October 31, 2011			
Continuing operations	$ (4,226,325)	10,362,000	$ (0.41)
Discontinued operations	250,282	10,362,000	0.03
Net loss	(3,976,043)		
Basic loss per share			
Loss available to common shareholders, total	(3,976,043)	10,362,000	(0.38)
Effect of dilutive securities stock options			
Diluted loss per share			
Loss available to common shareholders and assumed conversions	$ (3,976,043)	10,362,000	$ (0.38)
Year Ended October 31, 2010			
Continuing operations	$ 196,919	9,988,000	$ 0.02
Discontinued operations	291,215	9,988,000	0.03
Net income	488,134		
Basic income			
Income available to common shareholders, total	488,134	9,988,000	0.05
Effect of dilutive securities stock options			
Diluted income per share			
Income available to common shareholders and assumed conversions	$ 488,134	9,988,000	$ 0.05

17. Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for the years ended October 31, 2012 and 2011.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues				
2012	$ 26,526,000	$ 27,294,000	$ 26,340,000	$ 24,254,000
2011	$ 25,942,000	$ 25,065,000	$ 25,597,000	$ 27,908,000
Gross profit				
2012	$ 8,075,000	$ 8,210,000	$ 6,948,000	$ 7,709,000
2011	$ 7,134,000	$ 7,531,000	$ 6,978,000	$ 9,557,000
Net (loss) income				
From continuing operations				
2012	$ (45,000)	$ (21,004,000)	$ (1,071,000)	$ (1,428,000)
2011	$ 7,000	$ 437,000	$ 783,000	$ (5,453,000)
From discontinued operations				
2012	$ (41,000)	$ (13,000)	$ 478,000	$ 211,000
2011	$ 66,000	$ 56,000	$ 93,000	$ 35,000
Total operations				
2012	$ (86,000)	$ (21,017,000)	$ (593,000)	$ (1,217,000)
2011	$ 73,000	$ 493,000	$ 876,000	$ (5,418,000)
Earnings (loss) per share				
Basic				
From continuing operations				
2012	$ (0.01)	$ (1.86)	$ (0.09)	$ (0.13)
2011	$ -	$ 0.04	$ 0.08	$ (0.48)
From discontinued operations				
2012	$ -	$ -	$ 0.04	$ 0.02
2011	$ 0.01	$ 0.01	$ 0.01	$ -
Total operations				
2012	$ (0.01)	$ (1.86)	$ (0.05)	$ (0.11)
2011	$ 0.01	$ 0.05	$ 0.09	$ (0.48)
Diluted				
From continuing operations				
2012	$ (0.01)	$ (1.86)	$ (0.09)	$ (0.13)
2011	$ -	$ 0.04	$ 0.08	$ (0.48)
From discontinued operations				
2012	$ -	$ -	$ 0.04	$ 0.02
2011	$ 0.01	$ 0.01	$ 0.01	$ -
Total operations				
2012	$ (0.01)	$ (1.86)	$ (0.05)	$ (0.11)
2011	$ 0.01	$ 0.05	$ 0.09	$ (0.48)
Weighted average shares outstanding				
Basic				
2012	11,300,000	11,300,000	11,300,000	11,300,000
2011	9,988,000	9,988,000	10,173,000	11,300,000
Diluted				
2012	11,300,000	11,300,000	11,300,000	11,300,000
2011	9,988,000	9,988,000	10,173,000	11,300,000

Champion Industries, Inc. and Subsidiaries

Schedule II

Valuation and Qualifying Accounts

Years Ended October 31, 2012, 2011 and 2010

Description		**Balance at beginning of period**		**Balances of acquired companies**		**Additions charged to costs and expense**		**Deductions(1)**		**Balance at end of period**
2012										
Allowance for doubtful accounts from continuing operations	$	642,761	$	-	$	728,882	$	(214,178)	$	1,157,465
2011										
Allowance for doubtful accounts from continuing operations	$	987,950	$	-	$	282,612	$	(627,801)	$	642,761
2010										
Allowance for doubtful accounts from continuing operations	$	1,027,268	$	-	$	304,333	$	(343,651)	$	987,950

(1) Uncollectible accounts written off, net of recoveries.

EXHIBIT 3.1

ARTICLES OF AMENDMENT
OF THE
ARTICLES OF INCORPORATION
OF CHAMPION INDUSTRIES, INC.

Pursuant to the provisions of Section 31D-10-1003 of the West Virginia Business Corporation Act, the undersigned corporation adopts the following ARTICLES OF AMENDMENT to its Articles of Incorporation:

1. The name of the corporation is Champion Industries, Inc.

2. The following Amendment of the Articles of Incorporation, which amends Article 7 in its entirety, was duly adopted and approved by the shareholders of the corporation at a special meeting held on December 7, 2012, in the manner prescribed by the West Virginia Business Corporation Act:

   a. Article 7 of the Articles of Incorporation is hereby amended to read as follows:

   7(a). The aggregate number of shares which the corporation shall have authority to issue is 25,000,000 shares, to be divided into 20,000,000 Class A common shares of the par value of $1.00 each, and 5,000,000 Class B common shares of the par value of $1.00 each. The relative rights, privileges and limitations of the Class A common shares and the Class B common shares shall be in all respects identical, share for share, except that the voting power for the election of directors and for all other voting purposes shall be vested exclusively in the holders of the Class A common shares and, except as otherwise required by law, the holders of Class B common shares shall not have any voting power or be entitled to receive any notice of meetings of shareholders.

   (b) Notwithstanding the foregoing, any Class A common shares held (whether by conversion, direct or indirect purchase, or otherwise) by any shareholder whose ownership of Class A common shares is subject to the ownership limitations of the Bank Holding Company Act of 1956, as amended, and the regulations promulgated thereunder, may be tendered to the corporation with a request that they be redeemed and converted, on a share for share basis, for certificate(s) representing Class B common shares, and such shares shall be redeemed and converted upon the corporation’s issuance of certificates for Class B common shares.

   (c) Any share of Class B common shares that is transferred to a holder who is not subject to the ownership limitations of the Bank Holding Company Act of 1956, as amended, and the regulations promulgated thereunder, shall automatically, upon tender to the corporation, be redeemed and converted by the corporation into a share of Class A common shares.

   (d) Any conversion of Class A or Class B common shares pursuant to 7(b) or 7(c) hereof shall be made for no additional consideration.

Dated: December 7, 2012

CHAMPION INDUSTRIES, INC.

By: /s/ Marshall T. Reynolds
Marshall T. Reynolds
Cairman of the Board of Directors

This instrument prepared by:

Thomas J. Murray, Esquire
Huddleston Bolen LLP
611 Third Avenue
Huntington, WV 25701

{H0817495.1 }

EXHIBIT 3.2

ARTICLES OF INCORPORATION
OF
CHAMPION INDUSTRIES, INC.

The undersigned, acting as incorporator of a corporation under the West Virginia Corporation Act, adopts the following Articles of Incorporation for such corporation:

1. The name of the corporation is Champion Industries, Inc.

2. The period of the corporation's duration is perpetual.

3. The purpose for which the corporation is organization is the transaction of any and all lawful business for which corporations may be incorporated under Article One, Chapter Thirty-One, of the West Virginia Code of 1931, as amended.

4. The address of the principal office of the corporation is P.O. Box 2968, Huntington, West Virginia 25728.

5. The number of directors constituting the initial board of directors of the corporation is one (1) and the name and address of the person who is to serve as director until the first annual meeting of shareholders or until his successors are elected and shall qualify are:

   Marshall T. Reynolds
   28 Hamill Road
   Huntington, West Virginia 25701

6. The name and address of the incorporator is Marshall T. Reynolds, 28 Hamill Road, Huntington, West Virginia 25701.

7. (a) The aggregate number of shares which the corporation shall have authority to issue is 25,000,000 shares, to be divided into 20,000,000 Class A common shares of the par value of $1.00 each, and 5,000,000 Class B common shares of the par value of $1.00 each. The relative rights, privileges and limitations of the Class A common shares and the Class B common shares shall be in all respects identical, share for share, except that the voting power for the election of directors and for all other voting purposes shall be vested exclusively in the holders of the Class A common shares and, except as otherwise required by law, the holders of Class B common shares shall not have any voting power or be entitled to receive any notice of meetings of shareholders.

   (b) Notwithstanding the foregoing, any Class A common shares held (whether by conversion, direct or indirect purchase, or otherwise) by any shareholder whose ownership of Class A common shares is subject to the ownership limitations of the Bank Holding Company Act of 1956, as amended, and the regulations promulgated thereunder, may be tendered to the corporation with a request that they be redeemed and converted, on a share for share basis, for certificate(s) representing Class B common shares, and such shares shall be redeemed and converted upon the corporation's issuance of certificates for Class B common shares.

   (c) Any share of Class B common shares that is transferred to a holder who is not subject to the ownership limitations of the Bank Holding Company Act of 1956, as amended, and the regulations promulgated thereunder, shall automatically, upon tender to the corporation, be redeemed and converted by the corporation into a share of Class A common shares.

   (d) Any conversion of Class A or Class B common shares pursuant to 7(b) or 7(c) hereof shall be made for no additional consideration.

8. Provisions limiting or denying preemptive rights are: No holder of any shares of the corporation shall have any preemptive right to purchase, subscribe for, or otherwise acquire any shares of the corporation of any class now or hereafter authorized, or any securities exchangeable for or convertible into such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase, or otherwise acquire such shares.

9. Provisions for the regulation of the internal affairs of the corporation are: None.

Dated: June 29, 1992

/s/ Marshall T. Reynolds________________

This instrument prepared by:

Thomas J. Murray
HUDDLESTON, BOLEN, BEATTY, PORTER & COPEN
Post Office Box 2185
Huntington, West Virginia 25722

STATE OF WEST VIRGINIA,

COUNTY OF CABELL:

The foregoing instrument was acknowledged before me this 29th day of June, 1992, by Marshall T. Reynolds.

/s/ Jannell Lewis ________________________
NOTARY PUBLIC

My commission expires: February 8, 1999

As Amended:

March 31, 1997
December 7, 2012

{H0817476.1 }

EXHIBIT 4.1

WARRANT TO PURCHASE
SHARES OF CLASS B COMMON STOCK
OF
CHAMPION INDUSTRIES, INC.

Void after October 19, 2017

THIS IS TO CERTIFY that, for value received and subject to the provisions hereinafter set forth,

____
or assigns,

is entitled to purchase from Champion Industries, Inc., a West Virginia corporation (the *"Company"*), at any time to and including 5 P.M. E.D.T. October 19, 2017 (the *"Expiration Date"*), Class B Common Stock of the Company of the par value of $1.00 per share, on the terms and conditions hereinafter set forth.

The exercise price for each share of Class B Common Stock to be issued to the holder of this Warrant upon the exercise of this Warrant is $0.001 per share and shall not be subject to adjustment. The number of shares of Class B Common Stock to be received by the holder of this Warrant upon the exercise of this Warrant in whole equals the number of Pro Forma Shares determined as of the date of exercise of this Warrant *multiplied* by the Original Applicable Percentage of this Warrant (or if this Warrant has been previously exercised in part, *multiplied* by the Applicable Percentage for this Warrant then in effect). The number of shares of Class B Common Stock to be received by the holder of this Warrant upon the exercise in part of this Warrant equals the number of Pro Forma Shares determined as of the date of exercise of this Warrant *multiplied* by the portion of the Original Applicable Percentage of this Warrant (or if this Warrant has been previously exercised in part, *multiplied by* the Applicable Percentage for this Warrant then in effect) designated by the holder of this Warrant.

The terms which are capitalized herein shall have the meanings specified in Section 11 unless the context shall otherwise require.

SECTION 1. EXERCISE OF WARRANT.

Subject to the conditions hereinafter set forth, prior to the Expiration Date this Warrant may be exercised (i) for all shares of Class B Common Stock which may then be purchased hereunder, and (ii) for any part of the shares of Class B Common Stock which may then be purchased hereunder on not more than two occasions. Upon any such exercise, the holder shall surrender this Warrant (with the subscription form at the end hereof duly executed) at the principal office of the Company in Huntington, West Virginia, and shall pay to the Company the price per share for the shares so purchased in funds current in Huntington, West Virginia. In the event the number of Underlying Shares or Restricted Shares which the holder of this Warrant is permitted to register pursuant to the Investors' Rights Agreement is reduced in accordance with the provisions of the Investors' Rights Agreement, any partial exercise resulting from such reduction shall not be included for purposes of the limitation on the right to exercise this Warrant set forth in the preceding sentence. If this Warrant is exercised in respect of less than all of the shares of said Class B Common Stock at the time purchasable hereunder, the holder hereof shall be entitled to receive a new Warrant covering the Applicable Percentage of Common Stock in respect of which this Warrant shall not have been exercised; *provided, however,* that this Warrant and all rights and options hereunder shall expire on the Expiration Date, and shall be wholly null and void to the extent this Warrant is not exercised before it expires.

SECTION 2. RESERVATION OF CLASS B COMMON STOCK.

The Company covenants and agrees that at all times prior to the Expiration Date it will have authorized, and in reserve, a sufficient number of shares of its Class B Common Stock to provide for the exercise of the rights represented by the unexercised portion of this Warrant.

SECTION 3. MERGERS, CONSOLIDATIONS, SALES.

In the case of any consolidation or merger of the Company with another entity, or the sale of all or substantially all of its assets to another entity, or any reorganization or reclassification of the Common Stock or other equity securities of the Company, then, as a condition of such consolidation, merger, sale, reorganization or reclassification, lawful and adequate provision shall be made whereby the holder of this Warrant shall thereafter have the right to receive upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Class B Common Stock immediately theretofore purchasable hereunder such shares of stock, securities or assets as may (by virtue of such consolidation, merger, sale, reorganization or reclassification) be issued or payable with respect to or in exchange for a number of outstanding shares of Class B Common Stock equal to the number of shares of Class B Common Stock immediately theretofore so purchasable hereunder had such consolidation, merger, sale, reorganization or reclassification not taken place; *provided* that if securities which are not traded on a National Securities Exchange are issued to holders of Common Stock in any such transaction (excluding a merger in which the Company shall be the survivor) then at the election of the holder in lieu of such securities the holder hereof shall be entitled to receive cash equal to the fair market value of the securities which such Holder is entitled to receive. The fair market value of such securities shall be determined by a nationally recognized investment banking firm reasonably satisfactory to the holder. The cost of any such determination shall be borne by the Company. The Company shall not effect any such consolidation, merger or sale, unless prior to or simultaneously with the consummation thereof, the successor entity (if other than the Company) resulting from such consolidation or merger or the entity purchasing such assets shall assume by written instrument executed and mailed or delivered to the holder of this Warrant, the obligation to deliver to such holder such shares of stock, securities, cash or other assets as, in accordance with the foregoing provisions, such holder may be entitled to receive.

SECTION 4. DISSOLUTION OR LIQUIDATION.

In the event of any proposed distribution of the assets of the Company in dissolution or liquidation except under circumstances when the foregoing Section 3 shall be applicable, the Company shall mail notice thereof to the holder of this Warrant and shall make no distribution to shareholders until the expiration of 20 days from the date of mailing of the aforesaid notice and, in any such case, the holder of this Warrant may exercise the purchase rights with respect to this Warrant within 20 days from the date of mailing such notice and all rights herein granted not so exercised within such 20-day period shall thereafter become null and void.

SECTION 5. NOTICE OF EXTRAORDINARY DIVIDENDS.

If the Board of Directors of the Company shall declare any dividend or other distribution on its Common Stock except out of earned surplus or by way of a stock dividend payable on its Common Stock, the Company shall mail notice thereof to the holder of this Warrant not less than 20 days prior to the record date fixed for determining shareholders entitled to participate in such dividend or other distribution and the holder of this Warrant shall not participate in such dividend or other distribution or be entitled to any rights on account or as a result thereof unless and to the extent that this Warrant is exercised prior to such record date. The provisions of this paragraph shall not apply to distributions made in connection with transactions covered by Section 3.

SECTION 6. FRACTIONAL SHARES.

In the event that any exercise of this Warrant would result in the issuance by the Company of a fractional share of Class B Common Stock, the Company shall pay to the holder of this Warrant upon such exercise an amount in cash equal to the market price, as determined by the Company, of one whole share of the Class B Common Stock multiplied by such fractional share.

SECTION 7. FULLY PAID STOCK; TAXES.

The Company covenants and agrees that the shares of Class B Common Stock to be delivered on the exercise of the purchase rights herein provided for shall, at the time of such delivery, be validly issued and be fully paid and nonassessable. The Company further covenants and agrees that it will pay when due and payable any and all Federal and State transfer, stamp excise or similar taxes which may be payable in respect of this Warrant or any Class B Common Stock upon the exercise of the purchase rights herein provided for pursuant to the provisions hereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the transfer and delivery of Class B Common Stock (and the certificates evidencing ownership thereof) in any name other than that of the holder exercising this Warrant, and any such tax shall be paid by such holder at the time of such transfer.

SECTION 8. CLOSING OF TRANSFER BOOKS.

The right to exercise this Warrant shall not be suspended during any period that the stock transfer books of the Company for its Class B Common Stock may be closed. The Company shall not be required, however, to deliver certificates of its Class B Common Stock upon such exercise while such books are duly closed for any purpose, but the Company may postpone the delivery of the certificates for such Class B Common Stock until the opening of such books, and they shall, in such case, be delivered promptly upon the opening thereof, or as soon as practicable thereafter.

SECTION 9. RESTRICTIONS ON TRANSFERABILITY OF WARRANTS AND SHARES; COMPLIANCE WITH LAWS.

Section 9.1. *In General*. This Warrant and the Class B Common Stock issued upon the exercise hereof shall not be transferable except upon the conditions hereinafter specified, which conditions are intended to insure compliance with the provisions of the Securities Act of 1933 (or any similar Federal statute at the time in effect) and any applicable State securities laws.

Section 9.2.Restrictive Legends. Each Warrant shall bear on the face thereof a legend substantially in the form of the notice endorsed on the first page of this Warrant.

Each certificate for shares of Class B Common Stock initially issued upon the exercise of any Warrant and each certificate for shares of Class B Common Stock issued to a subsequent transferee of such certificate shall, unless otherwise permitted by the provisions of this Section 9.2, bear on the face thereof a legend reading substantially as follows:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933. They may not be sold, pledged or transferred in the absence of such registration or a valid exemption from the registration and prospectus delivery requirements of said Act."

In the event that a registration statement covering the Underlying Shares or the Restricted Stock shall become effective under the Securities Act and under any applicable State securities laws or in the event that the Company shall receive an opinion of its counsel that, in the opinion of such counsel, such legend is not, or is no longer, necessary or required (including, without limitation, because of the availability of the exemption afforded by Rule 144(k) of the Regulations of the Commission), the Company shall, or shall instruct its transfer agents and registrars to, remove such legend from the certificates evidencing the Restricted Stock or issue new certificates without such legend in lieu thereof. Upon the written request of the holder or holders of any Warrant or of any Restricted Stock the Company covenants and agrees forthwith to request its counsel to render an opinion with respect to the matters covered by this Section 9.2 and to bear all expenses in connection with the same.

Section 9.3. Notice of Proposed Transfer; Registration Not Required. The holder of each Warrant or any Restricted Stock, by acceptance thereof, agrees to give prior written notice to the Company of such holder's intention to transfer such Warrant or the Underlying Shares relating thereto or such Restricted Stock (or any portion thereof), describing briefly the manner and circumstances of the proposed transfer; *provided, however,* that no such notice shall be required for a transfer under a registration, qualification or filing for exemption requested in accordance with the provisions of Investors' Rights Agreement. Promptly after receiving such written notice, the Company shall present copies thereof to Company counsel and to counsel designated by such holder, who may be an employee of such holder. If in the opinion of each such counsel (which opinions shall be reasonably acceptable to the Company) the proposed transfer may be effected without registration or qualification under any Federal or State law of such Warrant or the Underlying Shares or such Restricted Stock, the Company, as promptly as practicable, shall notify such holder of such opinion and of the terms and conditions, if any, to be observed, whereupon such holder shall be entitled to transfer such Warrant or Underlying Shares or such Restricted Stock, all in accordance with the terms of the notice delivered to such holder by the Company. If either of such counsel is unable to render such an opinion (in which case said counsel shall set forth in writing the basis for his legal conclusions in this regard) or, if the Company shall not find either of such opinions reasonably acceptable, (in which case the Company shall set forth in writing the reasons such opinion is not acceptable), the proposed transfer described in the written notice given pursuant to this subparagraph may not be effected without such registration or qualification or without compliance with the conditions of an exemptive regulation of the Commission or any applicable State securities regulatory authority, the Company shall promptly notify such holder and thereafter such holder shall not be entitled to effect such transfer until receipt of a subsequent notice from the Company pursuant to the immediately preceding sentence or until such registration or qualification, filing or compliance has become effective. All fees and expenses of counsel (including reasonable fees and expenses of one counsel for all holders of Warrants or Restricted Stock) in connection with the rendition of the opinions provided for in this subparagraph shall be paid by the Company.

SECTION 10. PARTIAL EXERCISE.

Except in the case of the transfer of a portion of this Warrant in connection with a partial exercise hereof, this Warrant may only be transferred in whole and not in part. If this Warrant is exercised in part only, the holder hereof shall be entitled to receive a new Warrant covering the Applicable Percentage of Class B Common Stock in respect of which this Warrant shall not have been exercised as provided in Section 1. If this Warrant is exercised in part, this Warrant shall be surrendered at the principal office of the Company in Huntington, West Virginia, (with the partial assignment form at the end hereof duly executed), and thereupon a new Warrant shall be issued to the holder hereof covering the Applicable Percentage of Class B Common Stock to which such holder shall be entitled.

SECTION 11. DEFINITIONS.

In addition to the terms defined elsewhere in this Warrant, the following terms have the following respective meanings:

The term *"Applicable Percentage"* shall initially mean the Original Applicable Percentage and shall be subject to adjustment as follows: in the event the holder of this Warrant shall exercise this Warrant in part, the Applicable Percentage shall be reduced to an amount determined by multiplying the Original Applicable Percentage by a fraction the numerator of which is the Unexercised Portion of the Warrant and the denominator of which is the Original Applicable Percentage.

The term "*Commission*" shall mean the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act or the Trust Indenture Act, as the case may be.

The term "*Common Stock*" as used herein shall include any class of capital stock of the Company now or hereafter authorized, including, without limitation Class A Common Stock and Class B Common Stock, the right of which to share in distributions either of earnings or assets of the Company is without limit as to any amount or percentage.

The term "*Class A Common Stock*" as used herein shall include Class A capital stock of the Company now or hereafter authorized, the right of which to share in distributions either of earnings or assets of the Company is without limit as to any amount or percentage.

The term "*Class B Common Stock*" as used herein shall include Class B capital stock of the Company now or hereafter authorized, the right of which to share in distributions either of earnings or assets of the Company is without limit as to any amount or percentage; *provided, however,* that the shares of Class B Common Stock deliverable upon the exercise of the rights granted under this Warrant shall include only Class B Common Stock of the Company having a par value of $1.00 per share authorized at the date hereof and any class of Common Stock issued in substitution therefor.

The term *"Convertible Securities"* shall mean evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for Additional Shares of Common Stock, either immediately or upon the arrival of a specified date or the happening of a specified event.

The term *"Investors' Rights Agreement"* shall mean that certain Investors' Rights Agreement dated as of October __, 2012 among the Company, Marshall T. Reynolds and the Investors identified therein.

The term *"National Securities Exchange"* shall mean the National Association of Securities Dealers Automated Quotation System (National Market or Small Capitalization System), the American Stock Exchange or the New York Stock Exchange.

The term *"Original Applicable Percentage"* for this Warrant shall be as set forth on page 1 of this Warrant. The Original Applicable Percentage for this Warrant together with the Original Applicable Percentage of all Related Warrants is 30%.

The term *"Pro Forma Shares"* shall mean, as of the date of any determination thereof, the sum of (i) the total number of outstanding shares of Common Stock of the Company, including, without limitation Class A Common Stock and Class B Common Stock, and (ii) the total number of shares of Common Stock issuable upon exercise of this Warrant, the Related Warrants and any other warrants, options or other rights and upon the exercise of any conversion or exchange rights with respect to Convertible Securities.

The term *"Related Warrant"* shall mean the warrants initially issued pursuant to the terms and provisions of the Credit Agreement.

The term *"Restricted Stock"* shall mean the shares of Class B Common Stock of the Company issued upon the exercise of any of the Warrants and evidenced by a certificate required to bear the legend specified in Section 9.2.

The term "*Securities Act"* shall mean the Securities Act of 1933, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

The term *"Trust Indenture Act"* shall mean the Trust Indenture Act of 1939, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

The term "*Underlying Shares"* shall mean the shares of Class B Common Stock of the Company issuable upon exercise of any of the Warrants.

The term *"Unexercised Portion of the Warrant"* shall mean the Original Applicable Percentage of this Warrant *minus* the aggregate percentage of Pro Forma Shares received by the holder (or any prior holder) of this Warrant upon the exercise of its rights hereunder prior to the date of determination hereunder (in each case determined as of the date of exercise of such rights).

The term "W*arrants"* as used herein shall mean this Warrant and the Related Warrants and all warrants hereafter issued in exchange or substitution for this Warrant or any Related Warrants.

SECTION 12. LOST, STOLEN WARRANTS, ETC.

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company may issue a new Warrant of like date, tenor and denomination and deliver the same in exchange and substitution for and upon surrender and cancellation of the mutilated Warrant, or in lieu of the Warrant lost, stolen or destroyed, upon receipt of evidence satisfactory to the Company of the loss, theft or destruction of such Warrant, and upon receipt of indemnity satisfactory to the Company. If an institutional holder is the owner of any such lost, stolen or destroyed Warrant, then the affidavit of an authorized officer of such owner, setting forth the fact of loss, theft or destruction and of its ownership of such Warrant at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further indemnity shall be required as a condition to the execution and delivery of a new Warrant other than the written agreement of such owner to indemnify the Company.

SECTION 13. WARRANT HOLDER NOT SHAREHOLDER.

This Warrant does not confer upon the holder hereof any right to vote or to consent or to receive notice as a shareholder of the Company, as such, in respect of any matters whatsoever, or any other rights or liabilities as a shareholder, prior to the exercise hereof as hereinbefore provided.

SECTION 14. NOTICES.

All communications provided for hereunder shall be in writing and, if to the holder of this Warrant, delivered or mailed prepaid by registered or certified mail or overnight air courier, or by facsimile communication, in each case addressed to the holder hereof at such address as such holder may designate to the Company in writing, and if to the Company, delivered or mailed by registered or certified mail or overnight courier, or by facsimile communication, to the Company at 2450 First Avenue, Huntington, West Virginia 25728, Attention: Chief Financial Officer - Todd Fry, or to such other address as the Company may designate to the holder hereof in writing; *provided, however,* that a notice to the holder by overnight air courier shall only be effective if delivered to such holder at a street address designated for such purpose in accordance with this Section, and a notice to such holder by facsimile communication shall only be effective if made by confirmed transmission to such holder at a telephone number designated for such purpose in accordance with this Section and promptly followed by delivery of such notice by registered or certified mail or overnight air courier, as set forth above. The person in whose name any Warrant shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Warrant.

SECTION 15. SEVERABILITY.

Should any part of this Warrant for any reason be declared invalid, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in force and effect as if this Warrant had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed and accepted the remaining portion of this Warrant without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

SECTION 16. INDEX AND CAPTIONS.

The index and the descriptive headings of the various sections of this Warrant are for convenience only and shall not affect the meaning or construction of the provisions hereof.

IN WITNESS WHEREOF, Champion Industries, Inc. has caused this Warrant to be signed by its President or one of its Vice Presidents and its Secretary or one of its Assistant Secretaries and this Warrant to be dated ____________, 2012.

CHAMPION INDUSTRIES, INC.

By________________________________
President

By______________________________
Secretary

SUBSCRIPTION

CHAMPION INDUSTRIES, INC.

The undersigned, ____________________, pursuant to the provisions of the within Warrant, hereby elects to purchase ____ % of the Pro Forma Shares of Common Stock of Champion Industries, Inc., a West Virginia corporation, issuable as Class B Common Stock covered by the within Warrant.

Signature____

Address____

Dated: ____________________

ASSIGNMENT

FOR VALUE RECEIVED ____________________ hereby sells, assigns and transfers unto ____________________ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint ____________________, attorney, to transfer the said Warrant on the books of the within-named Company.

____

Dated: ____

PARTIAL ASSIGNMENT IN CONNECTION WITH PARTIAL EXERCISE

FOR VALUE RECEIVED ____________________ hereby sells, assigns and transfers unto ____________________ that portion of the within Warrant and the rights evidenced thereby which will on the date hereof entitle the holder to purchase _____% of the Pro Forma Shares of Common Stock of Champion Industries, Inc., a West Virginia corporation, and issuable as Class B Common Stock and does hereby irrevocably constitute and appoint ____________________, attorney, to transfer that part of the said Warrant on the books of the within-named Company.

____

Dated: ____

EXHIBIT 10.1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT is made as of this ____ day of July, 2012, by and among **Safeguard Acquisitions, Inc.**, a Texas corporation ("Buyer"), **Interform Corporation,** a Pennsylvania corporation ("Seller") and **Champion Industries, Inc.**, a West Virginia corporation ("Shareholder"), under the following circumstances:

A. Seller owns and operates a division under the trade name of Consolidated Graphic Communications ("Seller's Division" or "CGC"). CGC is engaged in the business of distributing business forms, promotional products, apparel, and marketing materials; and providing certain business services to customers (the "Business"). Shareholder is the sole shareholder of Seller.

B. Seller desires to sell to Buyer the Business and certain assets of the Business, and Buyer desires to purchase such assets, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.01. Definitions. For all purposes of this Agreement, the terms set forth below shall be defined as follows:

"Accounting Firm" means, unless Buyer and Seller otherwise agree, Price Waterhouse Coopers.

"Acquired Prepaid Assets" has the meaning given that term in Section 2.01(h).

"Adjustment Objection Notice" has the meaning given that term in Section 2.07(c).

"Agent" means Fifth Third Bank, as Administrative Agent for secured lenders under the Obligation.

"Affiliate" means, with respect to any Person (the "first Person"), any other Person that controls, is controlled by, or is under common control with, the first Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Ancillary Documents" has the meaning given that term in Section 3.01.

"Assumed Customer Agreements" has the meaning set forth in Section 2.01(e).

"Assumed License Agreements" has the meaning given that term in Section 2.01(f).

"Assumed Obligations" has the meaning given that term in Section 2.03.

"Assumed Other Agreements" has the meaning given that term in Section 2.01(g).

"Balance Sheet Date" means June ____, 2012.

"Bank Debt" means the indebtedness of Seller and/or CGC pursuant to the Obligation which is secured by a sole first Lien on all of the Purchased Assets.

"Business" has the meaning given that term in paragraph A of the recitals to this Agreement.

"Business Day" means a day other than Saturday, Sunday or any other day on which commercial banks in the United States of American are authorized or required by law to close.

"Buyer" has the meaning set forth in the preamble of this Agreement.

"Buyer Group" has the meaning given that term in Section 8.02(a).

"Claim" has the meaning set forth in Section 8.03.

"Claim Notice" has the meaning given that term in Section 8.03.

"Closing" means the consummation of the transactions contemplated by this Agreement, as provided in Article 5.

"Closing Adjustment" has the meaning given that term in Section 2.07.

"Closing Date" means the date on which the Closing contemplated pursuant to Article 5 actually occurs.

"Closing Inventory Value" has the meaning given that term in Section 2.07(a).

"Company Software" has the meaning given that term in Section 3.14(d).

"Company Intellectual Property" has the meaning given that term in Section 2.01(d).

"Confidential Information" means any information, data or other materials of Seller and CGC which: (i) is proprietary or confidential to Seller or CGC or otherwise was or is designated by Seller or CGC as "confidential information," (ii) is not generally available to the general public, or (iii) originally was acquired by, disclosed to or known by an Affiliate of Seller or CGC as a result of or through its relationship with Seller or CGC. "Confidential Information" includes without limitation: (i) the Customer Information, (ii) sales information, marketing and product development plans, marketing techniques, pricing policies, customer programs and market forecasts, (iii) information concerning proprietary computer systems (including hardware and software), support systems and techniques and methods, (iv) information with respect to development, improvements, inventions, ideas, processes, procedures, discoveries, concepts, designs, drawings, specifications, data and "know-how," (v) financial information (including, without limitation, sales and revenue information and financial statements), (vi) product or service information (including, without limitation, product design and specifications, product development plans, product strategies and product delivery systems), and (vii) information of a type described in the foregoing clause (i) through (vi) which Seller or CGC obtained from another party under an obligation of confidentiality.

“contract” or “agreement” means any contract, franchise, indenture, agreement, lease, sublease, license, instrument or other legally binding commitment, obligation or arrangement.

“Copyrights” means all copyrights in works of authorship of any type, including moral rights and rights of attribution and integrity, copyrights in Software and in the content contained on any Web site, and registration and applications for any of the foregoing, and rights to sue for past infringement thereof.

“Customer Information” has the meaning set forth in Section 2.01(j).

“Damages” has the meaning given that term in Section 8.02(a).

“Domain Names” means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet (or successor technology).

“Down Payment” has the meaning given that term in Section 2.05(a)

“Employee Plans” means any employee pension benefit plan (as defined in Section 3(2) of ERISA), employee welfare benefit plan (as defined in Section 3(1) of ERISA) and any other plan, arrangement, agreement or policy relating to employment, bonus, deferred compensation, pension, retirement, profit sharing, 401(k), stock option, stock purchase, employee stock ownership, stock appreciation rights, savings, consulting, severance, termination, collective bargaining, group insurance or fringe benefit and any other employee benefit, incentive and welfare plan, policy, contract, agreement and arrangement, written or oral, formal or informal, and any trust agreement related thereto, which is maintained, sponsored or contributed to by CGC or which is currently in effect or under which future benefits may be paid and relating to any present or former director, officer or employee of CGC.

“Environmental Laws” means all Laws relating to pollution or protection of human health or the environment, including Laws relating to Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials and all Laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials.

"Equipment" has the meaning set forth in Section 2.01(a).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Escrow Amount" has the meaning set forth in Section 2.05(b)

"Escrow Fund" has the meaning set forth in Section 2.05(c)

"Excluded Assets" has the meaning given that term in Section 2.01.

"Financial Statements" means (i) the unaudited, compiled balance sheet and statements of income, cash flows and retained earnings of CGC as of the most recent fiscal year and for the year then ended, and (ii) the unaudited interim compiled balance sheet and statements of income, cash flows and retained earnings of CGC as of May 31, 2012.

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Governmental Entity" means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, provincial, state or local, domestic or foreign.

"Hazardous Materials" means any substance which is listed, defined, designated or classified as hazardous, toxic or radioactive, or otherwise is regulated (whether by type or by quantity), under any Environmental Law. Hazardous Materials include, without limitation, petroleum products and any derivative or by-product thereof, asbestos, radioactive materials and polychlorinated biphenyls.

"Indemnified Party" has the meaning given that term in Section 8.03.

"Indemnifying Party" has the meaning given that term in Section 8.03.

"Intellectual Property" means all Copyrights, Patents, Software, Trademarks, Domain Names and Trade Secrets and has the meaning set forth in Section 2.01(d).

"Inventory" has the meaning set forth in Section 2.01(b).

"Knowledge of Seller or CGC" or "Seller's and CGC's Knowledge" means information which is, or reasonably should be, known, after due inquiry, to any of Shareholder, officer, employee or director.

"Laws" means any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, judgment, injunction or decree, administrative order or decree, administrative or judicial decision, and any other executive or legislative proclamation.

"Leased Personal Property" has the meaning given that term in Section 3.08(b).

"Leased Real Property" has the meaning given that term in Section 3.09(a).

"Lien" means any charge, easement, encumbrance, mortgage, security interest, covenant, lien or pledge, whether imposed by agreement, law or otherwise.

"Licensed Intellectual Property" has the meaning given that term in Section 3.14(b).

"Licensed Software" has the meaning given that term in Section 3.14(d).

"Listed Contracts" has the meaning given that term in Section 3.15.

"Nonassignables Agreements" has the meaning given that term in Section 2.02.

"Owned Intellectual Property" has the meaning given that term in Section 2.01(d).

"Owned Software" has the meaning given that term in Section 2.01(c).

"Patents" means all inventions (whether patentable or unpatentable and whether or not reduced to practice), and all U.S., Canadian and foreign patents and industrial designs, including any continuations, divisionals, continuations-in-part, renewals, reissues and applications for any of the foregoing, and rights to sue for past infringement thereof.

"Permits" means any license, permit, approval or authorization of a Governmental Entity which relates to, or is necessary to, the conduct of the Business or any other activities of CGC.

"Person" means any individual, partnership, limited partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture or other entity of whatever nature or any Governmental Entity.

"Proceeding" means any claim, suit, arbitration, opposition, interference, cancellation or other adversarial proceeding.

"Purchase Price" has the meaning given that term in Section 2.04.

"Purchased Assets" has the meaning given that term in Section 2.01.

"Receivables" has the meaning accepted and used under those certain Generally Accepted Accounting Principles (GAAP) of the United States of America..

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment (including ambient air, surface water, groundwater and surface or subsurface strata), or into or out of any property, including the movement of hazardous materials through or in the air, soil, surface water, groundwater or property.

"Required Consents" means the consents and approvals listed on Schedule 5.02(c).

"Seller Group" has the meaning given that term in Section 8.02(b).

"Seller" has the meaning set forth in the preamble to this Agreement.

“Seller’s Subsidiary or “CGC” has the meaning set forth in the preamble to this Agreement.

“Setoff” has the meaning given that term in Section 8.06.

“Setoff Right” has the meaning given that term in Section 8.06.

“Shareholder” has the meaning given that term in the preamble to this Agreement.

"Shareholder Confidential Information" means any information, data or other materials of Shareholder and its Affiliates not related to the Business, and is not included in the Purchased Assets which: (i) is proprietary or confidential to Shareholder or its Affiliates or otherwise was or is designated by Shareholder or its Affiliates as "confidential information," (ii) is not generally available to the general public, or (iii) originally was acquired by, disclosed to or known by CGC as a result of or through its relationship with Seller or Shareholder or its Affiliates. "Shareholder Confidential Information" includes without limitation: (i) customer information, (ii) sales information, marketing and product development plans, marketing techniques, pricing policies, customer programs and market forecasts, (iii) information concerning proprietary computer systems (including hardware and software), support systems and techniques and methods, (iv) information with respect to development, improvements, inventions, ideas, processes, procedures, discoveries, concepts, designs, drawings, specifications, data and "know-how," (v) financial information (including, without limitation, sales and revenue information and financial statements), (vi) product or service information (including, without limitation, product design and specifications, product development plans, product strategies and product delivery systems), and (vii) information of a type described in the foregoing clause (i) through (vi) which Shareholder or its Affiliates obtained from another party under an obligation of confidentiality.

“Significant Customer” has the meaning given that term in Section 3.19(b).

“Software” means all computer programs (whether in source code or object code form), databases, compilations and data, technology supporting and content contained on any owned or operated Internet or intranet site, and all documentation, including user manuals and training materials, related to any of the foregoing.

“Subsidiary” means any limited liability company, corporation, partnership, association, joint venture or other entity of which any Person (either alone or through or together with any other person pursuant to any agreement, arrangement, contract or other commitment) owns, directly or indirectly, 50% or more of the capital stock or other equity interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such entity.

“Tax Return” means all returns, reports and similar statements (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to any Governmental Entity relating to Taxes.

“Taxes” means any taxes, charges, fees or other assessments, including all Federal, state, local, foreign and other income, gross receipts, franchise, capital stock, withholding, payroll, social security, unemployment, disability, real property, personal property, sales, use, ad valorem, excise, transfer, profits, license, customs, estimated, severance, stamp, occupation and any other taxes, including any interest, penalties or additions on or to the foregoing.

“Third Party Claim” has the meaning given that term in Section 8.04.

“Trademarks” means all trademarks, service marks, trade names, designs, logos, emblems, signs or insignia, slogans, other similar designations of source or origin and general intangibles of like nature, together with the goodwill symbolized by any of the foregoing, registrations and applications and renewals relating to any of the foregoing, and rights to sue for past infringement thereof.

“Trade Secrets” means all confidential information, financing and marketing information, technology, know-how, inventions, proprietary processes, formulae, algorithms, models and methodologies, and rights to sue for past infringement thereof.

“Transaction Expenses” means all costs, fees and expenses incurred by Seller, CGC or Shareholder in connection with the transactions contemplated by this Agreement (including, without limitation): (i) the fees and expenses of any investment banker, broker or financial advisor retained by Seller or CGC, (ii) the fees and expenses of legal counsel and accountants, (iii) the cost of obtaining all necessary consents and approvals of third parties to the transactions contemplated by this Agreement, including with respect to the assignment of any Assumed Contract Obligations, not to exceed Fifty Thousand Dollars ($50,000) and (iv) any severance payment, retention payment, completion or success fee or bonus, change in control payment or other similar payment made in connection with the transactions contemplated by this Agreement.

“Transferred Employee” has the meaning given that term in Section 6.01.

“Working Capital Statement” has the meaning given that term in Section 2.07(a).

ARTICLE 2
PURCHASE AND SALE OF THE PURCHASED ASSETS

2.01 Purchase and Sale of the Purchased Assets. Subject to the terms and conditions of this Agreement, at the Closing which is being held concurrently herewith, Seller shall sell to Buyer, and Buyer shall purchase from Seller, certain assets and properties (of every kind, nature, character and description, whether real, personal or mixed and whether tangible or intangible) owned by CGC or owned by Seller for exclusive use by CGC, or used in the Business (collectively, the “Purchased Assets”) including, without limitation, the following:

(a) all of the computers, equipment, accessories, spare parts, furniture furnishings, tools, vehicles, leasehold improvements and other fixed assets owned by CGC or owned by Seller for exclusive use by CGC or used in the Business and not leased from a third party (including, without limitation, all of those listed on Schedule 2.01(a)) (collectively, the “Equipment”), together with all operating, repair and parts manuals with respect to the Equipment and, to the extent assignable, all rights of CGC under manufacturer or vendor warranties, service agreements and the like with respect to the Equipment;

(b) Certain of CGC's inventory of supplies on hand, goods held for sale or to be furnished under contracts, work in process, raw materials, packaging, user and training manuals for CGC's products, advertising materials and promotional materials including, without limitation, those listed on Schedule 2.01(c) (collectively, the "Inventory");

(c) Software owned by CGC or owned by Seller for exclusive use by CGC (collectively, the "Owned Software");

(d) all of CGC's rights with respect to all Intellectual Property owned by CGC or owned by Seller for exclusive use by CGC or which relates to or is used in the Business including, without limitation, the Intellectual Property listed on Schedule 2.01(e); all of Seller's and CGC's rights in the names "Consolidated Graphic Communications", "e-Competes", and "e-link" and all derivations thereof, including any "dba" names; all of Seller's and CGC's rights in all telephone and fax numbers currently used by CGC; all of Seller's and CGC's rights in all Domain Names and other rights with respect to any World Wide Web site or sites maintained by or registered in the name of CGC or owned by Seller for use by CGC (all of which are listed on Schedule 2.01(e)) and all of Seller's and/or CGC's rights in the content, information and databases contained thereon; and all other Intellectual Property of CGC or owned by Seller for exclusive use by CGC, which relates to or is used in the Business and all associated goodwill (collectively, the "Owned Intellectual Property" and, with the Licensed Intellectual Property, the "Company Intellectual Property");

(e) all of Seller's and CGC's rights in, under and to those contracts with customers which are listed on Schedule 2.01(f) (the "Assumed Customer Agreements");

(f) all of Seller's and CGC's rights in, to and under the Intellectual Property Licenses listed on Schedule 2.01(g) (the "Assumed License Agreements");

(g) all of Seller's and CGC's rights in, to and under those Other Contracts which are listed on Schedule 2.01(h) (collectively, the "Assumed Other Agreements") including, without limitation, certain contracts associated with third-party enterprise computer, technology and other information technology platforms such as "Kramer-Smilco", "PageDNA" and "Easy Pro";

(h) the prepaid assets of the Business, if any, which are listed on Schedule 2.01(i) and all of Seller's and CGC's other deposits and rights to deposits (collectively, the "Acquired Prepaid Assets");

(i) all of Seller's and CGC's rights in, to and under all of Seller's and CGC's Permits, to the extent assignable;

(j) all of CGC's rights or rights owned by Seller for exclusive use by CGC in the lists of customers and other customer information and files (in each case, whether in paper or electronic form), together with all order, service and invoice files (all of the foregoing are referred to collectively as the "Customer Information") and all rights of Seller or CGC (whether pursuant to contract, law or otherwise) to prevent the use or disclosure of the Customer Information or any portion thereof by any third party which may have had access to the Customer Information;

(k) all of CGC's financial and other records and databases in connection with the Business including, without limitation, CGC's marketing information and documents; documentation with respect to the Equipment, the Inventory, the Receivables, the Owned Software, the Company Intellectual Property, the Assumed Customer Agreements, the Assumed License Agreements, the Assumed Other Agreements, the Acquired Prepaid Assets, the Permits and all other information and records used by CGC in the operation of the Business or used by Seller on behalf of CGD in the operation of the Business;

(l) any insurance proceeds or awards receivable or other compensation receivable with respect to any of the foregoing which arise from events occurring prior to the Closing, other than insurance proceeds or awards receivable or other compensation receivable with respect to Excluded Assets or with respect to liabilities or obligations of CGC or owned by Seller for use by CGC which are not Assumed Obligations; and

(m) all rights or causes of action arising out of occurrences before or after the Closing Date, including third party warranties and guarantees and all related claims, credits, rights of recovery and set-off as to third parties which are held by or in favor of CGC, excluding claims credits, rights of recovery and set-offs related to Excluded Assets and liabilities that re not Assumed Obligations.

Notwithstanding anything to the contrary contained in this Agreement, the "Purchased Assets" shall include CGC's accounts receivables, notes receivable and other receivables of the Business existing as of the Closing Date. The Buyer will be responsible for the payment of those accounts payables and other obligations of CGC existing as of the Closing Date and reflected on Seller's Closing Date Balance Sheet as provided in Section 2.03. "Excluded Assets" not sold under this Agreement include Shareholder Confidential Information, cash and intercompany accounts of Seller and CGC, pre-paid Pennsylvania Workers Compensation deposits, pre-paid automobile and commercial insurance premiums and the vehicles furnished CGC by Shareholder listed on Schedule 3.08.

2.02 Nonassignable Purchased Assets. To the extent that the assignment of any of the Assumed Customer Agreements, Assumed License Agreements or Assumed Other Agreement by Seller or CGC to Buyer is not permitted without the consent or approval of any other party or parties thereto or if all of the remedies available to Seller, CGC or Shareholder for the enforcement thereof would not by law pass to Buyer pursuant to the assignment thereof at the Closing (any such Assumed Customer Agreements, Assumed License Agreements or Assumed Other Contracts being referred to collectively as the "Nonassignable Agreements"), this Agreement shall not be deemed to constitute an undertaking to assign the same if such consent or approval is not given; provided, however, that: (i) receipt of the Required Consents of Landlords of Leased Real Property at or prior to the Closing shall be a condition to the obligation of Buyer to complete the transactions contemplated by this Agreement, and (ii) Seller and CGC shall use its best efforts following the Closing to secure, within 30 days after the Closing, all such other consents and approvals not obtained prior to the Closing, and Buyer shall reasonably cooperate with Seller and CGC in all such efforts. If a consent or approval is required and is not obtained and if Buyer so requests, Seller and CGC shall cooperate with Buyer, at the expense of Seller, in any reasonable arrangement designed to provide Buyer with the benefits under the Nonassignable Agreements, to the extent not assigned.) (do we have a list of these and when we do, we should add this to the schedules)

2.03 Limited Assumption of Obligations. At the Closing, Buyer shall assume and agree to perform and pay in due course:

(i) the obligations relating to the operation of the Business as reflected in the Closing Date Balance Sheet of Seller attached hereto as Exhibit A (Net $1,071,578 at May 31, 2012); and

(ii) the obligations of CGC arising after the Closing under the Assumed Customer Agreements, Assumed License Agreements and Assumed Other Contracts, but only to the extent such agreements have been validly assigned to Buyer, with Buyer's knowledge and consent or Buyer has received the full benefits thereof pursuant to Section 2.02 and all obligations with respect to all customer owned, pre-paid Inventory in CGC custody not otherwise covered by the foregoing (the obligations described in subparagraphs (i) and (ii) are collectively, the "Assumed Obligations").

BUYER IS NOT ASSUMING AND SHALL NOT BE LIABLE FOR ANY OTHER DEBT, OBLIGATION, RESPONSIBILITY OR LIABILITY OF SELLER OR CGC, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR ABSOLUTE, OR OTHERWISE (INCLUDING, WITHOUT LIMITATION, ANY LIABILITY OR OBLIGATION OF SELLER OR CGC ARISING FROM THE CONDUCT OF THE BUSINESS BY SELLER OR CGC PRIOR TO THE CLOSING OR FROM THE CONDUCT OF ANY OTHER BUSINESS BY SELLER OR CGC OR ANY LIABILITY OR OBLIGATION OF SELLER OR CGC UNDER ANY HEALTH, WELFARE, BENEFIT, PENSION, PROFIT SHARING OR OTHER RETIREMENT PLAN OR AGREEMENT OR ANY EMPLOYMENT OR COLLECTIVE BARGAINING AGREEMENT OR ANY OTHER AGREEMENT WITH OR RELATING TO ANY PRESENT OR FORMER EMPLOYEE OF SELLER OR CGC).

2.04 Purchase Price. The full consideration to be given by Buyer to Seller for the purchase and sale of CGC's Purchased Assets shall consist of: (A) the assumption by Buyer of the Assumed Obligations as provided in Section 2.03, plus (B) an amount in cash equal to $4,500,000 (the "Purchase Price"), less or plus the amount of the Closing Adjustment, if any, determined as provided in Section 2.05 and Section 2.07.

2.05 Payment of the Purchase Price. The Purchase Price shall be paid by Buyer to Seller as follows:

(a) At Closing, Buyer shall pay the sum of $3,100,000.00 in immediately available funds (the "Down Payment") directly to Agent at such address provided by Agent.

(b) At Closing, the Buyer will cause $400,000.00 (the "Hold Back Amount") to be provisioned and readily available to be paid directly to Agent at such address provided by Agent no later than thirty (30) days immediately following the Closing, subject to the terms and conditions outlined within the below Section 2.05(d).

(c) The remaining balance of the purchase price shall be determined using the mutually agreed-upon "benchmark" Shareholders' Equity calculations attached hereto as Exhibit "B". Seller is to deliver to Buyer Shareholders' Equity equal to $1,554,596.00 versus the actual as of May 31, 2012 of $2,292,336.00. The parties acknowledge and agree that Buyer's retention of the $1,000,000 of Shareholders' Equity, as further described within Exhibit "B", shall constitute the remaining consideration owed to Seller in connection with Buyer's acquisition of the assets more fully described herein. If the amount delivered by Seller at Closing is greater than $1,554,596.00, then Buyer will remit the difference to Agent as required pursuant to the below Section 2.05 (c)(a). If the amount delivered by Seller at Closing is less than $1,554,596.00, then Buyer will first deduct any shortfall from the Hold Back Amount and if it should exceed the Hold Back Amount, then Seller shall remit the difference to Buyer.

a. Buyer will remit any post-closing adjustment referenced in Section 2.05(c) to the Agent, subject to the collection of accounts receivable by the Buyer equal to $1,071,578 and the procedures described in Section 2.07.

(d) Hold Back Amount. The balance of the Purchase Price in the amount of Four Hundred Thousand and 00/100 Dollars ($400,000.00) shall be paid thirty (30) days immediately after the Closing and shall be paid subject to the following:

i. Seller providing assistance as is both customary and reasonable with respect to the transition of the business to Buyer including, without limitation, providing reasonable assistance with issues or concerns relating to the historical day-to-day operations and management of the business; and

ii. Buyer's verification and validation that, based upon information and belief, all information, records and other data supplied by Seller in connection with Buyer's pre-closing due diligence and related processes were and remain true, accurate and exclusive of any and all misrepresentations and/or omissions, as may be determined by Buyer in its reasonable discretion;

iii. Seller's satisfaction of any and all obligations it may have or had with any party whose performance or relationship is determined by Buyer, in it's reasonable discretion, to have a material effect on the success of the Business; and

iv. Seller’s full and complete satisfaction of any and all costs, expenses, judgments, decrees or decisions associated with any pending lawsuit(s), arbitration(s) or other legal proceedings against the Business, its owners and shareholders or in any way related to the assets thereof, which may be known at the time of Closing or become known on or prior to the payment date of Hold Back Amount.

Buyer shall have the right to setoff against the Hold Back Amount any and all sums associated with this Section 2.05, with such setoff being accompanied by Buyer’s itemization of such setoff amounts and the reasons associated therewith. The setoff itemization delivered by Buyer to the Seller shall be conclusive and binding upon the parties unless and to the extent the Seller, within ten (10) days following the receipt of the setoff itemization, notifies Buyer in writing that the Seller disputes any of the amounts set forth therein, specifying the nature of the dispute and the basis therefor. The parties shall in good faith attempt to resolve any dispute and, if the parties so resolve all disputes the setoff itemization, as amended to the extent necessary to reflect the resolution of the dispute, shall be conclusive and binding on the parties. If the parties do not reach agreement in resolving the dispute within ten (10) days after notice is given by the Seller to Buyer pursuant to the second preceding sentence, the parties shall submit the dispute to a nationally recognized independent accounting firm which is mutually agreeable to the parties (the “Arbiter”) for resolution. Promptly, but no later than twenty (20) days after appointment of the Arbiter, the Arbiter shall determine (it being understood that in making such determination, the Arbiter shall be functioning as an expert and not as an arbitrator), based solely on written submissions by Buyer and the Seller, and not by independent review, only those issues in dispute and shall render a written report as to the resolution of the dispute and the resulting setoff amount which shall be conclusive and binding on the parties. In resolving any disputed item, the Arbiter (x) shall be bound by the provisions of this Section 2.07(c) and (y) may not assign a value to any item greater than the greatest value for such items claimed by either party or less than the smallest value for such items claimed by either party. The fees, costs and expenses of the Arbiter shall be allocated to and borne by Buyer and the Seller based on the inverse of the percentages that the Arbiter’s determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Arbiter. For example, should the items in dispute total in amount to $1,000 and the Arbiter awards $600 in favor of Seller’s position, 60% of the costs of its review would be borne by Buyer and 40% of the costs would be borne by the Seller.

Upon resolution of any dispute with respect to the setoff itemization, Buyer, or Seller, as the case may be, shall promptly remit to the other the appropriate amount, with any amount owed Seller to be sent directly to the Agent.

For purposes of Section 1060 of the Internal Revenue Code of 1986, as amended (the “Code”), the consideration paid by Buyer for the purchase of the Purchased Assets shall be allocated among the Purchased Assets in the manner set forth on Schedule 2.08. Buyer, Seller and CGC shall be bound by such allocation and to complete their respective Internal Revenue Service Forms 8594 in accordance with Schedule 2.08.

2.07 Calculation of Closing Adjustment. (a) For purposes of preparing a statement of working capital of CGC as of the Closing Date (the "Working Capital Statement") as provided in this Section 2.07 and in the format set forth in Schedule 2.07, on the Closing Date, Buyer, Seller and CGC and their representatives shall conduct a physical count of CGC's Inventory pursuant to which all such Inventory is counted as to quantity using procedures agreed upon by Buyer, Seller and CGC. Representatives of Buyer, Seller and CGC shall be permitted to observe and audit the physical inventory. Based on the physical count, obsolete, damaged and missing inventory shall be excluded from the Working Capital Statement (the value of the Inventory as shown on the Working Capital Statement hereinafter is referred to as the "Closing Inventory Value"). The parties used their best efforts to resolve any objections to the value of the Inventory during the course of the physical count.

(b) As promptly as practicable after the Closing, but in no event later than 45 days after the Closing, Buyer shall cause the Shareholders' Equity calculation and the Working Capital Statement to be prepared from the books and records of the Business and shall deliver the Shareholders' Equity calculation and the Working Capital Statement to Seller pursuant to Section 2.05(b) and Section 2.07(a).

(c) Acceptance of Shareholders' Equity Calculation and Working Capital Statement; Dispute Procedures. The Shareholders' Equity calculation and the Working Capital Statement delivered by Buyer to the Seller shall be conclusive and binding upon the parties unless and to the extent the Seller, within thirty (30) days following the receipt of the Shareholders' Equity calculation and the Working Capital Statement, notifies Buyer in writing that the Seller disputes any of the amounts set forth therein, specifying the nature of the dispute and the basis therefor. The parties shall in good faith attempt to resolve any dispute and, if the parties so resolve all disputes the Shareholders' Equity calculation and the Working Capital Statement, as amended to the extent necessary to reflect the resolution of the dispute, shall be conclusive and binding on the parties. If the parties do not reach agreement in resolving the dispute within twenty (20) days after notice is given by the Seller to Buyer pursuant to the second preceding sentence, the parties shall submit the dispute to a nationally recognized independent accounting firm which is mutually agreeable to the parties (the "Arbiter") for resolution. Promptly, but no later than twenty (20) days after appointment of the Arbiter, the Arbiter shall determine (it being understood that in making such determination, the Arbiter shall be functioning as an expert and not as an arbitrator), based solely on written submissions by Buyer and the Seller, and not by independent review, only those issues in dispute and shall render a written report as to the resolution of the dispute and the resulting computation of the Shareholders' Equity calculation and the Working Capital Statement which shall be conclusive and binding on the parties. In resolving any disputed item, the Arbiter (x) shall be bound by the provisions of this Section 2.07(c) and (y) may not assign a value to any item greater than the greatest value for such items claimed by either party or less than the smallest value for such items claimed by either party. The fees, costs and expenses of the Arbiter shall be allocated to and borne by Buyer and the Seller based on the inverse of the percentages that the Arbiter's determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Arbiter. For example, should the items in dispute total in amount to $1,000 and the Arbiter awards $600 in favor of Seller's position, 60% of the costs of its review would be borne by Buyer and 40% of the costs would be borne by the Seller.

Upon resolution of any dispute with respect to the Shareholders' Equity calculation and Working Capital Statement, Buyer, or Seller, as the case may be, shall promptly remit to the other the appropriate amount per Section 2.05(c), with any amount owed Seller to be sent directly to the Agent.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF SELLER, CGC AND SHAREHOLDER

Seller, CGC and Shareholder jointly and severally represent and warrant to Buyer as of the Closing Date as follows:

3.01 Corporate Organization, Authority and Legal Capacity of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of Pennsylvania, with full corporate power and authority to own the Purchased Assets and to conduct the Business. Seller has full corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement, the Escrow Agreement and the bill(s) of sale, assignments and other documents to be executed by Seller at the Closing (collectively, the "Ancillary Documents") and the performance by Seller and CGC of the transactions contemplated by this Agreement and the Ancillary Documents have been duly authorized or approved by all necessary corporate actions and proceedings on the part of Seller, CGC and Shareholder. Neither Seller, CGC nor Shareholder is a party to any agreement or subject to any legal restriction that would prevent or restrain the ability of Seller, CGC or Shareholder to perform their respective obligations under this Agreement and the Ancillary Documents, including but not limited to agreements related to the repayment of debts incurred by Seller, CGC or Shareholder.

3.02 Enforceability; No Conflict. This Agreement and each of the Ancillary Documents to which either Seller, CGC or Shareholder is a party is a legal, valid and binding obligation of Seller, CGC and Shareholder, as the case may be, enforceable against Seller, CGC and Shareholder, as the case may be, in accordance with its respective terms. Except as otherwise described on Schedule 3.02, the execution, delivery and performance of this Agreement and the Ancillary Documents by Seller, CGC and Shareholder will not:

(i) violate the certificate of incorporation, by-laws or other similar charter documents of Seller;

(ii) violate any Law, judgment, ruling order, writ, injunction or decree to which either Seller, CGC or Shareholder is a party or by which either Seller, CGC or Shareholder or any of the Purchased Assets is bound;

(iii) require any consent, approval, authorization or Permit of or from, or filing with or notification to, any Governmental Entity or any consent, approval, authorization from any other Person (including, without limitation, any creditor);

(iv) violate, conflict with, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of CGC under, any indenture, mortgage, lease, contract or other agreement or instrument to which Seller, CGC or Shareholder is a party or by which either Seller, CGC or Shareholder or any of the Purchased Assets is bound.

3.03 Subsidiaries and Joint Venture Companies. CGC does not have any Subsidiary nor does CGC, directly or indirectly, own any capital stock or equity interest in any other Person. Except as set forth on Schedule 3.03, CGC has not entered into any joint venture, partnership or other similar agreement. Except as set forth on Schedule 3.03, CGC has never engaged in any business other than the Business. A complete and accurate list of all fictitious or trade names under which CGC transacts business is set forth on Schedule 3.03.

3.04 Financial Statements; Books and Records of Account. The Financial Statements, correct and complete copies of which are included in Schedule 3.04, were prepared in accordance with the books and records of Seller and CGC on a consistent basis and are sufficient to permit preparation of the audited financial statements of Shareholder in accordance with GAAP (except as otherwise may be indicated therein) and present fairly in all material respects the financial position of CGC at the dates thereof and the results of operations and cash flows for the periods then ended, except as otherwise noted therein. The books and records of account of CGC are accurate and complete in all material respects and are sufficient to permit the preparation and audit of the financial statements of Shareholder in accordance with generally accepted auditing procedures. CGC has established reserves on its books in a manner sufficient to permit the preparation of the audited financial statements of Shareholder in accordance with GAAP for: (i) the uncollectability of accounts receivables, and (ii) returns and allowances. All of the books and records of account of CGC (including, without limitation, records and files stored on computer disks, tapes or other storage media) are located at CGC's facility located in Pennsylvania.

3.05 Undisclosed Liabilities. Seller, CGC and Shareholder acknowledge that CGC has no liabilities or obligations of any nature whatsoever (whether known or unknown, accrued, absolute, contingent or otherwise) other than: (i) liabilities and obligations fully reflected on the most recent balance sheet of CGC included in the Financial Statements, (ii) the liabilities and obligations listed on Schedule 3.05, and (iii) trade payables and similar current liabilities incurred by CGC in the ordinary course of the Business between the Balance Sheet Date and the Closing. The aggregate amount of the Bank Debt as of the date of this Agreement is $43,264,720.

3.06 No Material Adverse Change since Balance Sheet Date. Except as otherwise described on Schedule 3.06, since the Balance Sheet Date, there has been no change in the financial condition, results of operations, Business or prospects of Seller or CGC that has had or is likely to have a material adverse effect on CGC or the Business.

3.07 Operation in the Ordinary Course Since the Balance Sheet Date. Except as disclosed in Schedule 3.07, from and after the Balance Sheet Date:

(a) Seller and CGC have carried on their respective business operations in the ordinary and usual course, consistent with their respective practices during the periods covered by the Financial Statements;

(b) Seller and CGC have not made any loan or advance to any Person in the ordinary course of business in accordance with Seller's and CGC's normal expense reimbursement policies;

(c) Seller and CGC has paid their respective trade payables and other obligations and have collected the appropriate accounts receivable only in the ordinary course consistent with past practices;

(d) Seller and CGC have not sold, assigned, transferred, or otherwise disposed of any of its respective properties or assets, other than inventory sold and accounts receivable collected in the ordinary course of its business;

(e) Seller and CGC have not purchased or otherwise acquired from a third party assets constituting any other line of business or any material properties or assets other than in the ordinary course of its business;

(f) Seller and CGC acknowledge there has not been any damage to or destruction or loss of any of the Purchased Assets (whether or not covered by insurance);

(g) Seller and CGC have not entered into or modified any Employee Plan; increased the rate of compensation of, or paid any bonus to, any of CGC's directors, officers or other employees; secured, collateralized, or funded any Employee Plan not previously secured, collateralized or funded; or entered into, terminated, or substantially modified any Employee Plan;

(h) Seller and CGC have not entered into, amended, modified, terminated, or waived any material rights under any of the Listed Contracts except the ordinary course of business consistent with past practices;

(i) Seller and CGC have not made any change in its accounting methods or practices;

(j) Seller and CGC have not made any expenditure with respect to the expansion of, or any leasehold improvements to, any leased real property;

(k) Seller and CGC have not experienced any general work stoppage or other general labor dispute; and

(l) Seller and CGC have not agreed or committed to take any action referred to in this Section 3.07.

3.08 Personal Property. (a) Set forth on Schedule 2.01(a) is an accurate and complete list of all computers, equipment, furniture, furnishings, tools, vehicles, leasehold improvements and other tangible personal property (other than Inventory) owned by Seller for CGC or CGC with a book value in excess of $1,000.00, other than the Excluded Assets. The Equipment includes all computers, equipment, furniture, furnishings, tools, vehicles and other tangible personal property reflected on the most recent balance sheet included in the Financial Statements.

(b) Set forth on Schedule 3.08 is an accurate and complete list of: (i) all computers, equipment, furniture, furnishings, tools, vehicles and other tangible personal property leased by CGC (collectively, the "Leased Personal Property"). All of the leases and other agreements under which CGC leases the Leased Personal Property are included in the Listed Contracts.

(c) All of the Equipment and the Leased Personal Property is in good operating condition, ordinary wear and tear excepted. The Leased Personal Property has been maintained in accordance with the requirements of the applicable lease. All of the Purchased Assets consisting of tangible personal property and the Leased Personal Property is located at the Leased Real Property.

3.09 Real Property. (a) CGC does not own any real property. Set forth on Schedule 3.09 is an accurate and complete list of all real property leased by CGC (collectively, the "Leased Real Property") and a summary of the principal terms of the applicable lease. All of the leases and other agreements under which Seller or CGC leases the Leased Real Property for the Business are included in the Listed Contracts.

(b) Except as set forth on Schedule 3.09, all of the structures located on the Leased Real Property are in good operating condition, ordinary wear and tear excepted. The Leased Real Property has been maintained in accordance with the requirements of the applicable lease. Seller and CGC acknowledge there will be no liability attributable to periods prior to the Closing Date associated with any of the Leased Real Property imposed on Buyer and that Seller shall indemnify Buyer in the event there is any claim associated with any of the Leased Real Property.

(c) To the Knowledge of Seller and CGC, the Leased Real Property is not subject to any rights of way or use restrictions that have limited or interfered with the use of the Leased Real Property in the manner it has been used by CGC. Except as otherwise set forth on Schedule 3.09: (i) the water, electric, gas and sewer utility services and the septic tank and storm drainage facilities currently available to the Leased Real Property are adequate for the present use of such real property in the conduct of the Business; (ii) Seller or CGC has not received any notice that any Governmental Entity having the power of eminent domain or condemnation over the Leased Real Property has commenced or intends to exercise the power of eminent domain or condemnation or a similar power with respect to all or any part of the Leased Real Property; (iii) no assessment for public improvements has been made against the Leased Real Property on which any installment is due and payable and remains unpaid, (iv) no notice from any Government Entity has been received by Seller or CGC requiring or calling attention to the need for any work, repair, construction, alteration or installation on or in connection with the Leased Real Property which has not been complied with in full prior to the date of this Agreement, and (v) Seller and CGC acknowledge there has been no Release of any Hazardous Substance on the Leased Real Property, and the Leased Real Property is in compliance with all applicable Environmental Laws.

3.10 Title to Purchased Assets. Seller and/or CGC have good and valid title to all of the Purchased Assets and a valid leasehold interest in all of the Leased Personal Property and the Leased Real Property (with quiet possession), in each case free and clear of all Liens other than the Permitted Liens. Except as set forth in Schedule 3.10, neither Seller or CGC have signed or authorized any financing statement under the Uniform Commercial Code or entered into any security agreement or other agreement authorizing any secured party thereunder to file any such financing statement with respect to any of the Purchased Assets, and no such financing statement is on file with any Governmental Entity. At the Closing, Seller and CGC will convey to Buyer good and valid title to the Purchased Assets and a valid leasehold interest (with quiet possession) in all of the Leased Personal Property and the Leased Real Property, free and clear of all Liens.

3.11 Current Assets. (a) All of CGC's inventory of supplies on hand, goods held for sale or to be furnished under contracts, work in process, raw materials, packaging, user and training manuals for CGC's products, advertising materials and promotional materials as of the date of this Agreement is accurately set forth on Schedule 2.01(c). The Inventory is adequate and suitable for the purposes for which it is used.

(b) Schedule 2.01(i) contains a complete and accurate list of all of CGC's deposits and prepaid assets. The prepaid assets represent bona fide prepayments of expenses made by CGC, credit for which will be afforded to Buyer after the Closing under the Assumed Agreements by the Person(s) who received such payments in accordance with the applicable agreements with such Person(s).

3.12 Accounts Payable, Accounts Receivable and Accrued Liabilities. (a) All of CGC's accounts payable as of May 31, 2012 are set forth on Schedule 2.03. All of CGC's accounts payable and notes payable were incurred in the ordinary course of the Business for proper business purposes.

(b) All of CGC's accounts and notes receivable from customers as of May 31, 2012 are set forth on Schedule 2.01(b). Each Receivable: (i) has arisen in the ordinary course of business from bona-fide, arms-length transactions, (ii) is not subject to any discount, allowance or offset not shown in full on the face of CGC's books and records, (iii) does not represent an obligation for goods delivered for sale on a consignment, approval, sale-or-return basis and which have not been resold to consumers, and (iv) is collectible in full, except as reserved for as provided in Section 3.04. CGC has delivered to Buyer a complete and accurate aging report with respect to the Receivables as of a date within ten days prior to the date of this Agreement.

(c) An accurate and complete description of CGC's product warranties and product return policies and procedures is set forth on Schedule 3.12. CGC has made no warranty, express or implied, with respect to any of its products, and has no liability or obligation with respect to any such warranty, except as described on Schedule 3.12. Except as described in the product return policies and procedures set forth on Schedule 3.12, CGC has no liability for returns or allowances with respect to its products and services. CGC's current products are, and all products previously sold by CGC were when sold, merchantable and fit for the intended purpose.

3.13 Sufficiency of the Purchased Assets. The Purchased Assets, the Leased Personal Property and the Leased Real Property constitute all of the assets other than cash used in or required to conduct the Business in substantially the same manner as it was being conducted prior to the date of this Agreement and as it was contemplated to be conducted by CGC on the date of this Agreement.

3.14 Intellectual Property and Software. (a) Schedule 2.01(e) contains a complete and accurate list of all Intellectual Property currently owned by CGC, together with complete and accurate information concerning the filing, registration or issuance of such Owned Intellectual Property and any licensing of such Owned Intellectual Property to other Persons. Except as otherwise described on Schedule 2.01(e) or Schedule 3.14(a), CGC owns, and has the full right to use, all rights in all of the Owned Intellectual Property.

(b) Schedule 3.14(b) contains a complete and accurate list of all Intellectual Property licensed by CGC from other Persons (the "Licensed Intellectual Property"), together with complete and accurate information concerning the filing, registration, issuance or licensing thereof. Except as otherwise described on Schedule 3.14(b), CGC has the valid right to use all of the Licensed Intellectual Property pursuant to Intellectual Property Licenses included in the Assumed License Agreements. Except as otherwise described on Schedule 3.14(b), CGC has not granted or entered into any Intellectual Property License with respect to any of the Licensed Intellectual Property.

(c) The Company Intellectual Property constitutes all of the Intellectual Property used in the Business, and all of the Company's rights in the Company Intellectual Property are validly assignable by Seller and CGC to Buyer. CGC's use and sale of the Company Intellectual Property and operation of the Business prior to the Closing did not, and Buyer's operation of the Business and use and sale of the Company Intellectual Property after the Closing in substantially the same manner as it was being used by CGC prior to the Closing will not, infringe, misappropriate or otherwise conflict with or violate the rights of any other Person. Seller or CGC has not received any communications stating that CGC has violated, or by conducting the Business will violate, any Intellectual Property rights of any other Person and, to the Knowledge of Seller or CGC, there is no basis for any Person to make any such allegation. No Intellectual Property other than the Company Intellectual Property is necessary for the conduct of the Business as it now is being conducted, and no Company Intellectual Property will be adversely affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. To the Knowledge of Seller and CGC, no Person is infringing any of the Company Intellectual Property.

(d) Schedule 3.14(d) contains a complete and accurate list of: (i) all Owned Software, and (ii) a list of all Software licensed by CGC or licensed by Seller for use by CGC, from any other Person for its own use or for incorporation into or inclusion with its own products (the "Licensed Software" and, with the Owned Software, the "Company Software"), including in each case information concerning the licensor of such Licensed Software, the purpose for which CGC licenses such Licensed Software and the number of copies or users permitted or other relevant terms of the applicable Intellectual Property License under which CGC licenses or resells such Licensed Software. All Software which has been used and which is now being used by CGC has been and is being used in compliance with all applicable requirements of all applicable Intellectual Property Licenses. All of the Company Software: (i) operates substantially in accordance with its specifications and (ii) is free of any computer instructions, devices or techniques that are designed to infect, disrupt, damage, disable or alter such Software or its processing environment, including other programs, equipment and data.

(e) Seller, CGC and Shareholder have used commercially reasonable efforts to protect all trade secrets included in the Company Intellectual Property and the Company Software.

(f) There is not pending, nor to the Knowledge of Seller or CGC has there been threatened, any action to contest, oppose, cancel or otherwise challenge the validity, ownership or enforceability of any of the Company Intellectual Property.

(g) To the Knowledge of Seller and CGC, none of CGC's employees is obligated under any Contract (including any Intellectual Property License), covenant or commitment of any nature), or subject to any judgment, decree or order of any Governmental Entity, that would interfere with the use of the best efforts of such employee to promote the interests of CGC or that would conflict with the operation of the Business as currently conducted. To the Knowledge of Seller and CGC, none of its consultants is obligated under any agreement including any Intellectual Property License, covenant or commitment of any nature, or subject to any judgment, decree or order of any Governmental Entity, that would interfere with such consultant's performance of its contractual obligations or other currently contemplated duties to Seller or CGC. Neither the execution nor delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor the carrying on of the Business by the employees of and the consultants to Seller or CGC, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Law or, to the Knowledge of Seller and CGC, any agreement, covenant or instrument to or under which any of such employees or consultants is now subject to or obligated. It will not be necessary for Buyer to utilize in the Business any inventions of any of its current or former employees made prior to their employment or engagement by Seller or CGC.

(h) All Domain Names currently are registered and in good standing, and CGC is shown on the records of the registrar thereof as the sole owner thereof. Seller or CGC has not received any notice or communication stating that any Person is challenging the right of CGC to use any such domain name.

3.15 Contracts. Schedule 3.15 contains a complete and accurate list of all contracts and agreements to which CGC is a party or by which CGC or any of the Purchased Assets is bound (including, without limitation, the Assumed Customer Agreements, the Assumed License Agreements and the Assumed Other Agreements) (such contracts and agreements listed on Schedule 3.15 are referred to herein as the "Listed Contracts"). Seller and CGC have delivered to Buyer a true and complete copy of each of the Listed Contracts. Each Listed Contract is valid, binding and in full force and effect. Except as set forth on Schedule 3.15: (i) Seller and/or CGC is not in default under any Listed Contract, (ii) there has not occurred any event which, with the lapse of time or the giving of notice, or both, would constitute such a default, and (iii) to the Knowledge of Seller and CGC, CGC is not in default under such Listed Contract, nor has any event occurred which, with the lapse of time or the giving of notice, or both, would constitute such a default by any other party. Except as set forth on Schedule 3.15, to the Knowledge of Seller and CGC, no contract calls for the sale, license or lease by CGC of services or goods at prices substantially below the prevailing market prices on the date of this Agreement.

3.16 Litigation; Judgments. Except as disclosed on Schedule 3.16, there are no Proceedings pending against CGC or, to the Knowledge of Seller and CGC, threatened against Seller potentially affecting CGC. Except as set forth on Schedule 3.16, there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against CGC or Seller compromising Seller's ability to transfer title to the Purchased Assets that is the subject of this Agreement. There are no Proceedings pending or, to Seller's and CGC's Knowledge, threatened, which challenge or seek to enjoin or delay this Agreement or the transactions contemplated hereby or which would materially adversely affect the ability of Seller, CGC or Shareholder to perform their respective obligations under this Agreement and to consummate the transactions contemplated hereby.

3.17 Legal Compliance and Permits. (a) Except as disclosed on Schedule 3.17, Seller and CGC, to their Knowledge, have complied in all material respects with all applicable Laws (including, without limitation, all applicable Laws with respect to the importation or exportation of goods) and: (i) no investigation or review by any Governmental Entity with respect to Seller, CGC or the Business is pending or, to the Knowledge of Seller, CGC or Shareholder threatened, and (ii) to the Knowledge of Seller, Shareholder or CGC, no Governmental Entity has indicated an intention to conduct such an investigation or review.

(b) Except as set forth on Schedule 3.17, Seller, CGC and Shareholder hold all Permits required for the operation of the Business (including, without limitation, all Permits required by any Environmental Laws), all of which are valid and in full force and effect and are listed on Schedule 3.17. CGC is in compliance with all of the requirements and provisions of each Permit held by it. Seller or CGC has not received any notice that any Governmental Entity which has issued any such Permit intends to cancel, terminate or not renew any such Permit nor, to the Knowledge of Seller, Shareholder or CGC, does any basis exist for any such cancellation, termination or nonrenewal of any such Permit. No such Permit expires or otherwise terminates in accordance with its terms within one month after the Closing. CGC has provided to Buyer true and complete copies of each of the Permits held by CGC. (should these be on the list or schedules?)

3.18 Environmental Matters. Except as otherwise set forth in Schedule 3.18: (i) To the Knowledge of Seller, CGC and Shareholder, CGC has been and is in full compliance with all applicable Environmental Laws and all Permits issued pursuant to Environmental Laws, (ii) no real property currently or formerly owned or leased by CGC has been subject to any Release or threatened Release of any Hazardous Materials, (iii) no real property currently or formerly owned or leased by CGC contains any Hazardous Materials, (iv) CGC has no liability for costs to investigate, remove any contamination from or remediate any site pursuant to any Environmental Law, (v) there are not now nor has there ever been, any underground storage tanks on any real property leased by CGC, (vi) there have not been any actions, suits, demands, notices, claims, or Proceedings under any Environmental Law brought or, to the Knowledge of Seller or CGC, threatened against CGC or relating to any real property currently or formerly owned or leased by CGC, including without limitation, any notices, demand letters or requests for information from any Governmental Entity making inquiries relating to any Environmental Law or any notice that CGC is or may be a potentially liable under any Environmental Law, (vii) there are no investigations pending or, to the Knowledge of Seller or CGC, threatened against CGC relating to the compliance with an Environmental Law of any real property currently or formerly owned or leased by or CGC, and (viii) CGC has not assumed (contractually or through a merger) any liabilities or obligations under any Environmental Laws. CGC has provided to Buyer true and complete copies of all environmental reports, studies or analyses with respect to environmental compliance or liabilities of CGC. CGC has not transported any Hazardous Material for storage, treatment or disposal of any Hazardous Material, by contract or otherwise, to any offsite facility or location.

3.19 Customers. (a) A complete and accurate list of the names, addresses and purchase and payment history of all customers of the Business to which CGC has made any sales during Fiscal Years 2009, 2010 and 2011 is set forth on Schedule 3.19.

(b) Except as set forth on Schedule 3.19: (i) CGC enjoys good working relationships with all of its vendors and customers, and (ii) since January 1, 2010, no customer to which CGC made net sales in 2010 or 2011 of $200,000 or more (a "Significant Customer") has notified Seller or CGC that it intends to, or will, reduce its purchases from CGC in 2012. Schedule 3.19 also includes: (x) all sales programs (including volume discounts and other concessions to customers) which are in effect as of the date of this Agreement or which have been proposed and may become effective after the date of this Agreement, and (y) a log or other list of all complaints received by any CGC from any Significant Customer since January 1, 2010. Except as otherwise described on Schedule 3.19, CGC has not agreed with any customer to comply with any code of conduct or ethics, factory compliance or audit program, or other similar arrangement with any customer and, to the extent CGC has so agreed, CGC is in material compliance with such code, program or arrangement.

(c) CGC agrees to cooperate with Buyer in informing the customers on Schedule 3.19 of the transactions contemplated by this Agreement, at a time and in a manner reasonably acceptable to both Buyer and CGC. CGC agrees to join Buyer in notifying each of the customers listed in Schedule 3.19 using such form of notice as Buyer may specify, that Buyer has succeeded to CGC's rights and assumed CGC's obligations under the Customer Agreements, as the case may be, and endorsing Buyer's qualifications.

3.20 Insurance. Set forth on Schedule 3.20 is a description (including applicable deductible amounts and limitations) of all insurance maintained by CGC. CGC has delivered to Buyer copies of all insurance policies currently in force and all prior insurance policies which may provide coverage for any pending or known but unasserted claims against CGC. Seller and/or CGC shall remain liable for all payments and liabilities arising from said insurance policies on or before the Effective Date.

3.21 Taxes. (a) Schedule 3.21 lists all Tax Returns filed by Seller or CGC since January 1, 2005 and the jurisdictions in which such Tax Returns have been or are required to be filed.

(b) Except as otherwise set forth on Schedule 3.21:

(i) Seller and CGC has or will have: (A) timely filed, or caused to be filed on a timely basis, with the appropriate Taxing Authorities all Tax Returns required to be filed on or before the Closing with respect to or attributable to the CGC or the Purchased Assets and such Tax Returns are true, correct and complete, and (B) paid, or caused to be paid, on a timely basis all Taxes due and payable.

(ii) Seller and/or CGC have not: (A) received any notice of deficiency or assessment from any Taxing Authorities with respect to liability for Taxes that have not been fully paid by CGC or on behalf of CGC by Seller or finally settled, (B) requested an extension of time within which to file any Tax Return that has not since been filed on behalf of CGC, (C) made any requests to any Taxing Authority for rulings or determinations with respect to CGC and any Taxes or tax payment liability, which is currently pending and (D) granted any requests, agreements, consents or waivers on behalf of CGC to extend the statutory period of limitations applicable to the assessment of any Taxes, which period (after giving effect to such extensions or waivers) has not expired.

(iii) There are no ongoing audits or examinations of any of the Tax Returns relating to or attributable to CGC or the Purchased Assets.

(iv) CGC has not received any inquiry or claim from any Taxing Authority in a jurisdiction in which such CGC does not file Tax Returns which states that CGC is or may be subject to taxation in such jurisdiction.

(v) There are no Liens for Taxes upon any of the Purchased Assets other than liens for Taxes not yet delinquent.

(vi) CGC is not and has not been a party to any agreement with any Person providing for the allocation, apportionment or sharing of any liability for or payment of Taxes, Tax benefits or Tax refunds.

(vii) CGC has and Seller has on behalf of CGC complied with all applicable Laws, rules and regulations with respect to payments made to third parties and the withholding of any Taxes against any payment and has timely withheld from employee wages and other payments and paid over to the proper Taxing Authorities all amounts required to be so withheld and paid over for all periods under all applicable Laws.

(viii) CGC is not a foreign person subject to withholding under Section 1445 of the Code and the regulations promulgated thereunder and, if requested by Buyer, will provide certification to that effect to Buyer at the Closing.

(ix) None of the Assumed Liabilities or agreements executed by Buyer in connection with this Agreement will obligate Buyer to make any payments, or become a party to any agreement that could obligate it to make any payments, that will not be deductible under Section 280G of the Code.

(x) No Taxing Authority is now asserting or threatening to assert any deficiency or assessment for additional Taxes of CGC or otherwise attributable to or relating to the Purchased Assets, and to the Knowledge of Seller or CGC, there are no facts that, if known to any Taxing Authority, would likely result in the issuance of a notice of proposed deficiency or similar notice of intention to assess Taxes.

(xi) Seller and/or CGC shall remain liable for all payment of tax liability arising on or before the Effective Date.

3.22 Employees and Employee Benefits. (a) Schedule 3.22 contains a complete and accurate list of: (i) the name, title or responsibility, and annual rate of compensation of each employee of CGC (including, without limitation, any incentive bonus to which such employee is entitled), (ii) all Employee Plans provided for any current or former employee of CGC; (iii) the employees or categories of employees covered by each such Employee Plan; (iv) the employees of CGC, if any, who are on a leave of absence from CGC for any reason as of the date of this Agreement (including, without limitation, disability leave, sick leave, family leave, maternity or paternity leave, medical leave or authorized leave), and (v) the former employees of CGC, if any, who as of the date of this Agreement are receiving, or are entitled to receive, continuation coverage under COBRA. Accurate and complete copies of all documentation comprising the Employee Plans (including, without limitations, copies of the most recent annual report filed for any of the Employee Plans in accordance with ERISA) have been provided to Buyer. CGC has not announced changes in any of the Employee Plans, nor is CGC required, by agreement or otherwise, to alter any of the Employee Plans other than as may be necessary to comply on a timely basis with applicable law. CGC does not contribute to any multiemployer pension plan, as defined in Section 3(37) of ERISA, for the benefit of any current or former employees.

(b) Except as disclosed on Schedule 3.22, with respect to each Employee Plan which is a pension plan (as defined in Section 3(2) of ERISA) and is subject to any of the provisions of ERISA: (i) each pension plan as amended (and any trust relating thereto) intended to be a qualified plan under Section 401(a) of the Code either has been determined by the IRS to be so qualified or is the subject of a pending application for such a determination that was timely filed, (ii) there is no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, and no waiver of the minimum funding standards of such sections has been requested from the IRS, (iii) no reportable event described in Section 4043 of ERISA has occurred, (iv) no nonexempt prohibited transaction (as defined in Section 4975 of the Code) has occurred, (v) there currently is no active filing by CGC with the PBGC seeking to terminate any defined benefit plan, (vi) no defined benefit plan has been terminated by CGC, (vii) the PBGC (what is this?) has not instituted proceedings to terminate a defined benefit plan or to appoint a trustee or administrator of a defined benefit plan, (viii) no circumstances exist which constitute grounds under Section 4042 of ERISA entitling the PBGC to institute any such proceedings, and (ix) no event has occurred and no condition exists that would subject CGC or Buyer to any Taxes under Sections 4971 through 4980B of the Code or to a fine or liability under Section 502 of ERISA. All required contributions to each Employee Plan has been made, except for current contributions not yet due and payable. Each VEBA, if any, maintained by CGC has received a favorable ruling or determination letter as to its Tax-exempt status, and nothing has occurred which would cause the loss of such Tax-exempt status, and the assets of such VEBA are at least equal in value to the present value of the accrued benefits of the participants in such VEBA.

(c) Except as otherwise set forth on Schedule 3.22: (i) there is no labor strike, material dispute or any work stoppage or lockout actually pending, or, to the Knowledge of Seller or CGC, threatened against or affecting CGC and during the past five years there has not been any such action; (ii) CGC has not received notice of any union organizational campaign in progress with respect to the employees of the Business; (iii) CGC is in compliance in all material respects with all applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice; (iv) each of the Employee Plans has been operated and maintained in compliance in all respects with its terms and all applicable Laws (including, without limitation, ERISA and the Code), (v) there is no unfair labor practice charge or complaint against CGC pending or, to the Knowledge of Seller or CGC, threatened, before the National Labor Relations Board; (vi) there is no pending or, to the Knowledge of Seller or CGC, threatened grievance; (vii) no charges with respect to or relating to CGC are pending before the Equal Employment Opportunity Commission or any other governmental entity responsible for the prevention of unlawful employment practices; and (viii) CGC has not received notice of the intent of any other governmental entity responsible for the enforcement of labor or employment laws to conduct an investigation with respect to or relating to CGC. CGC has not suffered any "employment loss" (as defined in the WARN Act) at any time after the date which is 90 days prior to the date of this Agreement. CGC is in compliance with the requirements of the Occupational Safety and Health Act and has not received any citation from the Occupational Safety and Health Administration or any other comparable Government Entity with respect to any of CGC's facilities. Schedule 3.22 contains a complete and accurate list of all workers' compensation claims and disability claims filed against CGC (and the disposition thereof) at any time since January 1, 2000.

3.23 Certain Transactions. Except pursuant to the Employee Plans or as otherwise described on Schedule 3.23, neither CGC nor any other officer, director or employee of CGC is currently a party to any transaction with Seller or CGC, including without limitation, any contract, agreement or other arrangement: (i) providing for the furnishing of services (other than as an officer, director or employee of CGC to or by, (ii) providing for rental of real or personal property to or from, or (iii) otherwise requiring payments to or from, or CGC, officer, director or employee; any member of the family of CGC or such officer, director or employee; or any corporation, partnership, trust or other entity in which any such CGC or such officer, director or employee has a substantial interest or which is an Affiliate of CGC or such officer, director or employee.

3.24 Certain Business Relationships, Etc. No vendor, employee or other Person having a material business relationship with CGC has informed Seller, CGC or Shareholder that such Person intends to change, or is considering changing, such relationship because of the transactions contemplated by this Agreement.

3.25 Illegal Practices. Neither CGC nor, to the Knowledge of Seller or CGC, any shareholder, officer, director, employee, agent or other Person acting on behalf of CGC has given or agreed to give any gift or similar benefit of more than nominal value to any customer, supplier, government employee or official or any other person who is or may be in a position to help or hinder CGC in connection with any actual or proposed transaction, which gift or similar benefit: (i) is not reflected in the Financial Statements, (ii) constituted a violation of Law, a code of conduct or ethics adopted by CGC or a code of conduct or ethics with which CGC has agreed to comply, (iii) if not given in the past, might have had a material adverse effect on the Business or CGC or which, if not continued in the future, might have a material and adverse effect the Business.

3.26 Accuracy of Representations and Warranties. The representations and warranties made by Seller, CGC and Shareholder in this Agreement (including, without limitation, any Schedule to this Agreement) or in any other agreement, certificate or document executed by Seller, CGC or Shareholder in connection with the transactions contemplated by this Agreement, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller and Shareholder as of the Closing Date as follows:

4.01 Corporate Organization and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Texas and has full power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. Buyer's execution and delivery of this Agreement and the performance by Buyer of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate actions and proceedings on the part of Buyer. Buyer is not a party to any agreement or subject to any legal restriction that would prevent or restrain Buyer's ability to perform all of its obligations under this Agreement.

4.02 Enforceability; No Conflict. This Agreement is a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. The execution, delivery and performance of this Agreement by Buyer will not: (i) violate the charter documents of Buyer, (ii) violate any law, rule or regulation or any injunction or order to which Buyer is a party or by which it or any of its property is bound, or (iii) result in a breach or violation of any term or provision of, constitute a default under, or result in or permit an acceleration of, any indenture, mortgage, lease or other agreement or instrument to which Buyer is a party or by which Buyer or any of its property is bound.

4.03 Litigation. There are no Proceedings pending or, to Buyer's knowledge, threatened, which challenge or seek to enjoin or delay this Agreement or the transactions contemplated hereby or which would materially adversely affect Buyer's ability to perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

ARTICLE 5
THE CLOSING

5.01 Closing. The Closing of the transactions contemplated by this Agreement is taking place concurrently with the execution of this Agreement on Monday, July 2, 2012 (“Closing Date”). At the Closing, which shall take place at a location mutually agreed upon by the parties, the parties shall take the actions described in this Article 5. All actions shall be deemed to have occurred simultaneously and as of 5:00pm Eastern Standard Time on the Closing Date (the “Effective Time”) and, unless Buyer and Seller otherwise agree, the effectiveness of any action taken at the Closing shall be conditioned upon the taking of all other action required by this Article 5.

5.02 Deliveries by Seller, CGC and the Shareholders. At the Closing, Seller, CGC and Shareholder shall deliver the following to Buyer:

(a) such executed bills of sale, assignments and other documents of transfer as may be necessary to effectively vest in Buyer good and defensible title to all of the Purchased Assets (including, without limitation, assignments of all registered Intellectual Property included in the Purchased Assets), free and clear of all Liens whatsoever;

(b) a copy of the resolutions adopted by the Board of Directors of Seller and Shareholder authorizing the transactions contemplated by this Agreement in accordance with applicable Law, certified as true and correct and in full force and effect by the respective Secretary or an Assistant Secretary of Seller and Shareholder and dated the Closing Date;

(c) evidence reasonably satisfactory to Buyer of the receipt of all of the consents and approvals of Landlords of Leased Real Property listed on Schedule 5.02(c) (all other consents shall be sought after the Closing Date) (together the “Required Consents”) and the release of any Liens on any of the Purchased Assets;

(d) the payoff letter from the holder of the Bank Debt and other payoff letters and evidence reasonably requested by Buyer demonstrating that any other Liens encumbering any of the Purchased Assets have been fully discharged by Seller or other means prior to or at the Closing.

(e) certificates of: (A) the Secretary of State of Pennsylvania with respect to the good standing of Seller under the laws of that state.

(f) tax clearance in accordance with applicable Law from any Governmental Entity responsible for Taxes, if CGC would incur any liability or obligation for any Taxes of Seller or CGC under applicable Law in the absence of such clearance.

(g) such other certificates, documents and instruments as reasonably may be requested by Buyer in connection with the transactions contemplated by this Agreement.

5.03 Buyer's Deliveries. At the Closing, Buyer shall deliver the following to Seller and Shareholder:

(a) the portion of the Purchase Price payable at the Closing, as provided in Section 2.05(a);

(b) an assumption agreement in an agreed upon form executed by Buyer pursuant to which it shall assume the Assumed Obligations as provided in Section 2.03;

(c) such other certificates, documents and instruments as reasonably may be requested by Seller in connection with the transactions contemplated by this Agreement.

5.04 Other Actions. At the Closing, the parties shall take the following additional actions:

(a) Buyer and Seller or CGC shall execute and deliver agreements with respect to CGC's leased facilities at 1900-1903 Mayview Road, Bridgeville, PA (under which Buyer shall have no liability or obligation for repairs or significant maintenance with respect to such facility, other than to repair any damage resulting from the actions of Buyer) in each case in the agreed upon form.

(b) Buyer, Seller and CGC acknowledge and agree that this Agreement is conditional on the accomplishment of the following events: (i) Buyer, Seller and CGC have entered into and/or assigned any agreements required to operate the business; and (ii) Seller or CGC has assigned any and all agreements required that gives the Buyer the right to operate the business on the leased premises after Closing.

(c) Seller, CGC and Buyer shall bear their own professional fees incurred in connection with the transactions contemplated by this Agreement (including attorney fees). Sales tax on the Acquired Assets shall be paid by the Buyer. Any other taxes imposed in respect of the transactions contemplated by this Agreement shall be paid by the party customarily bearing the economic burden thereof.

ARTICLE 6
EMPLOYEES OF THE BUSINESS

6.01 Employees of the Business. At the Closing, Buyer may offer to employ (contingent on the occurrence of the Closing and subject to satisfactory completion of Buyer's standard pre-employment hiring process) the employees of the Business identified on Schedule 6.01, in each case upon such terms and conditions and with such benefits as Buyer may determine. Each such individual employed by Buyer effective as of the Closing (a "Transferred Employee") shall be considered "newly hired," and Buyer shall have no liability whatsoever with respect to any matters relating to the employment of such persons by CGC prior to the Closing, except that each Transferred Employee shall receive credit for the time he or she was employed by CGC for purposes of determining his or her eligibility to participate in the benefit plans of Buyer or its Affiliate in which any Transferred Employee is entitled to participate in accordance with the terms of such plans. Seller, CGC and Shareholder shall use their best efforts to encourage the employees of the Business to accept employment offers made by Buyer or its designee.

6.02 No Third Party Beneficiaries. The provisions of this Article 6 shall inure solely to the benefit of Buyer and no other Person (including, without limitation, any employee of CGC) shall be permitted to rely hereon as a third party beneficiary or otherwise.

ARTICLE 7
CERTAIN POST-CLOSING OBLIGATIONS

7.01 Taxes. (a) Payment of Taxes. Following the Closing, Seller or CGC shall file in a timely manner all requisite Tax Returns required to be filed by it and shall pay in a timely manner all Taxes due in accordance with such Tax Returns. In addition, Seller or CGC shall pay in a timely manner all such Taxes which would not require the filing of a Tax Return and which are required to be paid by it or by any person from who it may have an obligation to collect the same.

7.02 Announcement of the Transaction. Seller, CGC or Shareholder shall not make any public announcement related to the transactions contemplated herein without first receiving the expressed written consent from Buyer, which shall not be unreasonably withheld. Nothing in this section, however, shall prohibit any party from making such disclosure of this Agreement and the transactions contemplated hereby as may be required, in the reasonable opinion of such party, to be disclosed pursuant to the Laws of any jurisdiction, including, without limitation, the United States Securities and Exchange Commission.

7.03 Post-Closing Access and Transition Assistance. After the Closing, (a) Seller and CGC shall provide Buyer with reasonable access during normal business hours to any books and records of CGC not included in the Purchased Assets which relate to the Business prior to the Closing for the purpose of enabling Buyer to prepare its financial statements and tax returns and to perform any other acts reasonably related to the purchase of the Purchased Assets by Buyer, and (b) Buyer shall provide the Seller and CGC with reasonable access during normal business hours to any books and records of CGC related to the Purchased Assets and the Business reasonably required by Seller or CGC in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Seller or CGC. Seller and Buyer shall maintain such books and records following the Closing for a period of at least seven years. In the event the Seller or Buyer wishes to destroy (or permit to be destroyed) such records after that time, such party shall first give ninety (90) days prior written notice to the other and such other party shall have the right at its option and expense, upon prior written notice given to such party within that ninety (90) day period, to take possession of the records within one hundred eighty (180) days after the date of such notice. Seller and CGC shall provide Buyer assistance as is both customary and reasonable with respect to the transition of the Business to Buyer. Such assistance may include, but not be limited to assistance with an introductory mailer, personal introductions to key customers and relationships, education and training regarding the operations of the Business, cooperation in the transfer of any contracts with vendors and/or service providers as well as providing reasonable assistance with other issues or concerns as pertains to the successful transition of the Business. Buyer acknowledges that CGC currently administers billings for various customers of Shareholder and its Affiliates which are not related to the Business being sold hereunder. Buyer agrees that for a period commencing on the Closing Date, and for the ensuing six (6) month period, Buyer personnel shall provide assistance to Shareholder with respect to the transition of billing of these customers, including, without limitation, education and training regarding billing software and operations with respect to such customers. Shareholder shall compensate Buyer for such services under current CGC rates at Closing Date consistent with past practice as set forth on Schedule 7.03.

7.04 Agreement Not to Compete. (a) Buyer acknowledges and agrees that Shareholder and its Affiliates will continue to sell commercial printing and business forms throughout the United States of America after the Closing Date. To permit Buyer to obtain the full benefit of the Purchased Assets, Seller, CGC and Shareholder shall not, and shall not permit any of their respective Affiliates or employees thereof, during the two-year period commencing on the Closing Date, to directly or indirectly contact or solicit to sell products comparable to CGC products to any customer to whom CGC has sold commercial printing and business forms within one (1) year prior to Closing Date, except that nothing herein shall prohibit Shareholder or its Affiliates (i) from accepting unsolicited orders when contact is initiated by such customers or (ii) from soliciting orders or selling commercial printing or business forms to customers of CGC who were also customers of Shareholder or its Affiliates prior to the Closing Date, including, but not limited to the customers identified on Schedule 7.04(a).

(b) Buyer acknowledges that CGC and certain of its employees who will be employed by Buyer after the Closing Date are in possession of Shareholder Confidential Information with respect to customers of Shareholder and its Affiliates. Buyer and its Affiliates shall not, and shall not permit any of their employees, during the two-year period commencing on the Closing Date, to directly or indirectly use such Shareholder Confidential Information or otherwise contact customers of Shareholder and its Affiliates including, but not limited to the customers identified on Schedule 7.04(b), for the purpose of selling products or services competitive to products or services sold by Shareholder and its Affiliates and unrelated to the Business being sold hereunder. Buyer and its Affiliates may accept unsolicited orders when contact is initiated by customers not listed on Schedule 7.04(b). Schedule 7.04(b) also sets forth those customers with whom CGC performed administrative services for Shareholder and its Affiliates. Buyer and its Affiliates shall not, and shall not permit any of their employees, during the two-year period commencing on the Closing Date, to directly or indirectly contact or solicit those customers for the purpose of selling products or services competitive to products or services sold by Shareholder and its Affiliates, and Buyer and its Affiliates shall not sell to such customers products or services competitive to products or services sold by Shareholder and its Affiliates.

(c) Neither Seller, CGC nor Shareholder nor any of their respective Affiliates shall, during the two-year period commencing on the date of this Agreement, directly or indirectly, solicit, recruit, offer to hire or hire any Transferred Employee, unless the employment of such Transferred Employee by Buyer has been terminated.

(d) Neither Seller, CGC or Shareholder nor any of their respective Affiliates shall disclose or furnish to any person any Confidential Information or otherwise use any such Confidential Information for its own benefit or the direct or indirect benefit of any Person other than Buyer, except that Shareholder may include financial information regarding CGC in its filings with the Internal Revenue Service, Securities and Exchange Commission and lenders.

(e) It is the intention of the parties that the provisions of this Section 7.04 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, to the extent that the restrictions on competition hereunder are adjudicated to be invalid or unenforceable in any such jurisdiction, the court making such determination shall have the power to limit, construe or reduce the duration, scope, activity and/or area of such provision to the extent necessary to render such provision enforceable to the maximum reasonable extent permitted by applicable law, such limited form to apply only with respect to the operation of this section in the particular jurisdiction in which such adjudication is made.

(f) Any failure by Seller, CGC or Shareholder or any of their respective Affiliates to comply with the terms of this Section 7.04 may cause irreparable damages to Buyer. Any failure by Buyer or any of its Affiliates to comply with the terms of Section 7.04(b) may cause irreparable damages to Shareholder and its Affiliates. Upon being notified of a breach, the breaching party shall promptly cease selling to the prohibited customer. Accordingly, in the event of a breach of any provision of this Section 7.04 by Seller, CGC, Shareholder or any of their respective Affiliates, or Buyer and its Affiliates, the other party shall have the immediate right to seek an order enjoining such breach, without posting bond, in addition to any of the other remedies which may be available at law or in equity.

7.05 Further Assurances. Each party shall execute and deliver, or cause to be executed and delivered, all such other instruments and shall take all such other actions as the other party reasonably may request from time to time in order to effectuate the transactions contemplated by the Agreement. Following Closing, if Seller, CGC or Shareholder receives any payments on account Receivables or any other asset included in the Purchased Assets, Seller, CGC or Shareholder promptly shall remit such payments to Buyer.

ARTICLE 8
INDEMNIFICATION

8.01 Survival. The representations, warranties, covenants and agreements of the parties set forth in this Agreement and in any agreement or certificate delivered pursuant hereto shall survive the Closing and any investigation made by any party to this Agreement and shall terminate and expire on the third anniversary of the Closing Date, except that: (i) the representations and warranties set forth in Section 3.21 (*"Taxes"*) shall survive for the period of the applicable statute of limitations, including any extension thereof, and (ii) the representations and warranties set forth in Section 3.10 (*"Title to Purchased Assets"*) shall survive and not expire.

8.02 Indemnification by Seller, CGC and Shareholder. (a) Subject to the terms and conditions of this Article 8, after the Closing, Seller, CGC and Shareholder, jointly and severally, shall indemnify, defend and hold Buyer and each of Buyer's Affiliates and each of their respective directors, officers and employees and the successors and assigns of any of them (collectively, the "Buyer Group") harmless from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable fees and expenses of counsel) (collectively, "Damages"), asserted against, resulting to, imposed upon or incurred by any of the Buyer Group, directly or indirectly, by reason of or resulting from any of the following (and any Proceeding incident thereto):

(i) any liability or obligation of CGC not expressly assumed by Buyer pursuant to this Agreement (including, without limitation, any liability for Taxes with respect to any period prior to the Closing);

(ii) any rebates or reduced pricing of products or services extended by CGC to customers of the Business and not disclosed herein or in writing pursuant hereto;

(iii) any misrepresentation or inaccuracy of a representation or warranty made by Seller, CGC or Shareholder in this Agreement or in any schedule hereto or any certificate or agreement entered into in connection herewith;

(iv) any nonfulfillment of a covenant or other agreement on the part of CGC or any of Shareholder set forth in this Agreement; and

(v) any failure by CGC to comply with any applicable bulk sales law or other similar law for the protection of creditors.

(b) Indemnification by Buyer. Subject to the terms and conditions of this Article 8, after the Closing, Buyer shall indemnify, defend and hold Seller, CGC and Shareholder, Seller's and CGC's directors, officers and employees and the successors and assigns of any of them (collectively, the "Seller Group") harmless from and against all Damages asserted against, resulting to, imposed upon or incurred by any of the Seller Group, directly or indirectly, by reason of or resulting from any of the following (or any Proceeding incident thereto):

(i) any misrepresentation or inaccuracy of any representation or warranty of Buyer contained in this Agreement or in any certificate or agreement entered into in connection with this Agreement;

(ii) any breach by Buyer of any covenant, agreement or obligation of Buyer contained in or made pursuant to this Agreement; and

(iii) the Assumed Obligations; and

(iv) the conduct of the Business after the Closing Date

8.03 General Procedures Applicable to Claims for Indemnification. Any claims for indemnification by a party under Section 8.02(a) or (b) (a "Claim") shall be valid only if the party making the Claim (the "Indemnified Party") notifies the other party in writing (a "Claim Notice"): (i) reasonably promptly after the Indemnified Party determines that it has a reasonable basis for the Claim, and (ii) in the case of a Claim based on a misrepresentation or inaccuracy of a representation or warranty made by Seller, CGC or Shareholder, within the period following the Closing during which such representation or warranty survives, as provided in Section 8.01. Each Claim Notice shall specify the nature of the Claim, the applicable provision(s) of this Agreement under which the Claim arises and, if possible, the amount of, or an estimate amount of, the Damages. No failure or delay in giving a Claim Notice and no failure to include any specific information or any reference to any provision of this Agreement or other instrument under which the Claim arises shall affect the rights of the Indemnified Party hereunder, except to the extent that such failure or delay shall have materially adversely affected the ability of the party or parties from whom the indemnification is sought (the "Indemnifying Party") to defend, settle or satisfy the Claim.

8.04 Additional Procedures Applicable to Third Party Claims. The obligations of the Indemnifying Party, and the rights of the Indemnified Party, with respect to matters asserted by a Person other than a member of the Buyer Group which gives rise to a Claim by the Indemnified Party (a "Third Party Claim") shall be subject to the following additional terms and conditions:

(i) Right of Indemnifying Party to Assume Defense of Claim. Subject to the provisions of Section 8.04(v), the Indemnifying Party, at its sole cost and expense, shall have the right, upon written notice to the Indemnified Party that it is assuming defense of the Third Party Claim, to assume the defense of the Third Party Claim if in such written notice the Indemnifying Party acknowledges that the Third Party Claim is covered by the indemnification obligations of the Indemnifying Party under Section 8.02. If the Indemnifying Party assumes the defense of the Third Party Claim, it shall select reputable counsel reasonably acceptable to the Indemnified Party to conduct the defense of the Third Party Claim and shall defend or settle the same.

(ii) Control of the Defense. The contest of the Third Party Claim may be conducted in the name and on behalf of the Indemnifying Party or the Indemnified Party, as may be appropriate. Such contest shall be conducted diligently by the counsel employed by the Indemnifying Party referred to in Section 8.04(i), but the Indemnifying Party shall keep the Indemnified Party fully informed with respect to the Third Party Claim and the contest thereof. The Indemnifying Party shall have full authority, in consultation with the Indemnified Party, to determine all action to be taken with respect to the Third Party Claim except that the Indemnifying Party may consent to a settlement or compromise of, or the entry of any monetary judgment arising from, the Third Party Claim without the prior written consent of the Indemnified Party if, and only if, the proposed settlement, compromise or entry: (A) does not contain an admission of guilt or wrongdoing on the part of the Indemnified Party, and (B) does not provide for any remedy or sanction against the Indemnified Party other than the payment of money which the Indemnifying Party agrees and is able to pay.

(iii) Cooperation in Defense. If requested by the Indemnifying Party, the Indemnified Party shall cooperate with the Indemnifying Party and its counsel, including permitting reasonable access to books and records, in contesting any Third Party Claim which the Indemnifying Party elects to contest or, if appropriate, in making any counterclaim against the Person asserting the Third Party Claim or any cross-complaint against any Person, but the Indemnifying Party shall reimburse the Indemnified Party for reasonable out-of-pocket costs incurred by the Indemnified Party in so cooperating. The Indemnifying Party shall use its best efforts to afford the Indemnified Party and its counsel the opportunity to be present at, and to participate in, conferences with all persons, including governmental authorities, asserting any Third Party Claim against the Indemnified Party or conferences with representatives of or counsel for such persons.

(iv) Failure of Indemnifying Party to Assume Defense. If the Indemnifying Party does not assume the defense of the Third Party Claim in accordance with the terms of this Section 8.04 within 10 days after the receipt of notice of the Third Party Claim, the Indemnified Party may, at the Indemnifying Party's expense, defend against the Third Party Claim in such manner as it may deem appropriate, and the expense of such defense shall constitute Damages. The Indemnifying party shall have the right to have its counsel attend and observe all administrative and judicial meetings, conferences, hearings and other proceedings in connection with such defense and to be provided with copies of, or reasonable access to, all pleadings, notices and other filings in connection with such defense.

(v) Costs and Expenses. The costs and expenses (including, without limitation, attorneys fees) incurred by an Indemnifying Party in defending or taking any other action with respect to any Third Party Claim pursuant to this Section 8.04 shall not be deemed to be Damages. To the extent that, after complying with all applicable provisions of this Section 8.04, the Indemnifying Party pays any settlement of, or judgment resulting from, any Third Party Claim, the amount so paid by the Indemnifying Party shall constitute Damages.

8.05 Liability. The obligations of Sellers, CGC and Shareholder under this Article 8 are joint and several, and Buyer shall not be required to proceed against Seller, CGC and Shareholder with respect to any Claim, but may proceed against any either Seller, CGC or Shareholder individually for the full amount of the Claim without proceeding against or naming any of the other.

8.06 Setoff. (a) Buyer shall have the irrevocable right (a "Setoff Right") to set off (a "Setoff"), in the manner hereinafter provided, against its obligation to pay the Holdback pursuant to the Escrow Agreement, the amount of all Damages for which Seller, CGC and Shareholder have an indemnification obligation under this Article 8. Buyer may exercise its Setoff Right at any time within 30 (days) following the Closing on which Buyer gave notice of a Claim for indemnification under Section 8.04 with respect to the Damages that are the subject of the Setoff; and (b) Buyer may defer payment of the Holdback pursuant to the Escrow Agreement, as the case may be (up to the aggregate amount of the unresolved and/or undetermined amounts, based on Buyer's good faith reasonable estimate thereof), until such amounts are fully resolved and/or determined.

8.07 Limitations on Indemnification for Breaches of Representations and Warranties.

(a) Absent fraud or intentional misrepresentation, an Indemnifying Party shall not have any liability under Section 8.02(a) hereof unless the aggregate amount of losses incurred by the Indemnified Parties and indemnifiable thereunder based upon, attributable to or resulting from the failure of any of the representations or warranties to be true and correct exceeds the sum of $400,000 and, in such event, the Indemnifying Party shall be required to pay the entire amount of all such losses (including the $500,000); provided, however, the $400,000 limitation shall not apply to losses related to the failure to be true and correct of any of the representations and warranties set forth in Sections 3.01 Corporate Organization, Authority and Legal Capacity of Seller, 3.02 Enforceability; No Conflict, 3.04 Financial Statements; Book and Records of Account; 3.10 Title to Purchased Assets and 3.21 Taxes hereof.

Absent fraud or intentional misrepresentation, no Indemnifying Party shall be required to indemnify any Person under Section 8.02(a) for an aggregate amount of losses exceeding the sum of $1,000,000 in connection with losses related to the failure to be true and correct of any of the representations or warranties of the Seller, CGC or Shareholder; provided, however, there shall be no cap with respect to losses related to the failure to be true and correct of any of the representations or warranties contained in Sections 3.01 Corporate Organization, Authority and Legal Capacity of Seller, 3.02 Enforceability; No Conflict, 3.04 Financial Statements; Book and Records of Account; 3.10 Title to Purchased Assets and 3.21 Taxes (together, the "Fundamental Representations") hereof.

ARTICLE 9
MISCELLANEOUS

9.01 Expenses; Transfer Taxes. Whether or not the transactions contemplated by this Agreement are consummated, Seller or CGC shall pay all costs and expenses attributable to the performance of, and compliance with, all agreements and conditions to be performed or complied with by them under this Agreement (including, without limitation, all fees and expenses of their counsel and accountants), and Buyer shall pay all costs and expenses attributable to the performance of and compliance with, all agreements and conditions to be performed or complied with by Buyer under this Agreement (including, without limitation, all fees and expenses of Buyer's legal counsel and accountants). Any sales, transfer or other similar Taxes payable with respect to the sale of the Purchased Assets to Buyer pursuant to this Agreement shall be paid by Seller or CGC.

9.02 Entire Agreement; Amendment. This Agreement, including the exhibits and Schedules attached hereto and the agreements entered into in connection with this Agreement (which exhibits, Schedules and agreements are incorporated herein by this reference), shall constitute the complete and entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede all previous oral and written negotiations and commitments and any other writings with respect to such subject matter. This Agreement cannot be modified or amended except in writing duly executed by the party to be bound thereby.

9.03 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered personally, (ii) the next day after being sent by a nationally-recognized overnight delivery service, (iii) when sent by facsimile transmission, if the sending facsimile machine receives and prints a confirmation of receipt by the receiving facsimile machine, or (iv) three business days after being deposited in the United States mail, certified and with proper postage prepaid, addressed as follows:

If to Seller, CGC
or Shareholder: Champion Industries, Inc.
2450 First Avenue
Huntington, West Virginia 25703
Attention: Todd R. Fry, Senior Vice President and Chief Financial Officer
Facsimile No.: 304-528-2765

With a copy to: Counsel: Huddleston Bolen LLP
611 Third Avenue
Huntington, West Virginia 25701
Attention: Thomas J. Murray
Facsimile No.: 304-522-4312

If to Buyer: Safeguard Acquisitions, Inc.
8585 Stemmons Freeway, Suite 600N
Dallas, TX 75207
Attention: R. Scott Sutton, Vice President
Facsimile No.: 214-640-3958

With a copy to: Safeguard Acquisitions, Inc.
8585 Stemmons Freeway, Suite 600N
Dallas, TX 75207
Attention: Michael P. Dunlap, General Counsel
Facsimile No.: 214-640-3958

Any party may change the address to which notices or other communications are to be directed to it by giving notice of such change to the other party in the manner provided in this section.

9.04 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be original, but all of which together shall constitute one and the same instrument. A manual signature of any party to this Agreement that is transmitted to any other party or counsel to any other party by facsimile will be deemed for all purposes to be an original signature.

9.05 Severability. If any provision of this Agreement, as applied to any person or to any circumstances, shall be adjudged by a court to be invalid or unenforceable, such invalidity or unenforceability shall in no way affect any other provision of this Agreement, the application of such provision in any other circumstances or the validity or enforceability of this Agreement. The parties shall negotiate in good faith to replace any such provision with an enforceable provision that gives effect to the parties' original intent.

9.06 Parties in Interest; Assignment. This Agreement and all of the provisions hereof shall be binding upon, shall inure to the benefit of, and shall be enforceable by the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party, except that Buyer may assign its rights under this Agreement, without the consent of Seller or CGC, to any successor to Buyer; provided, however, that no such assignment shall relieve Buyer or its assignee of responsibility for the performance of any obligation under this Agreement. Upon any such assignment by Buyer, all references to “Buyer” in this Agreement shall be deemed to include Buyer's assignee.

9.07 No Waiver. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

9.08 Interpretation. The headings contained in this Agreement are for convenience of reference only and shall in no way affect the meaning or interpretation of this Agreement. Unless the context of this Agreement expressly otherwise indicates, any singular term in this Agreement includes the plural, and any plural term includes the singular.

9.09 No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties hereto and their permitted assigns, any legal or equitable rights hereunder.

9.10 Governing Law. This Agreement shall be construed in accordance with and the legal relations between the parties shall be governed by the laws of the State of Texas as applicable to agreements executed and fully performed entirely within the State of Texas.

IN WITNESS WHEREOF, this Agreement has been executed by the parties on the date first above written.

"Buyer"
Safeguard Acquisitions, Inc.

By: /s/ R. Scott Sutton
R. Scott Sutton, Vice President:

"Seller"
Interform Corporation

By: /s/ Jim Rhodes
Name: Jim Rhodes
Title: President

"Shareholder"
Champion Industries, Inc.

By: /s/ Todd R. Fry
Name: Todd R. Fry
Title: Senior Vice President and Chief Financial Officer

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{H0773354.2 }

EXHIBIT 10.2

ASSET PURCHASE AGREEMENT

DONIHE GRAPHICS, INC.
A TENNESSEE CORPORATION, SELLER
AND
THE MERTEN COMPANY,
AN OHIO CORPORATION, SELLER

TO

GRAPHICS INTERNATIONAL, LLC,
A NORTH CAROLINA LIMITED LIABILITY
COMPANY, BUYER

NOVEMBER 30, 2012

{H0807897.2 }

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into as of the 30th day of November, 2012, by and between DONIHE GRAPHICS, INC., a Tennessee corporation, hereinafter called "Donihe" or a "Seller", THE MERTEN COMPANY, an Ohio corporation, hereinafter called "Merten" or a "Seller" (collectively, the "Sellers") and GRAPHICS INTERNATIONAL, LLC, a North Carolina limited liability company, hereinafter called the "Buyer".

WHEREAS, Donihe is engaged in the commercial printing business in Tennessee and Merten owns printing machinery and equipment in Ohio; and

WHEREAS, the parties have reached an understanding with respect to the sale of machinery and equipment of the Sellers and the purchase by the Buyer of such assets.

NOW, THEREFORE, in consideration of the premises, which are not mere recitals but are an integral part hereof, and in further consideration of the mutual covenants and promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

1. Sale of Assets. The Sellers agree that, at the Closing, the Sellers shall sell, transfer, and deliver to the Buyer for the consideration hereinafter provided, those assets of the Sellers set forth in Exhibit A attached hereto and incorporated herein by reference, constituting all the Sellers' machinery and equipment (collectively, the "Purchased Assets"). The Sellers are not selling to Buyer any other assets (collectively, the "Excluded Assets") and such Excluded Assets shall remain the property of Sellers after the Closing. Such sale shall be made free and clear of all liabilities, mortgages, liens, obligations, security interests, and encumbrances except such that are expressly assumed in writing by Buyer.

2. Purchase Price. Subject to the terms of this agreement, the Buyer shall purchase the Purchased Assets and, in full consideration therefor, shall pay the Sellers, subject to the adjustments provided for herein, the sum of One Million One Hundred Thousand Dollars ($1,100,000.00) (the "Purchase Price"), as described and calculated below.

A. Adjustments to Purchase Price. The Purchase Price shall be adjusted at Closing as follows:

(1) Ad valorem taxes on the Purchased Assets assessed as of the Closing shall be prorated on a calendar year basis, with the Buyer receiving a credit against the Purchase Price for the amount of such taxes apportioned to Sellers, which will be calculated on the basis of the latest tax bill available.

(2) Amounts to be adjusted pursuant to Section A(1) above that are known prior to the Closing Date shall be handled by a credit against or increase in the Purchase Price to be paid at Closing. Amounts to be so adjusted pursuant to Section A(1) above that are not handled at the Closing, shall be handled as follows: the party hereto claiming that the other party owes payment to it for such adjusted item shall so notify the other party of the amount due with reasonable details about the nature of the charge and the manner in which the amount due was calculated and with documentation that the claiming party has paid the amount for which it seeks reimbursement. The party receiving notice shall pay the amount due within fifteen (15) days after receipt of such notice.

B. Payment of Purchase Price. Purchase Price shall be paid as follows:

1. The Purchase Price shall be paid at Closing in cash by wire transfer of funds as follows:

(a) Fifty Thousand and no/100 Dollars to Raymond James & Associates, Inc. to an account with Citibank, N.A. as designated by Sellers; and

(b) the balance of the purchase price directly to an account at Fifth Third Bank as Administrative Agent (the "Agent") for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, in the name of the Agent, as designated by Sellers.

C. Allocation.

(a) The Purchase Price shall be allocated among the Purchased Assets hereby sold and purchased for all purposes, including all tax, tax reporting and accounting purposes, as set forth on Exhibit C. The allocations shall be determined by mutual agreement of Buyer and Sellers. The allocation of the Purchase Price to the Purchased Assets shall be binding on Buyer and Sellers for all tax purposes. Buyer and Sellers will execute Internal Revenue Service Form 8594 at the Closing and shall attach same to their tax return covering the year in which the Closing occurs.

(b) In the event of a reduction in the Purchase Price, the allocation agreed to by the parties shall be reduced in proportion to the original values agreed upon.

3. Closing Date and Place; Operations Post-Closing. The Closing under this agreement (the "Closing") shall take place within five (5) days from the date of this Agreement at such time (the "Closing Date") and place as to which the parties may agree.

Buyer acknowledges that at the Closing Date of this Agreement and at the closing date of the real estate purchase agreement for 766 Brookside, Kingsport, Tennessee (the "Donihe Facility"), Donihe will have uncompleted orders and work in process. Buyer agrees that after the Closing Date of this Agreement Donihe will be permitted to utilize the Purchased Assets located at the Donihe Facility, without charge, to complete its uncompleted jobs and work in process at the Closing Date of this Agreement for as long as necessary but in no event beyond December 30, 2012. Buyer agrees that on and after the closing of the real estate purchase agreement, Buyer hereby leases to Donihe, without charge, and Donihe shall have full but non-exclusive access to, the Donihe Facility for as long as necessary to complete Donihe's uncompleted jobs and work in process, but in no event beyond December 30, 2012, at which time Donihe shall vacate such location and remove all its property therefrom. Donihe shall indemnify and hold Buyer from any damages caused by Donihe's use of the Purchased Assets after the Closing Date. Donihe agrees to have Buyer named as an additional insured on its insurance policies for such time as Donihe is using the Purchased Assets or occupying the Donihe Facility under the above and foregoing lease.

Until such time as the sale to Buyer of the Donihe Facility is closed, Buyer shall have continuing access to the Donihe Facility and Donihe agrees to move any of its remaining inventory located in the Donihe Facility, except for any inventory that is in process and located on any of the Purchased Assets, to a location within the Donihe Facility that will not unreasonably interfere with Buyer's efforts (a) to market the Purchased Assets before the end of the Donihe's rights to use the Purchased Assets and (b) thereafter, but subject to the time limits set forth herein, to liquidate the Purchased Assets. Buyer shall have the right to have access to the Donihe facility and Merten's leased real property facility located at 1515 Central Parkway, Cincinnati, Ohio (the "Merten Facility") without charge for the purpose of removing the Purchased Assets therefrom, but subject to the rights of Donihe noted above, for a period of 120 days from the Closing Date and shall have the Purchased Assets removed from the Donihe Facility and the Merten Facility within such 120 day period, provided however that such time limits will have no further force or effect as to the Donihe Facility after the closing of the sale thereof to Buyer. Buyer shall not cause any physical injury to the Merten Facility during Buyer's use thereof and Buyer shall not cause any physical injury to the Donihe Facility prior to the closing of the sale thereof by Donihe to Buyer. Buyer shall be entitled to temporarily move any non-weight bearing wall at the Merten Facility in order to remove the pre-press equipment therefrom but shall promptly restore said wall or walls to their former condition following the removal. Buyer shall indemnify and hold Sellers harmless from any damages caused by Buyer's access to the facilities of Sellers. Buyer shall also carry insurance with respect to any such damage and shall provide Sellers with evidence of such insurance coverage prior to Closing.

4. Representations and Warranties of Sellers. The Sellers jointly represent and warrant to Buyer as a material inducement to Buyer to enter into and perform its obligations under this Agreement, as follows:

(a) Organization and Standing of Sellers. Donihe is a corporation duly organized, validly existing, and in good standing under the laws of the State of Tennessee. Merten is a corporation duly organized, validly existing and in good standing under the laws of Ohio. The Sellers have all requisite corporate power and authority to own and operate their properties and to conduct their business in the manner and in the places where it is now conducted.

(b) Sellers' Authority. The execution and delivery of this Agreement and other documents herein contemplated to the Buyer and the sale contemplated hereby will have been duly authorized by the Sellers' Boards of Directors and sole shareholder, and the Sellers will at the Closing deliver to the Buyer copies of the resolutions of their Boards of Directors and sole shareholder granting such authority, such copies to be certified by the Sellers' and sole shareholder's secretary. No other corporate action on the part of the Sellers will be necessary to authorize execution and delivery of same and of the sale. The execution and delivery of this Agreement to the Buyer and the sale contemplated hereby do not violate any federal, state or local laws or regulations. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate any provision of, or result in the breach of or accelerate or permit the acceleration of the performance required by the terms of, any applicable law, rule or regulation of any governmental body having jurisdiction, the Articles of Incorporation or Bylaws of the Sellers, or any agreement to which the Sellers are a party or by which they may be bound (except for loan agreements and other obligations for which consent is required, as listed on Exhibit B), or of any order, judgment or decree applicable to it, or result in the creation of any claim, lien, charge or encumbrance upon any of the property or assets of the Sellers or terminate or result in the termination of any such agreement.

(c) Title of Property. The Sellers have good, marketable and indefeasible title to all the Purchased Assets, including without limitation, those reflected on Exhibit A hereto, free and clear of any mortgages, security interests, liens, charges or encumbrances whatsoever, except as otherwise specifically disclosed in Exhibit B to this Agreement. Prior to Closing, Buyer shall have received a commitment from any and all secured lenders of Seller that the liens of said secured lender will be released upon Closing.

(d) Tax Returns. All required federal, state and local tax returns of the Sellers have been accurately prepared and duly and timely filed, and all federal, state and local taxes required to be paid with respect to the periods covered by such returns have been paid or accrued on the balance sheets. The Sellers are not delinquent in the payment of any tax, assessment or governmental charge, and there is no tax deficiency outstanding, proposed in writing or assessed against it. The Sellers have not executed any outstanding waiver of any statute of limitations on the assessment or collection of any tax.

(e) Insurance. All Purchased Assets are and will be insured against fire and other casualty to the Closing Date in accordance with past practices and valid policies therefor are and will be outstanding and duly in force at Closing.

(f) Compliance with Laws. To the best knowledge of Sellers, the Sellers have complied in all material respects with all applicable laws, rules, regulations, ordinances, and franchises with respect to their operations, and neither the ownership nor use of the Sellers' properties nor the conduct of its business conflicts with the rights of any other person, firm or corporation.

(g) No Litigation. There is no claim, legal action, suit, arbitration, governmental investigation or other legal, administrative or tax proceeding for which Sellers have received written notice, nor any order, decree or judgment, in progress, pending, or, to the best knowledge of Seller, threatened against or relating to the Sellers which involves or affects their properties, assets or business or the transactions contemplated by this Agreement.

(h) Employees. Donihe will retain all liability, if any, for any benefits of its employees attributable to their employment by Donihe and the termination of such employment by Donihe, including specifically severance, hospitalization, or retirement benefits, if any, and liability for any other claim by an employee or former employee of Donihe attributable to his employment or termination of employment by Seller.

(i) Donihe has paid in full (to the extent required by the Donihe's current practices but consistent with the Donihe's legal obligations) to all its employees, all wages, salaries, commissions, bonuses, vacation pay, and other direct compensation for all services performed by them to the date hereof and will pay after the Closing Date as and when due such obligations through the day preceding Closing Date;

(ii) Upon termination of the employment of any such employees, Donihe will not, by reason of anything done prior to the Closing Date, be liable to any of such employees for any specific "severance pay" or any other payments, except for liabilities accrued on the Financial Statements or other of Donihe's books and records (all of which have been made available for Buyer's inspection) or as may be required under state unemployment insurance or other laws;

(iii) Donihe has complied in all material respects and is in compliance with all Federal, state and local laws and regulations respecting employment and employment practices (including, without limitation, to the best of Donihe's knowledge, OSHA), terms and conditions of employment, wages and hours, collective bargaining and the payment of social security and similar taxes.

(i) Employee Benefit Plans. Sellers are not party to any pension plan or profit sharing plan or other employee benefit plan which would constitute a "Multiemployer Plan" as defined in Section 3(37) of ERISA (a "Multiemployer Plan"). Sellers have not incurred nor will Sellers incur, directly or indirectly, any material withdrawal liability with respect to a Multiemployer Plan nor do Sellers expect to incur such liability.

(j) No Bankruptcy. There has not been filed any petition application, or any proceedings commenced, by or against, or with respect to any assets of, Sellers under Title 11 of the United States Code or any other law, domestic or foreign, relating to bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt or creditors' rights which is currently being adjudicated, and Sellers have not made any assignment for the benefit of creditors that is currently effective.

(k) List of Secured Creditors, Taxes, and Obligations. The Sellers have delivered to Buyer a true and complete list of the Sellers' obligations, including but not limited to obligations owed to secured creditors, taxing authorities, and other creditors, whether secured or unsecured, together with copies of all documents evidencing or relating to such obligations. The Sellers warrant that said list, attached hereto as Exhibit B, is accurate and complete.

5. Covenants of the Sellers. The Sellers covenant and agree with the Buyer that they will perform the following between the date of this Agreement and the Closing Date:

(a) Access. The Sellers shall give Buyer and its lenders, counsel, accountants, and other representatives full access during normal business hours to all of the properties, books, contracts and records of the Sellers related to the Purchased Assets, and the Sellers will furnish Buyer with all such documents, copies of documents (certified if required) and information concerning the affairs of the Sellers as Buyer may from time to time reasonably request. Buyer and its representatives will conduct their investigation so as not to disrupt the operations of Sellers.

(b) Conduct of Business Pending Closing. The Sellers covenant that pending the Closing:

(i) The Sellers shall maintain, keep and preserve the Purchased Assets in good condition and repair, normal wear and tear excepted, and maintain insurance thereon in accordance with present practices.

(ii) The Sellers will not sell or dispose of any of the Purchased Assets except in the ordinary course of business, or permit the creation of any mortgage, pledge, lien or other encumbrances, security interest, or imperfection of title thereon or with respect thereto, without prior written consent of Buyer. Without limiting the foregoing, the Sellers shall not transfer the Purchased Assets to or incur any liability to any corporation, partnership, Sellers, joint venture or any individual related to (whether by virtue of common ownership or agreement) or controlled by the Sellers or any of their stockholders, and any such transfer or incurrence of liability shall be deemed not to be in the ordinary course of Sellers' business.

(iii) Except as otherwise specifically provided in this Agreement, possession and control of the assets covered by this Agreement shall remain with Sellers.

(c) Obligations of Donihe After the Closing Date. Donihe covenants and agrees that:

(i) Donihe's Corporate Records. Donihe will make available for inspection and copying all books and records related to the Purchased Assets to Buyer upon reasonable request for access thereto, and if at any time Donihe proposes to discard or destroy the books and records, they will first offer to transfer them without charge to Buyer.

6. Representations and Warranties of Buyer. Buyer represents and warrants to Sellers as follows:

(a) Buyer is a limited liability company duly organized and validly existing under the laws of North Carolina, and has the full power and authority to enter into this Agreement and to carry out the transactions contemplated thereby.

(b) Neither the execution, delivery nor performance of this Agreement by Buyer will, with or without the giving of notice of the passage of time, or both, conflict with, result in a default or loss or rights under, or result in the creation of any lien, charge or encumbrance pursuant to any provision of its Articles of Organization or Operating Agreement, or any mortgage, deed of trust, lease, license, agreement, understanding, law, order, or judgment, franchise, ordinance or decree to which Buyer is a party or by which it is bound. Buyer has the full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby and this Agreement and Buyer's performance hereunder have been duly and validly authorized by all necessary corporate actions on the part of the Buyer and constitutes the valid and binding obligation of the Buyer enforceable in accordance with its terms.

7. <u>Conditions Precedent to Buyer's Obligations</u>. All obligations of Buyer under this Agreement are subject, at the option of Buyer, to the satisfaction and fulfillment of each of the following conditions at or prior to Closing. Buyer may waive any or all of these conditions in whole or in part without prior notice; <u>provided</u>, <u>however</u>, that no such waiver of a condition shall constitute a waiver by Buyer of any of their other rights or remedies at law or in equity, if the Sellers shall be in default of any of their representations, warranties or covenants under this Agreement. The Sellers agree to use its best efforts to fulfill each such condition:

(a) The representations and warranties of the Sellers contained herein and in any document or certificate delivered pursuant to this Agreement shall be true and correct as of the date of this Agreement, and shall be true and correct on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(b) The Sellers shall have performed all of their obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed or complied with on or before the Closing Date.

(c) The Sellers shall have obtained all necessary consents or approvals, of other persons or parties, to the assignment of all contracts to be assigned to Buyer pursuant hereto.

(d) The Sellers shall have obtained all necessary consents and releases of taxing authorities and secured creditors necessary to ensure that the Purchased Assets are free and clear of all liabilities, mortgages, liens, obligations, security interests and encumbrances.

(e) Sellers shall deliver to Buyer bills of sale, endorsements, certificates of title, assignments and other good and sufficient instruments of conveyance, transfer and assignment as shall be effective to vest in Buyer good and marketable title in and to the Purchased Assets, free and clear of all security interests, liens, charges and encumbrances of any nature whatsoever.

(f) Between the date of this agreement and the Closing Date, there shall have been no material adverse change in the Purchased Assets.

(g) Sellers and Buyer shall deliver to each other copies of resolutions of their respective Board of Directors (and the Sellers' shareholder) authorizing and approving the execution and consummation of the transactions contemplated hereby, certified by their secretaries.

(h) There shall not be any pending or threatened arbitration, litigation or administrative proceeding against or affecting the Sellers, Buyer or any shareholder, director, officer, agent, employee or affiliate of any of the foregoing or to which any properties or rights of the Sellers or Buyer is subject, which (a) is likely to have a material adverse effect on the Purchased Assets or the Buyer or (b) would prohibit or set aside the transactions contemplated by this Agreement.

(i) The approval of and consent to the transactions contemplated hereby shall have been given prior to the Closing Date by the regulatory agencies, federal and state, whose approval or consent is required, and all notice periods, waiting periods, delay periods and all periods for review, objection or appeal of or to any of the consents, approvals, or permissions required by law with respect to the consummation of this Agreement shall have expired. Such approvals shall not be conditioned or restricted in a manner which, in the judgment of Buyer, materially adversely affects the economic assumptions of the transactions contemplated hereby so as to render inadvisable consummation of the Agreement.

(j) Buyer shall have received from the Agent an agreement, in writing, that it will release its lien against the Purchased Assets upon Buyer's payment of the full purchase price set forth in this Agreement and as adjusted pursuant to the terms hereof.

8. Conditions to Closing by Sellers. The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction, at or prior to the Closing Date, of each of the conditions set forth below in this Section 8. Sellers may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by Sellers of any of their other rights or remedies at law or in equity if Buyer shall be in default of any of its representations, warranties or covenants under this Agreement.

(a) All proceedings taken in connection with the transactions contemplated hereby, and all instruments and documents incident thereto shall be reasonably satisfactory in form and substance to counsel for Sellers.

(b) The representations and warranties of Buyer made in this Agreement and in any document or certificate delivered pursuant to this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date.

(c) Buyer shall have fully performed and complied with all covenants and agreements to be performed and complied with by Buyer on or before the Closing Date.

(d) Sellers and Buyer shall deliver to each other copies of resolutions of their respective Board of Directors (and the Sellers' shareholder) authorizing and approving the execution and consummation of the transactions contemplated hereby, certified by their secretaries.

(e) There shall not be any pending or threatened arbitration, litigation or administrative proceeding against or affecting the Sellers, Buyer or any shareholder, director, officer, agent, employee or affiliate of any of the foregoing or to which any properties or rights of the Sellers or Buyer is subject, which (i) is likely to have a material adverse effect on the Purchased Assets or the Buyer or (ii) would prohibit or set aside the transactions contemplated by this Agreement.

(f) Buyer and Donihe shall have entered into a real estate purchase agreement for the sale by Donihe to Buyer of the Donihe Facility for a purchase price of $175,000.

(g) Buyer shall have provided Sellers with sales tax exemption certificates with respect to the sale of the Purchased Assets hereunder.

(h) Buyer shall have provided Sellers with certificates of insurance as to the coverage required under Section 3 of this Agreement.

9. <u>Termination of Agreement</u>.

(a) Grounds for Termination. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing Date:

(i) By mutual consent in writing of all parties hereto; or

(ii) By Buyer if there has been a material misrepresentation or breach of warranty in the representations and warranties of Sellers set forth herein not materially cured by Sellers within ten (10) days after written notice of same from Buyer, or by Sellers if there has been a material misrepresentation or breach of warranty in the representations and warranties of Buyer set forth herein not materially cured by Buyer within ten (10) days after written notice of same from Sellers; or

(iii) By either Sellers or Buyer upon written notice to the other if any regulatory agency whose approval of the transactions contemplated by this Agreement is required denies such application for approval by final order or ruling (which order or ruling shall not be considered final until expiration or waiver of all periods for review or appeal); or

(iv) By either Sellers or Buyer upon written notice to the other if any condition precedent to such party's performance hereunder is not satisfied or waived; or

(v) By either Sellers or Buyer if the transactions contemplated by the Agreement shall violate any non-appealable final order, decree or judgment of any court or governmental body having competent jurisdiction; or

(vi) By either Sellers or Buyer upon the bankruptcy or assignment for the benefit of creditors of either the Sellers or the Buyer.

(b) <u>Effect of Termination</u>. In the event of the termination and abandonment of this Agreement pursuant to Section 9 of this Agreement, this Agreement shall become void and have no effect, and none of the Sellers, the Buyer, the stockholders or any of the officers or directors of any of them shall have any liability of any nature whatsoever under this Agreement, except that the provisions of this Section 9(b), Section 9(c) and Section 12 of this Agreement shall survive any such termination and abandonment.

(c) <u>Return of Information</u>. In the event of the termination of this Agreement for any reason, each party shall deliver to the other party, and shall require each of its officers, agents, employees and independent advisers (including legal, financial and accounting advisers) to deliver to the other party all documents, work papers, and other material obtained from such other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof. Each party agrees that notwithstanding any other provision contained in this Agreement, the undertakings and covenants regarding confidentiality shall survive termination of this Agreement.

10. <u>Additional Documents and Acts after Closing</u>.

(a) From time to time, at the Buyer's or Sellers' request, whether at or after closing, and without further consideration, the Sellers or Buyer, as the case may be, will at their own expense execute and deliver such further instruments of conveyance and transfer and take such other action as may be reasonably requested to more effectively convey and transfer to the Buyer the Purchased Assets, and will assist the Buyer in the collection or reduction to possession of such property.

(b) After the Closing Date, Buyer agrees that it shall forward to Donihe, c/o Champion Industries, Inc., P.O. Box 2968, 2450 1st Avenue, Huntington, West Virginia 25704 any customer checks received by it attributable to Donihe accounts receivable.

(c) <u>Post-Closing Access</u>. After the Closing, Buyer shall provide Donihe with reasonable access during normal business hours to any books and records of Donihe related to the Purchased Assets reasonably required by Donihe in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Donihe or preparation of Donihe financial statements and tax returns. Buyer shall maintain such books and records following the Closing for a period of at least seven years. In the event the Buyer wishes to destroy (or permit to be destroyed) such records after that time, Buyer shall first give ninety (90) days prior written notice to Donihe and Donihe shall have the right at its option and expense, upon prior written notice given to Buyer within that ninety (90) day period, to take possession of the records within one hundred eighty (180) days after the date of such notice.

11. Non-Assumption of Liability. It is understood and agreed that the Buyer is not assuming in any way whatsoever any liability of Seller of any kind whatsoever.

12. Indemnification.

(a) Sellers. Without limiting any other right of indemnification or any other cause of action, Sellers shall defend, indemnify and hold Buyer harmless from and against any and all losses, liabilities, damages, costs, claims, judgments and expenses (including attorney's fees) whatsoever arising out of or resulting from:

(i) Any breach of warranty or misrepresentation by Sellers contained herein, or the nonperformance of any covenant or obligation to be performed by Sellers or from any misrepresentation, omission or inaccuracy in any schedule, exhibit, certificate, instrument or paper delivered or to be delivered by Sellers hereunder in connection with the transactions herein contemplated;

(ii) Any liability or matter not disclosed in writing to Buyer prior to Closing arising out of the conduct of Sellers' business prior to the Closing Date;

(iii) Any claim which may be asserted against Buyer or any of the assets being sold hereunder, by any of Sellers' employees, independent contractors or agents with respect to liabilities incurred by or on Sellers' behalf prior to their termination by Sellers whether covered by a collective bargaining agreement or not, including labor costs, severance pay, pension benefits, employee benefits, vacation and holiday benefits, sick pay, multiemployer withdrawal liability, any and all employee benefits, and any other costs associated therewith;

(iv) Any attempt (whether or not successful) by any person to cause or require Buyer to pay or discharge any debt, obligation or liability relating to the Sellers other than any liability specifically assumed by Buyer hereunder;

(v) Any liability arising out of or in connection with Donihe's termination of its employees, including but not limited to alleged violations of any collective bargaining agreement, any charges or complaints against Buyer or Donihe, by or with the National Labor Relations Board or any body judicial, administrative or otherwise, with jurisdiction over the parties to any collective bargaining agreement or otherwise or any such charges, complaints, lawsuits or administrative proceedings with regard to the termination of employees, the payment of wages or benefits or related costs associated with the termination of Donihe's employees; and

(vi) Any and all claims and expenses related to or arising under any of the Donihe's employee benefit plans, including, but not limited to, claims related to health care continuation coverage under Internal Revenue Code Section 4980B and ERISA Sections 601-608.

(b) Buyer's Indemnity. Without limiting any other right of indemnification or any other cause of action, Buyer shall indemnify and hold Sellers forever harmless from and against any and all losses, liability, damages, costs, claims, judgments and expenses (including attorney's fees) whatsoever arising out of or resulting from:

(i) Any breach of warranty or misrepresentation by Buyer contained herein, or the non-performance of any covenant or obligation to be performed by Buyer or from any misrepresentation, omission or inaccuracy in any Schedule, exhibit, certificate, instrument or paper delivered or to be delivered by Buyer hereunder in connection with the transactions herein contemplated.

(c) Indemnification Limitations. Notwithstanding any other provision in this Agreement:

(i) The Indemnifying Party hereunder shall have the right to control the defense of any claim or proceeding by any third party as to which it shall have acknowledged its obligation to indemnify the other party, and the Indemnified Party hereunder shall not settle or compromise any such claim or proceeding without the written consent of the Indemnifying Party, which consent shall not unreasonably be withheld or delayed. The Indemnified Party may in any event participate in any such defense, with its own counsel and at its own expense; and

(ii) Nothing herein shall be construed as granting a right of indemnification in any party hereto in respect of any (A) losses any party may have arising out of the allocation of the purchase price or (B) in respect of any consequential damages.

13. Risk of Loss. Sellers shall assume all risk of loss to the assets covered by this Agreement until the Closing Date and the transfer of assets contemplated hereunder except either the Buyer or the Sellers shall have the option to determine whether to cancel this contract or adjust the sales price in the event of losses in excess of $10,000.00. Buyer has the risk of loss after the Closing Date.

14. Brokerage. The Sellers represent and warrant to the Buyer and Buyer represents and warrants to Sellers that except for the assistance of Raymond James and Associates, Inc., for whose fee Sellers' sole shareholder has sole responsibility, all negotiations on its part relative to this Agreement have been carried on by the parties hereto directly without the intervention of any other person on its behalf; that except as aforesaid, neither party has incurred any liability for finder's, agents or brokerage fees, commissions or compensation in connection with this Agreement or the transactions contemplated hereby, and each party shall indemnify the other and hold the other harmless against and in respect of any claim for such relative to this Agreement, or to the transactions contemplated hereby, and also in respect of all expenses of any character incurred by them in connection with this Agreement or such transactions.

15. Survival of Representations, Warranties and Agreements. All representations, warranties, agreements and indemnities made by the Sellers and Buyer in this Agreement, or pursuant hereto, shall survive the Closing Date and any investigation at any time made by or on behalf of the Buyer or Sellers for a period of two (2) years after the Closing Date.

16. Benefit. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

17. Modification. This agreement cannot be modified, changed, discharged, or terminated, except by a writing signed by the parties hereto.

18. Nonwaiver. No waiver of any breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach of default of the same or similar nature.

19. Entire Agreement. This Agreement and the agreements specifically referred to herein constitute the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral and written, among the parties hereto or their assignors with respect to the subject matter hereof.

20. Descriptive Headings. Descriptive headings used in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

21. Notices. All notices or other communications which are required or permitted hereunder shall be in writing and shall be sufficient if delivered or mailed by registered or certified mail, postage prepaid, sent by telex or telegram, or delivered by hand, and shall be effective upon delivery to the following addresses or such other address as the appropriate party may advise each other party hereto.

If to the Sellers:	c/o Champion Industries, Inc. P.O. Box 2968 2450 1st Avenue Huntington, WV 25704
Attention:	Todd R. Fry, Senior Vice President and Chief Financial Officer
Copy to:	Huddleston Bolen LLP Post Office Box 2185 Huntington, West Virginia 25722
Attention:	Thomas J. Murray, Esquire
If to the Buyer:	Graphics International, LLC 2318 Crown Centre Drive Charlotte, NC 28227
Attention:	William B. Troutman, CEO
Telephone:	1-704-847-8282
Copy to:	Weaver, Bennett & Bland, P.A. P.O. Box 2570 Matthews, NC 28106
Attention:	F. Lee Weaver, Esquire

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

23. Binding Nature; Assignments. This Agreement is binding upon, and inures to the benefit of, the parties hereto and their respective heirs, successors and assigns. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties to be bound thereby, except that Buyer may assign this Agreement to any affiliate of Buyer. Except as otherwise expressly stated in this Agreement, nothing contained herein shall be construed to confer any right or cause of action on any person other than the parties hereto, and their respective successors and permitted assigns.

24. Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

25. Legal Fees and Expenses; Other Expenses. Each of the parties hereto will pay its own fees and expenses incurred in connection with review of this Agreement and related documents and the consummation of the transactions therein contemplated, including, without limitation, all legal fees.

26. Invalid Provisions. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the 30th day of November, 2012.

DONIHE GRAPHICS, INC.,
a Tennessee corporation

By /s/ Todd R. Fry
Its: Vice President

THE MERTEN COMPANY,
an Ohio corporation

By: /s/ Todd R. Fry
Its: Vice President

GRAPHICS INTERNATIONAL, LLC,
a North Carolina limited liability company

By: /s/ WB Troutman
Its: Member/Mgr.

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EXHIBIT “A”

Assets – Machinery and Equipment

1. All the assets set forth and described on Exhibit A-1 attached hereto and incorporated herein by reference, which assets are presently located in Seller’s Cincinnati, Ohio printing business which operates under the name of The Merten Company at the following business address: 1515 Central Parkway, Cincinnati, Ohio. These assets include computers and computer software and further include all the operating software necessary to run the printing equipment being purchased and any and all related support software (exclusive of Apogee Workflow Software), whether proprietary to The Merten Company, or subject to the proprietary claims of third parties and/or license agreements, which license agreements, if any, are hereby transferred to Buyer.

2. All the assets presently located in Seller’s Kingsport, Tennessee printing business, which operates under the name of Donihe Graphics, Inc., at the following business address: 766 Brookside Drive, Kingsport, Tennessee. These assets consist of (but are not limited to) printing equipment, machinery, tools, spare parts, computers, and computer software including of all the operating software necessary to run the printing equipment being purchased and any and all related support software (exclusive of Apogee Workflow Software), whether proprietary to Donihe Graphics, Inc., or subject to the proprietary claims of third parties and/or license agreements, which license agreement, if any, are hereby assigned and transferred to Buyer.

EXHIBIT A-1

MERTEN

Machine	*Model*	*Machine Number*	*Year*	*Description*
Heidelberg	CD 102-6-L	548 127	2007	SE Version AXIS Control
Komori	L640+C	249	1988	200 Million Impressions
Heidelberg	SORSZ	507 993	1975	2 Color 40"
Heidelberg	102 ZP	515 552	1980	
Komori	L426	300	1985	4 Color
Muller Martini	Presto		2006	8 Pocket with Conver Feeder
Heidelberg	Plate Bender			Plate Bender
Heidelberg	Plate Punch			Plate Punch
Carlson	KPS-40	16968		
Seybold	Citation 42			42" Paper Cutter with Micro Cut
Schnieder	Senator 115MC2	45382		45" Paper Cutter
MBO	B26-C	k.10/69	1983	26 X 40 Folder
Baumfolder	Liberty	AD5171		26 X 40 Folder
MBO	B30F-1-30/4	Y06/09	2007	30 X 44" Folder with 3 rt angles and stacker
Hangata	HP-10Z Lbar	110109	1997	Shrink wrap with heat tunnel
Beseler	3020-EM-A	3870205		Shrink wrap with Bestronic Heat Tunnel
AM Graphics	SP455	SL1316	1993	6 Pocket Saddle Stitcher
Champion				Wire Stitcher
Acme Champion				Wire Stitcher
Lassco	50P	518		Round Corner Machine
Challenge	MS-10A	50185		5 Hole Drill
Nestaflex				12" Wide X 15' Long Flexible Conveyor
Ingersoll-Rand	SSR-EP20SE	970DXR3853	1997	20 HP Screw Compressor 57K Hours with Tank
Quincy	QSBHANA12K	38162		Estimated 15 HP Screw Compressor with Belair Dryer
Factory Support				Factory Support Equipment Pallet Jacks Workbenchs etc.
Pallet Racking				78 Sections Medium Duty 108" X 40" X 8' to 2 Tier
Prepress Misc.				AGFA 50" Viewing Booth, Light Tabels, etc
Agfa	Gallleo VE	3067		Computer to Plate
Caterpillar	T40D	1990	1990	4,000 lb. lift truck LP Gas
Big Joe	1524-A/	1317710		Walk behind electric walkie
Crown	BT-130	20202		1500 lb. Electric Walkie
Clark	SP30	SP30-0069	1985	3000 lb. Electric Walkie
Toyota	6HBW20	6HBW20-18704		4000 lb. Electric Walkie

EXCLUDED ITEMS:

Items on list that were not present in final walk through and in certain cases have been removed for months:

GSF	550			5000 Pound Scale 48" X 48"
PMC		B193		Bottom Up Diecutter
Office				Furniture Business Machine Conference Table, etc.
Prepress Misc				Epson 9800
Ford	350		2008	Cargo Van 80K miles
Freightliner	BUS M2 BUS		2004	297K miles
Ford	Escape		2010	SUV

DONIHE

Machine	*Model*	*Machine Number*	*Year*	*Description*
Gardner Denver	EBH99D13	S036790	1999	15 HP Rotary Screw Compressor
Ingersoll Rand	U40H-SP		1989	40 HP Rotary Screw Compressor
Ingersoll Rand	SSR 150H	S036790	1982	40 HP Rotary Screw Compressor
Mitsubishi	DAIYA-3F	K7725U89F	1989	6 Color 16B Million Impressions with Rapidec Coater
Wohlenberg	92		1982	36 inch Paper Cutter
Harris	M110	3F155D	1981	5 Color Press
Halm Jet	JP-TWOD-6D	3003-003	1996	2 Color 12 X 18"
AB Dick	9870	0195005	1981	Single Color with T-51 Print Head
Beseler	1720-GMTE	SJ5598		Heat Shrink Tunnel
Hanagata	HP-110Z	110067		L Bar Sealer
Wohlenberg	92	9209-001		36 inch Paper Cutter
Challenge	EH-3A	75753		3 Hole Drill
Polar	115 EMC	5232119	1982	45" Paper Cutter
Wohlenberg		S7223		Trimmer 36" Not in operation
Kansa			1982	28 inch Padder
MBO	B26 S-C	R11/72	2000	26 X 40" with right angle ith BA-700 Banding Machine
MBO	B123-C	f.05/104	1992	Folder with 2 right angles
Challenge	MS-10A	68372		5 Hole Drill
Bostitch	Bronco			Single head stitcher
Muller Martini	Minuteman	99.0084		4 Pocket
Muller Martini	Bravo T	NN6259	2000	10 Pocket Cover Feeder Apollo Stacker
Toledo	8136			Platform Scale
3M	4800	6111	2000	Case Sealer
Wexler	ATS-CE 240/30	8587-G		Banding Machine
Agfa	Avalon LF	CNXZA000	2007	CTP System
Misc PrePress				Apple G5 Computers Printers etc.
Hyster	E4OB	B108V073398	1980	4000 lb Electric Lift Truck
Hyster	E65Xm2	F108V21950Y	2001	6500 lb Electric Fork Lift side shift
Clark	CSM-15	CSM-0248-6833	1998	3000 lb Electric Walkie
MAN Roland	202			

EXHIBIT B

LIENS, ENCUMBRANCES, MORTGAGES AND SECURITY INTERESTS

Sellers' Guaranty of the obligations of Champion Industries, Inc. under the First Amended and Restated Credit Agreement among Champion Industries, Inc. as Borrower, Various Lenders from time to time party thereto and Fifth Third Bank, as Administrative Agent and L/C Issuer dated as of October 19, 2012, secured in part by UCC-1 financing statements covering the Purchased Assets.

EXHIBIT C

ALLOCATION OF PURCHASE PRICE

One hundred percent (100%) of the Purchase Price is allocated to the machinery and equipment listed or described in Exhibit A.

EXHIBIT 10.3

REAL ESTATE PURCHASE AGREEMENT

THIS REAL ESTATE PURCHASE AGREEMENT (the "Agreement") is executed as of the 4th day of December, 2012 (the "Agreement Date"), by and between **DONIHE GRAPHICS, INC.,** a Tennessee corporation (the "Seller") and **GRAPHICS INTERNATIONAL, LLC,** a North Carolina limited liability company (the "Buyer").

RECITALS:

A. Seller is the owner in fee simple of unimproved real property and certain improved property consisting of an industrial building containing approximately 38,500 square feet, located at 766 Brookside Road, Kingsport, Tennessee, all of such property being more particularly described in Exhibit A attached hereto (the "Property"), which Exhibit A is incorporated herein by reference (such real estate, industrial building, appurtenances, and any improvements, structures and/or fixtures are herein referred to collectively as the "Property"); and

B. Buyer desires to purchase, and Seller desires to sell the Property, which is part of the assets being purchased as described in a certain Asset Purchase Agreement between the parties.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, Seller and Buyer agree as follows:

1. **Purchase and Sale.** Seller agrees to sell, and Buyer agrees to purchase the Property for the price and subject to the terms and conditions hereinafter set forth. Seller and Buyer agree that the Property, as purchased by Buyer, is sold and purchased AS IS, WHERE IS, with no warranty or representation as to the physical condition of the Property or its suitability for any particular purpose, except as otherwise expressly set forth in this Agreement.

2. **Purchase Price.** The purchase price for the Property (the "Purchase Price") shall be One Hundred Seventy-Five Thousand and no/100 Dollars ($175,000.00).

3. **Payment of Purchase Price.** The Purchase Price shall be paid to Seller as follows:

The Purchase Price, plus or minus any prorations and adjustments made pursuant to this Agreement, shall be paid by Buyer in cash, by wire transfer of funds directly to an account at Fifth Third Bank as Administrative Agent (the "Agent") for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, in the name of the Agent, as designated by Sellers.

4. **Conditions.** The Buyer's obligations under this Agreement are subject to the satisfaction (or waiver in writing by Buyer) of the conditions in this Section 4 (the "Conditions") within ten days (10) days after the Agreement Date (the "Satisfaction Date"). The Buyer will have the right and option to extend the Satisfaction Date for up to one (1) additional period of ten (10) days (the "Extension"). Buyer's notice of any such Extension shall be given pursuant to Section 14 before the expiration of the then current Satisfaction Date. In the event the Conditions are not satisfied by the Satisfaction Date, Buyer shall, within three (3) business days thereafter, give Seller written notice that such conditions have not been satisfied and either (i) waive any unsatisfied Condition(s) and proceed to Closing of the purchase and sale; or (ii) notify Seller that Buyer has elected not to attempt to further resolve or satisfy such Condition(s) and that Buyer will not complete the purchase and sale, in which case neither party shall have any further obligation hereunder. The Conditions are as follows:

(a) **Status of Title.** Buyer shall have received the Title Commitment and Survey, as each is hereinafter defined, in the condition and as required under Sections 5 and 6 of this Agreement.

(b) **Zoning and Approvals.** Buyer shall have determined, in its sole discretion, that the Property is suitably zoned to a zoning classification compatible with Buyer's intended use of the Property with all necessary classifications, variances, permissions, exceptions, conditional uses, and other approvals having been obtained from all applicable governmental agencies and such approvals being final, non-appealable and in full force and effect. In the event Buyer determines that it requires any approvals, consents or other documentation with respect to the zoning of the Property and/or a variance to permit Buyer's proposed use of the Property, Buyer shall have the right, at Buyer's expense, to file such petitions for such approvals as Buyer deems necessary or appropriate. In such a case, the Seller agrees that it will execute all necessary consents and other documents necessary for the filing of zoning and/or variance petitions and obtaining the appropriate governmental approvals.

(c) **Utilities.** Buyer shall have determined, in its sole discretion, that utilities, including, but not limited to, gas, electricity, water, sanitary sewer, storm sewer, telephone and other telecommunication utilities, are available at the Property, in such capacities and in such locations as are satisfactory to Buyer.

(d) **Access.** Buyer shall have determined, in its sole discretion, that the Property has free, unrestricted and direct legal rights of access and ingress and egress to one or more public roads or highways, with access drives and curb cuts in such number and at such locations as is deemed necessary or desirable by Buyer.

(e) **Permits and Approvals.** Buyer shall have determined, in its sole discretion, that all site plan approvals, permits, consents, approvals and other things required or desired by Buyer to be obtained from all federal, state and local governmental, municipal, public and other authorities, bodies and agencies and under any restrictions applicable to the Property and Buyer's proposed use thereof (collectively the "Approvals") either have been obtained and remain in full force and effect or will be obtainable by Buyer. Seller shall cooperate with and furnish Buyer with all information necessary to obtain any and all such Approvals. Seller's obligations in this regard shall include, but will not be limited to, preparing, filing, and joining in any applications therefore and attending and participating in any meetings or hearings of administrative officials and legislative bodies with respect to Buyer's obtaining all such permits.

(f) **Environmental Condition.** Buyer shall have received or obtained at Buyer's expense a Phase I environmental report or other form of environmental site assessment acceptable to Buyer (which shall include a delineation of any wetlands on the property and any other information that the Buyer deems relevant to its proposed use of the Property) which is satisfactory to Buyer in its sole discretion.

(g) **Improvements.** Buyer shall have determined that any and all improvements, structures, facilities and fixtures on the Property (which, if any, are collectively referred to herein as the "Improvements") are located entirely within the bounds of the Property and that there are no encroachments upon the Property by improvements or appurtenances on any property adjoining the Property.

(h) **Release of Deed of Trust and Fixture Filing**. The Property is subject to a certain Deed of Trust, as amended by that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, and fixture filing for the benefit of Fifth Third Bank, as Agent for various secured creditors. Seller shall obtain a release of the Deed of Trust and fixture filing from Fifth Third Bank in a form satisfactory to Buyer.

5. Seller's Title.

(a) Within seven (7) days after the Agreement Date, Buyer will obtain, at its expense, a commitment for an owner's policy of title insurance (the "Title Commitment") issued by a title insurance company of Buyer's choosing on standard ALTA Owner's Policy Commitment Form, if available (otherwise in a form acceptable to Buyer), in which the Title Company shall agree to insure, for the full amount of the Purchase Price, merchantable fee simple title to the Property in the name of Buyer, free from the Schedule B standard printed exceptions and all other exceptions except those exceptions which are acceptable to the Buyer, in its sole discretion (the "Permitted Exceptions") after delivery of the Deed (as defined in Section 11) to Buyer from Seller. The Title Commitment shall be updated prior to the Closing to reflect the state of the title not more than five (5) days prior to the Closing. Buyer shall pay any and all costs and expenses related to the title insurance, including all search fees, closing fees and the premium for the owner's title insurance policy and all endorsements (the "Title Policy") issued pursuant to the Title Commitment. The cost of any title insurance policy issued to any lender in connection with the recordation of any mortgage or deed of trust will also be the responsibility of the Buyer.

(b) If (1) the Title Commitment reflects any exceptions to title which are not acceptable to Buyer, in Buyer's sole discretion, or (2) the Survey delivered to Buyer pursuant to Section 6 below discloses any state of fact not acceptable to Buyer, in Buyer's sole discretion, or (3) at any time prior to the Closing, title to the Property is encumbered by any exception to title not acceptable to Buyer, in Buyer's sole discretion (with any such exception or unacceptable state of fact being referred to herein as a "Title Defect"), then Buyer shall, on or before the Satisfaction Date, give Seller written notice of such Title Defect. Seller shall have the right, but no obligation (except as specifically set forth below), during the ten(10) day period after receipt of such notice, to remove such Title Defect or obtain affirmative title insurance coverage acceptable to Buyer, insuring and defending Buyer against any loss, cost or expense arising out of or related to such Title Defect ("Affirmative Coverage"). On or before the Closing, Seller shall provide Buyer with reasonable evidence of such removal or provide reasonable evidence that such Title Defect will be removed or that such Affirmative Coverage shall be obtained. Notwithstanding anything contained herein to the contrary, Seller shall be obligated to expend whatever sums are required to cure or obtain Affirmative Coverage for the following Title Defects prior to, or at, the Closing:

(i) All mortgages, security deeds or other security instruments encumbering the Property;

(ii) All past due ad valorem taxes and assessments of any kind, whether or not of record, which constitute, or may constitute, a lien against the Property; and

(iii) Judgments against the Seller (which do not result from acts or omissions on the part of Buyer) which have attached to and become a lien against the Property.

(c) Seller shall have the right, at its sole election, to extend the Closing Date (as defined in Section 10, below), for a period not to exceed twenty (20) days in order to cure or obtain Affirmative Coverage for any Title Defect. In the event Seller is unable to cure or obtain Affirmative Coverage for any Title Defect within such period, Buyer shall have the option to either (i) waive any such Title Defect and proceed to Closing, or (ii) terminate this Agreement, in which case neither party shall have any further obligations hereunder.

6. Survey. Within ten (10) days after the Agreement Date, Buyer, at its expense, shall order a staked boundary survey of the Property (the "Survey") prepared by a registered land surveyor satisfactory to Buyer. The Survey shall (1) be completed in accordance with ALTA/ACSM minimum standards for an "urban" class survey; (2) have one perimeter description of the Property; (3) show all easements, rights-of-way, set-back lines, encroachments and other matters affecting the use or development of the Property; (4) disclose on the face thereof the acreage of the Property; (5) contain such other matters as are required for the Title Company to delete the standard exceptions on Schedule B to the Title Commitment; (6) show the location of any and all Improvements; and (7) be certified to Seller, Buyer, Title Company, and Buyer's lender.

7. Cooperation of Seller and Property Information. Seller shall assist Buyer and its representatives, whenever reasonably requested by Buyer, in obtaining information about the Property. In this regard, the Seller hereby agrees that it shall, within ten (10) days following the date of this Agreement, deliver to Buyer the following documents and/or information to the extent that such documents and/or information is within the Seller's custody or control: (i) copies of all real estate tax bills applicable to the Property; (ii) copies of any utility bills pertaining to the Property; (iii) copies of any plans or specifications pertaining to any Improvements on the Property; (iv) copies of any warranties and/or service contracts pertaining to any Improvements on the Property; (v) copies of any existing surveys, geotechnical reports, maps, or other reports pertaining to the physical condition of the Property, including, without limitation, structural reports, maintenance reports, environmental reports, soils reports and similar test or inspection reports; (vi) copies of any permits or approvals pertaining to the Property; and (vii) a copy of any title insurance policy previously obtained by Seller. In addition, the Seller will cooperate with the Buyer in the Buyer's efforts to procure an estoppel certificate covering the compliance of the Property, and the Improvements that are a part of the Property and/or any buildings or other improvements that the Buyer intends to build on the Property, with any restrictive covenants applicable to the Property and covering the status of any necessary contributions to cover any type of "common area" or similar costs under any such restrictive covenants.

8. Taxes. Buyer will assume and agree to pay that portion of the real estate taxes and personal property taxes applicable to the Property which accrue on and after the Closing Date, and Seller shall pay the balance of such taxes for the tax year in which Closing occurs and for all prior tax years. For Closing purposes, the tax rate and valuation assessment existing on the Closing Date shall be used to pro rate the real estate taxes and personal property taxes for the tax year in which Closing occurs. At Buyer's option, any taxes for which Seller is responsible under such proration and not due and payable at the time of Closing shall be allowed to Buyer as a credit against the cash payment required at Closing, and Seller shall not be further liable for such taxes.

9. Insurance, Condemnation and Risk of Loss. Seller's insurance on the Property shall be cancelled as of the Closing Date. In the event that, prior to Closing, all or any portions of the Property, any interests therein, or any rights appurtenant thereto are (a) damaged or destroyed by any fire or other casualty, or (ii) taken or appropriated (either permanently or for temporary periods) under the power of eminent domain or condemnation by any authority having such power, or by virtue of any actions or proceedings in lieu thereof, or if any notice or threat of such taking or appropriation has been given or is pending at the Closing, then Buyer, at its option, may either (a) cancel this Agreement by written notice to Seller, in which event neither party shall have any further obligation hereunder, or (b) elect to proceed with Closing, in which event the Purchase Price shall be reduced by an amount equal to any sums previously paid or then payable to Seller by the insurance carrier (plus an amount equal to the amount of the deductible feature of the Seller's insurance policy) or by the condemning authority, by reason of any such casualty or by reason of any such taking, appropriation or action or proceeding in lieu thereof, and Seller shall transfer and assign to Buyer at Closing any and all further insurance or condemnation proceeds, claims, demands, actions and chooses in action which may exist by virtue of such casualty, taking, appropriation or action or proceeding in lieu thereof; provided, however, that until the earlier of (i) the Closing Date, or (ii) termination of this Agreement, Seller shall not make any voluntary settlement or agreement regarding any casualty loss, taking, appropriation or action or proceeding in lieu thereof with any insurance carrier or any condemning authority, without first obtaining Buyer's written consent to such settlement or agreement.

10. Closing. The closing of the purchase and sale of the Property (the "Closing") shall occur at the offices of Hunter, Smith & Davis, LLP, 1212 N. Eastman Road, Kingsport, Tennessee, or another location selected by both Seller and Buyer, on or before December 24, 2012 (the "Closing Date"), unless Buyer and Seller mutually agree upon a different date for the Closing. If the Closing is not consummated on or before December 24, 2012, Seller shall be entitled, as its sole and exclusive remedy hereunder, to terminate this Agreement, whereupon the parties shall have no further rights or obligations hereunder, except for those which expressly survive any such termination.

11. Closing Documents. At the Closing, Seller shall execute and deliver to Buyer (a) a general warranty deed conveying fee simple title to the Property to Buyer subject only to the Permitted Exceptions and otherwise free and clear of all liens and encumbrances except such as have been approved in writing by Buyer (the "Deed"), (b) any and all applicable transfer tax declarations or other transfer or sale disclosure statements required by applicable law, (c) a title affidavit in a form satisfactory to the Buyer and the Title Company, suitable to permit the Title Company to delete the standard, pre-printed exceptions (that are identified in the Title Commitment) from the Title Policy, (d) a certification of non-foreign status pursuant to Section 1445(b)(2) of the Internal Revenue Code, (e) a closing statement and (f) such other instruments, certificates or affidavits as may be provided herein or as Buyer or Title Company may reasonably request to effect the intention of the parties hereunder.

12. Possession. Possession of the Property shall be delivered to Buyer on the Closing Date in the same condition as it is now, free and clear of the claims of any other party; provided, however, Buyer may obtain possession and the right to use the Property prior to Closing pursuant to such lease agreement as Seller, as landlord, and Buyer, as tenant, may enter into.

13. Rights and Obligations. The rights and obligations of Seller and Buyer herein contained shall inure to the benefit of and be binding upon the parties hereto and their respective assigns.

14. **Notices.** All notices required or permitted to be given hereunder shall be in writing and delivered either in person or by certified or registered first-class prepaid mail, return receipt requested, or by nationally recognized overnight courier service, to Seller or Buyer at their respective addresses set forth below, or at such other address, notice of which may have been given to the other party in accordance with this Section 14.

Seller:
Donihe Graphics, Inc.
c/o Champion Industries, Inc.
P.O.Box 2968
2450 1st Avenue
Huntington, WV 25704
Attn.: Todd R. Fry, Senior Vice President and Chief Financial Officer

Buyer:
Graphics International, LLC
Attn: Mr. William B. Troutman
2318 Crown Centre Drive
Charlotte, NC 28227

Any notice given in accordance with this paragraph shall be deemed to have been duly given or delivered on the date the same is personally delivered to the recipient or received by the recipient as evidenced by the return receipt.

15. **<u>Representations and Warranties</u>.** Seller hereby warrants and represents to Buyer as follows:

(a) Seller is the legal and equitable owner of fee simple title to the Property and will convey such fee simple title by Deed to Buyer on the Closing Date free and clear of all options, rights, covenants, easements, liens and other rights in favor of third parties, other than the Permitted Exceptions.

(b) The execution, delivery and performance by Seller of its obligations under this Agreement will not conflict with or result in a breach of, or constitute a default under, any of the provisions of any law, governmental rule, regulations, judgment, decree or order by which the Seller is bound, or by any of the provisions of any contract to which the Seller is bound, or, by the organic agreements establishing and regulating the Seller's business affairs and the Seller has full power and authority to enter into and consummate the transactions contemplated by this Agreement, and all consents and approvals necessary therefor have been obtained.

(c) There is no claim against any portion of the Property or Seller for or on account of work done, materials furnished or utilities supplied to the Property which have not been paid.

(d) There are no violations or threatened or pending violations of any laws, statutes, ordinances, rules or regulations with respect to the Property open, noticed or existing.

(e) The Property is not subject to any outstanding agreements of sale, or any options, liens, or other rights of third parties to acquire any interest therein. The Property is not subject to any ground lease or other lease, or other encumbrances (other than the Permitted Exceptions).

(f) There are no unpaid assessments for public improvements pertaining to the Property.

(g) To Seller's knowledge, there are no public plans or proposals for changes in road grade, access or other municipal improvements which would affect the Property or result in any assessment against or encumbering the Property. To Seller's knowledge, no ordinance authorizing improvements, the cost of which might be assessed against Buyer or the Property, is pending. To Seller's knowledge, there is no appellate tax proceeding pending for the reduction or increase of the assessed real estate tax valuation to the Property or any portion thereof.

(h) To Seller's knowledge, no litigation, condemnation proceedings, eminent domain proceedings or similar actions or proceedings are now pending or threatened against the Property nor does Seller know of or have reasonable grounds to know of any basis for any such action or claim.

(i) There are no real estate, management, supply, promotional, operating, leasing, maintenance, security and service contract, equipment lease, signage lease, or other agreements relating to the ownership of the Property, which are in force with respect to the Property.

(j) To Seller's knowledge, but without independent investigation or inquiry, there are no hazardous, toxic or infectious wastes, substances or materials present on the Property in quantities or concentrations or otherwise stored or used in violation of any applicable Environmental Laws (as herein defined). For these purposes, the term "<u>Environmental Laws</u>" shall mean and refer to Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Super Fund Amendments and Reauthorization Act (42 USC § 9601 et seq.), the Hazardous Materials Transportation Act (49 USC § 1801 et. seq.), the Resource Conservation and Recovery Act of 1976 (42 USC § 6901 et seq.), the Federal Water Pollution Control Act (33 USC § 1251 et seq.), the Clean Air Act (42 USC § 7401 et seq.), the Toxic Substances Control Act of 1976 (15 USC § 2601 et. seq.), the Safe Drinking Water Act (42 USC § 300F-300J-11 et. seq.), the Occupational Safety and Health Act of 1970 (29 USC § 651 et seq.) and the Emergency Planning and Community Right to Know Act (42 USC § 11001 et seq.), each as heretofore and hereafter amended or supplemented, and any analogous future or present local, state or federal statutes, rules or regulations.

(k) To Seller's knowledge, there are no underground storage tanks on the Property.

(l) The Property has direct legal and perpetual rights of access to and from the Property to one or more public roads and any amounts due for improvements (including, without limitation, construction of access roads have either been paid by Seller or will be paid by Seller at or prior to the Closing Date.

(m) Utility services for water, sanitary sewer, natural gas, electricity, and telephone and telecommunications services are available either at the Property or in the vicinity of the Property in locations wherein the Buyer can connect to such existing utility infrastructures and extend the same to the Property through perpetual private easements that benefit the Property or through public rights-of-way.

Seller shall indemnify, defend and hold Buyer harmless from and against any and all claims, demands, liabilities, damages, suits, actions, judgments, fines, penalties, loss, costs and expense (including, but not limited to, attorneys' fees) arising or resulting from, or suffered, sustained or incurred by Buyer as a result (direct or indirect) of the untruth or inaccuracy of any of the foregoing representations and warranties by Seller to Buyer or the breach of any of the foregoing representations and warranties of Seller, which indemnity shall survive the Closing hereof.

16. **Assignment.** Buyer may assign this Agreement and all of its interests herein to an entity related to Buyer or affiliated with Buyer without obtaining the consent of Seller. Upon such assignment, the assignee shall have and be subject to all the rights, benefits, duties and obligations of Buyer hereunder but the Buyer shall not be released from any of its obligations under this Agreement.

17. **Complete Agreement.** This Agreement represents the entire agreement between Seller and Buyer covering everything agreed upon or understood in this transaction. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect between the parties. No change or addition shall be made to this Agreement except by a written agreement executed by Seller and Buyer.

18. **Partial Invalidity.** If any term, covenant or condition of this Agreement is held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

19. **Use of Brokers.** Seller and Buyer hereby warrant that neither party has an obligation to pay an outside brokerage commission for the sale of the Property. Buyer and Seller hereby agree to indemnify, defend and hold harmless the other party from and against any liability, cost or expense, plus all costs of collection, including litigation expenses and attorneys' fees, as a result of a claim for a commission, fee or other compensation made by any real estate broker, finder or other person and asserted against the other party by reason of an arrangement made or alleged to have been made by the indemnifying party.

20. **Attorneys' Fees.** In the event that either party shall bring an action or legal proceeding for an alleged breach of any provision of this Agreement or any representation, warranty, covenant or agreement herein set forth, or to enforce, protect, determine or establish any term, covenant or provision of this Agreement or the rights hereunder of either party, the prevailing party shall be entitled to recover from the nonprevailing party, as a part of such action or proceedings, or in a separate action brought for that purpose, reasonable attorneys' fees and costs, expert witness fees and court costs as may be fixed by the court or jury.

21. **Governing Law; Construction.**

(a) This Agreement shall be interpreted and enforced according to the laws of the State of Tennessee.

(b) All headings and sections of this Agreement are inserted for convenience only and do not form part of this Agreement or limit, expand or otherwise alter the meaning of any provisions hereof.

(c) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

(d) The provisions of this Agreement are intended to be for the sole benefit of the parties hereto and their respective successors and assigns, and none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third party.

(e) Any and all transfer taxes or conveyance fees due and payable upon the transfer of title contemplated herein shall be the responsibility of and shall be paid by the Buyer.

22. **Binding Effect.** In the event Seller does not execute and deliver this Agreement, without revision, to Buyer within five (5) business days after the date of submission of this document to Seller, or in the event Buyer delivers oral or written notice to Seller revoking its offer to purchase the Property, this Agreement shall terminate and expire and Buyer shall have no further liability or obligation hereunder.

23. Default and Remedies.

(a) Buyer's Default. In the event of a default by Buyer under the terms of this Agreement, Seller shall be entitled, as its sole and exclusive remedy hereunder, to terminate this Agreement, whereupon the parties shall have no further rights or obligations hereunder, except for those which expressly survive any such termination. In the event of any such default, the Seller shall give the Buyer written notice of the occurrence of such default (a "Buyer Default Notice") and the Buyer shall have ten (10) days following its receipt of such Buyer Default Notice in which to cure such default hereunder. Provided however, Buyer must cure any such default on or before December 24, 2012.

(b) Seller's Default. In the event of a default by Seller under the terms of this Agreement, Buyer shall be entitled to pursue all remedies available at law or in equity, including, without limitation, the right to terminate this Agreement, or to seek specific performance of Seller's obligations under this Agreement. In the event of any such default, the Buyer shall give the Seller written notice of the occurrence of such default (a "Seller Default Notice") and the Seller shall have ten (10) days following its receipt of such Seller Default Notice in which to cure such default hereunder. Provided however, Seller must cure any such default on or before December 24, 2012.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date first above written.

DONIHE GRAPHICS, INC.

By: /s/ Todd R. Fry
Name: Todd R. Fry
Vice President

GRAPHICS INTERNATIONAL, LLC

By: /s/ WB Troutman
Name: WB Troutman
Title: Member/Mgr

EXHIBIT A

Located in the City of Kingsport (Parcel 2 only), 11th Civil District of Sullivan County, Tennessee, to-wit:

Parcel No. 1:

BEGINNING at an iron pin in the westerly sideline of Brookside Road, corner to property of Kingsport Power Company; thence with the line of Kingsport Power Company the following eight (8) calls: N. 84° 27’ W., 16.14 feet to an iron pin at the p.c. of a curve with radius 123.70 feet; thence along said curve to the left an arc distance of 43.18 feet to an iron pin; thence S. 75° 33’ W., 92.12 feet to an iron pin at the p.c. of a curve with radius of 421.97 feet; thence along said curve to the right an arc distance of 294.59 feet to an iron pin; thence N. 64° 27’ W., 21.79 feet to an iron pin at the p.c. of a curve with radius of 437.36 feet; thence along said curve to the left an arc distance of 152.70 feet to an iron pin; thence N. 84° 27’ W., 98.00 feet to an iron pin; thence S. 15° 54’ W., 264.39 feet to an iron pin; thence leaving the boundary line of Kingsport Power Company S. 81° 18’ 57” E., 703.38 feet to an iron pin in the westerly sideline of Brookside Road; thence along said sideline N. 14° 20’ 02 “ E., 307.28 feet to the point of **BEGINNING,** containing 4.30 acres, more or less.

Parcel No. 2:

BEGINNING at an iron pin in the westerly sideline of Brookside Road, corner to Donihe property; thence along the westerly sideline of the said Brookside Road the following two calls: S. 16° 26’ 05” W., 206.32 feet to a point; thence S. 19° 51’ 34” W., 514.88 feet to an iron pin in the westerly sideline of Brookside Road, corner for Slaughter-Pierce property and the property herein conveyed; thence with a new divisional line of the Slaughter-Pierce property the following two calls: N. 75° 41’ W., 278.39 feet to a point; thence N. 44° 48’ 27” W., 639.22 feet to an iron pin, corner for the General Shale Corporation property and the property herein conveyed; thence with the divisional line of the General Shale Corporation property, N. 18° 24’ E., 320.96 feet to an iron pin, corner for General Shale Corporation property, Kingsport Power Company property and the property herein conveyed; thence along the divisional line of the Kingsport Power Company property the following two calls: S. 74° 06’ E., 161.42 feet to a point; thence N. 15° 54’ E., 5.89 feet to an iron pin, corner for Kingsport Power Company property, Donihe Property and the property herein conveyed; thence with the divisional line of the Donihe property S. 81° 18’ 57” E., 703.38 feet to an iron pin in the westerly sideline of Brookside Road, the point of **BEGINNING**, containing 11.18 acres, more or less.

BEING the same property conveyed to Donihe Graphics, Inc. by deed dated January 3, 1985 of record in the Register of Deeds Office for Sullivan County at Blountville, Tennessee in Deed Book 431-C, page 111.

Description taken from prior deed – no new survey.
Tax Map Identification No.: Map 047, CTL Map 047, Parcels 002.10 and 002.20

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

The Registrant, Champion Industries, Inc., a West Virginia corporation, does business under the trade name "Chapman Printing Company". Its wholly owned subsidiaries are:

1. The Chapman Printing Company, Inc., a West Virginia corporation.
2. Stationers, Inc., a West Virginia corporation (doing business in Ohio as "Garrison Brewer").
3. Bourque Printing, Inc., a Louisiana corporation.
4. Dallas Printing Company, Inc., a Mississippi corporation.
5. Carolina Cut Sheets, Inc., a West Virginia corporation.
6. Donihe Graphics, Inc., a Tennessee corporation.
7. Smith & Butterfield Co., Inc., an Indiana corporation.
8. The Merten Company, an Ohio corporation.
9. Interform Corporation, a Pennsylvania corporation.
10. CHMP Leasing, Inc., a West Virginia corporation.
11. Blue Ridge Printing Co., Inc., a North Carolina corporation.
12. Capitol Business Equipment, Inc., a West Virginia corporation.
13. Thompson’s of Morgantown, Inc., a West Virginia corporation.
14. Independent Printing Service, Inc., an Indiana corporation.
15. Diez Business Machines, Inc., a Louisiana corporation.
16. Transdata Systems, Inc., a Louisiana corporation.
17. Syscan Corporation, a West Virginia corporation.
18. Champion Publishing, Inc., a West Virginia corporation.

EXHIBIT 23.1

arnett foster toothman pllc
CPAs & Advisors

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement (No. 333-113851) on Form S-8 of Champion Industries, Inc. and subsidiaries of our report dated January 28, 2013 relating to our audits of the consolidated financial statements, and the financial statement schedule, which appear in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K of Champion Industries, Inc. and subsidiaries for the year ended October 31, 2012.

ARNETT FOSTER TOOTHMAN P.L.L.C.

Arnett Foster Toothman PLLC

Charleston, West Virginia
January 28, 2013

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Marshall T. Reynolds, certify that:

1. I have reviewed this Annual Report on Form 10-K of Champion Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 21, 2013
/s/ Marshall T. Reynolds

Marshall T. Reynolds
Chief Executive Officer

<u>EXHIBIT 31.2</u>

PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Todd R. Fry, certify that:

1. I have reviewed this Annual Report on Form 10-K of Champion Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 21, 2013

<u>/s/ Todd R. Fry</u>
Todd R. Fry
Senior Vice President & Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Champion Industries, Inc. (the “Company”) on Form 10-K for the period ending October 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Marshall T. Reynolds and Todd R. Fry or, Chief Executive Officer and Chief Financial Officer respectively, of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/Marshall T. Reynolds
Marshall T. Reynolds
Chief Executive Officer

By: /s/ Todd R. Fry
Todd R. Fry
Senior Vice President and Chief Financial Officer

A signed copy of this written statement required by section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request

Date: January 21, 2013