CHAMPION INDUSTRIES INC
Form 10-K
January 23, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the Fiscal Year Ended October 31, 2008

OR

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

Commission File No. 0-21084

CHAMPION INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

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

1

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

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

The Nasdaq Stock Market, LLC
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) 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 o No x

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 o No x

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 x No o

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.
o

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 o Accelerated filer o

Non-accelerated filter o Smaller reporting company x

(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 o No x

As of April 30, 2008, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $23,714,043 based on the closing price as reported on the National Association of Securities Dealers Automated Quotation System Global Market.

2

The outstanding common stock of the Registrant at the close of business on January 4, 2009 consisted of 9,987,913 shares of Common Stock, $1.00 par value.

Total number of pages including cover page 112.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Registrant’s definitive proxy statement expected to be dated February 13, 2009 with respect to its Annual Meeting of Shareholders to be held on March 16, 2009 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

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, WV with a total daily and Sunday circulation of approximately 26,000 and 31,000, respectively. The Company's sales offices and/or production facilities are located in Huntington, Charleston, Parkersburg, Clarksburg, Wheeling and Morgantown, West Virginia; Lexington and Owensboro, Kentucky; Baton Rouge and New Orleans, Louisiana; Cincinnati, Ohio; Kingsport and Knoxville, Tennessee; Evansville, Indiana; Bridgeville and Altoona, Pennsylvania; and Asheville, North Carolina. The Company's sales force of approximately 140 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 and outstanding capital stock of its subsidiaries, The Chapman Printing Company, Inc. and Stationers, Inc.; (ii) the Company assumed certain of the 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 they 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.

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.

On December 31, 1996, the Company acquired all outstanding capital stock of Interform Corporation (“Interform”), a business form manufacturer in Bridgeville, Pennsylvania.

On May 21, 1997, the Company acquired all outstanding common shares of Blue Ridge Printing Co., Inc. of Asheville, North Carolina and Knoxville, Tennessee (“Blue Ridge”). During the second quarter of 2004, the Blue Ridge Knoxville plant was consolidated into the Asheville plant. The Company continues to maintain a sales office in Knoxville.

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, WV with a total daily and Sunday circulation of approximately 26,000 and 31,000. 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 encompasses warehousing, distribution, and reporting services. The Company also offers complete bindery and letterpress services. The printing operations contributed $102.2 million, $101.7 million, and $106.4 million or 62.8%, 69.8%, and 73.3% of the Company's total revenues for the fiscal years ended October 31, 2008, 2007 and 2006.

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 various sites including http://printwithchampion.com and www.cgc1.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 $41.5 million, $41.4 million, and $38.8 million, or

25.5%, 28.5% and 26.7% of the Company's total revenues for the fiscal years ended October 31, 2008, 2007 and 2006.
7

The Company operates a daily newspaper in Huntington, WV. 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 Herald-Dispatch serves a regional market area in southwestern West Virginia covering Cabell County and portions of neighboring Wayne County and eastern Lawrence County, Ohio. The Herald-Dispatch is the primary print advertising medium for the region, which centers on Huntington and draws business from across the border into Ohio and Kentucky. The Herald-Dispatch has circulation of 26,115 Monday through Friday mornings, 25,763 on Saturday, and 31,089 on Sunday, according to the latest Audit Bureau of Circulations (ABC) Newspaper Publisher's Statement for the 6 months ended September 30, 2008. The Herald-Dispatch faces a very limited amount of print competition from other daily newspapers in its home county. It is estimated, based on research performed by Scarborough Management, that the designated market area readership (DMA) is approximately 102,946 on Sunday and 79,333 for weekdays. The website has attracted approximately 378,409 unique visitors per month and approximately 4.1 million page views per month based on the latest Newspaper Publisher's Statement. The historical on-line revenues for The Herald-Dispatch have increased from approximately $1.1 million in calendar year 2005 to approximately $1.3 million in calendar year 2006. The six weeks of 2007 from the acquisition on September 14, 2007 to the Company's fiscal calendar year ending on October 31, 2007 represented approximately $200,000 of online revenues. Online revenues for 2008 were approximately $1.6 million. The Company will disclose The Herald-Dispatch commercial printing as a component of the Company's printing segment. The operations also publish the Putnam Herald serving Putnam County, West Virginia, one of the fastest-growing counties in the state, and the Lawrence Herald in Lawrence County, Ohio. The Putnam Herald and Lawrence Herald are distributed free via mail on Saturday and Thursday, respectively.

The Huntington area has been heavily affected by the de-industrialization experienced in the Upper Midwest since the 1970s. Huntington has sought to recast itself as a university town home to 16,000 students. Downtown Huntington was recently revitalized with a $60 million retail/mixed use project; and new industries such as call centers are opening and expanding their locations. The area is also a regional shopping hub and growing medical and research center.

Marshall University borders the downtown area of Huntington. Marshall is over 170 years old and is the second largest university in West Virginia. The university currently enrolls 12,000 undergraduate and 4,000 graduate students and offers a full range of programs. Marshall's positive effect on the local economy goes beyond being one of Huntington's top two employers. The university's research corporation, medical school and graduate programs are dedicated to bringing research and development dollars into the community. The university's medical school is a nationwide leader for rural healthcare delivery.

Huntington has experienced several positive industrial developments in the last 10 years. According to the Huntington Area Development Council, 9,000 new jobs have been brought to the Huntington area in the last ten years and 1.7 million square feet of building space has been leased, sold or built. In 2005 the $60 million Pullman Square open-air retail, restaurant and entertainment project was completed to rejuvenate the downtown "Superblock" area, immediately increasing downtown usage. The Harris Riverfront Park promenade that stretches along the Ohio River and downtown is also a target of revitalization efforts.

KineticPark was another major development to open for business in 2005. This 95-acre site was developed to become a business and technology park/retail area. Early tenants included professional service firms and a restaurant. In addition, Marshall University and the Huntington Area Development Council, both committed to promoting the biotech industry in the area, have teamed up to plan to develop the Velocity Center in KineticPark. The Velocity Center is envisioned as a technology business incubator that will work with the Robert C. Byrd Biotechnology Center at Marshall University to explore and expand commercial applications to technology innovations. The 60,000-square-foot building is also projected to house other technology businesses, including AFB−TECH, the American Foundation for the Blind Employment and Technology Center in Huntington.

Other developments in the area include the opening of two call centers. Amazon.com opened a call center in 2000 that employs 350. Global Contact Services opened a call center in 1998 and in recent years announced the intent to expand their facility and employee base. The expansion will make them one of the larger employers in the area.

The Huntington area also serves as a regional shopping center. The Huntington Mall, the largest mall in the state, houses over 150 stores, restaurants and boutiques. It is anchored by Sears, Macy's, JC Penney, Elder Beerman and Dick's Sporting Goods. Many retail stores surround the mall including Best Buy, Kohl's and Walmart. Only a few minutes west on U.S. 60 from the Huntington Mall is another growing shopping plaza, Merritt Creek Farm. This plaza of 30-plus shops includes Home Depot, Target, Marshall's, and the state's first freestanding Starbucks. River Place, a bustling shopping center located near the entrance to downtown Barboursville, is just another few miles down the road. This area features many locally owned restaurants and stores.

Huntington's medical community provides health care for the region, which also includes portions of Ohio and Kentucky. St. Mary's Hospital is the second-largest health care facility in West Virginia with 393 beds, and has recently completed a $28 million regional heart center and expanded emergency medicine department. Cabell-Huntington Hospital, with 322 beds, recently opened its $84 million North Patient Tower, and shares its campus with the Marshall University Medical Center and the $44 million Edwards Comprehensive Cancer Center, which opened in 2006. The two hospitals are jointly designated as a Level II trauma center. The third area hospital, the Huntington VA Medical Center, is an 80-bed medical and surgical facility. In 1998 the hospital completed a $10 million research facility. These hospitals are three of the top employers in the region.

Huntington's historic roots as an industrial hub remain alive today. Located along the Ohio River, Huntington was founded as the western terminus of the C&O Railroad. CSX, the successor to C&O, still maintains a headquarters and rail yard in the city. Huntington's inland port along the Ohio River is the largest in the United States in terms of total tonnage and ton− miles, and much of the coal mined in southern West Virginia is brought to Huntington via train to be transported by river barges to industrial centers in other parts of the country. Several heavy industrial plants still line the Ohio River and the Guyandotte River.

ORGANIZATION

Champion's three lines of business are comprised of nineteen operating divisions. The Huntington headquarters provides centralized financial management and administrative services to all of its business segments.

Commercial Printing

Eight commercial printing divisions are located in Huntington, Charleston and Parkersburg, West Virginia; Lexington, Kentucky; Baton Rouge, Louisiana; Cincinnati, Ohio; Kingsport, Tennessee; 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 Cincinnati 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.

Interform Corporation, doing business as Interform Solutions and located in Bridgeville, Pennsylvania, manufactures business forms and related products, which it sells through a network of independent distributors concentrated in Eastern Pennsylvania, New Jersey and metropolitan New York.

Consolidated Graphic Communications division in Bridgeville, Pennsylvania operates as a full line printing and printing services distributor. The division offers complete print management, fulfillment services and B2B e-commerce solutions.

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 26,000 and 31,000 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)	*	*	*		*		
Champion Graphic Communications (New Orleans)	*						
Carolina Cut Sheets, Inc.	*						
U.S. Tag & Ticket Company, Inc.	*	*		*			
Donihe Graphics, Inc.	*	*	*	*	*	*	
The Merten Company	*	*	*		*		
Interform Corporation	*	*		*	*		*
Consolidated Graphic Communications	*	*					
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 regions 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 imagesetting 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, 2008, 2007 and 2006, no single customer accounted for more than 3% 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.

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

The Company filed insurance claims related to both actual and contingent losses. The Company received an advance to claim payment from an insurance company of $300,000 in February 2006 and final settlement claims of $278,000 in April and May 2006. The Company recorded the $300,000 payment as an insurance recovery and related receivable at January 31, 2006. The Company recorded additional charges of approximately $42,000 in the first quarter of 2006 associated with Hurricane Katrina. The Company received a second advance to claim check in April of 2006 in the amount of $200,000 and a full settlement of any and all claims check of $78,000 in May of 2006. The Company recorded the aggregate amount of these checks as an insurance recovery and the $78,000 as a related receivable at April 30, 2006. The Company incurred additional charges of $234,000 primarily related to additional inventory valuation reserves and costs associated with relocation in the second quarter of 2006. During the fourth quarter of 2006 the Company successfully negotiated an early lease termination related to its New Orleans location resulting in Katrina related recoveries of approximately $76,000.

SEASONALITY

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

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

EMPLOYEES

On October 31, 2008, the Company had approximately 890 employees.

The Company's subsidiary, Interform Corporation, is party to a collective bargaining agreement with the United Steelworkers of America, AFL-CIO-CLC on behalf of its Local Union 8263 covering all production and maintenance employees (totaling approximately 70 employees at October 31, 2008) at its Bridgeville, Pennsylvania facility. This contract expires May 31, 2010. 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, 2008) at The Herald-Dispatch Huntington, West Virginia location. The contract expires December 31, 2010. 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	72	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.).
Toney K. Adkins	59	President and Chief Operating Officer of the Company since January 2005; Vice President-Administration of the Company from November 1995 to January 2005; President, KYOWVA Corrugated Container Company,

Inc. from 1991 to 1996.

J. Mac Aldridge	67	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.

R. Douglas McElwain	61	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	43	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.
Walter R. Sansom	79	Secretary of the Company since December 1992; Production Coordinator of the Company since December 1992 and of Harrah and Reynolds from August 1968 to December 1992.
James A. Rhodes	52	Senior Vice President of the Company since January 2005; Vice President of the Company from March 1999 to January 2005; President of Interform since October 2004; President of Consolidated Graphic Communications Division of Interform since February 1999; Vice President of Sales of Consolidated Graphic Communications from 1996 to 1999; General Sales Manager - Eastern Division of Consolidated Graphic Communications from 1995 to 1996.

ITEM 1A - RISK FACTORS

The Company’s business and results of operations are subject to a number of risks, many of which are outside of the Company’s control. In addition to the other information in this report, readers should carefully consider that the following important factors, among others, including risks not presently known or currently deemed immaterial by us could materially impact the Company’s business and future results of operations.

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, 2008, Marshall T. Reynolds and his affiliated entities, including The Harrah and Reynolds Corporation ("Harrah and Reynolds"), held 4,274,127 shares (41.5%) of the common stock of the Company. Sales by Mr. Reynolds of common stock could adversely affect the prevailing market price of the common stock. The Company is unable to estimate the amount of common stock, if any, that may be sold in the future.

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, postage and other raw materials.

Our primary raw material is paper, therefore, the purchase of paper and other raw materials such as ink, energy, postage 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 impact 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 is 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 80 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 requirements, tax requirements and The Sarbanes-Oxley Act.

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 as well as 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. The Company will be subject to reporting on internal controls in accordance with Section 404 of The Sarbanes-Oxley Act for auditors attestation for fiscal years ending on or after December 15, 2009. The Company is currently unable to predict the cost or difficulties required to complete such certifications.

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, 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.

Our indebtedness could adversely affect our financial health and reduce the funds available to us for other purposes, including dividend payments.

We have a significant amount of indebtedness. At October 31, 2008, we had total indebtedness of $73.5 million under our credit facilities. Our interest expense for the year ended October 31, 2008 was approximately $5.7 million. At October 31, 2008, the borrowings under our credit facility were subject to a floating interest rate of LIBOR plus 275 basis points or the prime rate plus 75 basis points. The borrowings under our credit facility were hedged through the execution of interest rate hedge agreements that convert the floating interest rate component to an effective interest rate of 4.78% plus the applicable LIBOR margin on $25.0 million of these borrowings through October 29, 2010.

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 2008, the company had approximately $73.5 million of indebtedness. A 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.

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

We have historically paid regular quarterly dividends 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.

Our newspaper business is subject to seasonal and other fluctuations, which affects 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 a seasonal slow down 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 declined at an average annual rate of 0.8% during the three-year period from 2002 to 2004. 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.

ITEM 2 - PROPERTIES

The Company conducts its operations primarily from twenty-two (22) different physical locations, fifteen (15) of which are leased and seven (7) of which are owned in fee simple by Company subsidiaries. The Company also owns two facilities of which the operations have been consolidated into other Champion facilities. The Company also leases other facilities primarily as sales and customer service locations, these operations and locations are not included as core operating facilities. The Company does not anticipate any issues in regards to 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	121,640	2014
1901 Mayview Road Bridgeville, Pennsylvania (1)	Interform Corporation	120,000	293,503	2013
1515 Central Parkway Cincinnati, Ohio (1)	The Merten Company	40,000	107,163	2011
1214 Main Street Wheeling, West Virginia (3)	CBI - Wheeling	22,000	36,000	2009
3000 Washington Street Charleston, West Virginia (2)	Chapman Printing-Charleston	37,710	147,240	2009
951 Point Marion Road Morgantown, West Virginia (1)	Chapman Printing-Charleston	5,850	42,000	2010
120 Hills Plaza Charleston, West Virginia (4)	Champion Output Solutions	22,523	115,992	2011
1539-A River Oaks Road New Orleans, Louisiana (3)	Champion Graphic Communications	3,000	36,000	2009
1639-51 7th Avenue Huntington, West Virginia (1)	The Herald-Dispatch	14,000	39,600	Terminated in 2009
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) Champion has an option to purchase building at end of lease term and Williams Land Corporation has an option to put the building to Champion at end of lease term.

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

(4) 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 Dallas Printing subsidiary owns, and previously operated from, a single-story masonry structure of approximately 19,600 square feet at 321-323 East Hamilton Street, Jackson, Mississippi. This building was vacated during the fourth quarter of 2005. The Company is currently evaluating its options regarding this facility.

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 was vacated during the second quarter of 2005. The Company is currently evaluating its facility needs in Charleston and the future use, if any, of this building. The Company also owns a structure in Charleston, WV that was purchased as a result of the Syscan acquisition. This building is located at 811 Virginia Street West and is a three-story block building.

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.

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 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

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

	Fiscal Year 2008		Fiscal Year 2007	
	High	Low	High	Low
First quarter	$ 6.30	$ 4.45	$ 8.87	$ 6.45
Second quarter	5.92	4.55	9.99	7.56
Third quarter	5.16	4.25	8.22	6.61
Fourth quarter	5.45	3.07	6.45	5.30

At the close of business on January 2, 2009, there were 411 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 2009		Fiscal Year 2008		Fiscal Year 2007	
First quarter	$	0.06	$	0.06	$	0.06
Second quarter		-		0.06		0.06
Third quarter		-		0.06		0.06
Fourth quarter		-		0.06		0.06

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, 2008, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2008	2007 (2)	2006 (1)	2005 (1)	2004
	(In thousands, except share and per share data)				
OPERATING STATEMENT DATA:					
Revenues:					
Printing	$ 102,206	$ 101,653	$ 106,414	$ 98,458	$ 95,325
Office products and office furniture	41,540	41,449	38,774	36,467	29,077
Newspaper	18,939	2,540	-	-	-
Total revenues	162,685	145,642	145,188	134,925	124,402
Cost of sales & newspaper operating costs:					
Printing	72,521	72,769	75,016	70,978	69,746
Office products and office furniture	28,457	28,835	26,778	25,694	20,260
Newspaper cost of sales & operating costs	9,492	1,188	-	-	-
Total cost of sales & newspaper operating costs	110,470	102,792	101,794	96,672	90,006
Gross profit	52,215	42,850	43,394	38,253	34,396
Selling, general and administrative expense	39,529	32,336	34,018	34,797	33,058
Hurricane and relocation costs, net of recoveries	(33)	-	(377)	1,021	-
Income from operations	12,719	10,514	9,753	2,435	1,338
Interest income	66	45	28	18	7
Interest expense	(5,734)	(1,455)	(610)	(610)	(301)
Other income	70	179	32	120	288

Income before income taxes		7,121		9,283		9,203		1,963		1,332
Income tax		(1,099)		(3,203)		(3,729)		(846)		(582)
Net income	$	6,022	$	6,080	$	5,474	$	1,117	$	750
Earnings per share:										
Basic	$	0.60	$	0.61	$	0.56	$	0.11	$	0.08
Diluted		0.60		0.60		0.55		0.11		0.08
Dividends per share	$	0.24	$	0.24	$	0.20	$	0.20	$	0.20
Weighted average common shares outstanding:										
Basic		9,986,000		9,957,000		9,818,000		9,735,000		9,729,000
Diluted		10,024,000		10,103,000		9,972,000		9,809,000		9,825,000

27

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

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

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

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

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 26,000 and 31,000, respectively. The Company has grown through strategic acquisitions and internal growth. Through such growth, the Company has realized regional economies of scale, operational efficiencies, and exposure of its core products to new markets. The Company has acquired fifteen printing companies, eight office products and office furniture companies, one company with a combined emphasis on both printing and office products and office furniture, a paper distribution division (which was subsequently sold in 2001) and a daily newspaper since its initial public offering on January 28, 1993.

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

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

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

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company’s significant accounting policies are described in Note 1 to the consolidated financial statements 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.

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

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

Beginning in fiscal year 2002, goodwill and other intangibles are required to be evaluated annually for impairment, according to SFAS No. 142, "Goodwill and Other Intangible Assets." (SFAS 142). The standard requires a two-step process be performed to analyze whether or not goodwill has been impaired. Step one is to test for potential impairment and requires that the fair value of the reporting unit be compared to its book value including goodwill and other intangibles. If the fair value is higher than the book value, no impairment is recognized. If the fair value is lower than the book value, a second step must be performed. The second step is to measure the amount of impairment loss, if any, and requires that a hypothetical purchase price allocation be done to determine the implied fair value of goodwill and other intangibles. This fair value is then compared to the carrying value of goodwill and other intangibles. If the implied fair value is lower than the carrying value, an impairment must be recorded.

As discussed in the notes to the financial statements, goodwill and other intangibles are recorded at the adjusted book value and were analyzed for impairment with the implementation of SFAS 142. The fair value of the Company's goodwill and other intangibles was estimated using discounted cash flow methodologies. Based on the analysis, the Company determined that the fair value relating to goodwill and other intangibles resulted in an implied fair value greater than the book value recorded for the corresponding goodwill and other intangibles, and therefore, no impairment was recognized in any period subsequent to the adoption of this statement.

The Company believes that the accounting estimate related to the goodwill and other intangibles impairment is a "critical accounting estimate" because the underlying assumptions used for the discounted cash flow can change from period to period and could potentially cause a material impact to the income statement. Management's assumptions about discount rates, inflation rates and other internal and external economic conditions, such as earnings growth rate, require significant judgment based on fluctuating rates and expected revenues. Additionally, SFAS 142 requires that the goodwill and other intangibles be analyzed for impairment on an annual basis using the assumptions that apply at the time the analysis is updated. Management has discussed the development of these estimates with the audit committee of the board of directors. Additionally, the board of directors has reviewed this disclosure and its relation to MD&A.

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

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

During 2008, 2007 and 2006, $854,000, $492,000, and $979,000 of bad debt expense was incurred and the allowance for doubtful accounts was $1,851,000, $1,511,000 and $1,558,000 of October 31, 2008, 2007 and 2006. The actual write-offs for the periods were $514,000, $657,000, and $832,000 during 2008, 2007 and 2006. 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)					
	2008		2007		2006	
Revenues:						
Printing	$ 102,206	62.8%	$ 101,653	69.8%	$ 106,414	73.3%
Office products and office furniture	41,540	25.5	41,449	28.5	38,774	26.7
Newspaper	18,939	11.7	2,540	1.7	-	0.0
Total revenues	162,685	100.0	145,642	100.0	145,188	100.0
Cost of sales & newspaper operating costs:						
Printing	72,521	44.6	72,769	50.0	75,016	51.7
Office products and office furniture	28,457	17.5	28,835	19.8	26,778	18.4
Newspaper cost of sales & operating costs	9,492	5.8	1,188	0.8	-	0.0
Total cost of sales and newspaper operating costs	110,470	67.9	102,792	70.6	101,794	70.1
Gross profit	52,215	32.1	42,850	29.4	43,394	29.9
Selling, general and administrative expenses	39,529	24.3	32,336	22.2	34,018	23.5
Hurricane and relocation costs, net of recoveries	(33)	-0.0	-	0.0	(377)	-0.3
Income from operations	12,719	7.8	10,514	7.2	9,753	6.7
Other income (expense):						
Interest income	66	0.0	45	0.0	28	0.0
Interest expense	(5,734)	-3.5	(1,455)	-1.0	(610)	-0.4
Other income	70	0.1	179	0.2	32	0.0
Income before income taxes	7,121	4.4	9,283	6.4	9,203	6.3
Income tax expense	(1,099)	-0.7	(3,203)	-2.2	(3,729)	-2.5
Net income	$ 6,022	3.7%	$ 6,080	4.2%	$ 5,474	3.8%

Year Ended October 31, 2008 Compared to Year Ended October 31, 2007

Revenues

Consolidated net revenues were $162.7 million for the year ended October 31, 2008 compared to $145.6 million in the prior fiscal year. This change represents an increase in revenues of approximately $17.0 million, or 11.7%. Printing revenues increased by $0.6 million or 0.5% from $101.7 million in 2007 to $102.2 million in 2008. The increase in printing sales was primarily due to incremental printing sales associated with the acquisition of The Herald-Dispatch. Office products and office furniture revenue increased from $41.4 million in 2007 to $41.5 million in 2008. The increase in revenues for the office products and office furniture segment was primarily attributable to continued strong office furniture sales, partially offset by a reduction in office supply and data sales. In 2008, newspaper revenues were composed of approximately $14.7 million in advertising revenue and $4.2 million in circulation revenue. During the approximately 6 week period of 2007 in which the Company owned The Herald-Dispatch, the newspaper revenues were composed of approximately $2.0 million in advertising revenue and $0.6 million in circulation revenues.

Cost of Sales

Total cost of sales for the year ended October 31, 2008 totaled $110.5 million compared to $102.8 million in the previous year. This change represented an increase of $7.7 million or 7.5% in cost of sales. Printing cost of sales decreased $248,000, to $72.5 million in 2008 compared to $72.8 million in 2007. Printing cost of sales were lower due to improved printing gross margins. Printing cost of sales as a percentage of printing sales decreased to 71.0% as a percent of printing sales in 2008 from 71.6% in 2007. This decrease was primarily the result of improved material and absorption overhead partially offset by higher labor costs as a percent of printing sales. Office products and office furniture cost of sales decreased $377,000 to $28.5 million in 2008 from $28.8 million in 2007. The decrease in office products and office furniture cost of sales is attributable to improved gross margins in the office supply and office furniture categories. The decrease in office products and office furniture cost of sales as a percent of office products and office furniture sales is primarily reflective of lower furniture and office products costs as a percent of furniture and office products sales. The increase in newspaper cost of sales and operating costs is reflective of a full year operation for The Herald-Dispatch in 2008 compared to six weeks in 2007.

Operating Expenses and Income

Selling, general and administrative (S,G&A) expenses increased $7.2 million to $39.5 million in 2008 from $32.3 million in 2007. S,G&A as a percentage of net sales represented 24.3% of net sales in 2008 compared with 22.2% of net sales in 2007. This increase in selling, general and administrative costs is primarily due to higher selling, general and administrative expenses from a full year of operations for the The Herald-Dispatch in 2008 compared to six weeks in 2007.

Other Income (Expense)

Other expense increased approximately $4,367,000 from $1,231,000 in 2007 to $5,598,000 in 2008. This was primarily due to an increase in interest expense of $4.3 million from $1,455,000 in 2007 to $5,734,000 in 2008. The increase in interest expense was attributed to the acquisition of The Herald-Dispatch which was completed on September 14, 2007.

Income Taxes

Income taxes as a percentage of income before taxes were 15.4% in 2008 compared with 34.5% in 2007. The decrease in income taxes as a percentage of income before taxes is primarily related to amortization expense deductions recorded as a permanent difference due to the acquisition of The Herald-Dispatch.

The effective income tax rate in 2008 and 2007 approximates the combined federal and state, net of federal benefit, statutory income tax rate.

Net Income

For reasons set forth above, net income for 2008 decreased approximately $60,000 to $6.0 million, or $0.60 per share on a basic and a diluted basis, from net income of $6.1 million for 2007, or $0.61 per share on a basic basis and $0.60 on a diluted basis.

Year Ended October 31, 2007 Compared to Year Ended October 31, 2006

Revenues

Consolidated net revenues were $145.6 million for the year ended October 31, 2007 compared to $145.2 million in the prior fiscal year. This change represents an increase in revenues of approximately $0.5 million, or 0.3%. Printing revenues decreased by $4.8 million or 4.5% from $106.4 million in 2006 to $101.7 million in 2007. The decrease in printing sales was primarily due to sales declines in several of our commercial plants that primarily operate in the sheetfed arena. Office products and office furniture revenue increased $2.7 million or 6.9% from $38.8 million in 2006 to $41.4 million in 2007. The increase in revenues for the office products and office furniture segment was primarily attributable to robust office furniture sales in 2007 compared to 2006, as well as slight increases in office products sales. During the period in which the Company owned The Herald-Dispatch, approximately six weeks, the newspapers revenues were composed of approximately $2.0 million in advertising revenue and $0.6 million in circulation revenues.

Cost of Sales

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

Operating Expenses and Income

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

Other Income (Expense)

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

Income Taxes

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

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

Net Income

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Additionally, the Company has minimal amounts of future contracted obligations (See Note 3 and Note 6 of the Consolidated Financial Statements). The Company is not a guarantor of indebtedness of others. The Company’s off balance sheet arrangements at October 31, 2008 relate to the Syscan acquisition and are associated with a put option from Williams Land Corporation to sell a building to the Company for $1.5 million. This option may be exercised no later than 60 days prior to the end of the lease and closing of said purchase cannot exceed 45 days from the end of the lease.

The Company had borrowed under its $30.0 million line of credit approximately $9.1 million at October 31, 2008 which encompassed refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch. Pursuant to the borrowing base calculation the Company had $9.1 million in additional availability under its $30.0 million revolving credit line. In January 2009, the Company renewed its $1.0 million unsecured line of credit with a bank.

As of October 31, 2008, the Company had contractual obligations in the form of leases and debt as follows:

	Payments Due by Fiscal Year						
Contractual Obligations	2009	2010	2011	2012	2013	Residual	Total
Non-cancelable operating leases	$ 1,319,849	$ 1,095,075	$ 940,785	$ 782,343	$ 695,884	$ 121,640	$ 4,955,576
Revolving line of credit	-	-	-	9,125,496	-	-	9,125,496
Term debt	7,118,543	5,055,960	5,062,313	5,068,927	42,019,107	-	64,324,850
	$ 8,438,392	$ 6,151,035	$ 6,003,098	$ 14,976,766	$ 42,714,991	$ 121,640	$ 78,405,922

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

The Company converted an operating lease to an equipment purchase in December 2008. As a result of this conversion no lease commitments pertaining to this equipment are reflected in the contractual obligations schedule above. The Company paid $260,000 of an approximate aggregate commitment of $650,000 for this equipment in December 2008.

Cash Flows from Operating Activities

Cash flows from operating activities for the years ended October 31, 2008, 2007 and 2006 were $10.3 million, $8.7 million, and $10.2 million. The increase in cash flows from operating activities for fiscal 2008 compared to 2007 was primarily associated with higher depreciation and amortization, deferred financing costs, deferred income taxes and bad debt expense. The decrease in cash flows from operating activities for the fiscal year 2007 compared to 2006 was primarily reflective of cash paid for taxes of which a refund has been recorded in 2007 and a liability was recorded in 2006, primarily due to the timing of tax payments and a cash payment under a deferred compensation plan. These items were partially offset by additional cash generated by changes in the remaining assets and liabilities and an increase in net income.

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

INFLATION AND ECONOMIC CONDITIONS

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

SEASONALITY

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

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

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

NEWLY ISSUED ACCOUNTING STANDARDS

SFAS NO. 157

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

SFAS NO. 159

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

SFAS NO. 141 (R)

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

As it relates to recognizing all (and only) the assets acquired and liabilities assumed in a business combination, costs an acquirer expects but it not obligated to incur in the future to exit an activity of an acquiree or to terminate or relocate an acquiree's employees are not liabilities at the acquisition date but must be expensed in accordance with other applicable generally accepted accounting principles. Additionally, during the measurement period, which should not exceed one year from the acquisition date, any adjustments that are needed to assets acquired and liabilities assumed to reflect new information obtained about facts and circumstances that existed as of that date will be adjusted retrospectively.

The acquirer will be required to expense all acquisition- related costs in the periods such costs are incurred other than costs to issue debt or equity securities. SFAS No. 141 (R) will have no impact on our results of operations, financial position or cash flows at the date of adoption, but it could have a material impact on our results of operations, financial position or cash flows in the future when it is applied to acquisitions which occur in the fiscal year beginning November 1, 2009.

FSP FAS 142-3

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

SFAS NO. 161

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative instruments and Hedging Activities - an amendment of FASB Statement No. 133” (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The Company does not expect the implementation of SPAS 161 to have a material impact on its consolidated financial statements.

SFAS NO. 162

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (SFAS 162). This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 becomes effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411. The Company does not expect the implementation of SFAS 162 to have a material impact on its consolidated financial statements.

FSP FAS 157-2

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

FSP FAS 157-3

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

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not have any significant exposure relating to market risk.

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 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Board of Directors selects the independent accountants for the Company each year. On April 16, 2007, the Company dismissed BKD, LLP and engaged the firm of Arnett and Foster, PLLC as its independent accountants for the fiscal year ended October 31, 2007. During the Company's two most recent fiscal years and through the date of discharge of BKD, LLP, there were no disagreements with BKD, LLP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of BKD, LLP would have caused BKD, LLP to make reference to the matter in its report. The reports of BKD, LLP on the Company's financial statements for the fiscal year ended October 31, 2006, contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The Company requested BKD, LLP to furnish to the Company a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. Such letter, received by the Company on April 18, 2007, was filed as an exhibit to Form 8-K by the Company with the Securities and Exchange Commission on April 20, 2007. The decision to change accountants was approved by the Audit Committee of the Board of Directors of the Company and ratified by the Board of Directors.

ITEM 9A(T) - CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Company management, including the Chief Executive Officer, Chief Operating 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, Chief Operating 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 temporary 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/ Toney K. Adkins
Toney K. Adkins
President and Chief Operating Executive

/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 "Elections 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 13, 2009, with respect to the Annual Meeting of Shareholders to be held on March 16, 2009, 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 appear 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 13, 2009, with respect to the Annual Meeting of Shareholders to be held on March 16, 2009, 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 13, 2009, with respect to the Annual Meeting of Shareholders to be held on March 16, 2009, 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 13, 2009, with respect to the Annual Meeting of Shareholders to be held on March 16, 2009, 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 13, 2009, with respect to the Annual Meeting of Shareholders to be held on March 16, 2009, 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	Filed as Exhibit 3.1 to Form 10-Q dated June 16, 1997, filed on June 16, 1997, incorporated herein by reference.
	3.2	Bylaws	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	See Exhibit 3.1 above.

	security holders, including debentures.	
(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.

44

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.

Lease dated April 11, 1994 between Terry and Anis Wyatt and Stationers Inc. regarding 214 Stone Road, Belpre, Ohio, filed as Exhibit 10.1 to Form 10-K dated January 26, 1995, filed January 27, 1995, 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.

45

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.
	Employment Agreement dated September 7, 2004 among William G. Williams, Jr., Syscan Corporation and the Company, filed as Exhibit 10.1 to Form 8-K dated September 7, 2004, filed September 10, 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.
	$10,000,000 revolving credit agreement by and among the Company and its subsidiaries and National City Bank dated as of April 1, 1999, filed as Exhibit 10.2 to Form 10-K dated January 25, 2000, filed January 28, 2000, 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 J. 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.

$2,690,938 Business Loan agreement by and among the Company and One Valley Bank National Association (BB&T), dated as of May 6, 1999, together with Promissory Note and Commercial Security Agreement, filed as Exhibit 10.4 to form 10-K dated January 22, 2001, filed January 26, 2001 is incorporated herein by reference.

$618,720 Promissory Note by and among the Company and Bank One, West Virginia, N.A. dated as of June 6, 2000 together with commercial security agreement, filed as Exhibit 10.5 to form 10-K dated January 22, 2001, filed January 26, 2001, is incorporated herein by reference.

$550,000 Promissory Note by and among the Company and Bank One, West Virginia, N.A. dated as of August 4, 2000 together with Commercial Security Agreement and Letter of Understanding, filed as Exhibit 10.6 to form 10-K dated January 22, 2001, filed January 26, 2001, 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.

$415,000 Commercial Lease Agreement by and among the company and Firstar Equipment Finance dated as of January 12, 2001, Filed as Exhibit (10.2) to form 10-K dated January 21, 2002, filed January 25, 2002 is incorporated herein by reference.

$450,000 Commercial Lease Agreement by and among the Company and Leasing One Corporation dated as of April 19, 2001, Filed as Exhibit (10.3) to form 10-K dated January 21, 2002, filed January 25, 2002 is incorporated herein by reference.

$315,665 Promissory Note by and among the Company and Community Trust Bank, N.A. as of April 27, 2001, Filed as Exhibit (10.4) to form 10-K dated January 21, 2002, filed January 25, 2002 is incorporated herein by reference.

Lease Agreement dated February 27, 1991 between the Alfred J. Moran Trust and Docutec of Louisiana, Inc. regarding 7868 Anselmo Lane, Baton Rouge, Louisiana, filed as Exhibit (10.6) to form 10-K dated January 21, 2002, Filed January 25, 2002 is incorporated herein by reference.

Amendment No. 2 to Credit Agreement by and among the Company and its subsidiaries and National City Bank dated as of April 1, 2002 along with Amended and Restated Subsidiaries Guaranty. Filed as Exhibit (10.1) 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 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.

Business Loan Agreement, $1,440,000 commercial loan between Bourque Printing Company and Hibernia National Bank together with promissory note dated

as of March 19, 2003,filed as Exhibit 10.1
to form 10-K dated January 19, 2004 filed
January 26, 2004, is incorporated herein
by reference.

Commercial Security Agreement, $450,050 commercial loan between Champion Industries, Inc. and First Century Bank dated as of March 2, 2003, filed as Exhibit 10.2 to form 10-K dated January 19, 2004 filed January 26, 2004, is incorporated herein by reference.

Business Loan Agreement, $351,000 commercial loan between Champion Industries, Inc. and City National Bank together with promissory note dated as of August 14, 2003, filed as Exhibit 10.3 to form 10-K dated January 19, 2004 filed January 26, 2004, is incorporated herein by reference.

Revolving Credit Agreement, $10,000,000 revolving line of credit between Champion Industries, Inc. and United Bank, Inc. dated as of August 1, 2003, filed as Exhibit 10.4 to form 10-K dated January 19, 2004 filed January 26, 2004, 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 Amending and Extending term of lease dated October 1, 2003 between Bourque Printing dba, Upton Printing and M. Field Gomila Et. Al. , filed as Exhibit 10.6 to form 10-K dated January 19, 2004 filed January 26, 2004, is incorporated herein by reference.

Promissory Note, $122,500 between Champion Industries, Inc. and Community Trust Bank dated as of January 9, 2003, filed as Exhibit 10.7 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.

$1,000,000 Business Loan Agreement and promissory note by and between the Company and Community Trust Bank, N.A. as of March 19, 2004, filed as Exhibit 10.2 to form 10-K dated January 17, 2005 filed January 31, 2005, is incorporated herein by reference.

$1,000,000 revolving line of credit between Stationers, Inc. and First Sentry Bank dated as of April 7, 2004, filed as Exhibit 10.3 to form 10-K dated January 17, 2005 filed January 31, 2005, is incorporated herein by reference.

$600,075 term note between Bourque Printing, Inc. and First Century Bank dated as of September 9, 2004, filed as Exhibit 10.4 to form 10-K dated January 17, 2005 filed January 31, 2005, is incorporated herein by reference.

$3,920,000 promissory note and security agreement between Champion Industries, Inc. and United Bank, Inc. dated as of October 26, 2004, filed as Exhibit 10.5 to Form 10-K dated January 17, 2005 filed January 31, 2005, is incorporated herein by reference.

Modification letter to promissory note between Bourque Printing and Hibernia National Bank, Inc. dated December 28, 2004, filed as Exhibit 10.6 to Form 10-K dated January 17, 2005 filed January 31, 2005, is incorporated herein by reference.

First Amendment to Revolving Credit Agreement between Champion Industries, Inc. and United Bank, Inc. Filed as Exhibit 10.1 to Form 8-K dated February 15, 2005, filed February 16, 2005, is incorporated herein by reference.

Release of Claims and Settlement Agreement between Defendants Champion Industries, Inc., Timothy V. Ross and Todd Ross and Plaintiff National Forms and Systems Group, Inc. dated May 6, 2005 filed as Exhibit 10.1 to Form 8-K dated May 11, 2005, filed May 11, 2005, is incorporated herein by reference.

Second Amendment to Revolving Credit Agreement between Champion Industries, Inc. and United Bank, Inc. Filed as Exhibit 10.1 to form 8-K dated July 11, 2005, filed July 11, 2005, is incorporated herein by reference.

$605,095 term note between Champion Industries, Inc. and First Century Bank dated as of July 27, 2005. Filed as Exhibit 10.1 to Form 10-Q dated September 9, 2005, filed September 9, 2005, is incorporated herein by reference.

$1,000,000 revolving line of credit between Stationers, Inc. and First Sentry Bank dated as of October 7, 2005, filed as exhibit 10.1 to Form 10-K dated January 16, 2006 filed January 27, 2006, 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.

$1,200,000 term note between Champion Industries, Inc. and Community Trust Bank, Inc. dated as of July 28, 2006, filed as Exhibit 10.1 to Form 10-K dated January 15, 2007 filed January 28, 2007, 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.

$10,000,000 promissory note between Champion Industries, Inc. and United Bank, Inc., filed as Exhibit 10.2 to form 8-K dated March 20, 2007 filed March 22, 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.

$1,000,000 revolving line of credit between Stationers, Inc. and First Sentry Bank dated as of April 7, 2007, filed as exhibit 10.2 to Form 10-Q dated June 8, 2007 filed June 8, 2007, is incorporated herein by reference.

$267,013 master loan agreement between Champion Industries, Inc. and US Bancorp Equipment Finance dated as of May 30, 2007, filed as Exhibit 10.1 to Form 10-Q dated September 10, 2007 filed September 11, 2007, is incorporated herein by reference.

$1,750,000 promissory note between Champion Industries, Inc. and Community Trust Bank, Inc. dated as of June 12, 2007, filed as Exhibit 10.2 to Form 10-Q dated September 10, 2007 filed September 11, 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.

(10.1)		Agreement of lease dated November 1, 2008 between ADJ Corporation and Champion Publishing, Inc. regarding 100 Industrial Lane Property, Huntington, West Virginia. Page Exhibit (10.1) - p1	
(10.2)		$1,000,000 revolving line of credit between Stationers, Inc. and First Sentry Bank dated as of January 13, 2009. Page Exhibit (10.2) - p1	
(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 and Foster, PLLC	Exhibit 23.1	Page Exhibit 23.1-p1
(23.2)	Consent of BKD, LLP	Exhibit 23.2	Page Exhibit 23.2-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
(31.3)	Principal Operating Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Toney K. Adkins	Exhibit 31.3	Page Exhibit 31.3-p1
(32)	Marshall T. Reynolds, Todd R. Fry and Toney K. Adkins Certification	Exhibit 32	Page Exhibit 32-p1

Pursuant to 18 U.S.C.
Section 1350 as
Adopted Pursuant to
Section 906 of the
Sarbanes-Oxley act of
2002

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

(c) Financial Statement Schedules - Filed as separate section on page F-42.

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/ Toney K. Adkins

Toney K. Adkins
President and Chief Operating Officer

By /s/ Todd R. Fry

Todd R. Fry
Senior Vice President and Chief Financial Officer

Date: January 19, 2009

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/ Louis J. Akers Louis J. Akers, Director	January 19, 2009
/s/ Philip E. Cline Philip E. Cline, Director	January 19, 2009
/s/ Harley F. Mooney, Jr. Harley F. Mooney, Jr., Director	January 19, 2009
/s/ A. Michael Perry A. Michael Perry, Director	January 19, 2009
/s/ Marshall T. Reynolds Marshall T. Reynolds, Director	January 19, 2009
/s/ Neal W. Scaggs Neal W. Scaggs, Director	January 19, 2009
/s/ Glenn W. Wilcox, Sr. Glenn W. Wilcox, Sr., Director	January 19, 2009

Champion Industries, Inc.

Audited Consolidated Financial Statements and Schedule

October 31, 2008

Contents

Report of Independent Registered Public Accounting Firm		F-2
Report of Independent Registered Public Accounting Firm		F-3
Audited Consolidated Financial Statements:		
	Consolidated Balance Sheets as of October 31, 2008 and 2007	F-4
	Consolidated Statements of Operations for the years ended October 31, 2008, 2007 and 2006	F-6
	Consolidated Statements of Shareholders' Equity for the years ended October 31, 2008, 2007 and 2006	F-7
	Consolidated Statements of Cash Flows for the years ended October 31, 2008, 2007 and 2006	F-8
	Notes to Consolidated Financial Statements	F-9
Schedule II - Valuation and Qualifying Accounts		F-42

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, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended October 31, 2008. Our audits also included the financial statement schedule listed in the index at 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 schedule based upon our audits.

We conducted our audit 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. An audit 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 at October 31, 2008 and 2007, and the results of its operations and its cash flows for each of the two years in the period ended October 31, 2008, 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.

We were not engaged to examine management's assessment of the effectiveness of Champion Industries, Inc.'s internal control over financial reporting as of October 31, 2008, included in the accompanying Management's Report on Internal Control Over Financial Reporting and, accordingly, we do not express an opinion thereon.

/s/ Arnett & Foster, PLLC

Charleston, West Virginia
January 19, 2009

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 sheet of Champion Industries, Inc. and Subsidiaries (the "Company") as of October 31, 2006 and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended October 31, 2006. Our audit also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit 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. An audit 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 audit provides 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 at October 31, 2006, and the results of its operations and its cash flows for the year ended October 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ BKD, LLP

Evansville, Indiana
December 15, 2006
F-3

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

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

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

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

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended October 31, 2008	2007	2006
Revenues:			
Printing	$ 102,206,098	$ 101,652,835	$ 106,413,663
Office products and office furniture	41,540,114	41,448,642	38,774,213
Newspaper	18,939,250	2,540,377	-
Total revenues	162,685,462	145,641,854	145,187,876
Cost of sales & newspaper operating costs:			
Printing	72,521,154	72,769,486	75,015,978
Office products and office furniture	28,457,142	28,834,642	26,777,539
Newspaper cost of sales & operating costs	9,492,591	1,187,444	-
Total cost of sales & newspaper operating costs	110,470,887	102,791,572	101,793,517
Gross profit	52,214,575	42,850,282	43,394,359
Selling, general and administrative expenses	39,528,551	32,335,593	34,018,288
Hurricane and relocation costs, net of recoveries	(33,411)	-	(377,276)
Income from operations	12,719,435	10,514,689	9,753,347
Other income (expense):			
Interest income	65,657	45,021	28,251
Interest expense	(5,733,677)	(1,455,470)	(609,881)
Other	69,602	179,126	31,694
	(5,598,418)	(1,231,323)	(549,936)
Income before income taxes	7,121,017	9,283,366	9,203,411
Income tax expense	(1,098,933)	(3,203,226)	(3,729,563)
Net income	$ 6,022,084	$ 6,080,140	$ 5,473,848
Earnings per share:			
Basic	$ 0.60	$ 0.61	$ 0.56
Diluted	0.60	0.60	0.55
Dividends paid per share	0.24	0.24	0.20
Weighted average shares outstanding:			
Basic	9,986,000	9,957,000	9,818,000
Diluted	10,024,000	10,103,000	9,972,000

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total
Balance, October 31, 2005	9,745,913	$ 9,745,913	$ 22,297,670	$ 8,708,638	$ -	$ 40,752,221
Net income for 2006	-	-	-	5,473,848	-	5,473,848
Dividends ($0.20 per share)	-	-	-	(1,965,334)	-	(1,965,334)
Stock options exercised	177,000	177,000	338,950	-	-	515,950
Balance, October 31, 2006	9,922,913	9,922,913	22,636,620	12,217,152	-	44,776,685
Net income for 2007	-	-	-	6,080,140	-	6,080,140
Other comprehensive loss (net of tax)	-	-	-	-	(11,350)	(11,350)
Total comprehensive income	-	-	-	6,080,140	(11,350)	6,068,790
Dividends ($0.24 per share)	-	-	-	(2,389,417)	-	(2,389,417)
Stock options exercised	46,000	46,000	96,680	-	-	142,680
Cumulative effect of adjustment resulting from adoption of SAB 108, net of tax	-	-	-	128,349	-	128,349
Balance, October 31, 2007	9,968,913	9,968,913	22,733,300	16,036,224	(11,350)	48,727,087
Net income for 2008	-	-	-	6,022,084	-	6,022,084
Other comprehensive loss (net of tax)	-	-	-	-	(546,563)	(546,563)
Total comprehensive income	-	-	-	6,022,084	(546,563)	5,475,521

Dividends ($0.24 per share)	-	-	-	(2,396,863)	-	(2,396,863)
Stock options exercised	19,000	19,000	35,310	-	-	54,310
Balance, October 31, 2008	9,987,913	$ 9,987,913	$ 22,768,610	$ 19,661,445	$ (557,913)	$ 51,860,055

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended October 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 6,022,084	$ 6,080,140	$ 5,473,848
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5,384,509	3,992,640	4,158,748
Loss on sale of assets	4,552	49,758	4,409
Deferred income taxes	766,076	(15,194)	(388,431)
Deferred compensation	-	-	3,574
Deferred financing costs or compensation	309,471	-	-
Bad debt expense	854,283	491,934	979,089
Hurricane related recoveries	-	-	(377,276)
Changes in assets and liabilities:			
Accounts receivable	(1,503,868)	(927,958)	(2,239,782)
Inventories	(509,271)	4,232	(101,037)
Other current assets	49,469	(166,758)	10,832
Accounts payable	(635,114)	959,552	1,533,189
Accrued payroll and commissions	266,624	298,569	455,799
Taxes accrued and withheld	(306,740)	(132,206)	287,435
Accrued income taxes	(78,657)	(1,825,842)	426,074
Accrued expenses	(271,800)	248,251	(62,158)
Other liabilities	(1,800)	(377,434)	(4,120)
Net cash provided by operating activities	10,349,818	8,679,684	10,160,193
Cash flows from investing activities:			
Purchase of property and equipment	(2,373,122)	(3,530,050)	(2,951,610)
Proceeds from sale of fixed assets	192,749	146,857	135,846
Businesses acquired, net of cash received	(1,657,239)	(1,214,283)	-
Goodwill and other intangible additions	-	(45,811)	-
Change in other assets	52,003	127,657	(52,362)
Cash surrender value proceeds	-	291,836	-
(Increase) decrease in cash surrender value	(40,291)	76,754	(85,212)
Net cash used in investing activities	(3,825,900)	(4,147,040)	(2,953,338)
Cash flows from financing activities:			
Borrowings on line of credit	-	12,101,000	10,884,000
Payments on line of credit	(6,415,000)	(12,101,000)	(12,496,000)

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

See notes to consolidated financial statements.

F-8

Champion Industries, Inc. and Subsidiaries

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, WV with a total daily and Sunday circulation of approximately 26,000 and 31,000, respectively.

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

Principles of Consolidation

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

Significant intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

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

Accounts Receivable

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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

Inventories

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Property and Equipment

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

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

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense approximated $4,324,000, $3,538,000, and $3,786,000 for the years ended October 31, 2008, 2007 and 2006.

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

Goodwill and Other Intangibles

The excess cost over fair value of net assets of acquired businesses, goodwill, was in years prior to 2002 being amortized by the straight-line method over periods ranging from 15 to 25 years. The other intangible assets are being amortized over 5 to 20 years representing the future benefit of the intangible. The fair values of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" (SFAS 141), and SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). The Company adopted these standards with its fiscal year beginning November 1, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) is no longer amortized but is subject to annual impairment tests in accordance with SFAS 142 except in the year of adoption where companies were required to evaluate impairment at the beginning of the year and again at a recurring annual date. The first step in the impairment analysis is a screen for potential impairment and was required to be completed within six months of adopting SFAS 142. The second step if required, measures the amount of impairment. The Company completed step one of the initial impairment analysis and the subsequent annual analysis during the second and fourth quarters of 2002. Additionally, this analysis was performed in the fourth quarter of each year thereafter. The application of the requirements of this standard did not result in an impairment charge.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended October 31, 2008, 2007 and 2006 approximated $963,000, $587,000, and $647,000.

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.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period and excludes any dilutive effects of stock options. Diluted earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period plus the shares that would be outstanding assuming the exercise of dilutive stock options using the treasury stock method. The effect of dilutive stock options increased weighted average shares outstanding by 38,000, 146,000 and 154,000 for the years ended October 31, 2008, 2007 and 2006.

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.

Accounting for Web Site Development Costs

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Revenue Recognition

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

Accounting for Costs Associated with Exit or Disposal Activities

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Accounting for Stock-Based Compensation

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

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

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

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

	Year Ended October 31,		
	2008 (1)	2007 (1)	2006 (1)
Net income as reported	$ 6,022,084	$ 6,080,140	$ 5,473,848
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	-	-	-
Pro forma net income	$ 6,022,084	$ 6,080,140	$ 5,473,848
Earnings per share:			
Basic, as reported	$ 0.60	$ 0.61	$ 0.56
Basic, pro forma	$ 0.60	$ 0.61	$ 0.56
Diluted, as reported	$ 0.60	$ 0.60	$ 0.55
Diluted, pro forma	$ 0.60	$ 0.60	$ 0.55

(1) Not applicable, since the Company adopted SFAS 123R on November 1, 2005 and there were no stock options granted during 2006, 2007 and 2008.

SAB 108

In September 2006, the SEC Staff issued SAB No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (SAB 108). SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the “rollover” method and the “iron curtain” method. The rollover method focuses primarily on the impact of a misstatement on the income statement-including the reversing effect of prior year misstatements- but its use can lead to the accumulation of misstatements in the balance sheet. The iron curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. We currently use the rollover method for quantifying identified financial statement misstatements.

In SAB 108, the SEC Staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company’s financial statements and the related financial statement disclosures. This model is commonly referred to as a “dual approach” because it requires quantification of errors under both the iron curtain and the rollover methods.

SAB 108 permits existing public companies to initially apply its provisions by (i) restating prior financial statements as if the “dual approach” had always been used or (ii) recording the cumulative effect of initially applying the “dual approach” as adjustments to the carrying value of assets and liabilities as of November 1, 2006, with an offsetting adjustment recorded to the opening balance of retained earnings. Use of the “cumulative effect” transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose.

We adopted the provisions of SAB 108 using the cumulative effect transition method in connection with the preparation of our annual financial statements for the year ended October 31, 2007. As a result of the adoption of SAB 108, the Company recorded an increase in net fixed assets of approximately $95,000, an increase in accounts receivable of approximately $101,000, a decrease in accrued payroll of approximately $68,000, a decrease in accrued professional fees of approximately $83,000, reductions in accounts receivable and inventory of approximately $65,000, other accrual increases of $68,000 and an increase in retained earnings of approximately $128,000, net of tax, as of November 1, 2006. The accompanying financial statements reflect these adjustments.

EITF 06-3

In June 2006, the FASB Emerging Issues Tax Force (EITF) issued EITF 06-3 "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement" (That is, Gross Versus Net Presentation) to clarify diversity in practice on the presentation of different types of taxes in the financial statements. The task force concluded that, for taxes within the scope of the issue, a company may adopt a policy of presenting taxes either gross within revenue or net. That is, it may include charges to customers for taxes within revenues and the charges for the taxes from the taxing authority within cost of sales, or alternatively, it may net the charge to the customer and the charge from the taxing authority. If taxes subject to EITF 06-3 are significant, a company is required to disclose its accounting policy for presenting taxes and the amounts of such taxes that are recognized on a gross basis. The guidance in this consensus is effective for the first interim reporting period beginning after December 15, 2006 (the second quarter of our fiscal year 2007). We adopted EITF 06-3 on February 1, 2007 and we record sales tax on a net basis. The adoption of EITF 06-3 did not have a material impact on our results of operations, financial position or cash flows.

SFAS NO. 157

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

SFAS NO. 159

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

SFAS NO. 141 (R)

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

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

FSP FAS 142-3

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

SFAS NO. 161

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative instruments and Hedging Activities - an amendment of FASB Statement No. 133” (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The Company does not expect the implementation of SPAS 161 to have a material impact on its consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

SFAS NO. 162

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162). This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 becomes effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411. The Company does not expect the implementation of SFAS 162 to have a material impact on its consolidated financial statements.

FSP FAS 157-2

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

FSP FAS 157-3

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

2. Inventories

Inventories consisted of the following:

	October 31, 2008	2007
Printing and Newspaper:		
Raw materials	$ 3,137,060	$ 2,401,340
Work in process	1,929,581	1,906,301
Finished goods	3,867,023	4,003,318
Office products and office furniture	3,080,454	3,193,888
	$ 12,014,118	$ 11,504,847

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Long-term Debt

Long-term debt consisted of the following:

	October 31, 2008	October 31, 2007
Installment notes payable to banks, due in monthly installments plus interest at rates approximating the bank's prime rate maturing in various periods ranging from February 2009-May 2013, collateralized by equipment and vehicles.	$ 749,850	$ 171,039
Term loan facility with a bank, 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.	63,575,000	68,700,000
	64,324,850	68,871,039
Less current portion	7,118,543	5,033,637
Long-term debt, net of current portion	$ 57,206,307	$ 63,837,402

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

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

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

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

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

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

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

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

4. Employee Benefit Plans

The Company had a Profit Sharing Plan that covered all eligible employees and qualified as a Savings Plan under Section 401(k) of the Internal Revenue Code. Effective January 1, 1998, the Profit Sharing Plan was merged into The Champion Industries, Inc. 401(k) Plan (the "Plan"). The Plan 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 is obligated to contribute 100% of the participant's contribution not to exceed 2% of the participant's annual compensation. The Company may make discretionary contributions to the Plan. The Company's expense under these Plans was approximately $525,000, $428,000, and $437,000 for the years ended October 31, 2008, 2007 and 2006.

The Company's accrued vacation liability as of October 31, 2008 and 2007 was approximately $645,000 and $597,000. This item is classified as a component of accrued expenses on the financial statements.

F-21

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Company's 1993 Stock Option Plan provides 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. Exercise prices for options outstanding as of October 31, 2008 ranged from $4.26 to $4.29. Options vest immediately and may be exercised within five years from the date of grant. The weighted average remaining contractual life of those options is 1.42 years.

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

	2008	Weighted Average Exercise Price	2007	Weighted Average Exercise Price	2006	Weighted Average Exercise Price
Outstanding-beginning of year	330,000	$ 4.18	382,000	$ 4.01	570,000	$ 3.67
Granted	-	-	-	-	-	-
Exercised	(19,000)	2.77	(46,000)	3.10	(177,000)	2.91
Forfeited or expired	-	-	(6,000)	2.49	(11,000)	3.80
Outstanding-end of year	311,000	4.27	330,000	4.18	382,000	4.01
Weighted average fair value of options granted during the year	$ -		$ -		$ -	

A summary of stock options outstanding and exercisable at October 31, 2008, follows:

Exercise Price	Number Outstanding	Remaining Life
4.29	91,000	0.12
4.26	220,000	1.96

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Company had a deferred compensation agreement with one employee of Blue Ridge Printing Co., Inc. providing for payments totaling approximately $500,000 over a ten year period after retirement. During fiscal year 2007, a one-time payment to this employee of $375,000 was made by the Company satisfying its obligation in full. To assist in the funding of the payment, the Company had invested in life insurance policies which were monetized to effectuate this transaction. The amount expensed for this agreement for the year ended October 31, 2006 approximated $4,000. There was no expense for years ended October 31, 2008 and 2007.

5. Income Taxes

Income tax expense consisted of the following:

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

Deferred tax assets and liabilities are as follows:

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

	2008	2007
Deferred tax asset - current	$ 1,130,742	$ 969,664
Deferred tax liability - long-term	(3,937,658)	(3,382,447)
	$ (2,806,916)	$ (2,412,783)

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

	Year Ended October 31,		
	2008	2007	2006
Statutory federal income tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	1.3	5.7	5.2
Change in valuation allowance	-	(0.1)	-
Selling expenses	1.1	0.7	0.7
Cash surrender value of life insurance accretion	(0.2)	(0.2)	(0.3)
Amended state returns	-	(0.8)	-
State apportionment tax accrual adjustments	(3.6)	(1.9)	-
Federal tax accrual adjustments	(0.8)	(0.7)	-
Tax benefits associated with The Herald-Dispatch	(17.2)	(1.7)	-
Other	0.8	(0.5)	0.9
Effective tax rate	15.4%	34.5%	40.5%

Income taxes paid during the years ended October 31, 2008, 2007 and 2006 approximated $412,000, $5,084,000, and $3,608,000. The Company recorded an income tax refund at October 31, 2008 and 2007 of $711,000 and $632,000.

The Company has available for income tax purposes net operating loss carryforwards from acquired companies of approximately $827,000, of which $794,000 expires in 2012 and $33,000 in 2013. The Company has available for state income tax purposes net operating loss carryforwards from acquired companies of approximately $1,275,000 of which $30,000 expires in 2013, $268,000 expires in 2019, $478,000 expires in 2020, $98,000 expires in 2023, $120,000 expires in 2024 and $281,000 expires in 2025. In 2007, the valuation allowance decreased by approximately $12,000, which is primarily reflective of the usage of net operating losses in the state of Mississippi. The Company did not record a change in the valuation allowance in 2006 and 2008.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), this interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109). This interpretation is effective for fiscal years beginning after December 15, 2006. The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) effective November 1, 2007 with no effect on the Company's consolidated financial statements. As of the date of adoption, the Company had approximately $150,000 of unrecognized tax benefits, all of which would impact the effective tax rate if recognized. The Company was notified in April 2008 and an examination began in May 2008 by the IRS covering our fiscal year-end 2005 federal tax return. This audit was completed and settled during the third quarter of 2008. As of October 31, 2008, the Company is subject to U.S. Federal income tax examination for the fiscal tax years ended October 31, 2006, 2007 and 2008. State Income Tax returns are generally subject to a period of examination for a period of three to five years. We have one state income tax return covering our fiscal years ended 2004 and 2005 currently under examination. Tax interest and penalties are classified as income taxes in the accompanying statements of income and were insignificant for all periods presented. The unrecognized tax benefit at October 31, 2008 was approximately $36,000. The Company is currently unable to assess whether any significant increase or decrease to the unrecognized tax benefit will be recorded during the next 12 months.

The Company's unrecognized tax benefit activity for the fiscal year ended October 31, 2008 was a follows:

Unrecognized tax benefit at November 1, 2007	$ 150,000
Other	(42,000)
Settlements/Audits	(72,000)
Unrecognized tax benefit at October 31, 2008	$ 36,000

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Related Party Transactions and Operating Lease Commitments

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

A summary of significant related party transactions follows:

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

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

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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

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

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

Champion Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

7. Commitments and Contingencies

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

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

8. Acquisitions

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Company acquired substantially all of the net assets of The Herald-Dispatch for a purchase price of $77.0 million consisting of cash. The purchase price included a cash payment of $77.0 million plus acquisition costs of approximately $373,000 and a working capital adjustment of approximately $1,616,000. The working capital adjustment was recorded under accrued expenses at October 31, 2007. The purchase price was financed by the Company through a term debt facility and a revolving credit facility. The purchase of The Herald-Dispatch was consummated based on certain specifically identified synergies due in part to duplicative functions, to achieve cash flow diversity, to capitalize on a unique investment opportunity in the Company's core territory, and to provide a platform for future growth and expansion opportunities. The following is a condensed balance sheet indicating the amount assigned to each major asset and liability caption of The Herald-Dispatch at September 14, 2007:

Current assets, net of cash received	$ 2,748,445
Property, plant and equipment	8,582,200
Goodwill	35,396,335
Trademark & masthead	18,515,316
Subscriber base asset	3,427,755
Advertiser base asset	10,613,497
Total assets	$ 79,283,548
Current liabilities	$ 740,395
Net assets acquired	$ 78,543,153

F-29

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

9. Industry Segment Information

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

2008	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 115,565,580	$ 49,708,630	$ 18,939,250	$ 184,213,460
Elimination of intersegment revenue	(13,359,482)	(8,168,516)	-	(21,527,998)
Consolidated revenues	$ 102,206,098	$ 41,540,114	$ 18,939,250	$ 162,685,462
Operating income	5,533,022	3,628,716	3,557,697	12,719,435
Depreciation & amortization	3,534,326	214,298	1,635,885	5,384,509
Capital expenditures	2,136,125	84,434	152,563	2,373,122
Identifiable assets	54,152,606	5,228,906	81,897,333	141,278,845
Goodwill	2,226,837	1,230,485	35,437,456	38,894,778

2007	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 114,394,118	$ 49,881,702	$ 2,540,377	$ 166,816,197
Elimination of intersegment revenue	(12,741,283)	(8,433,060)	-	(21,174,343)
Consolidated revenues	$ 101,652,835	$ 41,448,642	$ 2,540,377	$ 145,641,854
Operating income	6,416,551	3,438,459	659,679	10,514,689
Depreciation & amortization	3,576,975	211,167	204,498	3,992,640
Capital expenditures	4,919,357	145,471	203,086	5,267,914
Identifiable assets	57,020,668	10,339,686	81,851,237	149,211,591
Goodwill	2,226,837	1,230,485	35,396,335	38,853,657

2006	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 120,891,348	$ 47,758,730	-	$ 168,650,078
Elimination of intersegment revenue	(14,477,685)	(8,984,517)	-	(23,462,202)
Consolidated revenues	$ 106,413,663	$ 38,774,213	-	$ 145,187,876
Operating income	6,804,181	2,949,166	-	9,753,347
Depreciation & amortization	3,975,850	182,898	-	4,158,748
Capital expenditures	3,995,745	278,184	-	4,273,929
Identifiable assets	53,714,643	12,274,083	-	65,988,726
Goodwill	2,226,837	1,184,674	-	3,411,511

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Accounting for Costs Associated with Exit or Disposal Activities and Impact of Hurricane Katrina

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

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

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

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

The Company recorded costs of $1,020,999 for the three months ended October, 31 2005 and costs of $275,984 and recoveries of $653,260 for the year ended October 31, 2006 relating to Hurricane Katrina. There were no costs or recoveries associated with Hurricane Katrina recorded in 2007 and 2008.

The costs and recoveries associated with Hurricane Katrina are reflected in the consolidated statements of operations in the category “Hurricane and relocation costs, net of recoveries” and are part of the printing segment.

11. Fair Value of Financial Instruments

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

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Acquired Intangible Assets and Goodwill

	2008		2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Non-compete agreement	$ 1,000,000	$ 595,238	$ 1,000,000	$ 452,381
Customer relationships	2,451,073	538,544	2,451,073	416,446
Advertising and subscriber base	14,041,252	789,820	14,041,252	87,758
Other	564,946	402,828	564,946	321,445
	18,057,271	2,326,430	18,057,271	1,278,030
Unamortizable intangible assets:				
Goodwill	39,402,056	507,278	39,360,935	507,278
Trademark and masthead	18,515,316	-	18,515,316	-
	57,917,372	507,278	57,876,251	507,278
Total goodwill and other intangibles	$ 75,974,643	$ 2,833,708	$ 75,933,522	$ 1,785,308

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Amortization expense for the years ended October 31, 2008, 2007 and 2006 was $1,048,000, $443,000 and $361,000 respectively. The 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 20 years. 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 15 years. Estimated amortization expense for each of the following years is:

2009	$ 1,019,079
2010	1,001,866
2011	971,708
2012	847,160
2013	841,660
Thereafter	11,049,368
	$ 15,730,841

The changes in the carrying amount of goodwill for the years ended October 31, 2008 and 2007 were:

	2008	2007
Balance as of November 1, 2007 and 2006	$ 38,853,657	$ 3,411,511
Goodwill acquired during the year additions	41,121	35,442,146
Balance as of October 31, 2008 and 2007	$ 38,894,778	$ 38,853,657

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

GOODWILL

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

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

OTHER INTANGIBLES

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

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

13. Certain Significant Estimates

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

Goodwill and Intangible Assets

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

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. Counterparties to the Company’s interest rate swap agreements are major financial institutions. In accordance with SFAS No. 133 , “Accounting for Derivative Instruments and Certain Hedging Activities”, as amended by SFAS No. 137 and 138, the Company recognizes interest rate swap agreements on the balance sheet at fair value. The interest rate swap agreements are marked to market with changes in fair value recognized in other comprehensive income (loss).

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. 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 terminates on October 29, 2010. The swap agreement is with a major financial institution and aggregates $25 million in notional principal amount. 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 3.12% at October 31, 2008). The remaining term of this swap agreement is approximately two years. In fiscal 2008 and 2007, the Company recorded a net change in the fair value of the fixed interest rate swap agreement in the amount of $546,563 and $11,350, net of income tax as other comprehensive loss. The net additional interest payments made or received under this swap agreement are recognized in interest expense.

15. Earnings Per Share

Earnings per share (EPS) were computed as follows:

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

Effect of dilutive securities stock options		154,000		
Diluted earnings per share				
Income available to common shareholders and assumed conversions	$ 5,473,848	9,972,000	$	0.55

F-40

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Quarterly Results of Operations (unaudited)

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

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

Champion Industries, Inc. and Subsidiaries

Schedule II

Valuation and Qualifying Accounts

Years Ended October 31, 2008, 2007 and 2006

Description	Balance at beginning of period	Balances of acquired companies	Additions charged to costs and expense	Deductions(1)	Balance at end of period
2008					
Allowance for doubtful accounts	$ 1,511,037	$ -	$ 854,283	$ (513,835)	$ 1,851,485
2007					
Allowance for doubtful accounts	$ 1,557,895	$ 117,768	$ 491,934	$ (656,560)	$ 1,511,037
2006					
Allowance for doubtful accounts	$ 1,410,308	$ -	$ 979,089	$ (831,502)	1,557,895

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