

CHAMPION INDUSTRIES INC
Form 10-Q
September 10, 2010
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2010

OR

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

For the transition period from _____ to _____

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.)

2450-90 1st Avenue
P.O. Box 2968
Huntington, WV 25728
(Address of principal executive offices)
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2010
Common stock, \$1.00 par value per share	9,987,913 shares

Champion Industries, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Champion Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

ASSETS	July 31, 2010 (Unaudited)	October 31, 2009 (Audited)
Current assets:		
Cash and cash equivalents	\$	\$ 1,159,282
Accounts receivable, net of allowance of \$1,293,000 and \$1,353,000	17,482,262	18,424,310
Inventories	9,991,977	11,161,977
Income tax refund	178,263	1,911,400
Other current assets	926,906	925,120
Deferred income tax assets	1,555,366	1,000,847
Total current assets	30,134,774	34,582,936
Property and equipment, at cost:		
Land	2,016,148	2,016,148
Buildings and improvements	11,840,452	11,806,238
Machinery and equipment	56,967,326	57,481,742
Furniture and fixtures	4,145,100	4,129,537
Vehicles & other	3,116,338	3,145,772
	78,085,364	78,579,437
Less accumulated depreciation	(55,095,513)	(53,170,108)
	22,989,851	25,409,329
Goodwill	15,332,283	15,332,283
Deferred financing costs	1,372,704	1,199,199
Other intangibles, net of accumulated amortization	5,307,891	5,645,078
Trademark & masthead	10,001,812	10,001,812
Deferred tax asset, net of current portion	8,438,539	8,799,518
Other assets	37,854	51,738
	40,491,083	41,029,628
Total assets	\$ 93,615,708	\$ 101,021,893

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Balance Sheets (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	July 31, 2010 (Unaudited)	October 31, 2009 (Audited)
Current liabilities:		
Notes Payable, line of credit	\$ -	\$ 8,725,496
Negative book cash balances	2,058,264	-
Accounts payable	5,437,496	4,637,199
Accrued payroll and commissions	1,937,666	2,392,971
Taxes accrued and withheld	1,288,634	1,391,718
Accrued expenses	1,680,314	2,027,266
Other current liabilities	223,229	962,893
Current portion of long-term debt:		
Notes payable	5,407,864	57,024,424
Total current liabilities	18,033,467	77,161,967
Long-term debt, net of current portion:		
Line of credit	9,745,496	-
Notes payable, term	43,073,077	918,436
Other liabilities	6,000	7,350
Total liabilities	70,858,040	78,087,753
Shareholders' equity:		
Common stock, \$1 par value, 20,000,000 shares authorized; 9,987,913 shares issued and outstanding	9,987,913	9,987,913
Additional paid-in capital	22,768,610	22,768,610
Retained deficit	(10,272,206)	(9,822,383)
Other comprehensive income	273,351	-
Total shareholders' equity	22,757,668	22,934,140
Total liabilities and shareholders' equity	\$ 93,615,708	\$ 101,021,893

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	(Restated)		(Restated)	
	2010	2009	2010	2009
Revenues:				
Printing	\$ 19,660,226	\$ 21,430,743	\$ 61,126,093	\$ 67,743,875
Office products and office furniture	8,643,039	9,025,837	25,257,332	27,369,084
Newspaper	3,585,861	3,899,621	11,632,293	12,273,927
Total revenues	31,889,126	34,356,201	98,015,718	107,386,886
Cost of sales and newspaper operating costs:				
Printing	14,540,953	16,351,470	44,752,169	51,470,177
Office products and office furniture	6,260,691	6,256,070	18,009,192	19,377,572
Newspaper cost of sales and operating costs	2,058,988	2,082,670	6,210,296	6,655,320
Total cost of sales and newspaper operating costs	22,860,632	24,690,210	68,971,657	77,503,069
Gross profit	9,028,494	9,665,991	29,044,061	29,883,817
Selling, general and administrative expenses				
	7,317,348	8,564,413	24,366,779	27,155,200
Restructuring charges	1,398,061	193,735	1,537,145	193,735
Income from operations	313,085	907,843	3,140,137	2,534,882
Other income benefit (expenses):				
Interest income	-	-	-	2,771
Interest expense	(1,232,003)	(1,449,210)	(4,164,454)	(3,718,527)
Other	10,805	14,081	322,471	48,847
	(1,221,198)	(1,435,129)	(3,841,983)	(3,666,909)
(Loss) before income taxes	(908,113)	(527,286)	(701,846)	(1,132,027)
Income tax benefit	337,515	220,294	252,023	486,082
Net loss	\$ (570,598)	\$ (306,992)	\$ (449,823)	\$ (645,945)
Loss per share				
Basic	\$ (0.06)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Diluted	\$ (0.06)	\$ (0.03)	\$ (0.05)	\$ (0.06)
Weighted average shares outstanding:				
Basic	9,988,000	9,988,000	9,988,000	9,988,000
Diluted	9,988,000	9,988,000	9,988,000	9,988,000
Dividends per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.06

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Unaudited)

	Common Stock		Additional	Retained	Other	
	Shares	Amount	Paid-In Capital	Deficit	Comprehensive Income	Total
Balance, October 31, 2009	9,987,913	\$ 9,987,913	\$ 22,768,610	\$ (9,822,383)	\$ -	\$ 22,934,140
Comprehensive loss:						
Net loss for 2010	-	-	-	(449,823)	-	(449,823)
Other comprehensive income (net of tax)	-	-	-	-	273,351	273,351
Total comprehensive loss	-	-	-	(449,823)	273,351	(176,472)
Balance, July 31, 2010	9,987,913	\$ 9,987,913	\$ 22,768,610	\$ (10,272,206)	\$ 273,351	\$ 22,757,668

See notes to consolidated financial statements.

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

	Nine Months Ended July 31,	
	2010	(Restated) 2009
Cash flows from operating activities:		
Net loss	\$ (449,823)	\$ (645,946)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	3,248,043	3,931,633
Gain on sale of assets	15,796	(14,943)
Deferred income taxes	(375,774)	1,230,416
Deferred financing costs	267,081	232,103
Bad debt expense	309,600	619,966
Gain on hedging agreements	(284,079)	-
Restructuring charges	1,708,674	193,735
Changes in assets and liabilities:		
Accounts receivable	632,448	6,381,758
Inventories	1,170,000	1,417,108
Other current assets	(1,786)	(328,839)
Accounts payable	(908,376)	(2,042,492)
Accrued payroll and commissions	(455,305)	(782,243)
Taxes accrued and withheld	(103,084)	539,486
Income taxes	1,733,137	(1,771,190)
Accrued expenses	(346,953)	195,549
Other liabilities	(1,350)	(1,350)
Net cash provided by operating activities	6,158,249	9,154,751
Cash flows from investing activities:		
Purchases of property and equipment	(304,073)	(1,787,074)
Proceeds from sales of property	25,306	83,808
Proceeds from cash surrender value of officers' life insurance	-	520,830
Change in other assets	6,452	3,876
Net cash used in investing activities	(272,315)	(1,178,560)
Cash flows from financing activities:		
Borrowings on line of credit	35,020,000	600,000
Payments on line of credit	(34,000,000)	(1,000,000)
Increase (decrease) in negative book cash balances	2,058,264	(986,704)
Principal payments on long-term debt	(9,682,895)	(5,883,861)
Payments on debt amendment costs	(440,585)	-
Dividends paid	-	(599,279)
Net cash used in financing activities	(7,045,216)	(7,869,844)
Net increase (decrease) in cash and cash equivalents	(1,159,282)	106,347
Cash and cash equivalents, beginning of period	1,159,282	-
Cash and cash equivalents, end of period	\$ -	\$ 106,347

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
July 31, 2010

1. Basis of Presentation and Business Operations and Recent Accounting Pronouncements

The foregoing financial information has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and rules and regulations of the Securities and Exchange Commission for interim financial reporting. The preparation of the financial statements in accordance with GAAP 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. In the opinion of management, the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2009, and related notes thereto contained in Champion Industries, Inc.'s ("Champion" or "The Company") Form 10-K dated January 27, 2010. The accompanying interim financial information is unaudited. The results of operations for the period are not necessarily indicative of the results to be expected for the full year. The balance sheet information as of October 31, 2009 was derived from our audited financial statements.

The Company identified approximately \$0.3 million or \$0.03 per share on a basic and diluted basis of non-cash deferred tax related adjustment for each of the first three quarters of 2009. This adjustment was initially recorded in the fourth quarter of 2009 for the full year and therefore the interim periods for 2009 have been restated accordingly to reflect such adjustment. Accordingly, the Consolidated Financial Statements for the three and nine months ended July 31, 2009 have been restated to increase deferred income tax expense and to increase deferred income tax liability. This adjustment is related to the goodwill, trade name and masthead associated with the acquisition of The Herald-Dispatch. This deferred tax liability will remain on the balance sheet until such time as the associated intangible assets are impaired, sold, or otherwise disposed of. Certain prior-period amounts have been reclassified to conform to the current year financial statement presentation.

In February 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-11, which amends the Subsequent Events Topic of the Accounting Standards Codification (ASC) to eliminate the requirement for public companies to disclose the date through which subsequent events have been evaluated. The Company will continue to evaluate subsequent events through the date of issuance of the financial statements, however, consistent with the guidance, this date will no longer be disclosed. ASU 2010-11 does not have any impact on the Company's results of operations, financial condition or liquidity.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) (continued)

2. (Loss) / earnings per Share

Basic (loss) / 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 (loss) / 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. There was no dilutive effect of stock options for the three and nine months ended July 31, 2010 and July 31, 2009.

3. 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. The Company utilizes an estimated gross profit method for determining cost of sales in interim periods.

Inventories consisted of the following:

	July 31, 2010	October 31, 2009
Printing and newspaper:		
Raw materials	\$ 2,981,318	\$ 2,854,938
Work in process	1,078,681	1,405,320
Finished goods	3,337,962	3,765,244
Office products and office furniture	2,594,016	3,136,475
	\$ 9,991,977	\$ 11,161,977

4. Long-Term Debt

Long-term debt consisted of the following:

	July 31, 2010	October 31, 2009
Installment notes payable to banks & shareholder	\$ 4,197,963	\$ 1,310,418
Term loan facility with a bank	44,282,978	56,632,442
	48,480,941	57,942,860
Less current portion	5,407,864	57,024,424
Long-term debt, net of current portion	\$ 43,073,077	\$ 918,436

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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

As required by the Second Amendment, the Company, Marshall T. Reynolds and the Administrative Agent entered into a Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010 (the "Contribution Agreement") pursuant to which Mr. Reynolds deposited \$2,500,000 as cash collateral with the Administrative Agent, which the Administrative Agent may withdraw upon an event of default under the Credit Agreement.

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

Amounts drawn down by the Administrative Agent will be applied to repayment of Champion's obligations under the Credit Agreement. The Contribution Agreement expires upon the earliest of (i) full drawdown of the \$2,500,000 deposited, (ii) repayment in full of all obligations under the Credit Agreement and termination of all commitments thereunder and (iii) the Administrative Agent's determination that Champion has achieved a fixed charge coverage ratio of at least 1.2 to 1.0 as of the last day of two consecutive fiscal quarters of Champion.

In connection with the Contribution Agreement, Champion has executed and delivered to Mr. Reynolds a Subordinated Promissory Note in amount of \$2,500,000, payment of principal and interest on which is prohibited prior to January 31, 2011, and thereafter only with the Administrative Agent's consent. The Subordinated Promissory

Note bears interest at the Wall Street Journal prime rate (currently 3.25%), matures September 14, 2014 and is unsecured.

Pursuant to the terms of the Second Agreement, the Company's borrowing base certificate as submitted to the Administrative Agent reflected minimum excess availability of \$6.9 million as of July 31, 2010. The minimum excess availability is subject to a \$1.0 million reserve and may be adjusted by the Administrative Agent.

The Company financed equipment and vehicle purchases of \$25,000 and \$221,000 for the three and nine months ended July 31, 2010. The Company financed the purchase of a printing press of \$500,000 and vehicles of \$83,000 during the third quarter of 2009 which were non-cash investing and financing activities.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) (continued)

5. Commitments and Contingencies

As of July 31, 2010, the Company had contractual obligations in the form of leases and debt as follows:

Contractual Obligations	Payments Due by Fiscal Year						Residual	Total
	2010	2011	2012	2013	2014			
Non-cancelable operating leases	\$ 401,763	\$ 1,103,683	\$ 939,836	\$ 853,378	\$ 279,133	\$ 5,620	nmj \$ 3,583,413	
Revolving line of credit	-	-	9,745,496	-	-	-	9,745,496	
Term debt	1,368,079	5,371,842	5,226,589	33,444,416	3,070,015	-	48,480,941	
	\$ 1,769,842	\$ 6,475,525	\$ 15,911,921	\$ 34,297,794	\$ 3,349,148	\$ 5,620	\$ 61,809,850	

The Company incurred costs in 2010 related to facility consolidations, employee termination costs and other restructuring related activities of \$1.6 million and \$1.7 million for the three and nine months ended July 31, 2010. These costs were incurred, in part, as a response to the Company's efforts to overcome the impact of the global economic crisis. The Company believes that additional costs will be incurred in future quarters to address the impact of the economic crisis. (See Note 10.)

6. Share-Based Compensation

FASB ASC 718 (ASC 718) requires companies to expense the value of employee stock options and similar awards. Since the Company's outstanding employee stock options vested immediately in the year granted, the initial adoption of this standard had no effect on the Company's financial statements. However, the Company will be required to expense the fair value of the employee stock options when future options are granted or when existing options are modified or repurchased pursuant to the provisions of ASC 718.

The Company did not issue any employee stock options for the three and nine months ended July 31, 2010 and 2009.

Notes to Consolidated Financial Statements (Unaudited) (continued)

7. 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, WV with a total daily and Sunday circulation of approximately 25,000 and 30,000, respectively.

Our financial reporting systems present various data which is used to operate and measure our operating performance, including internal statements of operations which are prepared on a basis inconsistent with GAAP. Therefore, the segment reporting may not necessarily be consistent with GAAP reporting. Furthermore, because of our integrated business structure, operating costs included in one segment may benefit other segments. As a result of this structure these segments are not specifically designed to measure operating income or loss directly related to the products or services included in each segment.

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes, and other items excluded for segment reporting. The total assets reported on the Company's balance sheets as of July 31, 2010 and 2009 are \$93,615,708 and \$132,486,001. The identifiable assets reported below represent \$82,445,784 and \$130,003,715 at July 31, 2010 and 2009. Amounts for prior periods have been recast to conform to the current management view.

The table below presents information about reported segments for the three and nine months ended July 31:

2010 Quarter 3	Printing	Office Products & Furniture	Newspaper	Total
Revenues	\$ 21,645,833	\$ 9,966,618	\$ 3,585,861	\$ 35,198,312
Elimination of intersegment revenue	(1,985,607)	(1,323,579)	-	(3,309,186)
Consolidated revenues	\$ 19,660,226	\$ 8,643,039	\$ 3,585,861	\$ 31,889,126
Operating income (loss)	(904,214)	504,691	712,608	313,085
Depreciation & amortization	741,510	33,851	284,653	1,060,014
Capital expenditures	124,492	10,121	15,052	149,665
Identifiable assets	40,336,859	6,715,239	35,393,686	82,445,784
Goodwill	2,226,837	1,230,485	11,874,961	15,332,283

2009 Quarter 3	Printing	Office Products & Furniture	Newspaper	Total
Revenues	\$ 23,908,190	\$ 10,575,598	\$ 3,899,621	\$ 38,383,409
Elimination of intersegment revenue	(2,477,447)	(1,549,761)	-	(4,027,208)
Consolidated revenues	\$ 21,430,743	\$ 9,025,837	\$ 3,899,621	\$ 34,356,201
Operating income (loss)	(210,289)	661,592	456,540	907,843
Depreciation & amortization	851,308	30,880	426,741	1,308,929
Capital expenditures	809,359	9,142	6,953	825,454
Identifiable assets	45,233,660	6,965,923	77,804,132	130,003,715

Goodwill	2,226,837	1,230,485	35,437,456	38,894,778
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Champion Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (continued)

2010 Year to Date	Printing	Office Products & Furniture	Newspaper	Total
Revenues	\$ 68,577,588	\$ 29,813,537	\$ 11,632,293	\$ 110,023,418
Elimination of intersegment revenue	(7,451,495)	(4,556,205)	-	(12,007,700)
Consolidated revenues	\$ 61,126,093	\$ 25,257,332	\$ 11,632,293	\$ 98,015,718
Operating income (loss)	(1,212,079)	1,456,527	2,895,689	3,140,137
Depreciation & amortization	2,294,034	102,787	851,222	3,248,043
Capital expenditures	446,959	19,609	58,481	525,049
Identifiable assets	40,336,859	6,715,239	35,393,686	82,445,784
Goodwill	2,226,837	1,230,485	11,874,961	15,332,283

2009 Year to Date	Printing	Office Products & Furniture	Newspaper	Total
Revenues	\$ 75,592,237	\$ 32,363,763	\$ 12,273,927	\$ 120,229,927
Elimination of intersegment revenue	(7,848,362)	(4,994,679)	-	(12,843,041)
Consolidated revenues	\$ 67,743,875	\$ 27,369,084	\$ 12,273,927	\$ 107,386,886
Operating income (loss)	(428,709)	1,459,560	1,504,031	2,534,882
Depreciation & amortization	2,525,565	126,837	1,279,231	3,931,633
Capital expenditures	2,245,675	77,013	47,141	2,369,829
Identifiable assets	45,233,660	6,965,923	77,804,132	130,003,715
Goodwill	2,226,837	1,230,485	35,437,456	38,894,778

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

A reconciliation of total segment revenues and of total segment operating income to consolidated income (loss) before income taxes, for the three and nine months ended July 31, 2010 and 2009, is as follows:

	Three months		Nine months	
	2010	2009	2010	2009
Revenues:				
Total segment revenues	\$ 35,198,312	\$ 38,383,409	\$ 110,023,418	\$ 120,229,927
Elimination of intersegment revenue	(3,309,186)	(4,027,208)	(12,007,700)	(12,843,041)
Consolidated revenue	\$ 31,889,126	\$ 34,356,201	\$ 98,015,718	\$ 107,386,886
Operating income:				
Total segment operating income	\$ 313,085	\$ 907,843	\$ 3,140,137	\$ 2,534,882
Interest income	-	-	-	2,771
Interest expense	(1,232,003)	(1,449,210)	(4,164,454)	(3,718,527)
Other income	10,805	14,081	322,471	48,847
Consolidated (loss) before income taxes	\$ (908,113)	\$ (527,286)	\$ (701,846)	\$ (1,132,027)
Identifiable assets:				
Total segment identifiable assets	\$ 82,445,784	\$ 130,003,715	\$ 82,445,784	\$ 130,003,715
Assets not allocated to a segment	11,169,924	2,482,286	11,169,924	2,482,286
Total consolidated assets	\$ 93,615,708	\$ 132,486,001	\$ 93,615,708	\$ 132,486,001

8. 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 representing approximately \$19.8 million and \$21.1 million of outstanding notional principal at July 31, 2010 and October 31, 2009. This swap agreement effectively converted \$25 million of variable interest rate debt to fixed rate debt. The swap agreement requires the Company to make fixed interest payments based on an average effective rate of 4.78% and receive variable interest payments from its counterparties based on one-month LIBOR (actual rate of 0.32% at July 31, 2010). The remaining term of this swap agreement is approximately 3 months. In the three and nine months ended July 31, 2009, the Company recorded a net change in the fair value of the fixed interest rate swap agreement in the amount of \$98,000 and \$(117,000) net of income tax as other comprehensive gain (loss). Due to the termination of LIBOR borrowing eligibility from the Administrative Agent, the Company recorded a loss in the fourth quarter of 2009 from ineffectiveness in its hedging arrangement. Therefore, in the three months ended January 31, 2010 the Company recorded as a component of other income \$284,000 related to its hedging arrangement, or \$170,000 net of income tax. Effective with the Second Amendment the Company's eligibility for LIBOR borrowings was reinstated. Therefore, for the six months ended July 31, 2010, the Company recorded a net change in the fair value of the fixed interest rate swap agreement in the amount of \$273,000, net of income tax, as other comprehensive

income.

The fair value of this derivative instrument is discussed further in Footnote 9, Fair Value of Financial Instruments.

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

9. Fair Value of Financial Instrument

FASB ASC 820 (ASC 820) provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurements. The Company adopted ASC 820 for financial assets and liabilities only on November 1, 2008. The Company's interest rate swap derivative liability is based on third party valuation models, and is therefore classified as having Level 2 inputs. The adoption of ASC 820 for financial assets and liabilities did not have a material impact on the Company's results of operation, financial condition or liquidity. The full adoption of ASC 820 for nonfinancial assets and nonfinancial liabilities is also not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

FASB ASC 825 (ASC 825) 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. ASC 825 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Company elected not to apply the provisions of ASC 825; therefore, the adoption of ASC 825 did not affect our consolidated financial condition, results of operations or cash flows.

The Company measures and records in the accompanying consolidated financial statements certain liabilities at fair value on a recurring basis. ASC 820 establishes a fair value hierarchy for those instruments measured at fair value that distinguish between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

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

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

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

The following table summarizes the financial instruments measured at fair value in the accompanying consolidated balance sheet as of July 31, 2010 and 2009:

	Fair Value Measurements as of			
	July 31, 2010			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Interest rate swap	\$ -	\$ 223,000	\$ -	\$ 223,000

	Fair Value Measurements as of			
	July 31, 2009			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Interest rate swap	\$ -	\$ 1,125,275	\$ -	\$ 1,125,275

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

10. Restructuring and Other Charges

In the third quarter of 2010, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was an integral component of the Second Amendment and Waiver to the Credit Agreement (Second Amendment). These actions were taken to comply with the provisions and targeted covenants of the Second Amendment and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis. The amount of future charges are currently not estimable by the Company.

The plan was implemented to address several key initiatives including streamlining production and administrative operations, headcount reductions and an overall response to the global economic crisis. The third quarter pre-tax charge resulting from these actions was \$1.6 million (\$1.0 million after tax or \$0.10 per share on a basic and diluted basis). The charges were comprised of \$1.2 million associated with excess facility and maintenance costs primarily related to operating leases, inventory related costs of \$172,000 and costs associated with streamlining production and personnel related separation costs of \$225,000. The Company incurred restructuring related costs in the second quarter of 2010 primarily related to streamlining of productions operations and personnel related separation costs aggregating \$139,000. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring charges line item as part of operating income. Inventory is recorded as a component of cost of sales.

The following information summarizes the costs incurred with respect to restructuring, integration and asset impairment charges during the three and nine months ended July 31, 2010, respectively:

	July 31, 2010	
	Three Months Ended	Nine Months Ended
Occupancy related costs	\$ 1,173,175	\$ 1,173,175
Costs incurred to streamline production, personnel and other	224,887	363,970
Inventory	171,529	171,529
Total	\$ 1,569,591	\$ 1,708,674

The activity pertaining to the Company's accruals related to restructuring and other charges since October 31, 2009, including additions and payments made are summarized below:

Occupancy related costs	Costs incurred to streamline production, personnel and other	Total

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Balance at October 31, 2009	\$ -	\$ -	\$ -
2010 expenses	1,173,175	363,970	1,537,145
Paid in 2010	(42,451)	(355,282)	(397,733)
Balance at July 31, 2010	\$ 1,130,724	\$ 8,688	\$ 1,139,412

Champion Industries, Inc. and Subsidiaries

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth, for the periods indicated, information derived from the Consolidated Statements of Operations as a percentage of total revenues.

The Company identified approximately \$0.3 million or \$0.03 per share on a basic and diluted basis of non-cash deferred tax related adjustments for each of the first three quarters of 2009. This adjustment was initially recorded in the fourth quarter of 2009 for the full year and therefore the interim periods for 2009 have been restated accordingly to reflect such adjustment. Accordingly, the Consolidated Financial Statements for the three and nine months ended July 31, 2009 have been restated to increase deferred income tax expense and to increase deferred income tax liability. This adjustment is related to the goodwill, trade name and masthead associated with the acquisition of The Herald-Dispatch. This deferred tax liability will remain on the balance sheet until such time as the associated intangible assets are impaired, sold or otherwise disposed of. Certain prior-year amounts have been classified to conform to the current year financial statement presentation.

	Percentage of Total Revenues			
	Three Months Ended July 31,		Nine Months Ended July 31,	
	2010	(Restated) 2009	2010	(Restated) 2009
Revenues:				
Printing	61.7%	62.4%	62.4%	63.1%
Office products and office furniture	27.1	26.3	25.8	25.5
Newspaper	11.2	11.3	11.8	11.4
Total revenues	100.00	100.00	100.00	100.00
Cost of sales and newspaper operating costs:				
Printing	45.6	47.6	45.7	47.9
Office products and office furniture	19.6	18.2	18.4	18.1
Newspaper cost of sales and operating costs	6.5	6.1	6.3	6.2
Total cost of sales and newspaper operating costs	71.7	71.9	70.4	72.2
Gross profit	28.3	28.1	29.6	27.8
Selling, general and administrative expenses				
Restructuring charges	4.4	0.6	1.5	0.2
Income from operations	1.0	2.6	3.2	2.3
Interest income	0.0	0.0	0.0	0.0
Interest expense	(3.9)	(4.1)	(4.2)	(3.5)
Other income	0.0	0.0	0.3	0.0
(Loss) before taxes	(2.9)	(1.5)	(0.7)	(1.2)
Income tax benefit	1.1	0.6	0.3	0.5
Net loss	(1.8)%	(0.9)%	(0.4)%	(0.7)%

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

Three Months Ended July 31, 2010 Compared to Three Months Ended July 31, 2009 (Restated)

Revenues

Total revenues decreased 7.2% in the third quarter of 2010 compared to the same period in 2009 from \$34.4 million to \$31.9 million. Printing revenue decreased 8.3% in the third quarter of 2010 to \$19.7 million from \$21.4 million in the third quarter of 2009. Office products and office furniture revenue decreased 4.2% in the third quarter of 2010 to \$8.6 million from \$9.0 million in the third quarter of 2009. The decrease in printing sales was primarily associated with the continued impact of the global economic crisis. Office products and office furniture sales were lower in the third quarter of 2010 when compared to the third quarter of 2009. This was due to lower sales in both office products and office furniture, reflective of the effects of the economic recession. The Company recorded newspaper revenues associated with The Herald-Dispatch of approximately \$3.6 million consisting of advertising revenue of approximately \$2.7 million and \$0.9 million in circulation revenues for the three months ended July 31, 2010. The Company recorded newspaper revenues associated with The Herald-Dispatch of approximately \$3.9 million consisting of advertising revenue of approximately \$2.9 million and \$1.0 million in circulation revenues for the three months ended July 31, 2009. The on-line revenues for the three months ended July 31, 2010 and 2009 approximated \$270,000 and \$271,000 and are recorded as a component of advertising revenue. The reduction in newspaper revenues is primarily associated with a decrease in advertising revenues associated with decreased advertising demand due, in part, to the global economic crisis.

Cost of Sales

Total cost of sales decreased 7.4% in the third quarter of 2010 to \$22.9 million from \$24.7 million in the third quarter of 2009. Printing cost of sales in the third quarter of 2010 decreased \$1.8 million over the prior year and decreased as a percentage of printing sales from 76.3% in 2009 to 74.0% in 2010. The printing gross margin dollar increase resulted from lower cost of goods sold as a percentage of sales resulting from improved absorption of labor and lower material costs as a percent of sales. Office products and office furniture cost of sales were flat on decreased sales and higher cost of goods sold as a percentage of office products and office furniture sales of 69.3% in 2009 compared to 72.4% in 2010, thus representing contraction in gross margin percent in the office products and office furniture segment. The sales decline coupled with gross margin compaction led to lower overall office products and office furniture gross margin contribution. Newspaper cost of sales and operating costs as a percent of newspaper sales were 57.4% and 53.4% for the three months ended July 31, 2010 and 2009.

Operating Expenses

In the third quarter of 2010, selling, general and administrative expenses (S,G&A) decreased on a gross dollar basis to \$7.3 million from \$8.6 million in 2009, a decrease of \$1.2 million or 14.6%. As a percentage of total sales, the expenses decreased on a quarter to quarter basis in 2010 to 22.9% from 24.9% in 2009. The decrease in selling, general and administrative expenses is primarily the result of cost reduction initiatives implemented by the Company in response to the global economic crisis.

In the third quarter of 2010, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was a key provision to the Second Amendment. These actions were taken to comply with the provisions and targeted covenants of the Second Amendment and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis. The amount of future

charges are currently not estimable by the Company.

The implementation of the restructuring and profitability enhancement plan should not have a material impact on the Company's future liquidity position. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring charges line item as part of operating income. Inventory is recorded as a component of cost of sales.

The costs associated with the implementation of the Company's restructuring and profitability enhancement plan resulted in a pre-tax charge of \$1.6 million (\$1.0 million after tax or \$0.10 per share on a basic and diluted basis).

In the third quarter of 2009, the Company recorded pre-tax charges associated with a reduction in force of approximately \$194,000 (\$120,000 after tax or \$0.01 per share on a basic and diluted basis).

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

Income from Operations and Other Income and Expenses

Income from operations decreased in the third quarter of 2010 to \$0.3 million from \$0.9 million in the third quarter of 2009. This decrease is the result of charges associated with the Company's restructuring and profitability enhancement plan. Other expenses (net), decreased approximately \$214,000 from 2009 to 2010 primarily due to a decrease in interest expense, resulting from lower average borrowings and lower rates associated with the financing to purchase The Herald-Dispatch. The lower rates resulted from provisions of the Second Amendment entered into in the second quarter of 2010.

Income Taxes

The Company's effective income tax benefit rate was (37.2)% for the third quarter of 2010 and a benefit of (41.8)% for the third quarter of 2009. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate.

Net Loss

Net loss for the third quarter of 2010 was (\$571,000) compared to a loss of (\$307,000) in the third quarter of 2009. Basic and diluted loss per share for the three months ended July 31, 2010 and 2009 were \$(0.06) and \$(0.03).

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

Nine Months Ended July 31, 2010 Compared to Nine Months Ended July 31, 2009 (Restated)

Revenues

Total revenues decreased 8.7% in the first nine months of 2010 compared to the same period in 2009 to \$98.0 million from \$107.4 million. Printing revenue decreased 9.8% in the nine month period ended July 31, 2010 to \$61.1 million from \$67.7 million in the same period in 2009. Office products and office furniture revenue decreased 7.7% in the nine month period ended July 31, 2010 to \$25.3 million from \$27.4 million in the same period in 2009. The decrease in printing sales was primarily associated with the continued impact of the global economic crisis. The decrease in the office products and office furniture segment was primarily due to lower office product and furniture sales resulting from the global economic crisis. The Company recorded newspaper revenues associated with The Herald-Dispatch of approximately \$11.6 million consisting of advertising revenues of approximately \$8.8 million and circulation revenues of approximately \$2.9 million for the nine months ended July 31, 2010. The Company recorded newspaper revenues associated with The Herald Dispatch of approximately \$12.3 million consisting of advertising revenue of \$9.3 million and \$3.0 million in circulation revenues for the nine months ended July 31, 2009. The on-line revenues for the nine months ended July 31, 2010 and 2009 approximated \$0.8 million for both periods and are recorded as a component of advertising revenue. The reduction in newspaper revenue is primarily associated with a decrease in advertising revenues associated with decreased advertising demand due, in part, to the global economic crisis.

Cost of Sales

Total cost of sales decreased 11.0% in the nine months ended July 31, 2010 to \$69.0 million from \$77.5 million in the nine months ended July 31, 2009. Printing cost of sales decreased 13.1% in the nine months ended July 31, 2010 to \$44.8 million from \$51.5 million in the nine months ended July 31, 2009. The decrease in printing cost of sales was primarily due to the decrease in printing sales partially coupled with an improvement in gross margin percent, resulting from improved material and labor absorption. Office products and office furniture cost of sales decreased 7.1% in the nine months ended July 31, 2010 to \$18.0 million from \$19.4 million in the nine months ended July 31, 2009 and increased as a percent of sales from 70.8% in 2009 to 71.3% in 2010. The decrease in office products and office furniture cost of sales is attributable to a decrease in office products and office furniture sales partially offset by an increase in office products and office furniture cost of sales as a percent of office products and office furniture sales. Newspaper cost of sales and operating costs as a percentage of newspaper sales were 53.4% and 54.2% for the nine months ended July 31, 2010 and 2009.

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)
Operating Expenses

During the nine months ended July 31, 2010 compared to the same period in 2009, selling, general and administrative expenses (S,G&A) decreased as a percentage of sales to 24.9% from 25.3% in 2009. Total S,G&A decreased \$2.8 million. The decrease in total S,G&A is primarily reflective of reduction initiatives implemented by the Company in response to the global economic crisis. The decrease in S,G&A was partially offset by various costs associated with the Company's successful defense of a legal action approximating \$330,000.

In the nine months ended July 31, 2010, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was a key provision to the second amendment to the Credit Agreement. These actions were taken to comply with the provisions and targeted covenants of the Second Amendment to the Credit Agreement and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis. The amount of future charges are currently not estimable by the Company.

The implementation of the restructuring and profitability enhancement plan should not have a material impact on the Company's future liquidity position. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring charges line item as part of operating income. Inventory is recorded as a component of cost of sales.

The costs associated with the implementation of the Company's restructuring and profitability enhancement plan resulted in a pre-tax charge of \$1.7 million (\$1.1 million after tax or \$0.11 per share on a basic and diluted basis).

In the third quarter of 2009, the Company recorded pre-tax charges associated with a reduction in force of approximately \$194,000 (\$120,000 after tax or \$0.01 per share on a basic and diluted basis).

Income from Operations and Other Income and Expenses

Income from operations increased 23.9% in the nine month period ended July 31, 2010 to \$3.1 million from \$2.5 million in the same period of 2009. This increase is primarily the result of cost reduction initiatives implemented by the Company partially offset by restructuring related charges of \$1.7 million. Other expense (net) increased \$175,000 to \$3.8 million in 2010 from \$3.7 million in 2009. This is primarily due to increases in interest expense, resulting from higher interest rates associated with the Administrative Agent of the Company's credit facility instituting the default rate and eliminating the LIBOR borrowing expense option for most of the first six months of 2010 and various deferred financing interest related expenses associated with this debt. Concurrent with the Second Amendment the Company was permitted to reinstate the LIBOR borrowing option and the new applicable margin was set below the default rate in effect prior to the Second Amendment.

Income Taxes

The Company's effective income tax benefit was 35.9% for the nine months ended July 31, 2010, and a benefit of 42.9% in the same period of 2009. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate.

Net Loss

Net loss for the first nine months of 2010 decreased 30.3% to (\$450,000) from (\$646,000) in the same period of 2009 due to the reasons discussed above. Basic and diluted loss per share for the nine months ended July 31, 2010 were (\$0.05) and (\$0.06) for the nine months ended July 31, 2009.

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

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 sales and purchase contracts; therefore, to the extent permitted by competition, it has the ability to pass through to the customer most cost increases resulting from inflation, if any.

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 which the Company operates may further reduce its future advertising and circulation revenue, printing revenue, office products revenue and office furniture revenue, operating results and cash flows.

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 included heavy holiday season advertising. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs, changes in newsprint prices and general economic factors.

Liquidity and Capital Resources

Net cash provided by operations for the nine months ended July 31, 2010, was \$6.2 million compared to net cash provided by operations of \$9.2 million during the same period in 2009. This reduction in net cash from operations is due primarily to changes in accounts receivable offset by restructuring charges and other balance sheet changes.

Net cash used in investing activities for the nine months ended July 31, 2010 was \$272,000 compared to \$1.2 million during the same period in 2009. The net cash used in investing activities during the first nine months of 2010 primarily relates to the purchase of equipment and vehicles. The net cash used in investing activities during the first nine months of 2009 primarily related to the purchase of equipment and vehicles.

Net cash used in financing activities for the nine months ended July 31, 2010 was \$7.0 million compared to \$7.9 million during the same period in 2009. This decrease is primarily due to an increase in negative book cash balances, line of credit borrowings and a reduction in dividends, partially offset by higher principal payments on long-term debt.

Working capital on July 31, 2010 was \$12.1 million and at October 31, 2009 was \$(42.6) million. The working capital deficit at October 31, 2009 was associated with the classification as a current liability of \$60.5 million of debt which was long-term. This debt was reclassified due to the Company's inability to remain in compliance with certain of its financial covenants. The Company entered into the Second Amendment in the second quarter of 2010, therefore the debt is reflected in the Company's financial statements based on contractual maturity.

Champion Industries, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

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 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. 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.

Special Note Regarding Forward-Looking Statements

Certain statements contained in this Form 10-Q, including without limitation statements including the word "believes," "anticipates," "intends," "expects" or words of similar import, constitute "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, changes in business strategy or development plans and other factors referenced in this Form 10-Q, including without limitations under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." 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.

ITEM 3a. Quantitative and Qualitative Disclosure about Market Risk

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

ITEM 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls were effective as of the end of the period covered by this quarterly report.

(b) Changes in Internal Controls. There have been no changes in our internal controls over financial reporting that occurred during the first nine months of fiscal year 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes in risk factors from disclosures previously reported in our annual report on Form 10-K for the fiscal year ended October 31, 2009.

Item 6. Exhibits

a) Exhibits:

- | | | |
|--------|---|-----------------------------------|
| (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 Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley act of 2002 | Exhibit 32 Page Exhibit 32-p1 |

SIGNATURES

Pursuant to the requirement 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.

Date: September 10, 2010

/s/ Marshall T. Reynolds

Marshall T. Reynolds

Chief Executive Officer

Date: September 10, 2010

/s/ Toney K. Adkins

Toney K. Adkins

President and Chief Operating Officer

Date: September 10, 2010

/s/ Todd R. Fry

Todd R. Fry

Senior Vice President and Chief Financial Officer

