CHAMPION INDUSTRIES INC
Form 10-Q
June 14, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2012

OR

o 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. 000-21084

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 ü 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 (§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 ü No ___.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _____No ü.

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

Class	Outstanding at April 30, 2012
Common stock, $1.00 par value per share	11,299,528 shares

Champion Industries, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Champion Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

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ASSETS	April 30, 2012 (Unaudited)	October 31, 2011
Current assets:		
Cash	$ 697,118	$ -
Accounts receivable, net of allowance of $1,570,000 and $933,000	16,650,507	18,779,592
Inventories	9,095,355	8,897,726
Income tax refund	-	9,293
Other current assets	1,112,343	572,102
Deferred income tax assets	-	864,108
Total current assets	27,555,323	29,122,821
Property and equipment, at cost:		
Land	1,864,839	1,881,839
Buildings and improvements	11,844,394	11,876,675
Machinery and equipment	55,441,046	55,148,156
Furniture and fixtures	4,269,814	4,248,530
Vehicles	3,171,353	3,206,318
	76,591,446	76,361,518
Less accumulated depreciation	(58,284,576)	(56,605,876)
	18,306,870	19,755,642
Goodwill	3,457,322	12,968,255
Deferred financing costs	609,988	830,323
Other intangibles, net of accumulated amortization	4,628,923	4,778,052
Trademark and masthead	3,648,972	3,648,972
Deferred tax asset, net of current portion	-	10,894,159
Other assets	77,795	26,058
	12,423,000	33,145,819
Total assets	$ 58,285,193	$ 82,024,282

See notes to consolidated financial statements.

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

LIABILITIES AND SHAREHOLDERS' EQUITY	April 30, 2012 (Unaudited)	October 31, 2011
Current liabilities:		
Notes payable, line of credit	$ 10,005,496	$ 9,725,496
Negative book cash balances	-	1,153,931
Accounts payable	6,400,730	5,331,327
Deferred revenue	900,337	737,748
Accrued payroll and commissions	1,718,038	1,738,582
Taxes accrued and withheld	1,281,030	1,195,899
Accrued expenses	2,010,454	2,149,295
Current portion of long-term debt:		
Notes payable	33,943,121	38,629,011
Total current liabilities	56,259,206	60,661,289
Long-term debt, net of current portion:		
Notes payable	197,335	430,997
Notes payable - related party	2,000,000	-
Other liabilities	2,850	3,750
Total liabilities	58,459,391	61,096,036
Shareholders' (deficit) equity:		
Common stock, $1 par value, 20,000,000 shares authorized; 11,299,528 shares issued and outstanding	11,299,528	11,299,528
Additional paid-in capital	23,267,024	23,267,024
Retained deficit	(34,740,750)	(13,638,306)
Total shareholders' (deficit) equity	(174,198)	20,928,246
Total liabilities and shareholders' (deficit) equity	$ 58,285,193	$ 82,024,282

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
Revenues:				
Printing	$ 20,853,756	$ 19,659,905	$ 40,405,099	$ 39,218,084
Office products and office furniture	9,126,619	7,960,866	17,317,220	16,300,167
Newspaper	3,408,125	3,392,379	7,267,534	7,336,860
Total revenues	33,388,500	31,013,150	64,989,853	62,855,111
Cost of sales & newspaper operating costs:				
Printing	15,378,487	14,559,862	29,742,302	29,680,704
Office products and office furniture	6,388,342	5,492,742	12,130,455	11,592,228
Newspaper cost of sales & operating costs	2,026,018	1,997,135	4,194,052	4,109,163
Total cost of sales & newspaper operating costs	23,792,847	22,049,739	46,066,809	45,382,095
Gross profit	9,595,653	8,963,411	18,923,044	17,473,016
Selling, general and administrative expenses	8,422,357	7,164,326	17,048,909	14,380,988
Asset impairments/restructuring charges	9,510,933	-	9,510,933	220,658
	17,933,290	7,164,326	26,559,842	14,601,646
(Loss) income from operations	(8,337,637)	1,799,085	(7,636,798)	2,871,370
Other income (expenses):				
Interest expense - related party	(16,250)	(24,104)	(22,389)	(49,021)
Interest expense	(890,227)	(921,672)	(1,750,544)	(1,865,577)
Other	18,112	28,832	34,383	45,513
	(888,365)	(916,944)	(1,738,550)	(1,869,085)
(Loss) income before income taxes	(9,226,002)	882,141	(9,375,348)	1,002,285
Income tax (expense)	(11,790,454)	(389,429)	(11,727,096)	(436,352)
Net (loss) income	$ (21,016,456)	$ 492,712	$ (21,102,444)	$ 565,933
(Loss) earnings per share				
Basic and Diluted	$ (1.86)	$ 0.05	$ (1.87)	$ 0.06
Weighted average shares outstanding:				
Basic and Diluted	11,300,000	9,988,000	11,300,000	9,988,000
Dividends per share	$ -	$ -	$ -	$ -

See notes to consolidated financial statements.

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

	Six Months Ended April 30,	
	2012	2011 (Restated)
Cash flows from operating activities:		
Net (loss) income	$ (21,102,444)	$ 565,933
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	1,942,608	2,017,602
(Gain) on sale of assets	(1,810)	(13,901)
Deferred income taxes	11,758,267	419,041
Deferred financing costs	220,335	211,060
Bad debt expense	733,540	10,367
Restructuring charges	-	249,509
Goodwill impairment	9,510,933	-
Changes in assets and liabilities:		
Accounts receivable	1,395,545	1,165,340
Inventories	(197,629)	455,083
Other current assets	(418,199)	(56,980)
Accounts payable	1,069,402	(1,698,531)
Deferred revenue	162,589	113,753
Accrued payroll	(20,544)	(755,524)
Taxes accrued and withheld	85,131	(59,383)
Income taxes	9,293	36,293
Accrued expenses	(138,841)	(470,027)
Other liabilities	(900)	(900)
Net cash provided by operating activities	5,007,276	2,188,735
Cash flows from investing activities:		
Purchases of property and equipment	(474,804)	(614,878)
Proceeds from sales of property	131,908	75,765
Change in other assets	(51,737)	2,583
Net cash used in investing activities	(394,633)	(536,530)
Cash flows from financing activities:		
Borrowings on line of credit	3,140,000	25,880,000
Payments on line of credit	(2,860,000)	(26,340,000)
Proceeds from term debt	65,915	350,967
Lender forbearance fee and legal expenses	(122,042)	-
Change in negative book cash balances	(1,153,931)	1,263,063
Principal payments on long-term debt	(2,985,467)	(2,806,235)
Net cash used in financing activities	(3,915,525)	(1,652,205)
Net increase in cash and cash equivalents	697,118	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	$ 697,118	$ -

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

April 30, 2012

1. Basis of Presentation, 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, 2011, and related notes thereto contained in Champion Industries, Inc.'s Form 10-K filed January 30, 2012 and Form 10-K/A Amendment No.1 filed May 25, 2012. 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, 2011 was derived from our audited financial statements.

Reclassifications, Revisions, and Restatement: Certain prior-year amounts have been reclassified to conform to the current year financial statement presentation.

In addition, the Company has restated the Consolidated Statements of Cash Flows for the six months ended April 30, 2011 to reflect $351,000 of vehicles purchases as cash activities that were previously classified as non-cash activities.

Recent Accounting Pronouncement: In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement ("ASU 2011-04"), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements (as defined in Note 9). The Company applied this standard in the second quarter of fiscal 2012, and it had no material impact on the Company's consolidated financial statements.

2. 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. There was no dilutive effect of stock options for the three and six months ended April 30, 2012 and 2011.

3. Accounts Receivable, Allowance for Doubtful Accounts and Revenue Recognition

Accounts Receivable: Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days from the invoice date. The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivable written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

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

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

4. 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:

	April 30, 2012	October 31, 2011
Printing and newspaper:		
Raw materials	$ 2,982,910	$ 2,415,701
Work in process	599,687	1,252,170
Finished goods	2,716,607	2,975,769
Office products and office furniture	2,796,151	2,254,086
	$ 9,095,355	$ 8,897,726

5. Long-Term Debt

Long-term debt consisted of the following:

	April 30, 2012	October 31, 2011
Installment notes payable to banks	$ 841,232	$ 1,175,784
Notes payable to related party	2,000,000	-
Term loan facility with a syndicate of banks, collateralized by substantially all of the assets of the Company	33,299,224	37,884,224
Revolving line of credit loan facility with a syndicate of banks, collateralized by substantially all of the assets of the Company	10,005,496	9,725,496
	46,145,952	48,785,504
Less current portion revolving line of credit	10,005,496	9,725,496
Less long-term notes payable to related party	2,000,000	-
Less current portion long-term debt	33,943,121	38,629,011
Long-term debt, net of current portion and revolving line of credit	$ 197,335	$ 430,997

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

On May 2, 2012 the Company received a Notice of Default and Reservation of Rights letter from the Administrative Agent for its secured lenders which was reported pursuant to Item 2.04 of Form 8-K filed May 4, 2012. This Notice of Default resulted from the expiration of the Limited Forbearance Agreement on April 30, 2012. The Limited Forbearance Agreement was the result of a previous Notice of Default as more fully described herein. The Company references to minimum excess availability and other credit availability related to the Limited Forbearance Agreement are not applicable after April 30, 2012 due to the expiration of the Limited Forbearance Agreement. The Company has been notified that any extension of additional credit would be made by the Lenders in their sole discretion without any intention to waive any Event of Default. The Lenders have continued to provide the Company with access to the applicable revolving credit facilities during this default period.

The secured and unsecured credit facilities contain restrictive financial covenants requiring the Company to maintain certain financial ratios. The Company was unable to remain in compliance with certain financial covenants arising under the Credit Agreement among the Company, Fifth Third Bank as Lender, Administrative Agent and L/C Issuer and other Lenders dated September 14, 2007, as amended (the "Credit Agreement"). The creditors have not waived the financial covenant requirements. The Company received a notice of default on December 12, 2011, which was reported pursuant to item 2.04 of Form 8-K filed December 15, 2011. This notice of default advised that the Administrative Agent had not waived the event of default and reserves all rights and remedies thereof. These remedies include, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement. The notice of default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any event of default.

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

The Limited Forbearance Agreement provides that during the forbearance period, so long as the Company meets the conditions of the Limited Forbearance Agreement, it may continue to request credit under the revolving credit line. The Company was in compliance with the applicable provisions of the Limited Forbearance Agreement at April 30, 2012.

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

The Limited Forbearance Agreement provides that the credit commitment under the Credit Agreement is $15,000,000 and provides for a $1,450,000 reserve against the Credit Agreement borrowing base. The Company had borrowed under its $15.0 million line of credit approximately $10.0 million at April 30, 2012, which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch. Pursuant to the terms of the Limited Forbearance Agreement, the Company's borrowing base certificate as submitted to the Administrative Agent and adjusted in this filing for such provisions in the Limited Forbearance Agreement reflected minimum excess availability of $4.2 million as of April 30, 2012. The minimum excess availability is subject to a $1,450,000 reserve and may be adjusted by the Administrative Agent and as a result of the expiration of the Limited Forbearance Agreement on April 30, 2012 any future borrowings would be subject to the discretion of the Administrative Agent.

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

The Limited Forbearance Agreement provides that $2,000,000 of the $2,500,000 cash collateral held by the Administrative Agent pursuant to the Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010, among the Company, Marshall Reynolds and the Administrative Agent (the "Contribution Agreement") shall be applied at the execution of the Limited Forbearance Agreement to the outstanding term loans in inverse order of maturity, which shall satisfy in full (a) any fixed charge violation (as defined in the Contribution Agreement) as of October 31, 2011, and during the forbearance period and (b) any excess cash flow payment due under the Credit Agreement during the forbearance period. If the Company, the Administrative Agent and applicable lenders do not enter into a new agreement or an amendment to the Limited Forbearance Agreement by April 30, 2012, the defaults shall be deemed existing and unsecured and any remaining funds in the cash collateral account shall be immediately available to the Administrative Agent pursuant to the Contribution Agreement. The $2,000,000 in cash collateral released to pay down term debt was issued in the form of a subordinated unsecured promissory note in like amount on December 28, 2011. The Company has received no notification from the Administrative Agent regarding the use of cash collateral as a result of the Company's inability to remain in compliance with certain financial covenants.

Upon the expiration of the Limited Forbearance Agreement, a total of $43.3 million of long-term debt and outstanding revolving line of credit borrowings outstanding at April 30, 2012 are subject to accelerated maturity and, as such, the creditors may, at their option, give notice to the Company that amounts owed are immediately due and payable. As a result, the full amount of the related long-term debt has been classified as a current liability in the accompanying Balance Sheet at April 30, 2012, representing $28.4 million of term debt as well as approximately $10.0 million in revolving credit borrowings based on contractual maturities. Regardless of the non-compliance with financial covenants, the Company has made every scheduled payment of principal and interest, including additional payments for excess cash flow recapture payments and extra payments provided for within the Limited Forbearance Agreement and Credit Agreement. The Company is required to maintain a minimum of $750,000 of compensating balances with the Administrative Agent under the terms of its Credit Agreement.

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

The Company may incur costs in 2012 related to facility consolidations, employee termination costs and other restructuring related activities. These costs may be incurred, in part, as a response to the Company's efforts to overcome the impact of the global economic crisis and may occur pursuant to certain initiatives being reviewed in accordance with the provisions of the Limited Forbearance Agreement.

The Company had no non-cash activities for the three and six months ended April 30, 2012 and 2011. The Company had previously reported certain purchases for the three and six months ended April 30, 2011 of $215,000 and $351,000, and three months ended January 31, 2012 of $37,000, respectively as non-cash activities. The cash flow statement has been restated for the six months ended April 30, 2011 to reflect these transactions as cash activities and the cash flow statement for the six months ended April 30, 2012 reflects the $37,000 previously reported as non-cash activities as cash activities.

6. Income taxes

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the three-year period ended October 31, 2011 and over a six-year period ended October 31, 2011. However, when these losses are adjusted for certain aberrations, rather than continuing conditions, the Company is able to represent that cumulative losses are not present in either the three year look back period or the six year look back period.

The Company’s effective tax rate for the three and six months ended April 30, 2012 was a negative (127.8)% and (125.1)% compared to an effective tax rate of 44.1% and 43.5% for the three and six months ended April 30, 2011. The primary difference in tax rates between 2012 and 2011 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company has determined, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a substantial increase in interest rates and fees coupled with the uncertainty regarding future interest rate increases that the secured lenders may impose on the Company that a full valuation allowance of the Company's deferred tax assets, net of deferred tax liabilities, is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. This resulted in an increase in the valuation allowance from $0.6 million at October 31, 2011 to $15.8 million at April 30, 2012. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation with our secured lenders. Therefore, the amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a refinancing of the Company’s existing credit agreement with its secured lenders, and such adjustments may be material to the Consolidated Financial Statements.

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

7. Commitments and Contingencies

The nature of The Company's business results in a certain amount of claims, litigation, investigations, and other legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself. The Company will consider settlement of cases when, in Management's judgment, it is in the best interests of both the Company and its shareholders to do so.

The Company periodically assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. The Company would accrue a loss on legal contingencies in the event the loss is deemed probable and reasonably estimable. The accrual is adjusted as appropriate to reflect any relevant developments regarding the legal contingency. In the event of a legal contingency where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss may exist in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes an estimate of the aggregate of reasonably possible losses, in excess of amounts accrued, for current legal proceedings not covered by insurance is not greater than $0.5 million at April 30, 2012 and may be substantially lower than this amount. Any estimate involves significant judgment, given the varying stages of the proceedings (including cases in preliminary stages), as well as numerous unresolved issues that may impact the outcome of a proceeding. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate. The current loss estimate excludes legal and professional fees associated with defending such proceedings. These fees are expensed as incurred and may be material to the Company's Consolidated Financial Statements in a particular period.

While the final outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, Management believes that there is no accrual for legal contingencies required at this time. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be greater than the current range of estimates discussed above and may be material to the Company's Consolidated Financial Statements in a particular period.

As of April 30, 2012 the Company had contractual obligations in the form of leases and debt as follows:

	Payments Due by Fiscal Year						
Contractual Obligations	2012	2013	2014	2015	2016	Residual	Total
Non-cancelable operating leases	$ 762,882	$ 1,337,244	$ 563,507	$ 125,578	$ 119,820	$ 59,910	$ 2,968,941
Revolving line of credit	10,005,496	-	-	-	-	-	10,005,496
Notes payable - related party	-	-	2,000,000	-	-	-	2,000,000
Term debt	33,669,599	391,126	79,731	-	-	-	34,140,456

	$ 44,437,977	$ 1,728,370	$ 2,643,238	$ 125,578	$ 119,820	$ 59,910	$ 49,114,893

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

8. Industry Segment Information

The Company operates principally in three industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms), the sale of office products and office furniture including interior design services and publication of The Herald-Dispatch daily newspaper in Huntington, West Virginia, with a total daily and Sunday circulation of approximately 24,000 and 30,000, respectively.

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

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

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes, deferred financing costs and other items excluded for segment reporting. The total assets reported on the Company's balance sheet as of April 30, 2012 and 2011 are $58,285,193 and $88,745,286 (restated). The identifiable assets reported above represent $57,675,205 and $78,374,868 at April 30, 2012 and 2011.

The table below presents information about reported segments for the three and six months ended April 30:

2012 Quarter 2	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 22,063,503	$ 10,502,075	$ 3,408,125	$ 35,973,703
Elimination of intersegment revenue	(1,209,747)	(1,375,456)	-	(2,585,203)
Consolidated revenues	$ 20,853,756	$ 9,126,619	$ 3,408,125	$ 33,388,500
Operating (loss) income	16,424	778,268	(9,132,329)	(8,337,637)
Depreciation & amortization	658,399	20,814	287,524	966,737
Capital expenditures	145,063	15,783	38,361	199,207
Identifiable assets	37,321,832	7,449,647	12,903,726	57,675,205
Goodwill	2,226,837	1,230,485	-	3,457,322

2011 Quarter 2	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 20,854,240	$ 9,571,166	$ 3,392,379	$ 33,817,785
Elimination of intersegment revenue	(1,194,335)	(1,610,300)	-	(2,804,635)
Consolidated revenues	$ 19,659,905	$ 7,960,866	$ 3,392,379	$ 31,013,150

Operating income	937,625	473,211	388,249	1,799,085
Depreciation & amortization	689,480	33,852	283,940	1,007,272
Capital expenditures	278,018	37,900	12,218	328,136
Identifiable assets	39,466,377	6,921,039	31,987,452	78,374,868
Goodwill	2,226,837	1,230,485	11,874,961	15,332,283

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

2012 Year to Date	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 42,802,887	$ 20,294,023	$ 7,267,534	$ 70,364,444
Elimination of intersegment revenue	(2,397,788)	(2,976,803)	-	(5,374,591)
Consolidated revenues	$ 40,405,099	$ 17,317,220	$ 7,267,534	$ 64,989,853
Operating (loss) income	(524,555)	1,330,834	(8,443,077)	(7,636,798)
Depreciation & amortization	1,314,197	54,665	573,746	1,942,608
Capital expenditures	389,979	33,831	50,994	474,804
Identifiable assets	37,321,832	7,449,647	12,903,726	57,675,205
Goodwill	2,226,837	1,230,485	-	3,457,322

2011 Year to Date	Printing	Office Products & Furniture	Newspaper	Total
Revenues	$ 41,936,821	$ 19,564,168	$ 7,336,860	$ 68,837,849
Elimination of intersegment revenue	(2,718,737)	(3,264,001)	-	(5,982,738)
Consolidated revenues	$ 39,218,084	$ 16,300,167	$ 7,336,860	$ 62,855,111
Operating income	827,973	818,939	1,224,458	2,871,370
Depreciation & amortization	1,381,809	67,724	568,069	2,017,602
Capital expenditures	530,230	55,457	29,191	614,878
Identifiable assets	39,466,377	6,921,039	31,987,452	78,374,868
Goodwill	2,226,837	1,230,485	11,874,961	15,332,283

A reconciliation of total segment revenues and of total segment operating (loss) income to consolidated (loss) income before income taxes, for the three and six months ended April 30, 2012 and 2011, is as follows:

	Three months 2012	Three months 2011	Six months 2012	Six months 2011
Revenues:				
Total segment revenues	$ 35,973,703	$ 33,817,785	$ 70,364,444	$ 68,837,849
Elimination of intersegment revenue	(2,585,203)	(2,804,635)	(5,374,591)	(5,982,738)
Consolidated revenue	$ 33,388,500	$ 31,013,150	$ 64,989,853	$ 62,855,111
Operating (loss) income:				
Total segment operating (loss) income	$ (8,337,637)	$ 1,799,085	$ (7,636,798)	$ 2,871,370
Interest expense - related party	(16,250)	(24,104)	(22,389)	(49,021)
Interest expense	(890,227)	(921,672)	(1,750,544)	(1,865,577)
Other income	18,112	28,832	34,383	45,513

Consolidated (loss) income before income taxes	$	(9,226,002)	$	882,141	$	(9,375,348)	$	1,002,285
Identifiable assets:								
Total segment identifiable assets	$	57,675,205	$	78,374,868	$	57,675,205	$	78,374,868
Assets not allocated to a segment		609,988		10,370,418		609,988		10,370,418
Total consolidated assets	$	58,285,193	$	88,745,286	$	58,285,193	$	88,745,286

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

9. Fair Value of Financial Instruments, Derivative Instruments and Hedging Activities

There is a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities
Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and
Level 3 - Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

The Company does not believe it is practicable to estimate the fair value of its variable interest-bearing debt and revolving credit facilities related to its primary credit facilities with a syndicate of banks and its subordinated debt to a related party due primarily to the fact that an active market for the Company’s debt does not exist.

The term debt not related to the Credit Agreement had a carrying value of approximately $0.8 million and the Company believes carrying value approximates fair value for this debt based on recent market conditions, collateral support, recent borrowings and other factors.

Cash consists principally of cash on deposit with banks. The Company's cash deposits in excess of federally insured amounts are primarily maintained at a large well-known financial institution.

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

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs.

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

10. Restructuring of Operations

In fiscal 2010 and 2011, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was an integral component of the Second Amendment and Waiver to the Credit Agreement among the Company, Fifth Third Bank, as Lender, L/C Issuer and Administrative Agent for Lenders and other Lenders dated March 31, 2010 (the "Second Amendment"). These actions were taken to comply with the provisions and targeted covenants of the Second Amendment and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis, and may incur costs pursuant to certain initiatives being reviewed in accordance with the provisions of the Limited Forbearance Agreement. The amount of future charges is currently not estimable by the Company.

The following information summarizes the costs incurred with respect to restructuring, integration and asset impairment charges during the three and six months ended April 30, 2012 and 2011, as well as the cumulative total of such costs representing fiscal 2010 and fiscal 2011, there were no costs incurred in the first two quarters of 2012, and such costs are included as a component of the printing segment:

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011	Cumulative Total
Occupancy and equipment related costs	$ -	$-	$-	$ 123,553	$1,618,965
Costs incurred to streamline production, personnel and other	-	-	-	97,105	564,726
Inventory	-	-	-	28,851	200,380
Total	$-	$-	$-	$249,509	$2,384,071

The activity pertaining to the Company's accruals related to restructuring and other charges since October 31, 2011, including additions and payments made are summarized below:

	Occupancy and equipment related costs	Costs incurred to streamline production, personnel and other	Total
Balance at October 31, 2011	$ 865,849	$ 55,575	$ 921,424
2012 expenses	-	-	-
Paid in 2012	(165,690)	(838)	(166,528)
Balance at April 30, 2012	$ 700,159	$ 54,737	$ 754,896

Effective June 1, 2012 as a result of initiatives implemented by the Company to improve operating efficiency and pursuant to the Company's restructuring plan submitted to the secured lenders in the second quarter of 2012, the Company's commercial printing production operation in Cincinnati, Ohio, was consolidated into existing Company facilities in other locations. The Company intends to continue to service its customer base through a dedicated sales and customer service team within this market. As a result of this action, the Company recorded a reduction in force of 18 employees. The Company expects to incur costs associated with work force reductions, lease termination costs and other related costs in future periods including the third quarter of 2012. The Company recorded severance costs of approximately $27,000 in the third quarter of 2012 and the remaining restructuring related charges are currently not estimable by the Company.

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

11. Acquired Intangible Assets and Goodwill

	April 30, 2012		October 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Non-compete agreement	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Customer relationships	2,451,073	965,886	2,451,073	904,837
Advertising and subscriber base	4,989,768	1,878,490	4,989,768	1,804,660
Other	564,946	532,488	564,946	518,238
	9,005,787	4,376,864	9,005,787	4,227,735
Unamortizable intangible assets:				
Goodwill	3,964,600	507,278	13,475,533	507,278
Trademark and masthead	3,648,972	-	3,648,972	-
	7,613,572	507,278	17,124,505	507,278
Total goodwill and other intangibles	$ 16,619,359	$ 4,884,142	$ 26,130,292	$ 4,735,013

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

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs. Goodwill and non-amortizing intangible assets are also subject to an annual impairment test.

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

Amortization expense for the three and six months ended April 30, 2012 was $74,565 and 149,129, and for the three and six months ended April 30, 2011 was $110,279 and $220,557, respectively. A non-compete agreement is being amortized over a period of seven years and the customer relationships are being amortized over a period of 20 years. These items are both related to the acquisition of Syscan in 2004. The advertising and subscribers bases related to the acquisition of The Herald-Dispatch are being amortized over 25 and 20 years respectively. The trademark and masthead associated with the acquisition of The Herald-Dispatch are non-amortizing assets. The weighted average remaining life of the Company's amortizable intangible assets was approximately 17 years at April 30, 2012. Estimated amortization expense for each of the following fiscal years at April 30, 2012:

Ending October 31,	
2012	$ 143,630
2013	287,261
2014	275,970
2015	269,761
2016	269,761
Thereafter	3,382,540
	$ 4,628,923

The changes in the carrying amount of goodwill, trademark and masthead and other amortizing intangibles for the six months ended April 30, 2012 are as follows:

Goodwill:

	Printing	Office Products and Furniture	Newspaper	Total
Balance as of October 31, 2011				
Goodwill	$ 2,226,837	$ 1,230,485	$ 35,437,456	$ 38,894,778
Accumulated impairment losses	-	-	(25,926,523)	(25,926,523)
	2,226,837	1,230,485	9,510,933	12,968,255
Goodwill acquired six months ended April 30, 2012	-	-	-	-
Impairment losses six months ended April 30, 2012	-	-	(9,510,933)	(9,510,933)
Balance at April 30, 2012				
Goodwill	2,226,837	1,230,485	35,437,456	38,894,778
Accumulated impairment losses	-	-	(35,437,456)	(35,437,456)
	$ 2,226,837	$ 1,230,485	$ -	$ 3,457,322

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

Trademark and Masthead:

	Printing	Office Products and Furniture	Newspaper	Total
Balance as of October 31, 2011				
Trademark and masthead	$ -	$ -	$ 18,515,316	$ 18,515,316
Accumulated impairment losses	-	-	(14,866,344)	(14,866,344)
	-	-	3,648,972	3,648,972
Trademark and masthead acquired six months ended April 30, 2012	-	-	-	-
Impairment losses six months ended April 30, 2012	-	-	-	-
Balance at April 30, 2012				
Trademark and masthead	-	-	18,515,316	18,515,316
Accumulated impairment losses	-	-	(14,866,344)	(14,866,344)
	$ -	$ -	$ 3,648,972	$ 3,648,972

Amortizing Intangible Assets (net of amortization expense):

	Printing	Office Products and Furniture	Newspaper	Total
Balance as of October 31, 2011				
Amortizing intangible assets (net of amortization expense)	$ 564,698	$ 1,028,246	$ 12,236,592	$ 13,829,536
Accumulated impairment losses	-	-	(9,051,484)	(9,051,484)
	564,698	1,028,246	3,185,108	4,778,052
Amortizing intangible assets acquired six months ended April 30, 2012	-	-	-	-
Impairment losses six months ended April 30, 2012	-	-	-	-
Amortization expense six months ended April 30, 2012	54,847	20,451	73,831	149,129
Balance at April 30, 2012				
Amortizing intangible assets (net of amortization expense)	509,851	1,007,795	12,162,761	13,680,407
Accumulated impairment losses	-	-	(9,051,484)	(9,051,484)
	$ 509,851	$ 1,007,795	$ 3,111,277	$ 4,628,923

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

Six months end April 30,	
2012	2011

Goodwill	$9,510,933	$ -
Other intangibles	-	-
Trademark & masthead	-	-
	$9,510,933	$ -

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

12. Subsequent Events

In regards to transaction alternatives being reviewed by the Company pursuant to a restructuring plan submitted to the Company's secured lenders, the Company had reviewed the potential sale of both the newspaper segment and of certain operating divisions encompassed within other segments. The Company has identified one division, which at the balance sheet date of April 30, 2012 appeared to have characteristics which would indicate a reasonable possibility of the division being sold within one year. The Company ultimately determined that substantial uncertainty existed at the balance sheet date which, did not rise to a level to make the sale probable. The primary drivers of this decision were as follows: (1)any transaction required Lender approval (2) only limited due diligence had been performed at April 30, 2012 and substantial due diligence was still pending after the balance sheet date (3) a partial exclusivity agreement and letter of interest had not been signed until after the balance sheet date (4) the Buyer had no contractual obligation to continue its due diligence efforts and could unilaterally exit from pursuing the transaction (5) there were no financial penalties for the Buyer not pursuing the transaction (6) and various other factors.

The Company believes that after the balance sheet of April 30, 2012 additional facts and circumstances regarding this transaction have increased the likelihood of this division being sold and as such the Company has provided the appropriate disclosure. The factors that have increased the likelihood of a sale are primarily focused on due diligence being substantially complete and the Company actively working on the negotiation of an asset purchase agreement with a potential buyer. The transaction would still require approval of the secured lenders.

As a result of the provisions of the Limited Forbearance Agreement the Company had agreed to pursue the sale of certain assets and assess if the market assessments of such assets would yield the appropriate financial return for the Company to pursue such transactions. As a result of this process the Company has identified one division which it is actively working to sell and which is classified as a component of the printing segment. The Company actively began negotiating an asset purchase agreement after quarter end and if the Company is able to successfully negotiate an asset purchase agreement and attain lender approval, it would expect this transaction to close in the third quarter of 2012. The following is a summary of the assets which are currently being classified as held and used but which subsequent to quarter end have been determined to have a higher degree of probability of meeting the classification of held for sale:

	April 30, 2012
Assets held for sale (excludes certain divisional assets):	
Accounts receivable, net	$2,318,271
Inventory	1,049,114
Prepaid expenses and other current assets	54,795
Total current assets held for sale	$3,422,180
Long-term assets held for sale:	
Property, plant and equipment, net	$59,266
Intangible assets	3,752
Total long-term assets held for sale	$63,018
Liabilities held for sale	$1,721,615
Retained earnings	$2,653,477

	Three months ended		Six months ended	
	April 30, 2012	April 30, 2011	April 30, 2012	April 30, 2011
Sales	$4,139,848	$ 4,522,659	$ 7,911,661	$ 9,222,204
Income before income taxes	129,932	261,980	227,102	442,666

Net income	77,282	156,950	134,402	264,546
Earnings per share	0.01	0.02	0.01	0.03

The Company has assessed if there is an impairment charge that may be warranted for these assets which were deemed to be held and used at April 30, 2012 and subsequent to April 30, 2012 may have a higher probability of meeting the held for sale classification. The Company believes based on the targeted purchase price and adjusted for selling costs the Company anticipates recording a gain on the applicable asset sale. The Company does not currently anticipate that other costs incurred in connection with the sale activity being contemplated will result in any material costs to be incurred with the activity and that the purchase price adjusted for selling costs and other costs would be in excess of carrying value. The Company continues to assess the costs of this activity and is unable to currently estimate the total costs due to various uncertainties still pending within the provisions of the asset purchase agreement being negotiated.

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

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.

	Percentage of Total Revenues			
	Three Months Ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
Revenues:				
Printing	62.5%	63.4%	62.2%	62.4%
Office products and office furniture	27.3	25.7	26.6	25.9
Newspaper	10.2	10.9	11.2	11.7
Total revenues	100.0	100.0	100.0	100.0
Cost of sales and newspaper operating costs:				
Printing	46.1	46.9	45.8	47.2
Office products and office furniture	19.1	17.7	18.7	18.4
Newspaper cost of sales and operating costs	6.1	6.4	6.5	6.5
Total cost of sales and newspaper operating costs	71.3	71.0	71.0	72.1
Gross profit	28.7	29.0	29.0	27.9
S Selling, general and administrative expenses	25.2	23.1	26.2	22.9
Restructuring charge/impairment	28.5	0.0	14.6	0.4
(Loss) income from operations	(25.0)	5.9	(11.8)	4.6
Interest expense - related party	0.0	(0.1)	0.0	(0.1)
Interest expense	(2.7)	(3.0)	(2.7)	(3.0)
Other income	0.1	0.1	0.1	0.1
(Loss) income before taxes	(27.6)	2.9	(14.4)	1.6
Income tax (expense)	(35.3)	(1.3)	(18.1)	(0.7)
Net (loss) income	(62.9)%	1.6%	(32.5)%	0.9%

Champion Industries, Inc. and Subsidiaries

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

Three Months Ended April 30, 2012 Compared to Three Months Ended April 30, 2011

Revenues

Total revenues increased 7.7% in the second quarter of 2012 compared to the same period in 2011, to $33.4 million from $31.0 million. Printing revenue increased 6.1% in the second quarter of 2012, to $20.9 million from $19.7 million in the second quarter of 2011. Office products and office furniture revenue increased 14.6% in the second quarter of 2012 to $9.1 million from $8.0 million in the