CHAMPION INDUSTRIES INC
Form 10-K
January 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

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

For the Fiscal Year Ended October 31, 2015

OR

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

Commission File No. 000-21084

CHAMPION INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(g) of Act: Common Stock, $1.00 par value	OTC (Name of each exchange on which registered)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes oNo x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes oNo x

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

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes xNo o

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

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

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

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

As of April 30, 2015 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1,483,346 based on the closing price as reported on the OTC Market.

The outstanding common stock of the Registrant at the close of business on January 8, 2016, consisted of 11,299,528 shares of Common Stock, $1.00 par value.

Total number of pages including cover page and exhibits: 87

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Registrant's definitive proxy statement expected to be dated January 25, 2016, with respect to its Annual Meeting of Shareholders to be held on March 21, 2016, are incorporated by reference into Part III, Items 10-14. Exhibit Index located in Part IV Item 15.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

PART I

The Company experienced net losses in fiscal 2015, 2014, and 2012. Net losses incurred for the twelve month period ended October 31, 2015 and 2014 were due to operating and interest expenses that were greater than the revenue generated by the Company. Losses for the same period in 2012 were due primarily to non-cash charges for impairment of goodwill and other intangible assets associated with the former newspaper segment of the Company as well as a valuation allowance increase against our deferred tax assets. Our ability to operate is dependent primarily on our ability to continue operating the Company with working capital since the Company is currently operating without a revolving credit facility, due in part to substantially all of the Company's assets being encumbered pursuant to the October 2013 Credit Agreement. (See Item 1A, "Risk Factors", Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of the Notes to Consolidated Financial Statements)

ITEM 1 - BUSINESS

HISTORY

Champion Industries, Inc. ("Champion" or the "Company") is a major commercial printer, business forms manufacturer, office products and office furniture supplier, and mailing solutions provider offering warehousing and fulfillment of print and supply goods in regional markets east of the Mississippi River; primarily in West Virginia, Kentucky, Ohio, Indiana, and Louisiana. The Company's sales offices and/or production facilities are located in Huntington, Charleston, Parkersburg, Clarksburg, and Morgantown, West Virginia; Baton Rouge, Louisiana; and, Evansville, Indiana. The Company utilizes a knowledgeable sales force of approximately 50 people to meet the needs of the Company's customer base by delivering its products in addition to other business solutions.

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

The Company and its predecessors have been headquartered in Huntington since 1922. Full scale printing facilities, including web presses for manufacturing business forms and sales and customer service operations, are located in Huntington. The Company's Charleston division was established in 1974 through the acquisition of the printing operations of Rose City Press. Sales and customer service operations, as well as the pre-press departments, are located in Charleston. The Parkersburg division opened in 1977 and was expanded by the acquisitions of Park Press and McGlothlin Printing Company.

The Lexington division commenced operations in 1983 upon the acquisition of the Transylvania Company. This location was closed in 2013.

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

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

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

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

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

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

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

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

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

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

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

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

On May 21, 1997, the Company acquired all outstanding common shares of Blue Ridge Printing Co., Inc. of Asheville, North Carolina (“Blue Ridge”). During the second quarter of 2004, the Blue Ridge Knoxville plant was consolidated into the Asheville plant. Blue Ridge was sold in June 2013.

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

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

On May 29, 1998, the Company acquired all outstanding common shares of Thompson’s of Morgantown, Inc. and Thompson’s of Barbour County, Inc. (collectively, “Thompson’s” or “Champion Morgantown”) of Morgantown, West Virginia.
Rose City, Capitol and Thompson’s are operated as divisions of Stationers.

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

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

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

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

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

On June 18, 2003, the Company acquired certain assets of Contract Business Interiors ("CBI") of Wheeling, West Virginia pursuant to acceptance by the U.S. Bankruptcy Court for the Northern District of West Virginia. As a result of this transaction, the Company also assumed certain customer deposit liabilities in the ordinary course of business. The operations of CBI were moved to Morgantown, West Virginia in June 2012 and were consolidated into an existing facility.

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

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

On September 7, 2004, the Company acquired all the issued and outstanding capital stock of Syscan Corporation ("Syscan"), a West Virginia corporation, for a gross cash price of $3,500,000 and a contingent purchase price, dependent upon satisfaction of certain conditions, not to exceed the amount of $1,500,000. At closing, after considering the cash received in the transaction, the acquisition of a building and acquisition costs, the net assets acquired totaled approximately $2,688,000. On December 14, 2006, the Company satisfied the contingent purchase price for a payment of $1,350,725.

On September 14, 2007, the Company completed, pursuant to an asset purchase agreement, the acquisition of The Herald-Dispatch daily newspaper in Huntington, West Virginia, through a newly formed subsidiary Champion Publishing, Inc. The purchase price was $77.0 million and subject to a working capital payment of $837,554 plus or minus any change in working capital from the index working capital base of $1,675,107 at the closing date of September 14, 2007. The working capital payment totaled approximately $1.6 million. In July of 2013 the Company sold substantially all of the newspaper related operations of the Herald-Dispatch and retained the commercial printing and label operations.

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

BUSINESS

The Company's printing services range from the simplest to the most complex jobs, including business cards, books, tags, labels, brochures, posters, 4- to 6-color process printing and multi-part, continuous and snap-out business forms. The Company's state-of-the-art equipment enables it to provide computerized composition, art design, paste-up, stripping, film assembly and color scanner separations. Included within our print segment are fulfillment services to our customers which encompass warehousing, distribution, and reporting services. The Company also offers complete bindery and letterpress services. The printing operations contributed $36.5 million, $37.4 million, and $42.7 million or 59.5%, 58.8%, and 59.0% of the Company's total revenues for the fiscal years ended October 31, 2015, 2014 and 2013.

The Company provides a full range of office products and office furniture and also offers office design services. In addition, the Company offers a broad line of general office products through major wholesalers' national catalogs. The Company also has Internet e-commerce sites, which allow customers to order office products, furniture and forms online. The e-commerce sites include the office products and office furniture catalog, which is customized specifically for each customer requesting Internet e-commerce access. These sites include www.stationers-wv.com and www.cbiwv.com. In addition, the Company offers customized on-line forms management solutions through http://printwithchampion.com. The Company is a member of a major office products purchasing organization. Members benefit from volume discounts, which permit them to offer competitive prices and improve margins. The Company's office furniture business focuses on the budget to middle price range lines, although upscale lines are offered as well. Office products, office furniture and office design operations contributed $24.8 million, $26.1 million, and $29.7 million, or 40.5%, 41.2%, and 41.0% of the Company's total revenues for the fiscal years ended October 31, 2015, 2014 and 2013.

ORGANIZATION

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

Commercial Printing

Our commercial printing divisions are located in Huntington, Charleston and Parkersburg, West Virginia and Baton Rouge, Louisiana. Each has a sales force, a customer service operation and a pre-press department that serve the customers in their respective geographic areas. Although each customer's interface is solely with its local division's personnel, its printing job may be produced at another division using the equipment most suited to the quality and volume requirements of the job. In this way, for example, Champion can effectively compete for high quality process color jobs in Charleston by selling in Charleston, printing in Parkersburg and binding in Huntington. The full range of printing resources is available to customers in the entire market area without Champion having to duplicate equipment in each area.

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

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

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

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

Chapman Printing in Parkersburg, West Virginia is a mid-sized commercial printer with full digital pre-press and full color separations, five and six color presses up to 28" x 40", full bindery, digital color press, and office product sales.

Champion Graphic Communications in Baton Rouge, LA is a mid-sized commercial printer with full digital pre-press, one to six color presses up to 26" x 40", full bindery featuring automated saddle stitching and perfect binding, office product sales, and warehousing and fulfillment services.

Office Products, Office Furniture and Office Design

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

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

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

PRODUCTS AND SERVICES

Printing Services

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

Division	Sales & Customer Service	Pre-Press	Sheet Printing	Rotary Printing	Full Color	Output Solutions
Chapman Printing - Huntington	*	*	*	*		
Chapman Printing - Charleston	*	*				
Champion Output Solutions	*					*
Chapman Printing - Parkersburg	*	*	*		*	
Champion Graphic Communications	*	*	*		*	
U.S. Tag & Ticket Company	*	*		*		
River Cities Printing	*	*	*	*		

* Services Provided

Office Products, Office Furniture and Office Design

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

MANUFACTURING AND DISTRIBUTION

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

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

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

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

CUSTOMERS

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

For the twelve month period ended October 31, 2015, the Company had one customer that made up approximately 10.5% of its consolidated revenues. This customer is a publicly traded Fortune 500 company that we believe to be in good financial condition and that will remain so for the foreseeable future. The loss of this customer would have a material impact on the Company’s operations. Otherwise, no single customer contributed more than 3.2% of the Company’s consolidated revenues for fiscal 2015. During the fiscal years ended October 31, 2014, and 2013, no single customer accounted for more than 10.7% of the Company’s total revenues.

SUPPLIERS

The Company has not experienced difficulties in obtaining materials in the past and does not consider itself dependent on any particular supplier for supplies. The Company must maintain trade credit availability to operate. The Company has been able to maintain substantial trade credit availability.

COMPETITION

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

Champion's printing competitors are numerous and range in size from very large national companies with substantially greater resources than the Company to many smaller local companies.

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

ENVIRONMENTAL REGULATION

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

GEOGRAPHIC CONCENTRATION AND ECONOMIC CONDITIONS

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

SEASONALITY

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

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

EMPLOYEES

On October 31, 2015, the Company had approximately 316 employees.

EXECUTIVE OFFICERS OF CHAMPION		Position and offices with Champion;
Name	Age	Principal occupation or employment last five years
Marshall T. Reynolds	79	Chief Executive Officer and Chairman of the Board of Directors of the Company from December 1992 to present; President of the Company December 1992 to September 2000; President and General Manager of Harrah and Reynolds, predecessor of the Company from 1964 (and sole shareholder from 1972 to present) to 1993; Chairman of the Board of Directors of River City Associates Inc. (owner of the Pullman Plaza Hotel) since 1989; Chairman of the Board of Directors of Broughton Foods Company from November 1996 to June 1999; Director (from 1983 to November 1993) and Chairman of the Board of Directors (from 1983 to November 1993) of Banc One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.).
Justin T. Evans	30	Senior Vice President and Chief Financial Officer of the Company since April 2014; Chief Risk Officer of First Guaranty Bank (Hammond, LA)

	from March 2014 to April 2014; Director of Financial Reporting and Senior Accountant of First Guaranty Bancshares, Inc. from May 2013 to April 2014; Served in various finance and accounting capacities from May 2009 to May 2013.

ITEM 1A - RISK FACTORS

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

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

The Company's operations and prospects are dependent in large part on the continued efforts of Marshall T. Reynolds. The loss of Mr. Reynolds could have an adverse effect on the Company. In addition, by virtue of Mr. Reynolds' ownership of Company common stock, Mr. Reynolds will continue to significantly influence our operations. As of October 31, 2015, Marshall T. Reynolds and his affiliated entities, including The Harrah and Reynolds Corporation ("Harrah and Reynolds"), held 6,067,742 shares (53.7%) of the common stock of the Company prior to the effect of the issuance of stock warrants. Mr. Reynolds and Harrah and Reynolds have pledged a large portion of these shares as collateral to secure loans made to Mr. Reynolds or Harrah and Reynolds in the ordinary course of business by several commercial banks. Any disposition of such pledged shares upon a default by Mr. Reynolds or Harrah and Reynolds under such loans could result in a change in control of the Company. Mr. Reynolds has also received warrants from the Previous Secured Lenders to purchase 30% of the then issued and outstanding common stock of the Company, on a fully diluted, post-exercise basis. Based on the 11,299,528 shares of company common stock currently issued and outstanding, exercise in full of the warrants would result in the issuance of 4,842,654 shares.

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

We have a significant amount of indebtedness. The Company’s October 2014 Credit Agreement has a maturity of April 1, 2017, and is collateralized by substantially all of our assets.

The Company must maintain trade credit availability to operate. The Company has generally been able to maintain substantial trade credit availability to date.

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

Tightening of credit availability could restrict the Company's ability to finance significant transactions and also limit its ability to refinance its existing capital structure or to fund its current operation pursuant to the terms of the Company's applicable credit agreements. The Company's credit facilities under the October 2013 Credit Agreement mature on April 1, 2017.

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

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

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

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

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

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

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

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

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

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

The Company has historically grown through a combination of organic growth and acquisitions. It is critical that the Company achieve the anticipated benefits of acquisitions. The integration of companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of acquired businesses may also require the dedication of significant management resources, which may temporarily shift senior management's attention from the other day-to-day operations of the Company. Our strategy is, in part, predicated on our ability to realize cost savings and to increase revenues through the acquisition of businesses that strategically enhance our capabilities and services. The Company has made no significant acquisitions since 2007, and has sold, combined, or discontinued many operating divisions in the last several years.

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

Our success depends, in part, on our general ability to attract, develop, motivate and retain highly skilled employees. The loss of a significant number of our employees or the inability to attract, hire, develop, train and retain additional skilled personnel could have a material adverse effect on us. We currently operate in several locations with geographic diversity. Individual locations may encounter strong competition from other employers for skilled labor.

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

We employ no employees who are covered by collective bargaining agreements. If our employees were to engage in a concerted strike or other work stoppage, or if our employees were to become unionized, we could experience a disruption of operations, higher labor costs or both.

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

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

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

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

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

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

We are dependent on the markets utilizing printed materials in lieu of alternative media.

Electronic delivery of documents and data offers alternatives to traditional printed documents. The extent to which electronic formats will gain acceptance is uncertain and difficult to predict but as digital alternatives replace or reduce the need for traditional printed materials, the sales of the Company's printed products will be adversely affected.

We may be adversely affected by regulatory and tax requirements.

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

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

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

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

Our operating results depend on the relative strength of the economy. Softness in the U.S. economy, or the local economies in the markets in which we serve, could significantly impact our revenue.

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

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

We may incur Additional Non-Cash Impairment Charges.

At October 31, 2015 the Company had $2.3 million of goodwill and other intangible assets. In 2013, 2012, 2011 and 2009, we recorded substantial impairment charges to reduce the value of certain of these assets. Should general economic, market or business conditions decline further, and continue to have a negative impact on our stock price or projected future cash flows, we may be required to record additional impairment charges in the future. See Item 7, “Critical Accounting Policies Involving Significant Estimates”, included herein, for additional information on the risks associated with such assets.

Cyber security risks could harm our ability to operate effectively.

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

ITEM 2 - PROPERTIES

The Company conducts its operations primarily from eleven (11) different physical locations, eight (8) of which are leased and four (4) of which are owned in fee simple by Company subsidiaries (one of which is classified as held for sale). The Company does not anticipate any issues regarding the renewal of certain leases when the terms expire. The properties leased and certain of the lease terms are set forth below and may be subject to periodic adjustments based on the consumer price index:

Property	Division Occupying Property	Square Feet	Annual Rental	Expiration Of Term
2450 1st Avenue Huntington, West Virginia (1)	Chapman Printing-Huntington, River Cities Printing, US Tag	85,000	$116,400	Monthly
615-619 4th Avenue Huntington, West Virginia (1)	Stationers	59,641	21,600	Monthly
405 Ann Street Parkersburg, West Virginia (1)	Chapman Printing - Parkersburg	36,614	57,600	Monthly
2800 Lynch Road Evansville, Indiana (1) (2)	Smith & Butterfield	20,029	77,500	2020
3000 Washington Street Charleston, West Virginia (1)	Chapman Printing-Charleston	37,710	150,000	Monthly
953 Point Marion Road Morgantown, West Virginia (1)	Chapman Printing-Charleston	11,000	119,820	2017
120 Hills Plaza Charleston, West Virginia (3)	Champion Output Solutions	22,523	135,132	2019
Route 2 Industrial Lane Huntington, West Virginia (1)	Chapman Printing, River Cities Printing, Stationers	35,000	144,000	Monthly

(1) Lease is “triple net”, whereby the Company pays for all utilities, insurance, taxes, repairs and maintenance and all other costs associated with properties.
(2) Lease is gross to the extent it excludes taxes and insurances during the lease term.
(3) Lease is gross to the extent it excludes taxes and insurance during the initial lease term. The Company has renewal options through 2024 at various rates and the lease essentially converts to a triple net lease in the renewal period.

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

The Bourque Printing subsidiary owns, and operates from, a single-story building of approximately 42,693 square feet at 10848 Airline Highway, Baton Rouge, Louisiana.

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

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

The Company believes its production facilities are suitable and adequate to meet current production needs.

ITEM 3 - LEGAL PROCEEDINGS

From time to time, our Company is involved in litigation relating to claims arising out of its operations in the normal course of business. We maintain insurance coverage against certain types of potential claims in an amount which we believe to be adequate, but there is no assurance that such coverage will in fact cover, or be sufficient to cover, all potential claims.

ITEM 4 - RESERVED

PART II

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

Champion Industries, Inc. stock trades on the OTC Market under the symbol "CHMP".

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

	Fiscal Year 2015		Fiscal Year 2014	
	High	Low	High	Low
First quarter	$0.37	$0.14	$0.72	$0.35
Second quarter	0.32	0.20	0.62	0.35
Third quarter	0.43	0.25	0.50	0.25
Fourth quarter	0.50	0.21	0.34	0.22

At the close of business on January 8, 2016, there were 346 shareholders of record of Champion Industries, Inc. common stock. The shareholders of record are determined by the Company’s transfer agent.

The Company has not paid dividends on its common stock in any of the previous three years.

ITEM 6 - SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2015, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31, 2015	2014	2013(3)	2012(2) (Restated)	2011(1)
	(In thousands, except share and per share data)				
OPERATING STATEMENT DATA:					
Revenues:					
Printing	$ 36,454	$37,377	$42,670	$52,174	$ 52,064
Office products and office furniture	24,831	26,145	29,653	34,976	34,546
Total revenues	61,285	63,522	72,323	87,150	86,610
Cost of sales:					
Printing	27,810	28,366	30,373	37,810	37,748
Office products and office furniture	18,293	19,197	21,043	24,936	24,521
Total cost of sales	46,103	47,563	51,416	62,746	62,269
Gross profit	15,182	15,959	20,907	24,404	24,341
Selling, general and administrative expense	15,393	16,213	19,910	23,742	21,579
Restructurings / asset impairments costs	-	-	2,271	357	652
(Loss) income from operations	(211)	(254)	(1,274)	305	2,110
Other income (expense):					
Interest expense - related party	(82)	(82)	(82)	(58)	(65)
Interest expense	(775)	(1,056)	(4,204)	(3,112)	(2,944)
Gain on early extinguishment of debt to a related	-	-	-	-	1,338

party					
Gain on debt forgiveness	-	-	11,118	-	-
Other (expense) income	(31)	260	(32)	(13)	50
(Loss) income from continuing operations before income taxes	(1,099)	(1,132)	5,526	(2,878)	489
Income tax (expense) benefit	(92)	-	105	(11,727)	(211)
Net (loss) income from continuing operations	(1,191)	(1,132)	5,631	(14,605)	278
Net (loss) income from discontinued operations	-	-	83	(8,713)	(4,254)
Net (loss) income	$ (1,191)	$ (1,132)	$ 5,714	$ (23,318)	$ (3,976)
(Loss) earnings per share:					
Basic					
Continuing operations	$ (0.11)	$ (0.10)	$ 0.50	$ (1.29)	$ 0.03
Discontinued operations	-	-	0.01	(0.77)	(0.41)
	$ (0.11)	$ (0.10)	$ 0.51	$ (2.06)	$ (0.38)
Diluted					
Continuing operations	$ (0.11)	$ (0.10)	$ 0.35	$ (1.29)	$ 0.03
Discontinued operations	-	-	0.01	(0.77)	(0.41)
	$ (0.11)	$ (0.10)	$ 0.36	$ (2.06)	$ (0.38)
Weighted average common shares outstanding:					
Basic	11,300,000	11,300,000	11,300,000	11,300,000	10,362,000
Diluted(4)	11,300,000	11,300,000	16,114,000	11,300,000	10,362,000

Notes (1) - (4) reflective of continuing operations and discontinued operations.

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

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

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

(4) Any shares issued from exercised warrants would be antidilutive for net loss years. See Note 11 to the Consolidated Financial Statements for more information on the outstanding warrants.

	At October 31, 2015	2014	2013	2012 (Restated)	2011
	(in thousands)				
BALANCE SHEET DATA:					
Cash and cash equivalents/negative book cash balances	$ 541	$ 818	$ 1,429	$ 1,845	$ (1,154)
Working capital (deficit) (1)	1,805	(5,862)	5,702	(13,586)	(31,538)
Current debt, net of discount	4,445	13,324	439	17,326	32,694
Total assets	22,927	24,008	27,531	47,967	82,024
Long-term debt (net of current portion) (2)	8,809	157	12,053	2,652	431
Shareholders' equity (deficit)	2,014	3,205	4,337	(1,377)	20,928

(1) At October 31, 2014 and 2012, the Company had $13.3 million and $17.3 million, respectively, classified as current due to its contractual maturity. 2011 includes $33.0 million of long-term debt reclassified to current debt due to the Company's inability to remain in compliance with various financial covenants in 2011. These amounts are inclusive of debt allocated to discontinued operations.

(2) Includes non-current borrowings under the Company's credit facilities. Includes the revolving line of credit (term and revolver, net of current portion) for years prior to 2013; in 2011 $33.0 million of long-term debt was reclassified to current debt, see (1) above. For 2014, due to the April 2015 maturity the term debt is classified as current and included in working capital. For 2012, due to the June 2013 maturity of the revolving line of credit and term debt, it is classified as current and included in working capital. For 2011, due to the September 2012 maturity of the revolving line of credit, it is classified as current and included in working capital. These amounts are inclusive of debt allocated to discontinued operations.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Champion Industries, Inc. is a business solutions provider specializing in commercial printing, business forms manufacturing and office products and office furniture in regional markets east of the Mississippi River. The Company has historically grown through strategic acquisitions and internal growth. After a period of difficult times, the Company has diligently built with the future in mind; this includes maintaining the existing talent at the Company in addition to bringing in new talent with fresh perspectives. As we recover, we look to continue the tradition of internal growth by increasing existing business and adding new product lines, and external growth through acquisition.

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, and data products and office design services. At the end of fiscal 2015 the Company added a wide format printing line to its product offerings; which includes signage, banners, displays, window clings, wall coverings and printing on materials up to two inches thick and dimensions of 5feet x10 feet. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

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

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

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company’s significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. The discussion and analysis of the financial statements and results of operations are based upon the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company’s more significant judgments and estimates used in the preparation of the Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

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

In applying the requirements of SAB No. 108, the Company determined that the warrants issued as a result of the Restated Credit Agreement (see Note 3) were freestanding financial instruments and classified these as a component of shareholders' equity. The warrants were initially deemed to be non-deductible for tax purposes. Therefore the Company had recorded a deferred tax liability in 2012. The Company subsequently determined that the deferred tax liability associated with the warrant issuance should be reflected as an increased tax rate over the term of the debt discount amortization if the warrants were not deductible for tax purposes. Accordingly, the Company's deferred tax asset valuation allowance would increase as a result of the equity classification. Therefore, for 2012, the Company identified approximately $0.4 million or $0.04 per share from continuing operations of non-cash deferred tax adjustments. Correspondingly the Company's additional paid-in capital was increased $0.4 million and deferred tax liability was decreased $0.4 million. In 2013, the Company determined that the warrants for tax purposes should be treated as original issue discount and be tax deductible and amortized over the life of the Restated Credit Agreement.

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

The Company believes that the accounting estimate related to asset impairment is a “critical accounting estimate” because it is highly susceptible to change from period to period, because it requires management to make assumptions about future cash flows over future years and because the impact of recognizing impairment could have a significant effect on operations. Management’s assumptions about future cash flows require significant judgment because actual operating levels have fluctuated in the past and are expected to continue to do so in the future.

In accordance with GAAP, a two-step impairment test, preceded by a “step zero” qualitative assessment, is performed on goodwill. The qualitative assessment considers macroeconomic conditions, industry and market outlook, cost factors, financial performance, and other entity specific information to determine if it is not more likely than not that goodwill is impaired. If it is determined from the qualitative assessment that it is not more likely than not that goodwill is impaired, then the two step procedure is not necessary. In the first step of the quantitative assessment, a comparison is made of the fair value of the reporting unit to its carrying value. If the carrying value of a reporting unit exceeds the estimated fair value, the second step, which compares implied fair value of the reporting unit with its carrying value using methods common in business combinations, is required.

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

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

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

During the first quarter of 2013 as part of a process of addressing the Company’s debt status with its Previous Secured Lenders as well as first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. The Company as part of this process identified at least one customer in the printing segment from which it anticipated a substantial revenue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted for the printing segment.

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

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

In the fourth quarter of 2015 the Company performed its annual assessment of the remaining indefinite-lived intangible assets of goodwill associated with the office products and office furniture segment. The Company skipped step "zero" and performed the two-step quantitative assessment as prescribed by ASC 350. Step 1 of the impairment test used a discounted cash flow model based on income of the office products and office furniture reporting unit to compare fair value to the unit's carrying value. After consideration of the Step 1 results, the Company's Management felt that the discounted cash flow model was not indicative of value that would be exchanged in an arm's length transaction. Given this, Step 2 of the quantitative assessment was performed. Step 2 compares the implied fair value of the reporting unit to its carrying value to determine impairment using methods common in business combinations. After considering the results of Step 2, the Company's management determined that no impairment of the office products and office furniture reporting unit's goodwill existed at October 31, 2015. The Company's Management will continue to monitor this reporting unit's performance and will test for impairment as warranted. Further declines in revenue and income could ultimately require impairment charges to be incurred that would be material to the Company's financial position and results of operation to the extent of the carrying amount of goodwill.

Revenue Recognition: Revenues are recognized when products are shipped or ownership is transferred and when services are rendered to customers. The Company acts as a principal party in sales transactions, assumes title to products and assumes the risks and rewards of ownership including risk of loss for collection, delivery or returns. The Company typically recognizes revenue for the majority of its products upon shipment to the customer and transfer of title. Under agreements with certain customers, custom forms may be stored by the Company for future delivery. In these situations, the Company may receive a logistics and warehouse management fee for the services provided. In these cases, delivery and bill schedules are outlined with the customer and product revenue is recognized when manufacturing is complete and the product is received into the warehouse, title transfers to the customer, the order is invoiced and there is reasonable assurance of collectability. Since the majority of products are customized, product returns are not significant. Therefore, the Company records sales on a gross basis. Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to government authorities. The costs of delivering finished goods to customers are recorded as shipping and handling costs and included in cost of sales of the printing segment. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2015, 2014, and 2013 and are recorded as a component of selling, general, and administrative costs.

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

The Company believes that the accounting estimate related to income taxes is a "critical accounting estimate" because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the Consolidated Financial Statements.

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

The Company believes that the accounting estimate related to the allowance for doubtful accounts is a “critical accounting estimate” because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital.

During 2015 and 2014 the Company recorded a net recovery of $37,420 and $64,406, respectively, compared to bad debt expense for 2013 of $143,989. The net recovery in 2015 was due to recoveries that offset provisions for bad debt, and the net recovery in 2014 was due to a $0.2 million change in estimate that was partially offset by bad debt expenses recorded for the year. The allowance for doubtful accounts was $531,090, $687,844 and $972,778, as of October 31, 2015, 2014 and 2013, respectively. The actual write-offs for the periods were $119,384, $220,528 and $184,105, during 2015, 2014 and 2013. The actual write-offs occur when it is determined an account will not be collected. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

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

RESULTS OF OPERATIONS

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

	Year Ended October 31, ($ In thousands)					
	2015		2014		2013	
Revenues:						
Printing	$ 36,454	59.5 %	$ 37,377	58.8%	$ 42,670	59.0%
Office products and office furniture	24,831	40.5	26,145	41.2	29,653	41.0
Total revenues	61,285	100.0	63,522	100.0	72,323	100.0
Cost of sales:						
Printing	27,810	45.4	28,366	44.7	30,373	42.0
Office products and office furniture	18,293	29.8	19,197	30.2	21,043	29.1
Total cost of sales	46,103	75.2	47,563	74.9	51,416	71.1
Gross profit	15,182	24.8	15,959	25.1	20,907	28.9
Selling, general and administrative	15,393	25.1	16,213	25.5	19,910	27.5

expenses:						
Restructuring / asset impairment costs	-	-	-	-	2271	3.1
(Loss) income from operations	(211)	(0.3)	(254)	(0.4)	(1,274)	(1.7)
Other income (expense):						
Interest expense - related party	(82)	(0.1)	(82)	(0.1)	(82)	(0.1)
Interest expense	(775)	(1.3)	(1,056)	(1.7)	(4,204)	(5.8)
Gain on debt forgiveness	-	-	-	-	11,118	15.4
Other (loss) income	(31)	(0.1)	260	0.4	(32)	(0.0)
(Loss) income from continuing operations before income taxes	(1,099)	(1.8)	(1,132)	(1.8)	5,526	7.8
Income tax benefit (expense)	(92)	(0.1)	-	-	105	0.1
Net (loss) income from continuing operations	(1,191)	(1.9)	(1,132)	(1.8)	5,631	7.9
Net income from discontinued operations	-	-	-	-	83	0.1
Net (loss) income	$ (1,191)	(1.9)%	$ (1,132)	(1.8)%	$ 5,714	8.0%

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Year Ended October 31, 2015 Compared to Year Ended October 31, 2014

Revenues

Consolidated net revenues were $61.3 million for the year ended October 31, 2015 compared to $63.5 million in the prior fiscal year. This change represents a decrease in revenues of approximately $2.2 million, or 3.5%. Printing revenues decreased by $0.9 million from $37.4 million in 2014 to $36.5 million in 2015. Office products and office furniture revenue decreased $1.3 million or 5.0% from $26.1 million in 2014 to $24.8 million in 2015.

The printing revenue reduction is principally due to certain price concessions and specific customer's usage that was down when compared to 2014; as well as one specific customer that was billed for stocked inventory in 2014 that did not do business with the Company in 2015. We do not expect further price concessions for this customer in the near term, but the effects of this will have an impact on sales in fiscal 2016. This should be offset by volume growth from this customer in addition to new accounts the Company added in late fiscal 2015. The Company also made cost reductions to help offset the impact of these specific price concessions. The Company also increased printing sales to some existing customers and does not anticipate printing sales as a whole to decline further in the near term.

The decrease in revenues for the office products and office furniture segment was primarily attributable to lower office furniture sales and office product related sales. These reductions were in part due to variances in design and furniture sales; which can vary from year to year given the nature of the business, and due to customer specific turnover and decreased usage at three of the Company's Office Supply Office Furniture divisions. This comes from an increased competitive landscape from "big box" retailers. The Company is taking action to combat this through its professional and personal service as well as undertaking projects to enhance the Company's ecommerce capabilities. For the Office Supply and Office Furniture segment as a whole, we do not anticipate further sales declines in the near term.

Cost of Sales

Total cost of sales for the year ended October 31, 2015 was $46.1 million, compared to $47.6 million in the previous year. This change represented a decrease of $1.5 million, or 3.1%, in cost of sales.

Printing cost of sales decreased $0.6 million to $27.8 million in 2015 compared to $28.4 million in 2014. Printing cost of sales as a percentage of printing sales increased to 76.3% as a percentage of printing sales in 2015 from 75.9% in 2014. The dollar decrease in printing cost of sales was attributable to the decrease in printing sales. As a percentage of printing sales the increase is due to slightly lower margins on specific customer accounts, in addition to the allocation of overhead to cost of sales remaining level year over year.

Office products and office furniture cost of sales decreased $0.9 million to $18.3 million in 2015 from $19.2 million in 2014. The decrease in office products and office furniture cost of sales is primarily attributable to lower office furniture and office product related sales. Office products and office furniture cost of sales as a percent of office products and office furniture sales was relatively flat in 2015, increasing slightly from 73.4% in 2014 to 73.7% in 2015.

Operating Expenses and Income

Selling, general and administrative ("SG&A") expenses decreased $0.8 million to $15.4 million in 2015 from $16.2 million in 2014. SG&A as a percentage of net sales represented 25.1% and 25.5% of sales in 2015 and 2014, respectively. The decrease in SG&A in dollars and as a percentage of sales was primarily reflective of lower payroll, professional, insurance, depreciation, and information technology expenses. These decreases were slightly offset by higher repair and maintenance costs.

The loss from operations for the twelve months ended October 31, 2015 was $0.2 million compared to $0.3 million for the same period a year ago.

Segment Operating (Loss) Income

The printing segment reported an operating income of $0.1 million for 2015 compared to an operating loss of $0.4 million in 2014. The increase in operating profit was attributable to decreased costs including payroll, insurance, professional, and depreciation expenses. These expenses were partially offset by higher repair and maintenance costs.

The office products and office furniture segment reported an operating loss of $0.3 million in 2015, compared to operating income of $0.1 million in 2014. This decrease is primarily the result of decreased sales with no corresponding decrease in overhead costs.

Other Income (Expense)

Other income (expense) was a net expense of $0.9 million in 2015 and 2014. Other income (expense) includes interest expense and other income. Interest expense decreased approximately $0.3 million to $0.9 million in 2015 from $1.1 million in 2014 primarily due to the payment of the $0.5 million premium on the 2013 credit agreement which was paid upon maturity, and no longer amortized to interest expense, in April 2015. Other income was $0.3 million in 2014 compared a net other expense in 2015 of $31,000. In 2014 the Company sold a building and recognized a gain of $0.2 million while in 2015 the Company wrote off certain leasehold improvements totaling $0.1 million associated with the move an Office Supply and Office Furniture division to a new facility. This write-off was only partially offset by slight gains on asset disposals.

Income Taxes

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability. During the third quarter of 2015, the Company finalized its position, on its 2014 income tax liability, after researching applicable Alternative Minimum Tax ("AMT") rules and determined it owed $92,000 in federal income taxes. The $92,000 tax liability was paid in the third quarter of 2015. AMT taxes paid can be carried forward as a credit against future regular taxable income. As the Company has a full valuation against any deferred tax assets, the $92,000 paid in the third quarter of 2015 is shown as an income tax expense on the Company's fiscal 2015 income statement due to an increase in the Company's valuation allowance in a like amount of the $92,000 tax payment.

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. The Company had determined that a full valuation allowance against deferred tax assets was still warranted at October 31, 2015. The amount of deferred tax asset considered realizable could be adjusted in future periods and such adjustments may be material to the Consolidated Financial Statements. See Note 5 to the Consolidated Financial Statements for more information on income taxes.

Net Loss

For the reasons set forth above, the Company recorded a net loss of $1.2 million in 2015 compared to a net loss of $1.1 million in 2014.

Year Ended October 31, 2014 Compared to Year Ended October 31, 2013

Revenues

Consolidated net revenues were $63.5 million for the year ended October 31, 2014 compared to $72.3 million in the prior fiscal year. This change represents a decrease in revenues of approximately $8.8 million. Printing revenues decreased by $5.3 million from $42.7 million in 2013 to $37.4 million in 2014. Office products and office furniture revenue decreased $3.5 million or 11.8% from $29.7 million in 2013 to $26.1 million in 2014.

The printing revenue reduction is principally due to lingering effects of general market and economic conditions over the last several years as well as certain customer specific turnover, sales and other personnel turnover that were prompted by various restructuring actions required by the Previous Secured Lenders.

The decrease in revenues for the office products and office furniture segment was primarily attributable to lower office furniture sales and office product related sales. The reductions mirrored, in part, the reasons for the sales reductions in the printing segment. The Company was notified by the State of West Virginia on May 31, 2013 that it was cancelling the Company's state contract for office furniture, panel systems, chairs, etc. effective July 1, 2013. This was due, the Company believes, as part of an overall review of all secondary bid contracts within the state and was not a specific action against the Company and was related to numerous product categories and services. The secondary bid process has historically allowed state agencies to buy products and services quickly, bypassing formal and comprehensive competitive bid purchasing protocols. This change has not precluded the Company from selling office furniture to state agencies but this did have an impact on our revenue for the office products and furniture segment.

Cost of Sales

Total cost of sales for the year ended October 31, 2014 was $47.6 million, compared to $51.4 million in the previous year. This change represented a decrease of $3.9 million, or 7.5%, in cost of sales.

Printing cost of sales decreased $2.0 million to $28.4 million in 2014 compared to $30.4 million in 2013. Printing cost of sales as a percentage of printing sales increased to 75.9% as a percent of printing sales in 2014 from 71.2% in 2013. The dollar decrease in printing cost of sales was attributable to the decrease in printing sales. As a percentage of printing sales the increase is due to lower sales while maintaining a similar level of overhead which is allocated to cost of sales, competitive effects on rate of sales, and cost increases of raw materials, particularly paper.

Office products and office furniture cost of sales decreased $1.8 million to $19.2 million in 2014 from $21.0 million in 2013. The decrease in office products and office furniture cost of sales is primarily attributable to lower office furniture sales followed by office product related sales. Office products and office furniture cost of sales as a percent of office products and office furniture sales increased in 2014 from 71.0% in 2013 to 73.4% in 2014. The increase in costs as a percentage of sales for our office products and furniture segment is due to higher costs as a percentage of sales of office furniture. Given that the largest portion of our furniture sales are from our Capitol Business Interiors division, and the specialized nature of its operations, relatively small fluctuations may occur from year to year.

Operating Expenses and Income

Selling, general and administrative ("SG&A") expenses decreased $3.7 million to $16.2 million in 2014 from $19.9 million in 2013. S,G&A as a percentage of net sales represented 25.5% and 27.5% of sales in 2014 and 2013, respectively. The decrease in SG&A in dollars and as a percentage of sales was primarily reflective of lower professional fees incurred by the Company associated with various credit actions and restructuring plans when compared to 2013.

Segment Operating (Loss) Income

The printing segment reported an operating loss of $0.4 million for 2014 and $2.2 million in 2013. The decrease in operating loss was primarily attributable to a $2.2 million pre-tax goodwill impairment charge taken in 2013.
The office products and office furniture segment reported operating profits of $0.1 million, in 2014, compared to $1.0 million, in 2013. This decrease is primarily the result of lower gross profit contribution on reduced sales partially offset by lower selling, general, and administrative expenses. The sales reductions were primarily associated with furniture sales followed by office products related sales.

Other Income (Expense)

Other income (expense) decreased approximately $7.7 million from income of $6.8 million in 2013 to an expense of $0.9 million in 2014. This is primarily due to a pre-tax gain on debt forgiveness in the fourth quarter of 2013 of $11.1 million resulting from the terms of the October 2013 Credit Agreement.

Interest expense decreased approximately $3.1 million primarily due to lower total debt as well as reduced fees and debt discount amortization when compared to 2013.

Income Taxes

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the four-year period ended October 31, 2014 and over an eight-year period ended October 31, 2014. However, when these losses are adjusted for certain aberrations, rather than continuing conditions, the Company is able to represent that cumulative losses are not present in either the four year look back period or the eight year look back period.

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company determined in the second quarter of 2012 that, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a substantial increase in interest rates and fees coupled with the uncertainty regarding future interest rate increases that the Previous Secured Lenders may impose on the Company that a full valuation allowance of the Company's deferred tax assets, net of deferred tax liabilities, is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. As a result of the Restated Credit Agreement entered into on October 19, 2012, the Company reassessed its valuation allowance and determined that the relative short term maturity of the Restated Credit Agreement coupled with the increase in interest rates indicated that a full valuation was warranted at October 31, 2012. As a result of the October 2013 Credit Agreement entered into on October 7, 2013 the Company reassessed it's previous determination regarding its valuation allowance and determined that a full valuation was warranted. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation. The amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a reassessment of our credit position, and such adjustments may be material to the Consolidated Financial Statements.

The Company’s effective tax rate for continuing operations for 2014 was 0.0% compared to a benefit of 1.9% in 2013 and an expense of (407.5)% for 2012. The primary difference in tax rates between 2013 and 2012 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of an incremental $0.8 million in the third and four5.0th quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets. The Company recorded a tax benefit from continuing operations in 2013 resulting from the application of certain provisions of ASC 740 regarding implications of intra-period tax allocations for discontinued operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis.

The Company did not pay or was not refunded any income taxes for the years ended October 31, 2014, 2013 or 2012. See Note 5 to the Consolidated Financial Statements for more information on income taxes.

Net (Loss) Income (Continuing Operations)

For the reasons set forth above, the Company recorded a net loss of $1.1 million in 2014 compared to net income from continuing operations of $5.6 million in 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company incurred substantial indebtedness as a result of the acquisition of The Herald-Dispatch in September of 2007. The country entered a recession in December of 2007 and the residual effects of the recession have continued within the former newspaper and the printing segments of the Company. The debt was structured as a cash flow credit, which typically indicates that the primary repayment source for debt will be income from operations in lieu of a collateral based loan. The Company had continued to service its debt and has made every scheduled payment of principal and interest, including during various periods, default interest. In addition, the Company had paid substantial sums for fees to the secured lenders as well as to various advisors pursuant to applicable credit and credit related agreements. The Company had paid approximately $65.6 million in principal through September 30, 2013 to the Previous Secured Lenders. Thus, the Company had demonstrated the ability to generate cash flow and has continued to service its debt commitments under the most difficult conditions in recent history.

In the fourth quarter of 2013 the Previous Secured Lenders sold the outstanding credit commitments representing substantially all of the Company's debt to Big 4 Investments, LLC ("Big 4") a private company. As a result of this sale the Company simultaneously entered into a new credit facility with Big 4 under the terms of the October 2013 Credit Agreement; which now has a maturity of April, 2017.

In fiscal 2015 the Company was able to extend the maturity of the October 2013 Credit Agreement from its original maturity of April 1, 2015 to April 1, 2017. The Company had cash flows from operations of $1.6 million for fiscal 2015. This cash flow includes $1.7 million of depreciation and amortization recognized in fiscal 2015 in addition to deferred financing costs of $0.2 million that were amortized in to interest expense during fiscal 2015. It is important to note that, while we update our equipment as necessary and as funds are available, much of our equipment is repaired (thus expensed in the current period) and continues to be in use beyond its estimated useful life. Therefore, the depreciation recognized, and what the Company will need to realize in future replacement cost, may differ significantly. In 2015 we improved our days sales outstanding and maintained our accounts payable days outstanding at a reasonable and consistent level, and continue to monitor our working capital weekly. With these factors considered, we believe that the Company’s cash flow continues to enable us to meet our obligations and make incremental improvements to better position the Company for its future.

For fiscal 2015 the Company used $1.5 million in investing activities including new equipment (new wide format equipment $0.5 million), replacement equipment, vehicles in use of operations, and improvements to our facilities. The purchases of property and equipment were only slightly offset by cash flow from asset disposals. Again, the Company makes incremental improvements to its asset base as necessary and as funds are available.

The cash flows used in financing activities were $0.4 million. A more in depth look at these cash flows is required to better understand the Company's liquidity. The proceeds from term debt were $3.6 million while the payments of term debt were $4.0 million. This would suggest a revolving capability, which the Company does not have, but it does have an arrangement to finance certain large design and furniture jobs that allow the Company to smooth cash flow requirements for these projects. Many times these projects, ranging from $0.3 million to over $1.0 million, will require the product to be paid for up front or shortly after it is put into production, and many times we are not paid by our customer until up to 90 days after completion of the project; therefore the Company has arranged a short –term borrowing facility for these jobs to pay its vendors and earn prompt pay discounts to offset any interest incurred, and thus smooth cash flow requirements, and then remit the payments once it has been collected for the specific job. The Company has done this successfully in excess of one year. Also included in borrowings for the year is $0.6 million for new equipment and $0.6 million for vehicles; all of the new equipment purchased is for new lines of business. Included in repayments of debt is the regularly scheduled principal payments to Big 4 of $0.6 million ($50,000 principal per month), $0.5 million debt premium paid to Big 4 in April 2015, regularly scheduled principal payments on vehicle and equipment loans, and the repayment of short-term borrowings associated with large furniture projects as discussed previously.

As of October 31, 2015, the Company had a $0.5 million book cash balance. Working capital as of October 31, 2015 was $1.8 million. The working capital includes $2.5 million of debt to a shareholder that the Company intends to convert to Preferred Stock upon approval by shareholders at its Annual Meeting of Shareholders expected to be held March 21, 2016. Assuming this action is approved, the Company's working capital at October 31, 2015 would be $4.3 million.

At this time, the Company does not have a concrete plan to refinance its long term debt to Big 4 on a longer term basis. The Company will explore its options as fiscal 2016 takes shape and will develop its plan accordingly.
We have considered our revenue as an important indicator in our overall outlook. In 2015, when compared to 2014, the Company's revenue decreased 3.5%, compared to 12.2% for 2014 when compared to the same periods in 2013, and 17.0% when comparing 2013 to 2012. Given this trend, in addition to various actions taken in 2014 and 2015 by the Company's Management, we believe revenue declines continue to level off and we expect, at minimum, Fiscal 2016 sales (as a whole) to be on par with fiscal 2015. This is supported by the Company's performance through two months of fiscal 2016.

Considering these factors, as well as the Company's plans to convert $2.5 million in debt to Preferred Stock, our continued efforts to bring in talented individuals, adding new business lines, actions taken to reduce costs that will be seen in fiscal 2016, and working on improved ecommerce, marketing, and analytical capabilities, we believe the Company is well positioned, financially stable, and prepared to continue its rebuilding efforts.

The Company is also considering a potential "going dark" transaction that will relieve the Company of its Exchange Act reporting requirements. This action would be achieved by completing a reverse stock split at a ratio of 200 old shares for one new share of the Company's stock. Any fractional shares created by the reverse split would receive cash in lieu of fractional shares. This would reduce the Company's shareholders of record below the 300 shareholders of record threshold that triggers Exchange Act filings. We estimate the cost of this transaction would not exceed $150,000 and estimate savings of $220,000 annually if completed. This transaction is currently being reviewed by a special committee comprised of independent members of the Board of Directors. Upon approval by the Board of Directors, the Company will file pertinent forms and documents for SEC and shareholder review. In anticipation of completion, the Company would maintain its Annual Report, as well as quarterly updates to shareholders to keep them informed of performance, but at substantially reduced time and monetary resource burdens. See Note 14 to the Consolidated Financial Statements for more information on this proposed transaction.

As of October 31, 2015 the Company had contractual obligations in the form of leases, debt, and interest as follows:

Payments Due by Fiscal Year Contractual Obligations	2016	2017	2018	2019	2020	Residual	Total
Non-cancelable operating leases	$ 483,360	$ 423,949	$ 334,642	$ 230,098	$ 77,010	$ 32,673	$ 1,581,732
Term debt	1,929,358	8,460,619	135,770	97,644	98,352	4,157	10,725,900
Capital lease obligations	15,852	12,528	-	-	-	-	28,380
Debt discounts	-	-	-	-	-	-	-
Notes payable - related party (1)	2,500,000	-	-	-	-	-	2,500,000
Interest (2)	583,978	528,556	504,778	479,769	456,049	1,874,366	4,427,496
	$ 5,512,548	$ 9,425,652	$ 975,190	$ 807,511	$ 631,411	$ 1,911,196	$ 19,263,508

The Company believes exposure reasonably possible for current legal proceedings is not greater than $0.4 million and may be substantially lower than this amount as of October 31, 2015. The Company expenses legal fees as incurred and therefore the Company may incur legal fees to defend itself in the future and these fees may be material to the Company’s Consolidated Financial Statements in a particular period.

(1) On June 15, 2015 the Company’s Board of Directors approved the conversion of the Company’s $2.5 million related party debt to Preferred Stock equity. The Preferred Stock will pay a 6.00% or 0.00% annual dividend contingent on the Company’s income after income taxes. If the Company's income after income taxes is $1.0 million or greater, the dividend rate is 6.00%; if the Company's income after income taxes is less than $1.0 million, the dividend rate is 0.00%.

This conversion will reduce the Company’s liabilities by $2.5 million and increase its equity by $2.5 million. In addition, this conversion will reduce the Company’s annual interest expense by $0.1 million. However, contingent on the after income tax income, this conversion could trigger the payment of an annual Preferred Stock dividend of $0.2 million or zero. If the $1.0 million after income tax income target is achieved, the Company’s annual cash outflow would increase $0.1 million, or decrease $0.1 million if the $1.0 million after income tax income target is not achieved.

This conversion is pending a shareholder vote to amend the Company’s Articles of Incorporation to allow for the issuance of Preferred Stock. This will be part of the Company's definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016. The Company will continue to accrue interest on the related party debt equal to the prime rate until such conversion has been consummated.

(2) Interest is estimated based on the long-term debt to Big 4 being amortized fully at its current rate of $50,000 principal monthly, or approximately 14.6 years at October 31, 2015. The Company also assumed a certain level of borrowings in future periods for vehicle and equipment needs based on historical trends and Management's estimate of future needs. For variable rate debt, based on the prime rate of interest, the Company assumed a 25 basis point (.0025) increase in each of the next five years; actual interest expenses may be significantly different.

INFLATION AND ECONOMIC CONDITIONS

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

Our operating results depend on the relative strength of the economy on both a regional and national basis. Recessionary conditions applicable to the economy as a whole and specifically to our core business segments can have a significant adverse impact on the Company’s business.

SEASONALITY

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

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

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs and general economic factors.

NEWLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of October 31, 2015, the FASB has issued ASU's 2009-01 through 2015-16. The Company reviewed each ASU and determined that they will not have a material impact on the Company's financial position, results of operations or cash flows, other than related disclosures to the extent applicable.

In January 2015, the FASB issued ASU 2015-01, "Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items. The Company will adopt ASU 2015-01 in December, 2015. This amendment will not have a material impact on the Company's financial position, results of operation, or cash flows, but will have an impact on related presentation and disclosure to the extent applicable.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 provides guidance on simplifying the measurement of inventory. The current standard is to measure inventory at lower of cost or market; where market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. ASU 2015-11 updates this guidance to measure inventory at the lower of cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The Company will adopt ASU 2015-11 in December, 2015. This amendment is not expected to have a material impact on the Company's financial position, results of operation, or cash flows.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's debt is primarily variable rate debt and therefore the interest expense would fluctuate based on interest volatility. The Company is exposed to market risk in interest rates primarily related to our interest bearing debt based on the prime rate. The Company does not currently utilize derivative financial instruments to manage market risk.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ITEM 9A - CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Company management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-15c as of the end of the period covered by this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion. The Company's Management used the 2013 COSO Framework to evaluate the effectiveness of internal controls over financial reporting.

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

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

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

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

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

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

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

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

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

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

/s/ Justin T. Evans
Justin T. Evans
Senior Vice President and Chief Financial Officer

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to the directors and corporate governance of the Company is contained under the captions “Election of Directors”, “Meetings, Committees and Attendance”, “Section 16a Beneficial Ownership Reporting Compliance” and “Code of Ethics” in the Company’s definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference. Certain information concerning executive officers of the Company appears in “EXECUTIVE OFFICERS OF CHAMPION” at Part I of this report.

ITEM 11 - EXECUTIVE COMPENSATION

The information called for by this Item is contained under the captions "Executive Compensation" including "Compensation Discussion and Analysis", "Compensation Committee Report", "Summary Compensation Table", "Outstanding Equity Awards at Fiscal Year End" and "Director Compensation" in the Company’s definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

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

The information called for by this Item is contained under the captions “Equity Compensation Plan Information” and “Ownership of Shares” in the Company’s definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016, which will be filed pursuant to Regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

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

The information called for by this Item is contained under the captions “Transactions with Directors, Officers and Principal Shareholders” and "Meetings, Committees and Attendance" in the Company’s definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016, which will be filed pursuant to regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item is contained under the caption “Independent Auditors” in the Company’s definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016, which will be filed pursuant to regulation 14(a) of the Securities Exchange Act of 1934 and which is incorporated herein by reference.

PART IV

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

(a) (1) and (2)

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

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

3. EXHIBITS

(3)	3.1	Articles of Incorporation	Articles of Amendment to Articles of Incorporation dated December 7, 2012, filed as Exhibit 3.1 to Form 10-K dated January 21, 2013, filed on January 29, 2013, is incorporated herein by reference.
	3.2	Articles of Incorporation of Registrant	(Reflecting amendments through December 7, 2012) [For SEC reporting compliance purposes only - not filed with West Virginia Secretary of State], filed as Exhibit 3.2 to Form 10-K dated January 21, 2013, filed on January 29, 2013, is incorporated herein by reference.
	3.3	By Laws	Filed as Exhibit 3.2 to Form 10-K dated January 21, 2008, filed on January 25, 2008, incorporated herein by reference.
(4)		Instruments defining the rights	See Exhibit 3.2 above.

	of security holders, including debentures.	
4.1	Specimen Warrant Certificate	Filed as Exhibit 4.1 to Form 10-K dated January 21, 2013, filed on January 29, 2013, incorporated herein by reference.

(14)	Code of Ethics	Code of Ethics for the Chief Executive Officer, Chief Operating Officer and Chief Accounting Officer, filed as Exhibit 14 to form 10-K dated January 19, 2004, filed January 26, 2004, is incorporated herein by reference. Code of Business Conduct and Ethics, filed as Exhibit 14.2 to Form 10-K dated January 19, 2004, filed January 26, 2004, is incorporated herein by reference.	
(21)	Subsidiaries of the Registrant	Exhibit 21	Page Exhibit 21-p1
(23.1)	Consent of Arnett Carbis Toothman LLP	Exhibit 23.1	Page Exhibit 23.1-p1
(31.1)	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Marshall T. Reynolds	Exhibit 31.1	Page Exhibit 31.1-p1
(31.2)	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Justin T. Evans	Exhibit 31.2	Page Exhibit 31.2-p1
(32)	Marshall T. Reynolds and Justin T. Evans Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley act of 2002	Exhibit 32	Page Exhibit 32-p1

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

(c) Financial Statement Schedules - Filed as separate section on page F-48.

SIGNATURES

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

Champion Industries, Inc.

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

By /s/ Justin T. Evans
Justin T. Evans
Senior Vice President and Chief Financial Officer

Date: January 29, 2016

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

SIGNATURE AND TITLE	DATE
/s/ Gregory D. Adkins Gregory D. Adkins, Controller	January 29, 2016
/s/ Louis J. Akers Louis J. Akers, Director	January 29, 2016
/s/ Philip E. Cline Philip E. Cline, Director	January 29, 2016
/s/ Justin T. Evans Justin T. Evans, Senior Vice President and Chief Financial Officer	January 29, 2016
/s/ Marshall T. Reynolds Marshall T. Reynolds, Director, Chairman of the Board and Chief Executive Officer	January 29, 2016
/s/ Neal W. Scaggs Neal W. Scaggs, Director	January 29, 2016
/s/ Glenn W. Wilcox, Sr. Glenn W. Wilcox, Sr., Director	January 29, 2016

Champion Industries, Inc.
Audited Consolidated Financial Statements and Schedule
October 31, 2015

Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Champion Industries, Inc. and Subsidiaries (the “Company”) as of October 31, 2015 and 2014, and the related consolidated statements of operations, shareholders’ equity and cash flows for each of the three years in the period ended October 31, 2015. Our audits also included the financial statement schedule in the index on page F-48 as required for Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based upon our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when consolidated in relation to the basic consolidated financial statements taken as a whole, presents fairly in material respects the information set forth therein.

ARNETT CARBIS TOOTHMAN LLP

Charleston, West Virginia

January 29, 2016

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

Champion Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS	October 31, 2015	2014
Current assets:		
Cash and cash equivalents	$ 540,909	$ 818,438
Accounts receivable, net of allowance of $531,000 and $688,000	8,651,745	9,512,731
Inventories (Note 2)	3,568,665	3,969,992
Other current assets	890,165	226,307
Current portion assets held for sale (Note 10)	256,832	256,832
Total current assets	13,908,316	14,784,300
Property and equipment, at cost:		
Land	1,254,195	1,254,195
Buildings and improvements	4,676,290	4,923,113
Machinery and equipment	34,130,233	33,297,081
Equipment under capital lease	72,528	72,528
Furniture and fixtures	3,734,959	3,639,966
Vehicles	2,756,086	2,488,981
	46,624,291	45,675,864
Less accumulated depreciation	(39,911,447)	(38,991,652)
	6,712,844	6,684,212
Goodwill (Note 9)	1,230,485	1,230,485
Other intangibles, net of accumulated amortization (Note 9)	1,057,845	1,179,943
Deferred financing costs	3,040	69,644
Other assets	13,996	59,809
	2,305,366	2,539,881
Total assets	$ 22,926,526	$ 24,008,393
Current liabilities:		
Accounts payable	$4,730,286	$ 4,518,634
Accrued payroll and commissions	528,855	583,529
Taxes accrued and withheld	635,131	666,166
Accrued expenses	1,763,929	1,553,978
Debt discount (Note 3)	-	(138,520)
Notes payable (Note 3)	1,929,358	10,947,218
Notes payable - related party (Note 3)	2,500,000	2,500,000
Capital lease obligations (Note 3)	15,852	14,931
Total current liabilities	12,103,411	20,645,936
Long-term debt, net of current portion:		
Notes payable (Note 3)	8,796,542	128,690
Capital lease obligations (Note 3)	12,528	28,381
Total liabilities	20,912,481	20,803,007
Shareholders' equity:		
Common stock, $1 par value, 20,000,000 Class A voting shares authorized; 11,299,528 shares issued and outstanding	11,299,528	11,299,528
	-	-

Common Stock, Class B nonvoting stock, $1 par value, 5,000,000 shares authorized, -0- shares issued and outstanding		
Additional paid-in capital	24,279,179	24,279,179
Retained deficit	(33,564,662)	(32,373,321)
Total shareholders' equity	2,014,045	3,205,386
Total liabilities and shareholders' equity	$22,926,526	$ 24,008,393

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended October 31, 2015	2014	2013
Revenues:			
Printing	$ 36,453,663	37,377,484	$ 42,669,468
Office products and office furniture	24,831,538	26,144,856	29,653,707
Total revenues	61,285,201	63,522,340	72,323,175
Cost of sales:			
Printing	27,809,506	28,365,876	30,372,770
Office products and office furniture	18,293,475	19,197,494	21,043,755
Total cost of sales	46,102,981	47,563,370	51,416,525
Gross profit	15,182,220	15,958,970	20,906,650
Selling, general and administrative expenses	15,393,504	16,213,220	19,910,369
Asset impairments/restructuring charges	-	-	2,270,685
Loss from operations	(211,284)	(254,250)	(1,274,404)
Other (expense) income:			
Interest expense - related party	(82,378)	(82,378)	(82,378)
Interest expense	(775,299)	(1,056,019)	(4,202,774)
Gain on debt forgiveness	-	-	11,118,069
Other	(30,681)	261,013	(32,207)
	(888,358)	(877,384)	6,800,710
(Loss) income from operations before income taxes	(1,099,642)	(1,131,634)	5,526,306
Income tax (expense) benefit	(91,699)	-	105,146
Net (loss) income from continuing operations	(1,191,341)	(1,131,634)	5,631,452
Net income from discontinued operations	-	-	82,942
Net (loss) income	$ (1,191,341)	$ (1,131,634)	$ 5,714,394
(Loss) earnings per share:			
Basic (loss) income from continuing operations	$ (0.11)	$ (0.10)	$ 0.50
Basic income (loss) from discontinued operations	-	-	0.01
Total basic (loss) earnings per common share	$ (0.11)	$ (0.10)	$ 0.51
Diluted (loss) income from continuing operations	$ (0.11)	$ (0.10)	$ 0.35
Diluted income (loss) from discontinued operations	-	-	0.01
Total diluted (loss) earnings per common share	$ (0.11)	$ (0.10)	$ 0.36

Weighted average shares outstanding:			
Basic	11,300,000	11,300,000	11,300,000
Diluted	11,300,000	11,300,000	16,114,000

See notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Deficit	Other Comprehensive Income	Total
Balance, October 31, 2012 (Restated)	11,299,528	$ 11,299,528	$ 24,279,179	$ (36,956,081)	$ -	$ (1,377,374)
Comprehensive income:				5,714,394		5,714,394
Net income for 2013	-	-	-		-	
Total comprehensive income	-	-	-	5,714,394	-	5,714,394
Balance, October 31, 2013	11,299,528	$ 11,299,528	$ 24,279,179	$ (31,241,687)	$ -	$ 4,337,020
Comprehensive loss:						
Net loss for 2014	-	-	-	(1,131,634)	-	(1,131,634)
Total comprehensive loss	-	-	-	(1,131,634)	-	(1,131,634)
Balance, October 31, 2014	11,299,528	$ 11,299,528	$ 24,279,179	$ (32,373,321)	$ -	$ 3,205,386
Comprehensive loss:						
Net loss for 2015	-	-	-	(1,191,341)	-	(1,191,341)
Total comprehensive loss	-	-	-	(1,191,341)	-	(1,191,341)
Balance, October 31, 2015	11,299,528	$ 11,299,528	$ 24,279,179	$ (33,564,662)	$ -	$ 2,014,045

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended October 31, 2015	2014	2013
Cash flows from operating activities:			
Net (loss) income	$ (1,191,341)	$ (1,131,634)	$ 5,714,394
Net income (loss) from discontinued operations	-	-	82,942
Net (loss) income from continuing operations	(1,191,341)	(1,131,634)	5,631,452
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	1,654,841	1,930,507	2,169,014
Loss (gain) on sale of assets	54,633	(246,794)	33,569
Allowance for doubtful accounts	(37,420)	(64,406)	143,989
Gain on debt forgiveness	-	-	(11,118,069)
Deferred financing costs / debt discount	182,478	495,578	1,645,201
Accrued deferred fee	-	-	986,641
Restructuring charges	-	-	43,848
Goodwill impairment	-	-	2,226,837
Changes in assets and liabilities:			
Accounts receivable	898,405	164,502	472,747
Inventories	401,327	914,587	880,224
Other assets	(663,858)	197,134	(53,338)
Accounts payable	211,653	(2,406,899)	3,758,141
Accrued payroll and commissions	(54,674)	(184,109)	(256,189)
Taxes accrued and withheld	(31,035)	(79,492)	(88,311)
Accrued expenses	209,951	(231,057)	(478,818)
Other liabilities	-	(150)	(1,800)
Net cash provided by (used in) operating activities	1,634,960	(642,233)	5,995,138
Net cash provided by operating activities discontinued operations	-	123,916	371,183
	1,634,960	(518,317)	6,366,321
Cash flows from investing activities:			
Purchase of property and equipment	(1,703,007)	(761,367)	(544,643)
Proceeds from sale of fixed assets	86,999	502,829	170,348
Proceeds from assets held for sale	-	-	816,667
Change in other assets	68,459	(5,807)	13,584
Net cash (used in) provided by investing activities	(1,547,549)	(264,345)	455,956
Net cash provided by investing activities discontinued operations	-	-	11,001,864
	(1,547,549)	(264,345)	11,457,820
Cash flows from financing activities:			
Borrowings on line of credit	-	-	20,465,448

Payments on line of credit	-	-	(20,157,278)
Proceeds from term debt	3,588,661	2,537,042	393,497
Principal payments on term debt	(3,953,601)	(2,364,484)	(7,660,466)
Financing costs incurred	-	-	(229,189)
Net cash (used in) provided by financing activities	(364,940)	172,558	(7,187,988)
Net cash used in financing activities discontinued operations	-	-	(11,052,408)
	(364,940)	172,558	(18,240,396)
Net decrease in cash and cash equivalents	(277,529)	(610,104)	(416,255)
Cash and cash equivalents at beginning of year	818,438	1,428,542	1,844,797
Cash and cash equivalents at end of year	$540,909	$818,438	$ 1,428,542

See notes to consolidated financial statements.

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

Note 1. Summary of Significant

Accounting Policies

Champion Industries, Inc. is a major commercial printer, business forms manufacturer, office products and office furniture supplier, and mailing solutions provider offering warehousing and fulfillment of print and supply goods in regional markets east of the Mississippi River; primarily in West Virginia, Kentucky, Ohio, Indiana, and Louisiana.

The accounting and reporting policies of Champion conform to accounting principles generally accepted in the United States. The preparation of the financial statements in conformity with Generally Accepted Accounting Principles (GAAP) require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Principles of Consolidation

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

Significant intercompany transactions have been eliminated in consolidation.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers and generally do not bear interest. Accounts receivable are ordinarily due 30 days from the invoice date.
The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, the Company primarily utilizes a historical rate of accounts receivable written off as a percentage of total revenue. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

Actual write-offs occur when it is determined an account will not be collected. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

For the twelve month period ended October 31, 2015, the Company had one customer that made up approximately 10.7% of its consolidated revenues and 11.6% of its accounts receivable. This customer is a publicly traded Fortune 500 company that we believe to be in good financial condition and that will remain so for the foreseeable future. Otherwise, no single customer contributed more than 4.7% of the Company’s consolidated revenues for fiscal 2015. Due to the project-oriented nature of customers' printing and furniture requirements, sales to particular customers may vary significantly from year to year depending upon the number and size of their projects. The Company's ten largest accounts receivable balances represented 34.7% and 32.1% of gross outstanding accounts receivable at October 31, 2015 and 2014, respectively.

Inventories

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

Inventory Reserves

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

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

Property and Equipment

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

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

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense and amortization of leasehold improvements and equipment under capital leases from continuing operations approximated $1,654,841, $1,930,507 and $2,169,014 for the years ended October 31, 2015, 2014, and 2013, respectively, and is reflected as a component of cost of sales and selling, general and administrative expenses.

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

Goodwill

Goodwill is tested for impairment using a fair-value approach on an annual basis typically for the Company during the fourth quarter of each year. Goodwill is also tested between annual tests if indicators of potential impairment exist.

Goodwill is tested for impairment at a level of reporting referred to as a reporting unit. The Company considers qualitative and quantitative information in its assessment of goodwill. The first step of the quantitative assessment is a screen for potential impairment and the second step, if required, measures the amount of the impairment. The Company performs an annual impairment in the fourth quarter and in 2013 performed an interim test for goodwill at the printing segment. The Company recorded charges associated with Goodwill in 2013 as further disclosed in Note 9 to the Consolidated Financial Statements.

Intangible Assets

The intangible assets are amortized using the straight-line method over their estimated benefit period, in our case 5-20 years. The fair values of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases.

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended October 31, 2015, 2014, and 2013 approximated $320,000, $349,000, and $336,000.

Income Taxes

Provisions for income taxes currently payable and deferred income taxes are based on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. See Note 5 for more information on income taxes.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period and excludes any dilutive effects of stock options and warrants. Diluted earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period plus the shares that would be outstanding assuming the exercise of dilutive stock options and warrants using the treasury stock method. There was no dilutive effect in fiscal 2015 and 2014. The dilutive effect in 2013, related to outstanding warrants, was 4,814,000 shares.

Segment Information

The Company designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company’s reportable segments. The Company’s operating segments are more fully described in Note 8.

Revenue Recognition

Revenues are recognized when products are shipped or ownership is transferred and when services are rendered to customers. The Company acts as a principal party in sales transactions, assumes title to products and assumes the risks and rewards of ownership including risk of loss for collection, delivery or returns. The Company typically recognizes revenue for the majority of its products upon shipment to the customer and transfer of title. Under agreements with certain customers, custom forms may be stored by the Company for future delivery. In these situations, the Company may receive a logistics and warehouse management fee for the services provided. In these cases, delivery and bill schedules are outlined with the customer and product revenue is recognized when manufacturing is complete and the product is received into the warehouse, title transfers to the customer, the order is invoiced and there is reasonable assurance of collectability. Since the majority of products are customized, product returns are not significant. Therefore, the Company records sales on a gross basis. Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to government authorities. The costs of delivering finished goods to customers are recorded as shipping and handling costs and included in cost of sales. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2015, 2014, and 2013 and are recorded as a component of selling, general, and administrative costs.

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Fair Value Measurements

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

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

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

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

Our interest bearing debt is primarily composed of a term loan with a private investor. The carrying amount of this facility and its fair value are discussed further in Note 3.

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

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

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs, as further discussed in Note 9.

NEWLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of October 31, 2015, the FASB has issued ASU’s 2009-01 through 2015-16. The Company reviewed each ASU and determined that they will not have a material impact on the Company’s financial position, results of operations or cash flows, other than related disclosures to the extent applicable.

In January 2015, the FASB issued ASU 2015-01, “Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items” (“ASU 2015-01”). ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items. The Company will adopt ASU 2015-01 in December, 2015. This amendment will not have a material impact on the Company's financial position, results of operation, or cash flows, but will have an impact on related presentation and disclosure to the extent applicable.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory” (“ASU 2015-11”). ASU 2015-11 provides guidance on simplifying the measurement of inventory. The current standard is to measure inventory at lower of cost or market; where market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. ASU 2015-11 updates this guidance to measure inventory at the lower of cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The Company will adopt ASU 2015-11 in December, 2015. This amendment is not expected to have a material impact on the Company's financial position, results of operation, or cash flows.

Note 2. Inventories

At the dates indicated, inventories consisted of the following:

	October 31,	
	2015	2014
Printing:		
Raw materials	$ 1,111,203	$ 1,180,361
Work in process	599,289	539,023
Finished goods	824,689	1,131,430
Office products and office furniture	1,033,484	1,119,178
	$ 3,568,665	$ 3,969,992

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

Note 3. Debt

At the dates indicated, debt consisted of the following:

	October 31, 2015	2014
Term Note A dated October 7, 2013, due in monthly installments of $50,000 plus interest payments equal to the prime rate of interest plus 2% maturing April 1, 2017, collateralized by substantially all of the assets of the Company	$ 8,750,000	$ 9,850,000
Installment notes payable to banks, due in monthly installments plus interest at rates approximating the bank's prime rate or the prime rate subject to various floors maturing in various periods ranging from November 2015-October 2017, collateralized by equipment and vehicles.	634,998	475,908
Notes payable to shareholders. The shareholder note of $2.5 million plus all accrued interest was initially due in one balloon payment in September 2014; pursuant to Term Note A, the maturity was adjusted to April 2015. The interest is accrued on this note at a rate of 3.25%. See discussion below for more detail. (1)	2,500,000	2,500,000
Note payable to a bank, due November 2015 ($0.45 million) and January 2016 ($0.3 million), including interest accrued at 5.00%, collateralized by specific accounts receivable of the Company. (2)	750,000	750,000
Capital lease obligation for printing equipment at an imputed interest rate of 6.02% per annum	28,380	43,312
Note, payable to a bank in monthly installments of $8,441 including interest at 5.00% collateralized by equipment	443,208	-
Note, payable to a bank in monthly installments of $4,197 including an imputed interest rate of 0.0% collateralized by equipment	147,694	-
Unamortized debt discount	-	(138,520)
	13,254,280	13,480,700
Less current portion long-term debt	1,179,358	10,197,218
Less short-term notes payable to related party (1)	2,500,000	2,500,000
Less current portion obligation under capital lease	15,852	14,931
Less short-term debt (2)	750,000	750,000
Less debt discount	-	(138,520)
Long-term debt, net of current portion and capital lease obligation	$ 8,809,070	$ 157,071
Continuing operations:		
Long-term debt, net of current portion	$ 8,796,542	$ 128,690
Long-term capital lease obligation	12,528	28,381
Current portion of long-term debt	1,179,358	10,197,218
Short-term notes payable to related party (1)	2,500,000	2,500,000
Short-term debt (2)	750,000	750,000
Current portion of capital lease obligation	15,852	14,931
Debt Discount	-	(138,520)
Total indebtedness	$ 13,254,280	$ 13,480,700

(1)On June 15, 2015 the Company’s Board of Directors approved the conversion of the Company’s $2.5 million related party debt to Preferred Stock equity. The Preferred Stock will pay a 6.00% or 0.00% annual dividend contingent on the Company’s income after income taxes. If the Company's income after income taxes is $1.0 million or greater, the dividend rate is 6.00%; if the Company's income after income taxes is less than $1.0 million, the dividend rate is 0.00%.

This conversion will reduce the Company’s liabilities by $2.5 million and increase its equity by $2.5 million. In addition, this conversion will reduce the Company’s annual interest expense by $0.1 million. However, contingent on the after income tax income, this conversion could trigger the payment of an annual Preferred Stock dividend of $0.2 million or zero. If the $1.0 million after income tax income target is achieved, the Company’s annual cash outflow would increase $0.1 million, or decrease $0.1 million if the $1.0 million after income tax income target is not achieved.

This conversion is pending a shareholder vote to amend the Company’s Articles of Incorporation to allow for the issuance of Preferred Stock. This will be part of the Company's definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016. The Company will continue to accrue interest on the related party debt equal to the prime rate until such conversion has been consummated.

(2) These notes are short-term borrowings associated with large furniture projects that are on terms of 120 days or less. These borrowings were subsequently paid upon collection of the collateral in November 2015 and January 2016.

Maturities of debt and capital lease obligations for each of the next five years beginning November 1, 2015 are as follows:

November 1, 2015 through October 31, 2016	$ 4,445,210 *
November 1, 2016 through October 31, 2017	8,473,148
November 1, 2017 through October 31, 2018	135,770
November 1, 2018 through October 31, 2019	97,644
November 1, 2019 through October 31, 2020	98,352
Residual	4,156
	$ 13,254,280

*Includes $2.5 million debt to shareholder that the Company intends to convert to preferred stock equity. See the discussion on the prior page for more details.

Debt 2015:

In May 2015, the Company signed the Extension Agreement of the October 2013 Credit Agreement. The Extension Agreement extended the maturity of the Company's debt to Big 4 until April 2017. The terms of the October 2013 Credit Agreement were unchanged by the execution of the Extension Agreement; the only exception is that there will be no debt premium associated with the Extension Agreement. The $0.5 million premium associated with the original agreement was paid to Big 4 in April 2015. During the extension period, the Company will focus on operations and weigh its financing options as results of its turnaround efforts are available.

We have historically funded our working capital needs from operations, bank borrowings, and capital from shareholders. Presently, our principal sources of liquidity are generated from our operations and loans from commercial banks and private companies. Our working capital requirements are influenced by the level of our operations, the volume of our sales, and the timing of accounts receivable collections.

Debt 2014:

The Company's October 2013 Credit Agreement expired April 1, 2015. At that time, the Company was obligated to repay $9.6 million to Big 4. Management expected to be able to refinance all of its short term loans based on past experience, ability to generate sufficient cash flows from operations and the Company's credit history, and was successful in doing so. The Company pursued opportunities for longer term financing from a traditional financial institution to repay its outstanding debt to Big 4, but was not successful given time and historical performance constraints. The Company worked with Big 4 and was able to extend the October 2013 Credit Agreement for a two year period.

Debt 2013:

The Company operated under the provisions of the Restated Credit Agreement until the event of default notice received on March 25, 2013. From that date the Company operated under an event of default pursuant to two default notifications defined herein.

The Company received a notice of default on March 25, 2013 in a letter dated March 22, 2013, which was reported pursuant to item 2.04 of Form 8-K filed March 26, 2013. This notice of default advised that the Administrative Agent had not waived any event of default and the Lender Parties expressly reserved all rights and remedies available to them under the Restated Credit Agreement.

The Company received a notice of default on April 30, 2013 in a letter dated April 25, 2013, which was reported pursuant to item 2.04 of Form 8-K filed May 3, 2013. This notice of default advised that the Administrative Agent had not waived any event of default and the Lender Parties expressly reserved all rights and remedies available to them under the Restated Credit Agreement.

The Notices of Default and Reservation of Rights specifically advised that Events of Default had occurred and continued to exist for the Company under Section 7.1(b) of the Credit Agreement by reason of: (a) Borrower's noncompliance with the minimum EBITDA covenant, set forth in Section 6.20(d) of the Credit Agreement, for the Test Periods ended February 28 and March 31, 2013 and for the Notices of Default filed May 3, 2013 (b) the Company's failure to perform the covenant set forth in Section 6.31(d) of the Credit Agreement (failure to complete, no later than March 31, 2013, the Designated Transaction).

On May 31, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into the May 2013 Forbearance Agreement which provided, among other things, that during a forbearance period commencing on May 31, 2013, and ending on September 30, 2013 (unless terminated sooner by default of the Company under the May 2013 Forbearance Agreement), the Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Restated Credit Agreement. The Company acknowledged in the May 2013 Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The May 2013 Forbearance Agreement provided that during the forbearance period, so long as the Company met the conditions of the May 2013 Forbearance Agreement, it could continue to request credit under the revolving credit line.

The May 2013 Forbearance Agreement required the Company to:

(a) Enter into various Designated Transactions referred to as Designated Transaction No. 1 and Designated Transaction No. 2 pursuant to applicable approvals from secured lenders regarding pricing or other actions, including letters of intent no later than June 14, 2013 setting forth the terms and conditions for Designated Transaction No. 1 that shall be satisfactory to the Required Lenders. The Company was also required to use its reasonable best efforts to enter into a letter of intent, no later than June 7, 2013, for Designated Transaction No. 2. There were also various targeted dates upon acceptance of applicable letters of intent for Designated Transactions which would result in various actions to be achieved by the applicable milestone dates or if not achieved might be considered an event of default.

(b) Acknowledge in a writing, satisfactory to the Required Lenders, that approval of the Company’s shareholders shall not be required for Designated Transaction No. 1, whether considered separately or together with Designated Transaction No. 2.

(c) The Company was be subject to a minimum EBITDA covenant commencing with the month ended June 30, 2013 based on a buildup starting April 1, 2013 of $1,378,394 at June 30, 2013, $2,198,509 at July 31, 2013 and $2,506,722 at August 31, 2013

(d) Continued retention of Timothy D. Boates, RAS Management Advisors, LLC as its Chief Restructuring Officer who shall continue to be subject to the sole authority, direction and control of the Company's Board of Directors and to report directly to the Board.

(e) Expenditure limitations as defined in CRO report and under direct control of the CRO.

(f) The requirement of a general reserve of $1,000,000 in the definition of "Borrowing Base" in the Restated Credit Agreement shall be waived for the duration of the Forbearance Period.

(g) Removal of requirement to maintain $750,000 concentration account minimum balances.

(h) Temporary Overadvance on the borrowing base in an amount not to exceed $1,200,000 subject to the aggregate revolving credit commitment limit of $10,000,000. Overadvance shall be repaid upon receipt of project receivables and such repayment shall be a permanent reduction in the Temporary Overadvance. Such Overadvance shall be repaid in full upon the earliest Designated Transaction No.1 or Designated Transaction No.2 or September 30, 2013.

(i) Excess availability of $500,000.

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

On August 28, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into a First Limited Forbearance and Waiver Agreement and Second Amendment to Amended and Restated Credit Agreement ("August 2013 Forbearance Amendment"). This Agreement decreased the Revolving Credit Commitments from $10,000,000 in the aggregate to $8,000,000 in the aggregate, modified certain financial covenants and provided the consent to the sale of certain assets.

The Company, various Company subsidiaries, as Guarantors, Marshall T. Reynolds, as shareholder and Big 4 Investments, LLC ("Administrative Agent and Lender") as Lender and Administrative Agent entered into a Third Amended and Restated Credit Agreement dated October 7, 2013. Administrative Agent and Lender purchased the Company's outstanding syndicated debt from Fifth Third Bank and the other Lenders ("Previous Secured Lenders") for a price of $10.0 million. The Administrative Agent and Lender then simultaneously entered into the October 2013 Credit Agreement with the Company pursuant to the provisions of Term Note A for $10.0 million and related Guaranty Agreement and Stock Pledge and Security Agreement all dated October 7, 2013. The indebtedness immediately prior to the note sale reflected a balance pursuant to the Loan Purchase Agreement between Administrative Agent and Lender and the Previous Secured Lenders of approximately $19.9 million representing Term Loan A, Term Loan B and Revolving Loans plus accrued deferred fee and accrued interest of approximately $1.2 million.

The October 2013 Credit Agreement and related Term Note A, Guaranty Agreement and Stock Pledge and Security Agreement as further described herein amended various provisions of the Restated Credit Agreement dated October 19, 2012, including but not limited to:

October 2013 Credit Agreement maturity of April 1, 2015.
Existing debt restructured from Term Loan A, Term Loan B, and Revolving Credit Facility to Term Note A in the amount of $10,000,000.
The Company's debt will not have a revolving credit facility component.
Interest rate at the Wall Street Journal prime rate of interest plus two percent.
Principal payments due monthly at $50,000 per month.
$500,000 maturity or prepayment premium.
Financial covenant of maximum capital expenditures of $3,000,000 during any fiscal year.
Personal guaranty of Marshall T. Reynolds.
Stock Pledge and Security Agreement providing a third party credit enhancement to support the credit facility underwritten by the Administrative Agent.
In consideration for the personal Guaranty Agreement of Marshall T. Reynolds and Stock Pledge and Security Agreement, the warrants held by the Previous Secured Lenders were assigned to Marshall T. Reynolds. The warrants represent $0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement.

The Company reviewed applicable GAAP and determined that extinguishment accounting should be applied in relation to the October 2013 Credit Agreement.

Note 4. Employee Benefit Plan

The Company had a Profit Sharing Plan that covered all eligible employees and qualified as a Savings Plan under Section 401(k) of the Internal Revenue Code. Effective January 1, 1998, the Profit Sharing Plan was merged into The Champion Industries, Inc. 401(k) Plan (the "Plan"). The Plan covers all eligible employees who satisfy the age and service requirements. Each participant may elect to contribute up to 15% of annual compensation and the Company previously contributed 100% of the participant's contribution not to exceed 2% of the participant's annual compensation. The Company eliminated the employer match, as previously described, in the second quarter of 2010. The Company may make discretionary contributions to the Plan. The Company incurred no 401(k) match expense under these plans for the years ended October 31, 2015, 2014 and 2013.

The Company's accrued vacation liability as of October 31, 2015 and 2014 was approximately $570,000 and $569,000. This item is classified as a component of accrued expenses on the financial statements.

The Company's 1993 Stock Option Plan provided for the granting of both incentive and non-qualified stock options to management personnel for up to 762,939 shares of the Company's common stock. In March 2004, the Company’s 2003 stock option plan was adopted to provide for the granting of both incentive and non-qualified stock options to management personnel for up to 475,000 shares of the Company’s common stock.

The option price per share for incentive stock options shall not be lower than the fair market value of the common stock at the date of grant. The option price per share for non-qualified stock options shall be at such price as the Compensation Committee of the Board of Directors may determine at its sole discretion. All options to date are incentive stock options. There were no options outstanding as of October 31, 2015, 2014, and 2013. Options vest immediately and may be exercised within five years from the date of grant.

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

Note 5. Income Taxes

Income tax (expense) benefit consisted of the following:

	Year Ended October 31,		
	2015	2014	2013
Current (expense) benefit:			
Federal	$ 198,327	$ (1,864,570)	$ 1,565,286
State	31,640	(416,620)	434,027
Deferred benefit (expense)	(321,666)	2,281,190	(1,894,167)
Income tax benefit (expense) continuing operations	(91,699)	-	105,146
Intra-period tax allocation benefit (expense) discontinued operations	-	-	(105,146)
Total income tax benefit (expense)	$ (91,699)	$ -	$ -

Deferred tax assets and liabilities are as follows:

	October 31,	
	2015	2014
Deferred tax assets:		
Allowance for doubtful accounts	$ 176,254	$ 238,975
Net operating loss carry forward	1,764,429	1,656,051
Accrued vacation	174,853	174,543
Accrued bonuses	31,039	23,507
Other accrued assets	332,970	186,240
Other accrued liabilities	122,076	122,586
Intangible assets	-	-
Gross deferred tax assets	2,601,621	2,401,902
Deferred tax liabilities:		
Property and equipment	(947,984)	(1,336,905)
Intangible assets	(635,345)	(507,009)
Gross deferred tax liability	(1,583,329)	(1,843,914)
Net deferred tax asset before valuation allowance	1,018,292	557,988
Valuation allowance:		
Beginning balance	557,988	2,003,440
Change during the period	460,304	(1,445,452)
Ending balance	1,018,292	557,988
Net deferred tax asset	$ -	$ -

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

A reconciliation of the statutory federal income tax rate to the Company’s effective income tax rate for continuing operations is as follows:

	Year Ended October 31, 2015	2014	2013
Statutory federal income tax rate	34.0 %	(34.0)%	(34.0)%
State taxes, net of federal benefit	1.9	(7.6)	(1.8)
Change in valuation allowance	(28.2)	42.8	265.8
Disallowed deferred tax asset-related party	-	-	(220.1)
Selling expenses	(0.4)	(1.2)	(1.4)
CODI, insolvency exemption debt basis	-	-	3.1
Goodwill	10.6	-	(10.3)
Other	(26.2)	-	0.6
Effective tax rate, (expense) benefit	(8.3)%	-%	1.9%

The Company excluded debt cancellation from cancellation of debt income (“CODI”) from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company’s CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company’s deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability.

During fiscal 2015, the Company finalized its position on its 2014 income tax liability after researching applicable Alternative Minimum Tax (“AMT”) rules and determined it owed $92,000 in federal income taxes. The $92,000 tax liability was paid in the third quarter of 2015. AMT taxes paid can be carried forward as a credit against future regular taxable income. The Company had determined that a full valuation allowance against deferred tax assets was warranted at October 31, 2015. Given this, the Company increased its valuation allowance by $92,000 to neutralize the deferred tax asset associated with its AMT payment made during fiscal 2015. This increase in the valuation allowance was reflected on the income statement as an income tax expense.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company currently intends to maintain a full valuation allowance on its deferred tax assets until sufficient positive evidence related to sources of future taxable income exists.

The Company's effective tax rate for continuing operations for 2015 was an expense of 8.3%, 2014 was 0.0% compared to a benefit of 1.9% in 2013. The primary difference in tax rate for 2015 was the change in valuation allowance previously discussed. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets.

The Company paid $92,000 in income taxes during fiscal 2015 as previously discussed. This payment can be used as a credit against future taxable income. The Company did not pay or was not refunded any income taxes for the years ended October 31, 2014 or 2013.

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

Note 6. Related Party Transactions and Operating Lease Commitments

The Company leases operating facilities from entities controlled by its Chief Executive Officer, his family and affiliates. The original terms of these leases, which are accounted for as operating leases, range from two to fifteen years.

A summary of significant related party transactions are as follows:

	Year Ended October 31,		
	2015	2014	2013
Rent expense paid to affiliated entities for operating facilities for operating facilities	$ 445,000	$ 460,000	$ 493,000
Sales of office products, office furniture and printing services to affiliated entities	458,000	465,000	767,000

In addition, the Company leases property and equipment from unrelated entities under operating leases. Rent expense from continuing operations amounted to $489,000, $417,000, and $547,000 for the years ended October 31, 2015, 2014 and 2013.

Under the terms and conditions of the above-mentioned leases, the Company is primarily responsible for all taxes, assessments, maintenance, repairs or replacements, utilities and insurance. The Champion Output Solutions' lease includes only a pro rata portion of the property taxes. The Company has renewal options for certain leases covering varying periods.

In addition, the Company purchased vehicles from an entity controlled by family members of its Chief Executive Officer in the amounts of $361,000, $327,000, and $313,000 for the years ended October 31, 2015, 2014 and 2013.

Future minimum rental commitments for all non-cancelable operating leases including related party commitments with initial terms of one year or more consisted of the following at October 31, 2015:

2016	$ 483,360
2017	423,949
2018	334,642
2019	230,098
2020	77,010
Residual	32,673
	$ 1,581,732

The Company participates in a self-insurance program for employee health care benefits with affiliates controlled by its Chief Executive Officer and as such is responsible for paying claims of Company participants as required by the plan document. The Company is allocated costs primarily related to the reinsurance premiums based on its proportionate share to provide such benefits to its employees in addition various personnel of the Company perform certain administrative functions for the independent third party administrator. The Company’s allocated expense related to this program (excluding claims paid) for the years ended October 31, 2015, 2014 and 2013 was approximately $0.5 million, $0.3 million, and $0.3 million. (expenses are inclusive of discontinued operations for 2013)

During 2013 the Company utilized an aircraft from an entity controlled by its Chief Executive Officer and reimbursed the controlled entity for the use of the aircraft, fuel, aircrew, ramp fees and other expenses attendant to the Company's use, in amounts aggregating $34,000. The Company did not utilize this aircraft during 2015 or 2014 and thus incurred no related expenses. When this service is used, the Company believes that such amounts are at or below the market rate charged by third-party commercial charter companies for similar aircraft.

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

The Company is self-insured for certain of the claims made under its employee medical insurance programs. The Company had recorded liabilities totaling $0.5 million and $0.5 million for estimated costs related to outstanding claims as of October 31, 2015 and 2014, respectively. These costs include an estimate for expected settlements on pending claims, administrative fees and an estimate for claims incurred but not reported that we incorporated into a trend and lag analysis utilizing a variety of factors including historical claims trends and various processing statistics provided by the Company’s third party claims administrator. These estimates are based on management’s assessment of outstanding claims, historical analyses and current payment trends. The Company recorded an estimate for the claims incurred but not reported using an estimated lag period based upon historical information. The Company believes the reserves recorded are adequate based upon current facts and circumstances.

On June 25, 2013 the Company's wholly owned subsidiary Blue Ridge Printing Co., Inc. sold substantially all the assets of its operations headquartered in Asheville, North Carolina to BRP Company, Inc. and 544 Haywood Rd, LLC pursuant to an Asset Purchase Agreement among Champion, Seller and Buyers dated June 24, 2013. These entities include as investors the division manager and the son of director Glenn W. Wilcox. The Company’s investment advisor had conducted a nationwide marketing process for the sale of Seller which yielded no comparable offers. The Company received $1,013,000 or $942,403 net of selling commissions and pro-rated taxes. This transaction was subject to a net liquidity adjustment to occur no later than 45 days from closing which resulted in the Company paying approximately $22,000 to the buyer.

On July 12, 2013 the Company's wholly owned subsidiary Champion Publishing sold substantially all the assets of its newspaper operations headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement among Champion, Seller and Buyer dated July 12, 2013. This entity includes as an investor Mr. Douglas Reynolds, son of Chairman & CEO Marshall T. Reynolds. The Company's investment advisor had conducted a nationwide marketing process for the sale of the Herald-Dispatch, which resulted in one other offer. Champion's board of directors, in consultation with its independent advisors, determined that Mr. Douglas Reynolds' offer was the better offer both in terms of price and conditions. The Company received $10,000,000 or approximately $9,700,000 net of selling commissions and pro-rated taxes. The proceeds of this transaction were utilized to pay down term debt and the revolving credit line at the discretion of the Administrative Agent.

The Company issued warrants to purchase Class B Common Stock concurrent with the Restated Credit Agreement. The Warrants entitle the Holders thereof to purchase that number of shares of Company Class B Common Stock equal to thirty percent (30%) of the then issued and outstanding Common Stock of the Company, on a fully diluted, post-exercise basis. Based on the 11,299,528 shares of Company Common Stock currently issued and outstanding, exercise in full of the Warrants would result in the Company’s issuance of an additional 4,842,654 shares to the Warrant Holders. In the event a greater number of issued and outstanding common shares exist at the time of option exercise, a greater number of options of shares of Class B Common Stock would be issuable. The Previous Secured Lenders assigned the warrants to Marshall T. Reynolds in consideration for his personal guaranty and stock pledge and security agreement to assist in facilitating the consummation of the October 2013 Credit Agreement.

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

Note 7. Commitments and Contingencies

The nature of The Company's business results in a certain amount of claims, litigation, investigations, and other legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself.

The Company will consider settlement of cases when, in Management's judgment, it is in the best interests of both the Company and its shareholders to do so.

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

In certain cases, exposure to loss may exist in excess of accruals to the extent such loss is reasonably possible, but not probable. Any estimate involves significant judgment, given the varying stages of the proceedings (including cases in preliminary stages), as well as numerous unresolved issues that may impact the outcome of a proceeding. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate. The current loss estimate excludes legal and professional fees associated with defending such proceedings. These fees are expensed as incurred and may be material to the Company's Consolidated Financial Statements in a particular period.

On September 15, 2014 the Company settled a lawsuit for $0.1 million. This case commenced prior to July 31, 2014 and settlement occurred prior to the issuance of the third quarter financial statements. As such, this settlement was reported for and at the third quarter ended July 31, 2014 on the balance sheet under the caption "Accrued legal settlements" and the expense is recorded as part of "Selling, general and administrative" on the Company's Income Statements. The Company paid this settlement in the fourth quarter of 2014.

While the final outcome of legal proceedings is inherently uncertain, Management uses information currently available, advice of counsel, and available insurance coverage to estimate exposure to such legal matters. At October 31, 2015 Management believes that there is no accrual for legal contingencies required. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be greater than the current estimates discussed above and may be material to the Company's Consolidated Financial Statements in a particular period.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Note 8. Industry Segment Information

The Company operates principally in two industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms) and the sale of office products and office furniture including interior design services.

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

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

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes and other items excluded for segment reporting. The assets are classified based on the primary functional segment category as reported on the internal balance sheets. Therefore the actual segment assets may not directly correspond with the segment operating (loss) income reported herein. The Company has certain assets classified as held for sale representing $256,832 at October 31, 2015 and 2014. This asset was part of the printing segment prior to the reclassification as an assets held for sale. The total assets reported on the Company's balance sheets as of October 31, 2015, 2014 and 2013 are $22,926,526, $24,008,393 and $27,530,622. The identifiable assets reported below represent $22,669,694, $23,751,561, and $27,037,318.

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

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

2015	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 38,576,045	$ 27,594,920	$ 66,170,965
Elimination of intersegment revenue	(2,122,382)	(2,763,382)	(4,885,764)
Consolidated revenue from continuing operations	$ 36,453,663	$ 24,831,538	$ 61,285,201
Operating income (loss) from continuing operations	101,249	(312,533)	(211,284)
Depreciation & amortization	1,563,294	91,547	1,654,841
Capital expenditure	1,602,562	100,445	1,703,007
Identifiable assets	16,107,165	6,562,529	22,669,694
Goodwill	-	1,230,485	1,230,485

2014	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 39,546,537	$ 29,375,140	$ 68,921,677
Elimination of intersegment revenue	(2,169,053)	(3,230,284)	(5,399,337)
Consolidated revenues from continuing operations	$ 37,377,484	$ 26,144,856	$ 63,522,340
Operating income (loss) from continuing operations	(360,182)	105,932	(254,250)
Depreciation & amortization	1,832,458	98,049	1,930,507
Capital expenditures	738,893	22,474	761,367
Identifiable assets	16,526,888	7,224,673	23,751,561
Goodwill	-	1,230,485	1,230,485

2013	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 45,460,503	$ 34,333,182	$ 79,793,685
Elimination of intersegment revenue	(2,791,035)	(4,679,475)	(7,470,510)
Consolidated revenues from continuing operations	$ 42,669,468	$ 29,653,707	$ 72,323,175
Operating income (loss) from continuing operations	(2,228,855)	954,451	(1,274,404)
Depreciation & amortization	2,049,191	119,823	2,169,014
Capital expenditures	541,855	2,788	544,643
Identifiable assets	18,850,573	8,186,745	27,037,318
Goodwill	-	1,230,485	1,230,485

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

A reconciliation of total segment revenue, assets and operating income (loss) to consolidated (loss) income before income taxes for the years ended October 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Revenues:			
Total segment revenues	$66,170,965	$ 68,921,677	$ 79,793,685
Elimination of intersegment revenue	(4,885,764)	(5,399,337)	(7,470,510)
Consolidated revenue from continuing operations	$61,285,201	$ 63,522,340	$ 72,323,175
Operating income (loss) from continuing operations:			
Total segment operating loss from continuing operations	$(211,284)	$ (254,250)	$ (1,274,404)
Interest expense - related party	(82,378)	(82,378)	(82,378)
Interest expense	(775,299)	(1,056,019)	(4,202,774)
Gain from debt forgiveness	-	-	11,118,069
Other (loss) income	(30,681)	261,013	(32,207)
Consolidated income (loss) before income taxes from continuing operations	$(1,099,642)	$ (1,131,634)	$ 5,526,306
Identifiable assets:			
Total segment identifiable assets	$22,669,694	$ 23,751,561	$ 27,037,318
Elimination of intersegment assets and assets held for sale	256,832	256,832	493,304
Total consolidated assets	$22,926,526	$ 24,008,393	$ 27,530,622

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

Note 9. Acquired Intangible Assets and Goodwill

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Non-compete agreement	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Customer relationships	2,451,073	1,393,228	2,451,073	1,271,130
Other	564,946	564,946	564,946	564,946
	4,016,019	2,958,174	4,016,019	2,836,076
Unamortizable intangible assets:				
Goodwill	1,737,763	507,278	1,737,763	507,278
	1,737,763	507,278	1,737,763	507,278
Total goodwill and other intangibles	$ 5,753,782	$ 3,465,452	$ 5,753,782	$ 3,343,354

In the fourth quarter of 2015 the Company performed the two-step quantitative assessment as prescribed by ASC 350 to test its goodwill for impairment. Step 1 of the impairment test used a discounted cash flow model based on income of the office products and office furniture reporting unit to compare fair value to the unit's carrying value. After consideration of the Step 1 results, the Company's Management felt that the discounted cash flow model was not indicative of value that would be exchanged in an arm's length transaction. Given this, Step 2 of the quantitative assessment was performed. Step 2 compares the implied fair value of the reporting unit to its carrying value to determine impairment using methods common in business combinations. After considering the results of Step 2, the Company's management determined that no impairment of the office products and office furniture reporting unit's goodwill existed at October 31, 2015.

The Company's Management will continue to monitor this reporting unit's performance and will test for impairment as warranted. Further declines in revenue and income could ultimately require impairment charges to be incurred that would be material to the Company's financial position and results of operation to the extent of the carrying amount of goodwill.

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

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of Goodwill Impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million.

Subsequent reversal of previously recognized goodwill impairment losses is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

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

Amortization expense for the years ended October 31, 2015, 2014 and 2013 was $122,000, $128,000 and $140,000 respectively. Customer relationships related to the acquisition of Syscan in 2004 are being amortized over a period of 20 years. The weighted average remaining life of the Company's amortizable intangible assets was approximately 5 years at October 31, 2015. Estimated amortization expense for each of the following five years and thereafter is:

2016	$ 122,098
2017	122,098
2018	122,098
2019	122,098
2020	122,098
Thereafter	447,355
	$ 1,057,845

Amortizing Intangible Assets (net of amortization expense):

	Printing	Office Products and Furniture	Total
Balance at October 31, 2013:			
Amortizing Intangible Assets (net of amortization expense)	$ 442,317	$ 865,932	$ 1,308,249
Accumulated Impairment losses	-	-	-
	442,317	865,932	1,308,249
Amortizing Intangible Assets (net of amortization expense) acquired Fiscal 2014	-	-	-
Impairment losses Fiscal 2014	-	-	-
Amortization expense	47,111	81,195	128,306
Balance at October 31, 2014:			
Amortizing Intangible Assets (net of amortization expense)	395,206	784,737	1,179,943
Accumulated Impairment Losses	-	-	-
	395,206	784,737	1,179,943
Amortizing intangible acquired in Fiscal 2015	-	-	-
Impairment losses Fiscal 2015	-	-	-
Amortization expense	40,903	81,195	122,098
Balance at October 31, 2015:			
Amortizing intangible	354,303	703,542	1,057,845
Accumulated Impairment losses	-	-	-
	$ 354,303	$ 703,542	$ 1,057,845

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

	2015	2014	2013

Goodwill	$-	$-	$2,226,837
Other intangibles	-	-	-
	$-	$-	$2,226,837

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

Note 10. Discontinued Operations and Assets Held for Sale

The Company sold substantially all of the assets of its Blue Ridge Printing, Co., Inc. ("Blue Ridge") subsidiary on June 25, 2013 to BRP Company, Inc. pursuant to an Asset Purchase Agreement. The Company received approximately $942,000 net of commissions at closing subsequently reduced by net liquidity adjustments approximating $22,000. Blue Ridge has historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of Blue Ridge are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

On July 12, 2013, the Company’s wholly owned subsidiary Champion Publishing, Inc. sold substantially all the assets of its newspaper operations (The “Herald-Dispatch”) headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement. The Company received approximately $9,700,000 net of selling commissions and pro-rated taxes. The Herald-Dispatch has historically been accounted for in the Company’s newspaper segment representing this segments only operating entity. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of The Herald Dispatch are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

The Company has identified one Company owned facility within the printing segment that the Company intends to sell. This facility does not house any of the Company’s operations other than its limited warehousing use. This facility is carried at its carrying amount of $257,000 and is reported as assets held for sale on the Company’s balance sheets at October 31, 2015. The Company believes the carrying amount to currently be lower than the estimated fair value less cost to sell.

The following is selected financial information included in net earnings (loss) from discontinued operations for three divisions classified within the printing segment and the Herald-Dispatch previously classified within the newspaper segment until the sale of this segment and reflects interest on estimated debt required to be repaid as a result of these disposal transactions and excludes any general corporate overhead allocations. The interest expense allocated to discontinued operations for the year ended October 31, 2015, 2014, and 2013, was approximately $0, $0, and $615,000. The Company had no discontinued operations for the year ended October 31, 2015 or 2014.

	Twelve Months Ended October 31, 2013		
	Printing	Herald-Dispatch	Total
Net sales	$ 2,190,236	$ 8,954,004	$ 11,144,240
(Loss) from discontinued operations	(746,581)	491,367	(255,214)
Income tax benefit (expense)	250,670	(184,608)	66,062
Gain on sale of discontinued operations	(103,802)	547,106	443,304
Income tax on sale (expense)	34,338	(205,548)	(171,210)
Net earnings (loss) from discontinued operations	(565,375)	648,317	82,942

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

Note 11. Shareholders Rights Agreement and Warrants to Purchase Shares of Class B Common Stock

The Warrants entitle the Holders thereof to purchase that number of shares of Company Class B Common Stock equal to thirty percent (30%) of the then issued and outstanding Common Stock of the Company, on a fully diluted, post-exercise basis. Based on the 11,299,528 shares of Company Common Stock currently issued and outstanding, exercise in full of the Warrants would result in the Company’s issuance of an additional 4,842,654 shares to the Warrant Holders. In the event a greater number of issued and outstanding common shares exist at the time of option exercise, a greater number of options of shares of Class B Common Stock would be issuable. The Previous Secured Lenders assigned the warrants to Marshall T. Reynolds in consideration for his personal guaranty and stock pledge and security agreement to assist in facilitating the consummation of the October 2013 Credit Agreement.

The exercise price is $0.001 per share of Class B Common Stock.

The Warrants expire on October 19, 2017.

The Warrants may be exercised for all shares of Class B Common Stock which may then be purchased thereunder, and for any part of the shares which may be purchased thereunder on not more than two occasions. On October 19, 2012, the Company's Board of Directors approved the increase in authorized shares and the addition of Class B common stock. The Company's CEO controlled approximately 53.7% of the common stock and agreed on October 19, 2012 to vote in favor of this action. Therefore, the Class B shares are initially reflected as authorized in the October 31, 2012 Financial Statements.

At a meeting held December 7, 2012, shareholders approved the issuance of the warrants and amendments to the Company's articles of incorporation increasing the number of authorized shares of common stock and creating the Class B common stock.

The Company has agreed with the Warrant Holders that it shall at all times prior to the Warrant expiration date reserve a sufficient number of shares of its Class B Common Stock to provide for the exercise of the Warrants.

In the event of any consolidation or merger of the Company with another entity, or the sale of substantially all the Company’s assets to another entity that as a condition of such transaction, the Warrant Holders shall have the right to receive upon the basis and terms of the Warrant and in lieu of shares of Class B Common Stock purchasable thereunder such shares of stock, securities or assets as may by virtue of such transaction be issuable or payable with respect to an equivalent number of shares of Class B Common Stock purchasable under the Warrant had such transaction not taken place. If the securities to be received in such transaction are not traded on a national securities exchange the Holder of the Warrant may elect in lieu of such securities to receive cash equal to the fair market value of such securities.

The Company will be required to file a Form S-1 Registration Statement with the United States Securities and Exchange Commission registering Company Common Stock attributable to the Warrants if at any time it receives a request to do so from Holders of twenty five percent (25%) of such securities then outstanding with respect to at least forty percent (40%) of such securities (or a lesser percent if the anticipated aggregate offering price, net of selling expenses, would exceed $5,000,000).

The Company will be required to file a Form S-3 Registration Statement, if it is eligible to use such form, upon request of Holders of at least ten percent (10%) of the Common Stock attributable to the Warrants with respect to such Common Stock having an anticipated offering price, net of selling expenses, of at least $1,000,000.

The Company has the right, exercisable no more than once in any twelve (12) month period, to decline such demand registration if the Company’s Board of Directors determines, in its good faith judgment, that it would be materially detrimental to the Company and its shareholders for such registration statement to become effective, it would materially interfere with a significant corporate transaction, require premature disclosure of material information that the Company has a bona fide business purpose for preserving its confidentiality or render the Company unable to comply with SEC requirements.

In the event that Marshall T. Reynolds, beneficial owner of fifty-three and seven-tenths percent (53.7%) of currently issued and outstanding Company Common Stock (exclusive of Mr. Reynolds warrant assignment) proposes to transfer, sell or otherwise dispose of any of his Company Common Stock which represents in the aggregate five percent (5%) or more of the then outstanding Company Common Stock, the Holders shall have the right to require the proposed purchaser to purchase from them (i) all shares owned by them if the proposed transfer by Mr. Reynolds to the proposed purchaser is for one hundred percent (100%) of the shares held by him, or (ii) up to the number of whole shares owned by the Holders equal to the sum of (a) the number derived by multiplying the total number of shares Mr. Reynolds proposes to transfer by a fraction the numerator of which is the total number of shares owned by the Holders and the denominator of which is the total number of shares of the Company then outstanding and any additional shares that the Holders shall be entitled to have purchased.

On and after April 19, 2017, each Warrant Holder, whether holding Warrants and/or shares of any Company Common Stock received as a result of the exercise of any Warrant, shall have the option to require the Company to purchase all, but not less than all of the Warrants and such Common Stock for a purchase price equal to $0.001 per share.

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

Note 12. Certain Significant Estimates

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

Goodwill and Intangible Assets

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

Allowance for Doubtful Accounts

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

Beginning at the end of the second quarter 2014 and continuing into the third quarter of 2014, the Company implemented a companywide, weekly, practice of reviewing our accounts receivable and vigorously pursuing collection of past due accounts and keeping slower paying customers within reasonable days outstanding. As a result, our accounts over 60 and 90 days outstanding decreased steadily. Given this information we reviewed our allowance for bad debts and determined we were over reserved by $0.2 million. Pursuant to ASC 250-10-45 paragraph 17, a change in accounting estimate shall be accounted for in the period of change if the change affects that period only or in the period of change and future periods if the change affects both. As such, the Company made the $0.2 million adjustment to the allowance for bad debt at July 31, 2014 and Selling, General and Administrative expense for the quarter ended July 31, 2014. This change in estimate is reflected in the Allowance for Doubtful Accounts and Selling, General and Administrative expense at and for the twelve months ended October 31, 2014.

Given the continued success of collection efforts, and the results of its periodic reviews using historical rates and assumptions, the Company’s Management believes the allowance at October 31, 2015 is appropriate.

Deferred Tax Assets:

The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our overall current credit situation. Therefore, the amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a refinancing of the Company’s existing credit agreement with its secured lenders, and such adjustments may be material to the Consolidated Financial Statements.

Champion Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Note 13. (Loss) Earnings Per Share

(Loss) earnings per share (EPS) were computed as follows for the periods indicated:

	(Loss) Income	Weighted Average Shares	Per Share Amount
Year Ended October 31, 2015			
Net loss from operations	$ (1,191,341)	11,300,000	$ (0.11)
Net income from discontinued operations	-	11,300,000	-
Net loss	(1,191,341)		
Basic loss per share:			
Net loss available to common shareholders, total	(1,191,341)	11,300,000	(0.11)
Effect of dilutive securities stock options/warrants		-	
Diluted loss per share:			
Net loss available to common shareholders and assumed conversions	$ (1,191,341)	11,300,000	$ (0.11)
Year Ended October 31, 2014			
Net loss from operations	$ (1,131,634)	11,300,000	$ (0.10)
Net income from discontinued operations	-	11,300,000	
Net loss	(1,131,634)		
Basic loss per share:			
Net loss available to common shareholders, total	(1,131,634)	11,300,000	(0.10)
Effect of dilutive securities stock options/warrants		-	
Diluted earnings per share:			
Net loss available to common shareholders and assumed conversions	$ (1,131,634)	11,300,000	$ (0.10)
Year Ended October 31, 2013			
Net income from continuing operations	$ 5,631,452	11,300,000	$ 0.50
Net income from discontinued operations	82,942	11,300,000	0.01
Net income	5,714,394		
Basic income per share:			
Net income available to common shareholders, total	5,714,394	11,300,000	0.51
Effect of dilutive securities stock options		4,814,000	

Diluted income per share:					
Net income available to common shareholders and assumed conversions	$	5,714,394	16,114,000	$	0.36

Note 14. Subsequent Events

The Company has evaluated subsequent events through January 29, 2016 for the Balance Sheet dated October 31, 2015.

On January 18, 2016, the Board of Directors of the Company approved a 1-for-200 reverse stock split of the outstanding shares of its Class A Common Stock. As part of the proposed transaction, authorized shares of Class B Common Stock, which are unissued, likewise would be subject to and adjusted for a 1-for-200 reverse stock split as well.

Pursuant to the proposed transaction, stockholders holding fewer than 200 shares of the Company's Class A Common Stock immediately before the transaction would have such shares cancelled and converted into the right to receive from the Company a cash payment of thirty cents ($0.30) for each such share owned before the reverse stock split. Stockholders holding 200 or more shares of the Company's Class A Common Stock immediately before the reverse stock split will receive one share for each 200 common shares held and, as applicable, fractional shares based on the 1-for-200 reverse stock split ratio. Cash consideration would only be paid to shareholders who, after the reverse stock split, hold less than one (1.0) whole share of the post-split Class A Common Stock.

If the transaction is approved by the Company's stockholders and implemented, the Company expects to have fewer than 300 stockholders of record of its outstanding common stock, in which event the Company intends to deregister its shares and cease to be a reporting company under the Securities and Exchange Act of 1934.

Further information about this proposed transaction was filed in the Company's Form 8-K dated January 20, 2016. A definitive proxy statement will also be sent to shareholders for review.

Also, on January 18, 2016, the Board of Directors of the Company approved and recommended that shareholders approve an amendment of the Articles of Incorporation of the Company to create a new class of capital stock, i.e., 2,500 shares of Preferred Series A with a par value of $1,000 per shares. The purpose of this proposed amendment and proposed authorization of such Preferred Series A shares was to allow implementation of a conversion of debt owed to a shareholder into equity in the form of preferred shares, which conversion had been approved by the Board on June 15, 2015 and was disclosed in a previous filing (10-Q filed for the quarter ending April 30, 2015). Specifically, as approved on June 15, 2015, the Board authorized and approved conversion of a $2,500,000 note payable to a shareholder, accruing interest at the rate of 3.25% per annum (3.50% currently), to preferred stock equity that would pay either a 0.00% dividend or 6.00% dividend contingent on the Company's net income after income taxes being at least $1.0 million, such that if the Company's net income after income taxes is less than $1.0 million the dividend rate on such preferred stock would be 0.00%, (the "Conversion"). However, because the Company does not have a class of preferred shares currently, the proposed amendment is necessary in order to authorize creation of the preferred shares necessary to complete the Conversion. The Chairman of the Board, who is also the Chief Executive Officer of the Company, is the shareholder affected by the Conversion and consequently recused himself from the votes on these matters at the Board's July 15, 2015 and January 18, 2016 meetings.

If the transaction is approved by the Company's stockholders and implemented, the Company expects to issue all 2,500 Preferred Series A shares. Further information about this proposed transaction was filed in the Company's Form 8-K dated January 20, 2016. A definitive proxy statement will also be sent to shareholders for review.

Schedule II

Valuation and Qualifying Accounts

Years Ended October 31, 2015, 2014 and 2013

Description	Balance at beginning of period	Balances of acquired companies	Additions charged to costs and expense(1)	Deductions(2)	Balance at end of period
2015					
Allowance for doubtful accounts from continuing operations	$687,844	$-	$(37,420)	$(119,384)	$531,040
2014					
Allowance for doubtful accounts from continuing operations	$ 972,778	$ -	$ (64,406)	$ (220,528)	$ 687,844
2013					
Allowance for doubtful accounts from continuing operations	$ 1,012,894	$ -	$ 143,989	$ (184,105)	$ 972,778

(1) 2015 was a recovery that offset bad debt expense for the year.Change in estimate that was offset by bad debt expense caused the negative bad debt expense for 2014.

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