

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended July 31, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-21084

**Champion Industries, Inc.**

(Exact name of Registrant as specified in its charter)

West Virginia  
(State or other jurisdiction of incorporation or  
organization)

55-0717455  
(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

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

Class	Outstanding at July 31, 2013
Common stock, \$1.00 par value per share	11,299,528 shares

**Champion Industries, Inc.**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Champion Industries, Inc. and Subsidiaries  
Consolidated Balance Sheets**

<b>ASSETS</b>	<b>July 31, 2013 (Unaudited)</b>	<b>October 31, 2012</b>
Current assets:		
Cash and cash equivalents	\$ -	\$ 1,844,797
Accounts receivable, net of allowance of \$800,000 and \$1,013,000	9,297,924	10,229,562
Inventories	5,328,732	5,764,803
Other current assets	454,873	370,103
Current portion assets held for sale/discontinued operations (see Note 12)	520,912	14,894,820
<b>Total current assets</b>	<b>15,602,441</b>	<b>33,104,085</b>
Property and equipment, at cost:		
Land	1,254,195	1,254,195
Buildings and improvements	5,310,422	5,263,187
Machinery and equipment	34,288,794	36,983,005
Equipment under capital lease	72,528	72,528
Furniture and fixtures	3,653,048	3,716,457
Vehicles	2,501,915	2,827,620
	47,080,902	50,116,992
Less accumulated depreciation	(38,810,816)	(40,559,463)
	8,270,086	9,557,529
Goodwill	1,230,485	3,457,322
Deferred financing costs	-	324,692
Other intangibles, net of accumulated amortization	1,343,148	1,447,848
Other assets	73,070	75,115
	2,646,703	5,304,977
<b>Total assets</b>	<b>\$ 26,519,230</b>	<b>\$ 47,966,591</b>

*See notes to consolidated financial statements.*

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

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>July 31, 2013 (Unaudited)</b>	<b>October 31, 2012</b>
<b>Current liabilities:</b>		
Negative book cash balances	\$ 175,402	\$ -
Notes payable, line of credit (see Note 5)	6,231,830	7,001,730
Accounts payable	4,660,962	3,123,544
Deferred revenue	95,738	105,240
Accrued payroll and commissions	673,182	1,023,827
Taxes accrued and withheld	794,145	833,969
Accrued expenses	2,211,244	2,158,613
Current portion liabilities held for sale/discontinued operations (see Note 5 and Note 12)	520,912	15,117,257
Debt discount (see Note 5)	-	(1,287,527)
Notes payable (see Note 5)	15,331,492	18,600,352
Capital lease obligations (see Note 5)	13,612	13,014
<b>Total current liabilities</b>	<b>30,708,519</b>	<b>46,690,019</b>
<b>Long-term debt, net of current portion:</b>		
Notes payable - related party (see Note 5)	2,500,000	2,500,000
Notes payable (see Note 5)	97,758	99,291
Capital lease obligations (see Note 5)	46,095	52,705
Other liabilities	600	1,950
<b>Total liabilities</b>	<b>33,352,972</b>	<b>49,343,965</b>
<b>Shareholders' (deficit):</b>		
Common stock, \$1 par value, 20,000,000 Class A voting shares authorized; 11,299,528 shares issued and outstanding	11,299,528	11,299,528
Common Stock, Class B nonvoting stock, \$1 par value, 5,000,000 shares authorized, -0- shares issued and outstanding	-	-
Additional paid-in capital	23,874,377	23,874,377
Retained deficit	(42,007,647)	(36,551,279)
<b>Total shareholders' (deficit)</b>	<b>(6,833,742)</b>	<b>(1,377,374)</b>
<b>Total liabilities and shareholders' (deficit)</b>	<b>\$ 26,519,230</b>	<b>\$ 47,966,591</b>

*See notes to consolidated financial statements.*

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Printing	\$ 9,901,791	\$ 12,508,775	\$ 32,214,659	\$ 40,322,792
Office products and office furniture	8,065,498	9,814,219	22,299,089	27,131,439
<b>Total revenues</b>	<b>17,967,289</b>	<b>22,322,994</b>	<b>54,513,748</b>	<b>67,454,231</b>
<b>Cost of sales:</b>				
Printing	7,247,499	9,532,652	23,654,988	29,645,016
Office products and office furniture	6,021,154	7,326,952	15,771,459	19,457,407
<b>Total cost of sales</b>	<b>13,268,653</b>	<b>16,859,604</b>	<b>39,426,447</b>	<b>49,102,423</b>
<b>Gross profit</b>	<b>4,698,636</b>	<b>5,463,390</b>	<b>15,087,301</b>	<b>18,351,808</b>
Selling, general, & administrative expenses	4,956,866	5,728,802	14,702,664	17,963,806
Asset impairments/restructuring charges	43,848	273,892	2,270,685	273,892
<b>(Loss) income from operations</b>	<b>(302,078)</b>	<b>(539,304)</b>	<b>(1,886,048)</b>	<b>114,110</b>
<b>Other income (expenses):</b>				
Interest expense - related party	(20,764)	(16,611)	(61,615)	(39,000)
Interest expense	(1,142,212)	(946,185)	(3,742,989)	(2,254,555)
Other	17,188	(10,933)	38,182	21,186
	<u>(1,145,788)</u>	<u>(973,729)</u>	<u>(3,766,422)</u>	<u>(2,272,369)</u>
<b>(Loss) from continuing operations before income taxes</b>	<b>(1,447,866)</b>	<b>(1,513,033)</b>	<b>(5,652,470)</b>	<b>(2,158,259)</b>
Income tax benefit (expense)	141,532	-	101,189	(11,727,095)
<b>Net (loss) from continuing operations</b>	<b>(1,306,334)</b>	<b>(1,513,033)</b>	<b>(5,551,281)</b>	<b>(13,885,354)</b>
Net income (loss) from discontinued operations	216,460	920,073	94,913	(7,810,047)
<b>Net (loss)</b>	<b>(1,089,874)</b>	<b>(592,960)</b>	<b>(5,456,368)</b>	<b>(21,695,401)</b>
Other comprehensive income (loss)	-	-	-	-
<b>Comprehensive (loss)</b>	<b>\$ (1,089,874)</b>	<b>\$ (592,960)</b>	<b>\$ (5,456,368)</b>	<b>\$ (21,695,401)</b>
<b>(Loss) Earnings per share</b>				
Basic and diluted (loss) from continuing operations	\$ (0.12)	\$ (0.13)	\$ (0.49)	\$ (1.23)
Basic and diluted income (loss) from discontinued operations	0.02	0.08	0.01	(0.69)
<b>Total (loss) per common share</b>	<b>\$ (0.10)</b>	<b>\$ (0.05)</b>	<b>\$ (0.48)</b>	<b>\$ (1.92)</b>
<b>Weighted average shares outstanding:</b>				
Basic and diluted	11,300,000	11,300,000	11,300,000	11,300,000

*See notes to consolidated financial statements.*

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

	Nine Months Ended July 31,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Net (loss)	\$ (5,456,368)	\$ (21,695,401)
Income (loss) from discontinued operations	94,913	(7,810,047)
(Loss) from continuing operations	(5,551,281)	(13,885,354)
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Depreciation and amortization	1,639,075	1,976,752
(Gain) loss on sale of assets	(37,222)	12,839
Allowance for doubtful accounts	(42,298)	707,017
Deferred financing costs / debt discount	1,612,223	397,477
Accrued deferred fee	795,404	-
Deferred income tax	-	11,758,267
Restructuring charges	43,848	48,038
Goodwill impairment	2,226,837	-
Asset impairment	-	225,854
Changes in assets and liabilities:		
Accounts receivable	973,936	1,358,559
Inventories	436,071	310,802
Other current assets	(84,770)	78,411
Accounts payable	1,493,570	(244,793)
Deferred revenue	(9,502)	7,644
Accrued payroll and commissions	(350,645)	(149,048)
Taxes accrued and withheld	(39,824)	218,832
Accrued income taxes	-	9,293
Accrued expenses	52,631	54,629
Other liabilities	(1,350)	(1,350)
Net cash provided by operating activities - continuing operations	3,156,703	2,883,869
Net cash provided by operating activities - discontinued operations	397,800	2,695,837
	<u>3,554,503</u>	<u>5,579,706</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(350,158)	(480,612)
Proceeds from sales of fixed assets	140,448	166,578
Proceeds from assets held for sale	816,667	-
Change in other assets	2,046	(50,444)
Net cash provided by (used in) investing activities - continuing operations	609,003	(364,478)
Net cash provided by investing activities - discontinued operations	11,031,646	2,972,023
	<u>11,640,649</u>	<u>2,607,545</u>
<b>Cash flows from financing activities:</b>		
Borrowings on line of credit	7,040,500	11,531,004
Payments on line of credit	(6,270,600)	(11,531,004)
Proceeds from term debt	246,432	65,915
Principal payments on term debt	(7,186,872)	(4,412,337)
Financing costs paid	-	(122,042)
Change in negative book cash	175,402	(618,787)
Net cash (used in) financing activities - continuing operations	(5,995,138)	(5,087,251)
Net cash (used in) financing activities - discontinued operations	(11,044,811)	(3,100,000)
	<u>(17,039,949)</u>	<u>(8,187,251)</u>
Net decrease in cash and cash equivalents	(1,844,797)	-
Cash and cash equivalents at beginning of period	1,844,797	-
Cash and cash equivalents at end of period	<u>\$ -</u>	<u>\$ -</u>

See notes to consolidated financial statements

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

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

The foregoing financial information has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and rules and regulations of the Securities and Exchange Commission for interim financial reporting. The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In the opinion of management, the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2012, and related notes thereto contained in Champion Industries, Inc.'s Form 10-K filed January 29, 2013. The accompanying interim financial information is unaudited. The results of operations for the period are not necessarily indicative of the results to be expected for the full year. The balance sheet information as of October 31, 2012 was derived from our audited financial statements.

*Reclassifications and Revisions:* Certain prior-year amounts have been reclassified to conform to the current year financial statement presentation. The Company's operations comprising its former Consolidated Graphic Communications division, Donihe Graphics division, Blue Ridge Printing division and the Herald-Dispatch Newspaper segment were classified as discontinued operations in the consolidated statements of operations for all periods presented.

*Newly Adopted Accounting Standards*

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05 "Comprehensive Income: Presentation of comprehensive income." The amendment to ASC 220 "Comprehensive Income" requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. In December 2011, the FASB issued ASU 2011-12 "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This amendment to ASC 220 "Comprehensive Income" will defer the adoption of presentation of reclassification items out of accumulated other comprehensive income until November 1, 2012. We adopted the new guidance beginning November 1, 2012, and the adoption of the new guidance did not impact our financial position, results of operations or cash flows, other than the related disclosures.

In September 2011, the FASB issued ASU 2011-08 "Intangibles-Goodwill and Other: Testing Goodwill for Impairment" which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt even if its annual test date is before the issuance of the final standard, provided that the entity has not yet performed its 2011 annual impairment test or issued its financial statements. We adopted the new guidance, but it will not affect our annual goodwill impairment testing which is performed during the fourth quarter, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

In July 2012, the FASB issued ASU 2012-02 "Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment" which provides an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. We adopted the new guidance, but it will not affect our annual intangible asset impairment testing which is performed during the fourth quarter, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

*Recently Issued Accounting Standards*

Effective July 1, 2009, changes to the ASC are communicated through an ASU. The FASB has issued ASU's 2009-01 through 2013-11 as of July 31, 2013. We have reviewed each ASU and determined that each ASU applicable to us will not have a material impact on our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

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

In February 2013, the FASB issued ASU 2013-02 "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This amendment does not change the current requirements for reporting net income or other comprehensive income in Financial Statements. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional details about those amounts. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

In April 2013, the FASB issued ASU 2013-07, "Presentation of Financial Statements: Topic Liquidation Basis of Accounting" ("ASU 2013-07"). ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces. ASU 2013-07 will be effective for the Company beginning on November 1, 2014. The Company expects that the adoption of ASU 2013-07 will not have a material impact on its financial statements or disclosure.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 provides that an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use the deferred tax asset for such purpose then the unrecognized tax benefit should be presented as a liability. ASU 2013-11 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The Company expects that the adoption of ASU 2013-11 will not have a material impact on its financial statements or disclosure.

## **2. Earnings per Share**

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period and excludes any dilutive effects of stock options 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 for the nine months ended July 31, 2013 and 2012.

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

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

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



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

**4. Inventories**

Inventories are principally stated at the lower of first-in, first-out cost or market. Manufactured finished goods and work in process inventories include material, direct labor and overhead based on standard costs, which approximate actual costs. The Company utilizes an estimated gross profit method for determining cost of sales in interim periods.

Inventories consisted of the following:

	July 31, 2013	October 31, 2012
Printing:		
Raw materials	\$ 1,472,890	\$ 1,662,766
Work in process	860,048	798,242
Finished goods	1,198,678	1,383,094
Office products and office furniture	1,797,116	1,920,701
	<u>\$ 5,328,732</u>	<u>\$ 5,764,803</u>

**5. Long-Term Debt**

Long-term debt consisted of the following:

	July 31, 2013	October 31, 2012
Installment notes payable to banks and Lessor, due in monthly installments plus interest at rates approximating the bank's prime rate or the prime rate subject to various floors maturing in various periods ranging from November 2012 - July 2015, collateralized by equipment and vehicles (0% interest on Lessor note) (see Note 10)	\$ 366,205	\$ 677,167
Notes payable to shareholders. The shareholder note of \$2.5 million plus all accrued interest is due in one balloon payment in September 2014. Interest is at the prime rate (3.25% at July 31, 2013 and October 31, 2012)	2,500,000	2,500,000
Term loan A with a syndicate of banks, due in monthly installments of \$238,000 plus interest payments equal to LIBOR plus the applicable margin (currently 8%) maturing September 30, 2013, collateralized by substantially all of the assets of the Company.	8,407,288	19,762,000
Term loan B with a syndicate of banks, due September 30, 2013, interest (deferred fee) at a rate of 16%, with aggregate unpaid deferred fee itself bearing interest collateralized by substantially all of the assets of the Company	6,277,744	6,277,744
Bullet loan A with a syndicate of Banks, due in installments of \$1.9 million on or before December 31, 2012 and \$2.1 million on or before March 31, 2013 with interest at LIBOR plus the applicable margin (currently 8%), collateralized by substantially all of the assets of the Company.	-	3,350,000
Revolving line of credit loan facility with a syndicate of banks, interest payments based on LIBOR plus the applicable margin (currently 6%) maturing September 30, 2013, collateralized by substantially all of the assets of the Company.	6,231,830	8,425,496
Accrued Deferred fee (interest) Term loan B, Due September 30, 2013	826,575	31,171
Capital lease obligation for printing equipment at an imputed interest rate of 6.02% per annum	59,707	65,719
Unamortized debt discount	-	(1,287,527)
	<u>24,669,349</u>	<u>39,801,770</u>
Less current portion revolving line of credit	6,231,830	8,425,496
Less current portion long-term debt	15,780,054	29,998,791
Less current portion obligation under capital lease	13,612	13,014
Less debt discount	-	(1,287,527)
Long-term debt, net of current portion and revolving line of credit, capital lease obligation and notes payable to related party	<u>\$ 2,643,853</u>	<u>\$ 2,651,996</u>
Continuing operations:		
Long-term debt, net of current portion and revolving line credit	\$ 97,758	\$ 99,291
Long-term capital lease obligation	46,095	52,705
Current portion of long-term debt and revolving line of credit	21,563,322	25,602,082
Long-term notes payable to related party	2,500,000	2,500,000
Current portion of capital lease obligation	13,612	13,014
Debt Discount	-	(1,287,527)
Total debt from continuing operations	<u>24,220,787</u>	<u>26,979,565</u>
Liabilities held for sale/discontinued operations - debt	448,562	12,822,205
Total indebtedness	<u>\$ 24,669,349</u>	<u>\$ 39,801,770</u>

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

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

Maturities of long-term debt, capital lease obligations and revolving line of credit from continuing and discontinued operations for each of the next five years beginning August 1, 2013:

2013	\$	22,025,496
2014		2,612,209
2015		15,343
2016		16,301
2017		-
	\$	<u>24,669,349</u>

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

Debt 2013:

Effective May 31, 2013 the Company began operating under a First Limited Forbearance and Waiver Agreement and First Amendment to Amended and Restated Credit Agreement (the "May 2013 Forbearance Agreement") as amended on August 28, 2013 as further discussed herein. The following is a sequential summary of the various debt actions in 2013:

The Company operated under the provisions of the Restated Credit Agreement until the event of default notice received on March 25, 2013. Since 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 reserve 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 have occurred and continue 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 provides, 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 are entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

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

The May 2013 Forbearance Agreement requires 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 is 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 are also various targeted dates upon acceptance of applicable letters of intent for Designated Transactions which will result in various actions to be achieved by the applicable milestone dates or if not achieved may 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 shall 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 threshold of \$500,000.

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.



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

Debt 2012:

Effective October 19, 2012, the Company began operating under the provisions of the Restated Credit Agreement as further discussed herein. The following is a sequential summary of the various debt actions in 2012.

The secured and unsecured credit facilities contain restrictive financial covenants requiring the Company to maintain certain financial ratios. The Company was unable to remain in compliance with certain financial covenants arising under substantially all of its long-term note agreements. The creditors have not waived the financial covenant requirements.

The Company received a notice of default on December 12, 2011, which was reported pursuant to item 2.04 of Form 8-K filed December 15, 2011. This notice of default advised that the Administrative Agent had not waived the event of default and reserves all rights and remedies thereof. These remedies include, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement. The notice of default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any event of default.

On December 28, 2011, the Administrative Agent, the Lenders, the Company, all of its subsidiaries and Marshall T. Reynolds entered into a Limited Forbearance Agreement and Third Amendment to Credit Agreement (the "Limited Forbearance Agreement") which provided, among other things, that during a forbearance period commencing on December 28, 2011, and ending on April 30, 2012 (unless terminated sooner by default of the Company under the Limited Forbearance Agreement or Credit Agreement), the Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Credit Agreement. The Company acknowledged in the Limited Forbearance Agreement that as a result of the existing defaults, the Lenders 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 Limited Forbearance Agreement provided that during the forbearance period, so long as the Company met the conditions of the Limited Forbearance Agreement, it could continue to request credit under the revolving credit line.

The Limited Forbearance Agreement required the Company to:

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

The Limited Forbearance Agreement provided that the credit commitment under the Credit Agreement was \$15,000,000 and provided for a \$1,450,000 reserve against the Credit Agreement borrowing base. The Company had borrowed under its \$15.0 million line of credit approximately \$9.7 million at December 28, 2011, which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of \$2.0 million was made on the cash collateral and \$2.0 million was funded in the form of the subordinated unsecured promissory note.

The Company received a notice of default and reservation of rights letter on May 2, 2012, which was reported pursuant to Item 2.04 of Form 8-K filed May 4, 2012.

In a Current Report on Form 8-K filed May 4, 2012, Champion Industries, Inc. ("Champion") advised that on May 2, 2012, Fifth Third Bank, as Administrative Agent (the "Administrative Agent") for lenders under Champion's Credit Agreement dated September 14, 2007, as amended (the "Credit Agreement") had sent Champion a Notice of Default and Reservation of Rights ("Notice of Default"), advising that Champion's default under provisions of the Credit Agreement requiring it to maintain certain financial ratios constituted an Event of Default under the Credit Agreement. The default related to Sections 6.20(a) and 6.20(b) of the Credit Agreement.

The Notice of Default also advised that the Administrative Agent had not waived the Event of Default and reserved all rights and remedies as a result thereof. Those remedies include, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement.

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

The Notice of Default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any Event of Default.

On July 31, 2012, the Administrative Agent, the Lenders, Champion, all its subsidiaries and Marshall T. Reynolds entered into a First Amended and Restated Limited Forbearance Agreement and Fourth Amendment to Credit Agreement dated July 13, 2012 (the "Forbearance Agreement") which provided, among other things, that during a forbearance period commencing on July 13, 2012 and ending on August 15, 2012 (unless sooner terminated by default of Champion under the Forbearance Agreement or the Credit Agreement), the Required Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Credit Agreement. Champion acknowledged in the Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to Champion, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

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

The Forbearance Agreement required Champion to:

- continue to engage a chief restructuring advisor to assist in developing a written restructuring plan for Champion's business operations;
- submit an updated proposed restructuring plan to the Administrative Agent by July 16, 2012;
- provide any consultant retained by the Administrative Agent with access to the operations, records and employees of Champion and their advisors;
- attain revised minimum EBITDA covenant targets;
- provide additional financial reports to the Administrative Agent;
- make a good faith effort to effectuate certain transaction initiatives identified by the Company;
- permit Administrative Agent to retain a media transaction expert and allow access to Company personnel and advisors; and
- forbearance fee of 0.25%.

The Forbearance Agreement provided that the credit commitment under the Credit Agreement was \$13,600,000 and provided for a \$1,450,000 reserve against the Credit Agreement borrowing base. The applicable margin had been increased to 6.0% if utilizing the base rate or 4% if utilizing the amended base rate as well as a PIK compounding Forbearance Fee of 2% of the outstanding amount of term loans. The default rate was an additional 2% for outstanding term loans.

On August 20, 2012 the Company received a Notice of Forbearance Termination, Additional Defaults and Reservation of Rights ("Notice of Default") letter from the Administrative Agent for its secured lenders which was reported pursuant to Item 2.04 of Form 8-K filed August 21, 2012. This Notice of Default resulted from the expiration of the Forbearance Agreement on August 15, 2012. The Company references to minimum excess availability and other credit availability related to the Forbearance Agreement were not applicable after July 31, 2012 through the effective date of the September Forbearance Agreement due to the expiration of the Forbearance Agreement. The Company had been notified that any extension of additional credit would be made by the Lenders in their sole discretion without any intention to waive any Event of Default. The Lenders had continued to provide the Company with access to the applicable revolving credit facilities during this default period.

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

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

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

- pay a 0.10% extension fee based on the then-outstanding loans, interests in Letters of Credit and Unused Revolving Credit Commitments;
- continue services of bank group consultant as well as continued retention of Company advisors;
- release and term debt pay down of remaining \$500,000 under the provisions of the Contribution Agreement hereinafter described;
- continue actions to effectuate certain transactions, including the financing of certain receivables and finalizing the Safeguard transaction;
- agree to terms on a debt restructuring by September 15, 2012 subject to credit approval and documentation;
- minimum EBITDA covenant for August 2012 of \$400,000;
- aggregate revolving credit commitments of \$13,000,000.

On October 19, 2012, the Company, the Administrative Agent and other lenders all party to the Company's Credit Agreement dated September 14, 2007 (as previously supplemented and amended, the "Original Credit Agreement") entered into a First Amended and Restated Credit Agreement ("Restated Credit Agreement") dated October 19, 2012 and Side Letter Agreement dated October 19, 2012. The Company reviewed the applicable requirements associated with debt modifications and restructurings to determine the applicable accounting for the Company's Restated Credit Agreement. The Company determined that modification accounting was appropriate based on the facts and circumstances of the Company's analysis as applied to applicable GAAP. A primary determining factor was the imputed effective interest rate of the Company's debt being substantially higher after the modification than was present prior to the modification. This was a key determining factor in assessing whether the Company's secured lender's had granted a concession. The Restated Credit Agreement and Side Letter Agreement amended various provisions of the Original Credit Agreement and added various provisions as further described herein, including but not limited to the following provisions of the Restated Credit Agreement:

- } Restated Credit Agreement maturity at June 30, 2013, subject to Champion's compliance with terms of the Restated Credit Agreement and Side Letter Agreement.
- } \$0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement for the benefits of the Lenders, subject to shareholder approval. The Company had various milestone dates, which may have reduced the number of warrants outstanding upon satisfaction of certain conditions. None of the milestones were met. The warrants expire after October 19, 2017.
- } Various Targeted Transactions which may require the sale of various assets, divisions or segments upon the achievement of agreed upon value benchmarks among other considerations and if not successfully completed by the applicable milestone dates will be considered an event of default.
- } Existing debt restructured into a \$20,000,000 Term Loan A, \$6,277,743.89 Term Loan B, \$4,000,000 Bullet Loan and \$9,025,496.00 Revolver Loan.
- } A \$10,000,000 revolving credit facility with a sublimit of up to \$3,000,000 for swing loans. Outstanding borrowings thereunder may not exceed the sum of (1) up to 85% of eligible receivables (reduced to 80% of eligible receivables effective December 30, 2012) plus (2) up to the lesser of \$5,000,000 or 50% of eligible inventory.
- } Targeted interest rates as follows based on a LIBOR borrowing option; Term Note A at LIBOR plus 8%, Term Note B at 0% (subject to a deferred fee of 16% per annum with various milestone dates reducing or forgiving such fees upon successful completion of such milestones.), revolving loans at LIBOR plus 6% and Bullet Loans A at a rate of LIBOR plus 8%.
- } At Champion's option, interest at a LIBOR Rate plus the applicable margin.
- } Post default increase in interest rates of 2%.
- } Amendment of various covenants as further described in the Restated Credit Agreement.
- } Fixed Charge Coverage Ratio is required to be 1.0 to 1.0 as of January 31, 2013 and 1.10 to 1.0 as of April 30, 2013 based on a buildup model commencing October 1, 2012.
- } Leverage Ratio is required to be 3.30 to 1.00 as of January 31, 2013 and 3.10 to 1.00 as of April 30, 2013 based on a trailing twelve month EBITDA calculation.
- } Minimum EBITDA pursuant to a monthly build up commencing with the month ended October 31, 2012 of \$600,000 increasing to \$1,100,000 for November 30, 2012, \$1,600,000 at December 31, 2012, \$2,600,000 at January 31, 2013, \$3,350,000 at February 28, 2013, \$4,100,000 at March 31, 2013, \$5,200,000 at April 30, 2013, \$5,550,000 at May 31, 2013 and \$5,900,000 at June 30, 2013.
- } Maximum Capital expenditures are limited to \$1,000,000 for fiscal years commencing after October 31, 2012.
- } Enhanced reporting by Champion to Administrative Agent.
- } Continued retention of a Chief Restructuring Advisor and Raymond James & Associates, Inc. as well as continued retention by Secured Lenders of their advisor.
- } \$100,000 fee due at closing plus monthly Administrative Agent fees of \$15,000 monthly through June 30, 2013.

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

Other debt provisions:

The Company is required to make certain mandatory payments on its credit facilities related to (1) net proceeds received from a loss subject to applicable thresholds, (2) equity proceeds and (3) effective January 31, 2009, and continuing each year thereafter under the terms of the agreement the Company is required to prepay its credit facilities by 75% of excess cash flow for its most recently completed fiscal year. The excess cash flow for purposes of this calculation is defined as the difference (if any) between (a) EBITDA for such period and (b) federal, state and local income taxes paid in cash during such period plus capital expenditures during such period not financed with indebtedness plus interest expense paid in cash during such period plus the aggregate amount of scheduled payments made by the Company and its Subsidiaries during such period in respect of all principal on all indebtedness (whether at maturity, as a result of mandatory sinking fund redemption, or otherwise), plus restricted payments paid in cash by the Company during such period in compliance with the Credit Agreement. Pursuant to the terms of the Limited Forbearance Agreement, there would be no excess cash flow payment due based on the contractual provisions regarding the application of cash collateral. The Company had no balance due under its prepayment obligation for fiscal 2011 and 2012 that would have been payable January 2012 and 2013 pursuant to the applicable calculations of the applicable credit agreements. The Company was required to maintain a minimum of \$750,000 of compensating balances with the Administrative Agent under the terms of its Credit Agreement prior to the May 2013 Forbearance Agreement.

The prime rate was the primary interest rate on the above loans prior to September 14, 2007. After this date, the primary interest rate consisted primarily of LIBOR 30-day, 60-day and 90-day rates plus the applicable margin (effective with the Second Amendment, the primary interest rate was LIBOR 30-day and 60-day rates plus the applicable margin) (after the Restated Credit Agreement effective date, the primary interest rate was LIBOR plus the applicable margin). Prime rate approximated 3.25% at July 31, 2013 and 2012, while the LIBOR rate approximated 0.12% at July 31, 2013 and the 30-day LIBOR rate approximated 0.25% at July 31, 2012. The Company had accrued interest of approximately \$208,000 and \$129,000 at July 31, 2013 and October 31, 2012 recorded as accrued expenses on the balance sheet. Deferred financing costs and debt discount are amortized under the interest method over the life of the related credit facilities and are reported as part of interest expense. In 2013 and 2012, \$1,612,000 and \$397,000 of debt discount and/or deferred financing costs were included as interest expense. In addition, certain period costs associated with these credit facilities are recorded as a component of interest including administrative agent fees and costs. The Company is amortizing under the interest method the debt discount associated with the issuance of warrants as well as lender fees and other costs associated with the Restated Credit Agreement.

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

The Company had no non-cash activities for 2013 and 2012.

The Company achieved its first Bullet payment threshold as required prior to December 31, 2012 in the amount of \$1.9 million of which \$650,000 was paid prior to October 31, 2012. The Company's secured lenders utilized the Company's liquidity and coupled with a temporary release of certain compensating balance requirements and borrowing base reserves, the \$2.1 million Bullet payment due March 31, 2013 was achieved.

Status of Debt Refinancing and Liquidity:

Due in part to the reasonable possibility of a default by the Company prior to and at the contractual maturity of its Restated Credit Agreement and the May 2013 Forbearance Agreement and the Company's inability to achieve a longer term financing solution, which was contemplated upon the commencement of the Limited Forbearance Agreement, there is significant uncertainty about our ability to operate as a going concern.

As a result of the Company's current credit situation and the challenges within the economic climate faced by the Company, the Company faces substantial liquidity challenges for fiscal 2013 and beyond, including the maturity on September 30, 2013 of substantially all of the Company's non-shareholder related interest bearing debt. The Company named Timothy D. Boates of RAS Management Advisors, LLC ("RAS") to serve as Chief Restructuring Officer to assist the Company in dealing with its restructuring process. Mr. Boates's responsibilities include directing the management of the Company's operations, evaluation of the Company's cash and liquidity requirements, directing the efforts of Company's management and employees in connection with any sale or restructuring initiatives, directing negotiations with and reporting to the Company's significant creditors, directing all cash management matters and assisting in the development and implementation of a plan of reorganization, if appropriate. Mr. Boates will have full responsibility for all of the Company's operations, including but not limited to day to day management, and will report directly to the Company's board of directors. The Company has continued to engage the investment banking group of Raymond James & Associates, Inc. (Raymond James) to assist it with a potential restructuring or refinancing of the existing debt and other potential transaction alternatives. The Company continues to have an ongoing dialogue with the Administrative Agent and the syndicate of banks with respect to its credit facilities and with other parties concerning a potential refinancing.





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

**6. Income taxes**

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the four-year period ended October 31, 2012 and over a seven-year period ended October 31, 2012. However, when these losses are adjusted for certain aberrations, rather than continuing conditions, the Company is able to represent that cumulative losses are not present in either the four year look back period or the seven year look back period.

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

The Company's effective tax benefit from continuing operations for the three and nine months ended July 31, 2013 was 9.8% and 1.8 % compared to an effective tax rate of 0.0% and a negative (543.4)% for the three and nine months ended July 31, 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. The income tax expense for 2012 was reflective of current period deferred tax benefit. The third quarter 2012 tax rate is zero due to full year losses in each component (continuing operations and discontinued operations) and the total year income tax provision of zero excluding the impact of valuation allowances, net of deferred tax benefit recorded in the second quarter of 2012 to continuing operations in accordance with intraperiod tax allocation standards. The 2013 tax rate was impacted by a tax benefit from continuing operations resulting from interim implications of intraperiod tax allocations for discontinued operations when there is a loss from continuing operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis. The Company intends to maintain a full valuation allowance for deferred tax assets as further described herein. 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.

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

**7. Commitments and Contingencies**

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

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

In certain cases, exposure to loss may exist in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management does not currently believe there are any reasonably possible losses, in excess of amounts accrued, for current legal proceedings not covered by insurance at July 31, 2013. Any estimate involves significant judgment, given the varying stages of the proceedings (including cases in preliminary stages), as well as numerous unresolved issues that may impact the outcome of a proceeding. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate. The current loss estimate excludes legal and professional fees associated with defending such proceedings. These fees are expensed as incurred and may be material to the Company's Consolidated Financial Statements in a particular period.

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

In accordance with the provisions of the Restated Credit Agreement, the Company issued \$0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement for the benefit of the Lenders. The warrants expire after October 19, 2017.

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.

As of July 31, 2013 the Company had contractual obligations in the form of leases and debt as follows:

Contractual Obligations	Payments Due by Fiscal Year					Residual	Total
	2013	2014	2015	2016	2017		
Non-cancelable operating leases	\$ 216,203	\$ 553,404	\$ 162,975	\$ 157,217	\$ 97,307	\$ -	\$ 1,187,106
Revolving line of credit	6,231,830	-	-	-	-	-	6,231,830
Term debt	15,589,751	223,765	64,296	-	-	-	15,877,812
Obligations under capital lease	3,327	13,817	15,932	15,652	10,979	-	59,707
Notes payable - related party	-	2,500,000	-	-	-	-	2,500,000
	<u>\$ 22,041,111</u>	<u>\$ 3,290,986</u>	<u>\$ 243,203</u>	<u>\$ 172,869</u>	<u>\$ 108,286</u>	<u>\$ -</u>	<u>\$ 25,856,455</u>

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

**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. During the third quarter of 2012, the Company realigned personnel and divisional responsibilities between the printing segment and office products and office furniture segments primarily in one location, resulting in additional SG&A costs of approximately \$0.1 million and \$0.1 million being allocated to the office products and office furniture segment for the third quarter of 2013 and 2012 and \$0.3 million and \$0.1 million for the nine months ended July 31, 2013 and 2012 which were previously a component of the printing segment.

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes and other items excluded for segment reporting including cash which has not been allocated to segments. The assets are classified based on the primary functional segment category as reported on the internal balance sheets. Therefore the actual segment assets may not directly correspond with the segment operating (loss) income reported herein. The Company has certain assets classified as held for sale/discontinued operations representing \$520,912 at July 31, 2013 and has adjusted July 31, 2012 identifiable assets to reflect certain assets subsequently determined to be assets held for sale /discontinued operations of \$17,306,493 at July 31, 2012. The entire newspaper segment was sold in July of 2013. The assets classified as held for sale /discontinued operations were part of the printing segment and newspaper segment prior to the reclassification as assets held for sale/discontinued operations for the applicable periods. The total assets reported on the Company's balance sheets as of July 31, 2013 and 2012 are \$26,519,230 and \$51,217,399. The identifiable assets reported below represent \$25,998,318 and \$33,910,906 at July 31, 2013 and 2012.

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

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

<b>2013 Quarter 3</b>	<b>Printing</b>	<b>Office Products &amp; Furniture</b>	<b>Total</b>
Revenues	\$ 10,435,991	\$ 9,064,858	\$ 19,500,849
Elimination of intersegment revenue	(534,200)	(999,360)	(1,533,560)
Consolidated revenues	<u>\$ 9,901,791</u>	<u>\$ 8,065,498</u>	<u>\$ 17,967,289</u>
Operating (loss) income	(400,441)	98,363	(302,078)
Depreciation & amortization	492,794	52,350	545,144
Capital expenditures	60,093	-	60,093
Identifiable assets	18,819,212	7,179,106	25,998,318
Goodwill	-	1,230,485	1,230,485

<b>2012 Quarter 3</b>	<b>Printing</b>	<b>Office Products &amp; Furniture</b>	<b>Total</b>
Revenues	\$ 13,816,689	\$ 11,147,025	\$ 24,963,714
Elimination of intersegment revenue	(1,307,914)	(1,332,806)	(2,640,720)
Consolidated revenues	<u>\$ 12,508,775</u>	<u>\$ 9,814,219</u>	<u>\$ 22,322,994</u>
Operating (loss) income	(844,985)	305,681	(539,304)
Depreciation & amortization	603,694	55,378	659,072
Capital expenditures	116,586	9,201	125,787
Identifiable assets	26,298,068	7,612,838	33,910,906
Goodwill	2,226,837	1,230,485	3,457,322

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

<b>2013 Year to Date</b>	<b>Printing</b>	<b>Office Products &amp; Furniture</b>	<b>Total</b>
Revenues	\$ 34,472,541	\$ 26,006,874	\$ 60,479,415
Elimination of intersegment revenue	(2,257,882)	(3,707,785)	(5,965,667)
Consolidated revenues	<u>\$ 32,214,659</u>	<u>\$ 22,299,089</u>	<u>\$ 54,513,748</u>
Operating (loss) income	(2,488,542)	602,494	(1,886,048)
Depreciation & amortization	1,476,625	162,450	1,639,075
Capital expenditures	348,675	1,483	350,158
Identifiable assets	18,819,212	7,179,106	25,998,318
Goodwill	-	1,230,485	1,230,485

<b>2012 Year to Date</b>	<b>Printing</b>	<b>Office Products &amp; Furniture</b>	<b>Total</b>
Revenues	\$ 43,673,027	\$ 31,441,048	\$ 75,114,075
Elimination of intersegment revenue	(3,350,235)	(4,309,609)	(7,659,844)
Consolidated revenues	<u>\$ 40,322,792</u>	<u>\$ 27,131,439</u>	<u>\$ 67,454,231</u>
Operating income (loss)	(1,481,809)	1,595,919	114,110
Depreciation & amortization	1,826,113	150,639	1,976,752
Capital expenditures	437,590	43,022	480,612
Identifiable assets	26,298,068	7,612,838	33,910,906
Goodwill	2,226,837	1,230,485	3,457,322

A reconciliation of total segment revenues and of total segment operating (loss) income to consolidated (loss) before income taxes, for the three and nine months ended July 31, 2013 and 2012, is as follows:

	<b>Three months</b>		<b>Nine months</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenue:</b>				
Total segment revenues	\$ 19,500,849	\$ 24,963,714	\$ 60,479,415	\$ 75,114,075
Elimination of intersegment revenue	(1,533,560)	(2,640,720)	(5,965,667)	(7,659,844)
Consolidated revenue	<u>\$ 17,967,289</u>	<u>\$ 22,322,994</u>	<u>\$ 54,513,748</u>	<u>\$ 67,454,231</u>
<b>Operating (loss) income:</b>				
Total segment operating (loss) income	\$ (302,078)	\$ (539,304)	\$ (1,886,048)	\$ 114,110
Interest expense - related party	(20,764)	(16,611)	(61,615)	(39,000)
Interest expense	(1,142,212)	(946,185)	(3,742,989)	(2,254,555)
Other (expense) income	17,188	(10,933)	38,182	21,186
Consolidated (loss) before income taxes	<u>\$ (1,447,866)</u>	<u>\$ (1,513,033)</u>	<u>\$ (5,652,470)</u>	<u>\$ (2,158,259)</u>
<b>Identifiable assets:</b>				
Total segment identifiable assets	\$ 25,998,318	\$ 33,910,906	\$ 25,998,318	\$ 33,910,906
Assets not allocated to a segment	520,912	17,306,493	520,912	17,306,493
Total consolidated assets	<u>\$ 26,519,230</u>	<u>\$ 51,217,399</u>	<u>\$ 26,519,230</u>	<u>\$ 51,217,399</u>

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

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

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

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

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

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

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

The term debt not related to the Restated Credit Agreement had a carrying value of approximately \$0.4 million and the Company believes carrying value approximates fair value for this debt based on recent market conditions, collateral support, recent borrowings and other factors.

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

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

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs. Goodwill and non-amortizing intangible assets are also subject to an annual impairment test. (see Note 11)

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

**10. Restructuring of Operations**

In fiscal 2010 and 2011, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was an integral component of the Second Amendment and Waiver to the Credit Agreement among the Company, Fifth Third Bank, as Lender, L/C Issuer and Administrative Agent for Lenders and other Lenders dated March 31, 2010 (the "Second Amendment"). These actions were taken to comply with the provisions and targeted covenants of the Second Amendment and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis, and may incur costs pursuant to certain initiatives being reviewed in accordance with the provisions of the Restated Credit Agreement and May 2013 Forbearance Agreement. The Company incurred costs in 2012 and 2013 related to the consolidation of the Company's commercial printing production operation in Cincinnati, Ohio into existing Company facilities in other locations. In 2013, the Company also incurred costs associated with personnel of approximately \$55,000 and inventory costs of approximately \$153,000, associated primarily with the sale of substantially all of the property, plant and equipment of the Donihe Graphics subsidiary in Kingsport, Tennessee. These costs associated with Donihe are reflected as a component of discontinued operations. The amount of future charges not discussed herein is currently not estimable by the Company.

The Company's restructuring plans were implemented to address several key initiatives, including streamlining production and administrative operations and headcount reductions. The aggregate pre-tax charge resulting from these actions was \$2.5 million. The charges were comprised of \$1.7 million associated with excess facility and maintenance costs, primarily related to operating leases, inventory related costs of \$200,000 and costs associated with streamlining production and personnel related separation costs of \$613,000. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring charges line item as part of operating income. Inventory is recorded as a component of cost of sales.

The following information summarizes the costs incurred with respect to restructuring, integration and asset impairment charges during the three and nine months ended July 31, 2013 and 2012, as well as the cumulative total of such costs representing fiscal 2011, fiscal 2012, and the first three quarters of fiscal 2013 to the extent applicable, such costs are included as a component of the printing segment:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012	Nine Months Ended July 31, 2013	Nine Months Ended July 31, 2012	Cumulative Total
Occupancy and equipment related costs	\$ 43,848	\$ -	\$ 43,848	\$ -	\$ 1,662,813
Costs incurred to streamline production, personnel and other	-	48,038	-	48,038	612,764
Inventory	-	-	-	-	200,380
<b>Total</b>	<b>\$ 43,848</b>	<b>\$ 48,038</b>	<b>\$ 43,848</b>	<b>\$ 48,038</b>	<b>\$ 2,475,957</b>

The activity pertaining to the Company's accruals related to restructuring and other charges since October 31, 2012, including additions and payments made are summarized below:

	Occupancy and equipment related costs	Costs incurred to streamline production, personnel and other	Total
Balance at October 31, 2012	\$ 241,821	\$ -	\$ 241,821
2013 expenses	43,848	-	43,848
Paid in 2013	(270,739)	-	(270,739)
<b>Balance at July 31, 2013</b>	<b>\$ 14,930</b>	<b>\$ -</b>	<b>\$ 14,930</b>

The restructuring payments in 2013 were primarily related to a contractual settlement in the form of a promissory note with the Lessor at the Company's former location in Bridgeville, Pennsylvania. (see Note 5)



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

**11. Acquired Intangible Assets and Goodwill**

	<u>July 31, 2013</u>		<u>October 31, 2012</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
<b>Amortizable intangible assets:</b>				
Non-compete agreement	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Customer relationships	2,451,073	1,118,508	2,451,073	1,026,935
Other	564,946	554,363	564,946	541,236
	<u>4,016,019</u>	<u>2,672,871</u>	<u>4,016,019</u>	<u>2,568,171</u>
<b>Unamortizable intangible assets:</b>				
Goodwill	1,307,267	76,782	3,964,600	507,278
	<u>1,307,267</u>	<u>76,782</u>	<u>3,964,600</u>	<u>507,278</u>
<b>Total goodwill and other intangibles</b>	<u>\$ 5,323,286</u>	<u>\$ 2,749,653</u>	<u>\$ 7,980,619</u>	<u>\$ 3,075,449</u>

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its 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 a previously recognized goodwill impairment loss 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 (Unaudited) (continued)**

Amortization expense for the three and nine months ended July 31, 2013 was \$35,000 and \$105,000, and for the three and nine months ended July 31, 2012 was \$35,000 and \$110,000, respectively. Customer relationships are being amortized over a period of 20 years, related to the acquisition of Syscan in 2004. The weighted average remaining life of the Company's amortizable intangible assets was approximately 6 years.

Estimated amortization expense for each of the following years is:

<b>Ending October 31,</b>	
2013	\$ 34,899
2014	128,306
2015	122,098
2016	122,098
2017	122,098
Thereafter	813,649
	<u>\$1,343,148</u>

The changes in the carrying amount of goodwill and other amortizing intangibles for the nine months ended July 31, 2013 were:

Goodwill:

	Printing	Office Products and Furniture	Total
Balance at October 31, 2012			\$
Goodwill	\$ 2,226,837	\$ 1,230,485	3,457,322
Accumulated impairment losses	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,226,837</u>	<u>\$ 1,230,485</u>	<u>\$ 3,457,322</u>
Goodwill acquired nine months ended July 31, 2013	\$ -	\$ -	\$ -
Impairment losses nine months ended July 31, 2013	(2,226,837)	-	(2,226,837)
Balance at July 31, 2013			
Goodwill	2,226,837	1,230,485	3,457,322
Accumulated impairment losses	<u>(2,226,837)</u>	<u>-</u>	<u>(2,226,837)</u>
	<u>\$ -</u>	<u>\$ 1,230,485</u>	<u>\$ 1,230,485</u>

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

Amortizing Intangible Assets (net of amortization expense):

	Printing	Office Products and Furniture	Total
Balance at October 31, 2012			
Amortizing intangible	\$ 500,721	\$ 947,127	\$ 1,447,848
Accumulated impairment losses	-	-	-
	<u>\$ 500,721</u>	<u>\$ 947,127</u>	<u>\$ 1,447,848</u>
Amortizing intangible acquired nine months ended July 31, 2013	\$ -	\$ -	\$ -
Impairment losses nine months ended July 31, 2013	-	-	-
Amortization expense	43,804	60,896	104,700
Balance at July 31, 2013			
Amortizing intangible	456,917	886,231	1,343,148
Accumulated impairment losses	-	-	-
	<u>\$ 456,917</u>	<u>\$ 886,231</u>	<u>\$ 1,343,148</u>

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

	Nine months ended July 31,	
	2013	2012
Goodwill	\$ 2,226,837	\$ -
Other intangibles	-	-
	<u>\$ 2,226,837</u>	<u>\$ -</u>

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

	Nine months ended July 31,	
	2013	2012
Goodwill	\$ -	\$ 9,510,933
Other intangibles	-	-
Trademark & masthead	-	-
	<u>\$ -</u>	<u>\$ 9,510,933</u>

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

**12. Discontinued Operations and Assets Held for Sale**

On July 2, 2012, the Company's wholly owned subsidiary Interform Corporation sold substantially all of the assets of its Consolidated Graphic Communications ("CGC") business headquartered in Bridgeville, Pennsylvania to Safeguard Acquisition, Inc. ("Safeguard") pursuant to an asset purchase agreement ("APA"). The Company received \$3,100,000 in cash at closing and an additional \$650,000 in the fourth quarter of 2012 comprising a settlement of both the working capital calculations and contractual hold back pursuant to the terms of the APA. The Company had recorded a gain on the sale of such assets in the amount of \$1.6 million reflecting the \$3,750,000 in cash proceeds for 2012 as a component of discontinued operations.

The Interform subsidiary and the CGC operating division have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of CGC are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

As part of the Company's revised restructuring plan submitted to the Company's secured lenders in July 2012 the Company determined that another division within the printing segment met the criteria of an asset held for sale at July 31, 2012 (Donihe). Therefore, in accordance with applicable accounting guidance the Company has determined the associated assets and liabilities of this division should be classified as assets and liabilities held for sale/discontinued operations at October 31, 2012 and July 31, 2013. The Company recorded an impairment charge in fiscal 2012 of approximately \$337,000 as a result of the measurement requirements associated with this division. This division's results have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, these results are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

The Company has also identified certain long-lived assets that are being included as a component of assets held for sale for the Merten division ("Merten") which is currently expected to retain a sales presence in Cincinnati, Ohio. As part of the Company's revised restructuring plan submitted to the Company's secured lenders in July 2012 the Company determined that certain printing segment assets met the criteria of an asset held for sale of Merten. Therefore, in accordance with applicable accounting guidance the Company has determined certain long-lived assets of this division should be classified as assets held for sale at October 31, 2012 (These assets were sold in December 2012).

The Company recorded an impairment charge of approximately \$309,000 in fiscal 2012 as a result of the measurement requirements associated with assets classified as held for sale of the Merten division. The Merten results have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance, since the Company currently intends to retain a sales presence in Cincinnati and is attempting to retain customers through Chapman Printing-Huntington location, the operations of Merten would continue to be classified as continuing operations.

In December 2012, the Company completed the sale of substantially all of the property and equipment at Donihe and Merten for \$1,050,000, net of commissions, and in December 2012, the Company completed the sale of Donihe real estate for \$175,000.

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

The Company 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. 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 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.

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

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. The financial information reflects interest on 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 three months ended July 31, 2013 and 2012 was \$167,000 and \$206,000 and for the nine months ended July 31, 2013 and 2012 was \$612,000 and \$648,000.

**Three Months Ended July 31,  
2013**

	<u>Printing</u>	<u>Herald-Dispatch</u>	<u>Total</u>
Net sales	\$ 295,687	\$ 2,364,072	\$ 2,659,759
(Loss) earnings from discontinued operations	(136,306)	50,994	(85,312)
Income tax benefit (expense)	46,144	(18,995)	27,149
Gain (loss) on sale of discontinued operations	(103,802)	547,106	443,304
Income tax (expense) benefit on sale	35,116	(203,797)	(168,681)
Net earnings (loss) from discontinued operations	(158,848)	375,308	216,460

**Three Months Ended July 31,  
2012**

	<u>Printing</u>	<u>Herald-Dispatch</u>	<u>Total</u>
Net sales	\$ 4,720,994	\$ 3,300,243	\$ 8,021,237
Earnings (loss) from discontinued operations	(264,606)	279,254	14,648
Income tax benefit (expense)	-	-	-
Gain on sale of discontinued operations	905,425	-	905,425
Income tax (expense) on sale	-	-	-
Net earnings from discontinued operations	640,819	279,254	920,073

**Nine Months Ended July 31,  
2013**

	<u>Printing</u>	<u>Herald-Dispatch</u>	<u>Total</u>
Net sales	\$ 2,190,475	\$ 8,954,006	\$ 11,144,481
(Loss) earnings from discontinued operations	(738,571)	491,369	(247,202)
Income tax benefit (expense)	250,527	(183,035)	67,492
Gain (loss) on sale of discontinued operations	(103,802)	547,106	443,304
Income tax (expense) benefit on sale	35,116	(203,797)	(168,681)
Net earnings (loss) from discontinued operations	(556,730)	651,643	94,913

**Nine Months Ended July 31,  
2012**

	<u>Printing</u>	<u>Herald-Dispatch</u>	<u>Total</u>
Net sales	\$ 17,293,622	\$ 10,586,232	\$ 27,879,854
(Loss) from discontinued operations	(290,915)	(8,424,557)	(8,715,472)
Income tax benefit (expense)	-	-	-
Gain on sale of discontinued operations	905,425	-	905,425
Income tax (expense) on sale	-	-	-
Net earnings (loss) from discontinued operations	614,510	(8,424,557)	(7,810,047)

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

The major classes of assets and liabilities held for sale and of discontinued operations included in the Consolidated Balance Sheets are as follows (see Note 5 for discussion of debt allocated to liabilities held for sale/discontinued operations):

	Held for sale	Discontinued Operations	Total	Held for sale	Discontinued Operations	Total
	July 31, 2013			October 31, 2012		
<b>Assets:</b>						
Accounts receivable	\$ -	\$ 144,681	\$ 144,681	\$ -	\$ 2,454,406	\$ 2,454,406
Inventories	-	-	-	-	706,584	706,584
Other current assets	-	7,158	7,158	-	109,940	109,940
Property and equipment, net	369,073	-	369,073	1,219,073	5,276,348	6,495,421
Other assets	-	-	-	-	5,128,469	5,128,469
Total current assets	<u>369,073</u>	<u>151,839</u>	<u>520,912</u>	<u>1,219,073</u>	<u>13,675,747</u>	<u>14,894,820</u>
Property and equipment, net	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-	-
Total assets held for sale/discontinued operations	<u>\$ 369,073</u>	<u>\$ 151,839</u>	<u>\$ 520,912</u>	<u>\$ 1,219,073</u>	<u>\$ 13,675,747</u>	<u>\$ 14,894,820</u>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 27,936	\$ 27,936	\$ -	\$ 836,869	\$ 836,869
Deferred revenue	-	-	-	-	663,496	663,496
Accrued payroll and commissions	-	-	-	-	382,550	382,550
Taxes accrued and withheld	-	44,414	44,414	-	335,476	335,476
Accrued expenses	-	-	-	-	76,661	76,661
Debt (see Note 5)	369,073	79,489	448,562	1,219,073	11,603,132	12,822,205
Total current liabilities	<u>369,073</u>	<u>151,839</u>	<u>520,912</u>	<u>1,219,073</u>	<u>13,898,184</u>	<u>15,117,257</u>
Total noncurrent liabilities	-	-	-	-	-	-
Total liabilities held for sale/discontinued operations	<u>\$ 369,073</u>	<u>\$ 151,839</u>	<u>\$ 520,912</u>	<u>\$ 1,219,073</u>	<u>\$ 13,898,184</u>	<u>\$ 15,117,257</u>

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

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

Results of Operations

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

	Percentage of Total Revenues			
	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Printing	55.1 %	56.0%	59.1%	59.8%
Office products and office furniture	44.9	44.0	40.9	40.2
Total revenues	100.0	100.0	100.0	100.0
<b>Cost of sales:</b>				
Printing	40.3	42.7	43.4	43.9
Office products and office furniture	33.5	32.8	28.9	28.9
Total cost of sales	73.8	75.5	72.3	72.8
Gross profit	26.2	24.5	27.7	27.2
Selling, general and administrative expenses	27.6	25.7	27.0	26.6
Assets impairments/restructuring charges	0.2	1.2	4.2	0.4
(Loss) income from operations	(1.6)	(2.4)	(3.5)	0.2
Interest expense - related party	(0.1)	(0.1)	(0.1)	(0.1)
Interest expense	(6.5)	(4.3)	(6.9)	(3.3)
Other income	0.1	0.0	0.1	0.0
(Loss) from continuing operations before taxes	(8.1)	(6.8)	(10.4)	(3.2)
Income tax benefit (expense) on continuing operations	0.8	0.0	0.2	(17.4)
Net (loss) from continuing operations	<u>(7.3)%</u>	<u>(6.8)%</u>	<u>(10.2)%</u>	<u>(20.6)%</u>

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

**Three Months Ended July 31, 2013 Compared to Three Months Ended July 31, 2012 (Continuing Operations)**

*Revenues*

Total revenues decreased 19.5% in the third quarter of 2013 compared to the same period in 2012, to \$18.0 million from \$22.3 million. Printing revenue decreased 20.8% when compared to the third quarter of 2012 to \$9.9 million from \$12.5 million. The printing revenue reduction was reflective of decreases at the Company's Merten division in Cincinnati, Ohio. This resulted as part of the Company's restructuring efforts in the third quarter of 2012. The Company also had revenue decreases within its West Virginia operations related to both softness in the West Virginia market and certain specific customer attrition. Office products and office furniture revenue decreased \$1.7 million or 17.8% in the third quarter of 2013 to \$8.1 million from \$9.8 million in the third quarter of 2012. Office products and office furniture sales were weaker in the third quarter of 2013 when compared to the third quarter of 2012 due to lower office furniture sales as well as office products related sales.

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. West Virginia is currently in the process of studying purchasing regulations and may have future modifications in future periods. 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 does not preclude the Company from selling office furniture to state agencies and the Company is currently unable to conclude the impact of this action on the Company.

*Cost of Sales*

Total cost of sales decreased 21.3% in the third quarter of 2013, to \$13.3 million from \$16.9 million in the third quarter of 2012. Printing cost of sales in the third quarter of 2013 decreased over the prior year and decreased as a percentage of printing sales from 76.2% in 2012 to 73.2% in 2013. The printing gross margin dollars decreased when compared to the comparable period in the prior year due primarily to lower sales partially offset by improved gross margin percent. Office products and office furniture cost of sales decreased in 2013 from 2012 levels due to lower sales while cost of goods sold as a percentage of office products and office furniture sales were flat at approximately 74.7% for both periods.

*Operating Expenses*

In the third quarter of 2013, selling, general and administrative (SG&A) expenses decreased on a gross dollar basis to \$5.0 million from \$5.7 million in 2012, a decrease of \$0.8 million or 13.5%. As a percentage of total sales, the selling, general and administrative expenses increased on a quarter to quarter basis in 2013 to 27.6% from 25.7% in 2012. The decrease in SG&A in total was primarily reflective of lower personnel and related expenses associated in part with various restructuring initiatives implemented by the Company and decreased professional fees.

The Company recorded asset impairment charges during the third quarter of 2012 of approximately \$225,000 on a pre-tax basis for certain assets within the printing segment that are classified as assets held for sale.



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

*Segment Operating (Loss)Income*

The printing segment reported an operating loss in the third quarter of 2013 of \$(0.4) million compared to an operating loss of \$(0.8) million in the third quarter of 2012. The decrease in operating loss was primarily attributable to improved gross margin percent and a reduction in impairment charges partially offset by higher SG&A as a percent of printing sales.

The office products and office furniture segment reported operating profits of \$0.1 million in the third quarter of 2013 compared to \$0.3 million in the third quarter of 2012. This represented a decrease in profitability of approximately \$0.2 million. This decrease is primarily the result of lower sales. In the third quarter of 2012, the Company implemented a realignment of personnel and other expenses and divisional responsibilities between the printing segment and the office products and office furniture segment, resulting in an increase in SG&A expenses of \$0.1 million associated with these actions in the third quarter of 2013 and 2012.

*(Loss)from Operations*

Loss from operations decreased in the third quarter of 2013, to a (loss) of \$(0.3) million from a (loss) of \$(0.5) million in the third quarter of 2012. The reduced loss from operations resulted from a reduction in operating losses from the Company's printing segment, partially offset by reduced profitability in the office products and office furniture segment.

*Other Income (expense)*

Other (expense), net increased approximately \$0.2 million, primarily due to higher interest rates including accrued deferred fee (interest) on Term Loan B and the amortization of debt discount, partially offset by lower average borrowings from the comparable period of the prior year.

*Income Taxes*

The Company's effective tax rate for the three months ended July 31, 2013 was a benefit of 9.8% and there was no incremental income tax for continuing operations or discontinued operations in 2012 due to full year losses in each component and the total year income tax provision of zero excluding the impact of valuation allowances recorded in the second quarter of 2012 net of deferred tax benefit to continuing operations in accordance with intraperiod tax allocation standards. The primary difference in tax rates between 2013 and 2012 is a tax benefit from continuing operations resulting from interim implications of intraperiod tax allocations for discontinued operations when there is a loss from continuing operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets in addition in the third quarter of 2013 the tax benefit recorded resulted from the application of certain provisions of ASC 740 to maintain financial statement neutrality and recognize the tax components between continuing operations and discontinued operations on a discrete basis. The Company's anticipated 2013 income tax provision is expected to be zero.

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

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

*Net (loss) (Continuing Operations)*

Net (loss) for the third quarter of 2013 was \$(1.3) million compared to a net (loss) of \$(1.5) million in the third quarter of 2012. Basic and diluted (loss) per share for the three months ended July 31, 2013 and 2012 were \$(0.12) and \$(0.13).

*Discontinued Operations*

The Company reported net income from discontinued operations of \$0.2 million and \$0.9 million for the three months ended July 31, 2013 and 2012. The second quarter of 2013 results were reflective of a gain on the sale of the Herald-Dispatch and a loss on the sale of Blue Ridge while the 2012 results reflected a gain on the sale of CGC. The third quarter of 2013 excluded any operating results of CGC when compared to the comparable period of 2012. The 2012 results also reflected asset impairment charges of \$143,000 associated with Donihe Graphics.

**Nine Months Ended July 31, 2013 Compared to Nine Months Ended July 31, 2012 (Continuing Operations)**

*Revenues*

Total revenues decreased 19.2% in the first nine months of 2013 compared to the same period in 2012, to \$54.5 million from \$67.5 million. Printing revenue decreased 20.1% in the nine month period ended July 31, 2013 to \$32.2 million from \$40.3 million in the same period in 2012. Office products and office furniture revenue decreased 17.8% in the nine month period ended July 31, 2013, to \$22.3 million from \$27.1 million in the same period in 2012. The printing revenue reduction was reflective of decreases at the Company's Merten division in Cincinnati, Ohio. This resulted as part of the Company's restructuring effects in the third quarter of 2012. The Company also had revenue decreases within its West Virginia operations related to both softness in the West Virginia market and certain specific customer attrition. The decrease in office products and office furniture sales was primarily due to lower office furniture sales and office products related sales.

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. West Virginia is currently in the process of studying purchasing regulations and may have future modifications in future periods. 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 does not preclude the Company from selling office furniture to state agencies and the Company is currently unable to conclude the impact of this action on the Company.

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

*Cost of Sales*

Total cost of sales decreased 19.7% in the nine months ended July 31, 2013, to \$39.4 million from \$49.1 million in the nine months ended July 31, 2012. Printing cost of sales decreased 20.2% in the nine months ended July 31, 2013, to \$23.7 million from \$29.6 million in the nine months ended July 31, 2012. The decrease in printing cost of sales was primarily due to the decrease in printing sales. Office products and office furniture cost of sales decreased 18.9% in the nine months ended July 31, 2013, to \$15.8 million from \$19.5 million for the nine months ended July 31, 2012 primarily as a result of lower office furniture sales.

*Operating Expenses*

During the nine months ended July 31, 2013, compared to the same period in 2012, selling, general and administrative expenses increased as a percentage of sales to 27.0% from 26.6% in 2012. Total selling, general and administrative expenses (SG&A) decreased \$3.3 million. The decrease in SG&A in total was primarily reflective of lower personnel and related expenses associated in part with various restructuring initiatives implemented by the Company, lower bad debt expense and decreased professional fees. The 2012 results were impacted by higher bad debt expense when compared to the comparable period of 2013 of approximately \$0.7 million primarily to reflect an increase in the allowance for doubtful accounts primarily associated with specific accounts within one operating division of the printing segment, incurred in the second quarter of 2012.

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its 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 a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

*Segment Operating (Loss) Income*

The printing segment reported an operating (loss) for the first nine months of 2013 of \$(2.5) million compared to an operating (loss) of \$(1.5) million in the first nine months of 2012. The increased operating loss was primarily attributable to pre-tax goodwill impairment charges of \$2.2 million recorded in the first quarter of 2013, partially offset by lower SG&A expenses due to reduced bad debt expense, decreased professional fees and lower personnel and related expenses associated in part with various restructuring initiatives implemented by the Company.

The office products and office furniture segment reported operating profits in the first nine months of 2013 of \$0.6 million compared to \$1.6 million in the first nine months of 2012. This represented a decrease in profitability of approximately \$1.0 million. This decrease is primarily the result of lower gross profit contribution on reduced sales partially offset by lower selling, general and administrative expenses in the first nine months of 2013, when compared to the comparable period of the prior year. In the third quarter of 2012, the Company implemented a realignment of personnel and other expenses and divisional responsibilities between the printing segments and office products and office furniture segment, resulting in an increase in SG&A expenses of \$0.2 million associated with these actions in the first nine months of 2013 when compared to the first nine months of 2012.

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

*(Loss) Income from Operations*

(Loss) from operations in the nine month period ended July 31, 2013, was a loss of \$(1.9) million compared to income from operations of \$0.1 million in the same period of 2012. The 2013 results were impacted by a pretax goodwill impairment charge and restructuring charges of \$2.3 million related to the printing segment. The 2012 results were impacted by asset impairment and restructuring charges of \$0.3 million.

*Other Income (expense)*

Other expense (net), increased approximately \$1.5 million from 2012 to 2013, primarily due to increases in interest expense, resulting from higher interest rates including accrued deferred fee (interest) on Term Loan B and the amortization of debt discount, partially offset by lower average borrowings from the comparable period of the prior year.

*Income Taxes*

The Company's effective tax rate for the nine months ended July 31, 2013 and 2012 was a benefit of 1.8% and an expense of (543.4)%. 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, net of deferred tax benefit to continuing operations in accordance with intraperiod tax allocation standards as well as a tax benefit from continuing operations resulting from interim implications of intraperiod tax allocations for discontinued operations when there is a loss from continuing operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis. The full year 2012 tax rate is zero due to losses in each component, excluding the impact of the valuation allowance, net of deferred tax benefit for the period. The Company's anticipated 2013 income tax provision is expected to be zero. The Company intends to maintain a full valuation allowance for deferred tax assets as further described herein. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets.

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

*Net (loss) (Continuing Operations)*

Net (loss) for the nine months ended July 31, 2013 was \$(5.6) million compared to a net (loss) of \$(13.9) million for the same period in 2012. Basic and diluted (loss) per share for the nine months ended July 31, 2013 was \$(0.49) compared to 2012 at \$(1.23).

*Discontinued Operations*

The Company reported net income (loss) from discontinued operations of \$0.1 million and a net loss of \$(7.8) million for the nine months ended July 31, 2013 and 2012. The 2012 results were impacted by a \$9.5 million pre-tax goodwill impairment charge associated with the Herald-Dispatch. The nine months ended July 31, 2013 excluded any operating results of CGC when compared to the comparable period of 2012.

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

**Inflation and Economic Conditions**

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

Our operating results depend on the relative strength of the economy on both a regional and national basis. Recessionary conditions applicable to the economy as a whole and specifically to our core business segments have had a significant adverse impact on the Company's business. A continuing or a deepening of the recessionary conditions we are experiencing could significantly affect our revenue categories and associated profitability.

**Seasonality**

Historically, the Company has experienced a greater portion of its profitability in the second and fourth quarters than in the first and third quarters. The second quarter generally reflects increased orders for printing of corporate annual reports and proxy statements. A post-Labor Day increase in demand for printing services and office products coincides with the Company's fourth quarter. The global economic crisis as well as other macro-economic factors and customer demand has impacted this general trend in recent years. In addition, recent restructuring initiatives, asset disposals and other actions may have an impact on historical trends due to product mix and operational charges. The Company is unable to predict if this trend has fundamentally shifted until such time a more stable economic climate is present and the Company's continuing operations are assessed in light of its restructuring initiatives.

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

**Liquidity and Capital Resources**

*Statement of Cash Flows (Continuing Operations)*

Net cash provided by operations for the nine months ended July 31, 2013, was \$3.2 million compared to net cash provided by operations of \$2.9 million during the same period in 2012. This change in net cash from operations is due primarily to timing changes in assets and liabilities partially offset by an overall reduction in contribution from income statement items.

Net cash provided by (used in) investing activities for the nine months ended July 31, 2013 was \$0.6 million compared to \$(0.4) million during the same period in 2012. The net cash used in investing activities during the first nine months of 2012 primarily related to the purchase of equipment and vehicles. The net cash provided by investing activities in the first nine months of 2013 was primarily related to the sale of equipment at the Company's Merten division partially offset by the purchase of equipment and vehicles.

Net cash (used in) financing activities for the nine months ended July 31, 2013 was \$(6.0) million compared to \$(5.1) million during the same period in 2012. In 2012, the net cash used in financing activities primarily related to scheduled payments of long term debt and a reduction in negative book cash balances. In 2013, the net cash used in financing activities primarily related to payments made on Bullet Loan A as well as scheduled payments of long term debt.

*Statement of Cash Flows (Discontinued Operations)*

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

Net cash provided by operating activities of discontinued operations were \$0.4 million, and \$2.7 million in 2013 and 2012. The decrease in cash from operating activities was primarily attributable to an overall reduction from income statement items and timing changes from assets and liabilities.

Net cash provided by investing activities of discontinued operations were \$11.0 million and \$3.0 million in 2013 and 2012. In 2013, the Company sold certain assets at its Donihe division for approximately \$0.4 million, assets of Blue Ridge Printing for approximately \$0.9 million and primarily all of the assets of the Herald-Dispatch of the former newspaper segment for \$9.7 million, all net of selling commissions and other customary closing costs, the proceeds of which were used to pay debt. In 2012, the proceeds of cash provided in investing activities reflected \$3.1 million in proceeds from the sale of CGC partially offset by the purchase of equipment.

Net cash (used in) financing activities of discontinued operations was \$(11.0) million and \$(3.1) million for 2013 and 2012. The net cash used in financing activities represented debt payments from the sale of various assets of Donihe, Blue Ridge Printing and the Herald-Dispatch in 2013 and the sale of CGC in 2012.

*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 segment and printing segments of the Company. The debt was structured as a cash flow credit, which typically indicates that the primary repayment source for debt will be income from operations in lieu of a collateral based loan. The Company has continued to service its debt and has made every scheduled payment of principal and interest, including during various periods, default interest. The Company achieved its transaction oriented Bullet Note A payment due March 31, 2013 of \$2.1 million by the secured lenders utilizing the Company's available cash and modifying compensating balance requirements and borrowing base reserve requirements in lieu of a transaction oriented payment. In addition, the Company has paid substantial sums for fees to the secured lenders as well as to various advisors pursuant to applicable credit and credit related agreements. The Company has paid approximately \$64.6 million in principal through July 31, 2013. Thus, the Company has demonstrated the ability to generate cash flow and has continued to service its debt commitments under the most difficult conditions in recent history.

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

The Company is currently operating under the provisions of the May 2013 Forbearance Agreement effective May 31, 2013 which expires September 30, 2013 as amended August 28, 2013. The May 2013 Forbearance Agreement requires the Company to achieve a multitude of targeted goals and covenants to remain in compliance. Many of these requirements are beyond the control of the Company although at the date of the agreement, the Company determined there was at least a reasonable possibility of achieving compliance through the September 30, 2013 contractual maturity date. The Company is also required, under the terms of the May 2013 Forbearance Agreement, to comply with financial covenants, which are non-GAAP financial measures. As a result of our current credit situation there is significant uncertainty about our ability to operate as a going concern. In recent years, the Company has continued to operate for extended periods both in default and under forbearance agreements as it navigates its way through the continued challenges and residual effects of the global economic crisis. The Company believes that there has been a fundamental shift in the way in which financial institutions, in general, evaluate cash flow credits and that the amount of leverage in which the financial institutions are willing to lend has decreased generally over the last several years. In addition, two of the Company's operating segments, specifically the printing and newspaper segments (now classified as discontinued operations), have declined both internally and on a macro basis both during the recession and post-recession. Therefore, even though the Company has reduced its borrowings in accordance with contractually scheduled amortizations, the secured lenders have expressed a desire to have lower leverage associated with various earnings measures related to funded indebtedness. Therefore, three primary dynamics have faced the Company: lower earnings, two operating segments that have faced secular hurdles and what the Company believes to be a changed credit culture regarding cash flow type loans.

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

In the event the Company's secured lenders determine that they will not renew or extend the Company's May 2013 Forbearance Agreement under terms that are mutually acceptable to the Lenders and the Company, then the secured lenders under the provisions of the May 2013 Forbearance Agreement would have the right to enforce their liens, which could result in a sale of the Company's assets, including a liquidation or change in control of the Company. The Company believes that due to the fact that its operations and prospects are dependent in a large part on the continued efforts of Marshall T. Reynolds, a sale of such assets in whole or in part may not yield a full return of the debt principal to the secured lenders due to the cash flow nature of the loan from inception to date. The Company is working in good faith with its investment bankers to identify reasonably acceptable options and alternatives that include transaction alternatives, which would make reasonable sense for all parties. These alternatives in recent periods have included various restructuring initiatives including asset, segment, division and subsidiary sales as well as a sale of the Company in whole or in part, debt refinancing initiatives and other capitalization options. The Company currently believes it has completed all asset sales associated with operating divisions, subsidiaries, or segments pursuant to the requirements of the May 2013 Forbearance Agreement. Therefore, the Company does not currently anticipate any future operational asset related sales. If the secured lenders ultimately feel that they could maximize their returns by foreclosing on the Company's assets, which the Company does not believe have adequate collateral coverage, then it would be the prerogative of the secured lenders to do so, in the event the Company is unable to identify an alternative financing source or other solution acceptable to the secured lenders, which may be challenging in the current economic climate. The Company issued to the secured lenders warrants to purchase common stock as a result of the Restated Credit Agreement and additional shareholder dilution is possible in the event the Company is able to identify a longer term financing solution with its current lenders or a new lender. The Company ultimately believes the best course of action is for the Company to continue to negotiate in good faith with the secured lenders and work with its external advisory group to define a path to deleverage the Company in a prudent, deliberate fashion while serving its core customer base and striving to the best of its ability to assure that all obligations are satisfied to both secured and unsecured creditors.

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

As a result of the Company's current credit situation and the challenges within the economic climate faced by the Company, the Company faces substantial liquidity related challenges for fiscal 2013 and beyond. The liquidity factors we face include:

- Implementation of a restructuring and profitability plan to rationalize and improve our cost and operating structure.
- The Company may be required to identify additional assets which can be strategically sold to improve our overall credit metrics. This may include real estate and other asset sales or segment and division sales or a sale of the Company as a whole.
- Management of our receipts and disbursements to improve days sales outstanding for trade receivables and manage our days outstanding for trade payables as well as maintain our trade credit availability.
- Managing our credit relationships and borrowing base requirements to maximize liquidity.
- Carefully monitor capital expenditures to assure cash flow is maximized.
- Manage our customer relationships in light of the ongoing credit challenges faced by the Company
- The potential for our interest costs and other credit related expenses to exceed our ability to generate sufficient cash to meet other obligations including scheduled principal amortization payments to secured lenders.
- The scheduled maturity of the Company's Credit Facilities in September of 2013 or earlier if the Company is unable to maintain compliance with all covenants, some of which are beyond the control of the Company.

As of July 31, 2013, the Company had a \$(0.2) million negative book cash balance, compared with October 31, 2012 when the Company had a \$1.8 million book cash balance. In July of 2013, the Administrative Agent implemented a cash sweep mechanism to utilize excess cash to pay down revolving credit balances on a daily basis. This resulted in reduced cash but increased liquidity due to revolving credit payments. The availability of this cash was limited at July 31, 2013 due to various fiduciary taxes the Company will remit to various governmental agencies in accordance with applicable laws and regulations and consistent with past practice. The Company provides the Administrative Agent a consolidated weekly forecast of fiduciary taxes due. The working capital deficit as of October 31, 2012 was \$(13.6) million, and \$(15.1) million at July 31, 2013. The working capital deficit is primarily associated with contractual maturities of debt.

The Company had historically used cash generated from operating activities and debt to finance capital expenditures. Management plans to continue making required investments in equipment based on available liquidity. The Company has available a line of credit totaling up to \$10.0 million (\$6.2 million outstanding at July 31, 2013) which is subject to borrowing base limitations and reserves which may be initiated by the Administrative Agent for Lenders in its sole discretion and are subject to a minimum excess availability threshold as well as the provisions of the Restated Credit Agreement and May 2013 Forbearance Agreement and August 2013 Forbearance Amendment (See Note 5 of the Consolidated Financial Statements). The aggregate credit commitments were reduced from \$10.0 million to \$8.0 million in accordance with the August 2013 Forbearance Amendment. For the foreseeable future, including through Fiscal 2013, the Company's ability to fund operations, meet debt service requirements and make planned capital expenditures is contingent on continued availability of the aforementioned credit facilities and the ability of the Company to complete a restructuring or refinancing of the existing debt as well as the Company's ability to maintain sufficient trade credit availability. The Company does not currently believe it will generate sufficient cash flow from operations to meet both scheduled principal and interest payments and pay off the entire credit facility which matures September 30, 2013. The Company continues to have an ongoing dialogue with the Administrative Agent and the syndicate of banks with respect to its credit facilities. At July 31, 2013, a total of approximately \$21.7 million of current debt and outstanding revolving line of credit borrowings and accrued deferred fees are subject to accelerated maturity in the event of default under the May 2013 Forbearance Agreement. The Company was in compliance with certain applicable financial covenants at July 31, 2013 pursuant to the terms of the May 2013 Forbearance Agreement.

The Company has engaged the investment banking group of Raymond James & Associates, Inc. (Raymond James) to assist it with a potential restructuring or refinancing of the existing debt and other potential transaction alternatives. The Company also engaged a Chief Restructuring Officer to work with the Company, Raymond James, the Administrative Agent and syndicate of banks to address various factors and initiatives as further defined in the May 2013 Forbearance Agreement, including the expiration of the Company's Credit Facilities in September of 2013.

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



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

The May 2013 Forbearance Agreement requires 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 is 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 are also various targeted dates upon acceptance of applicable letters of intent for Designated Transactions which will result in various actions to be achieved by the applicable milestone dates or if not achieved may 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 shall 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 threshold of \$500,000.

The August 2013 Forbearance Amendment decreased the revolving credit commitments from \$10,000,000 to \$8,000,000 in the aggregate, modified certain financial covenants and provided the consent to the sale of certain assets.

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

On October 19, 2012, the Company, the Administrative Agent and other lenders all party to the Company's Credit Agreement dated September 14, 2007 (as previously supplemented and amended, the "Original Credit Agreement") entered into a First Amended and Restated Credit Agreement ("Restated Credit Agreement") dated October 19, 2012 and Side Letter Agreement dated October 19, 2012. The Company reviewed the applicable requirements associated with debt modifications and restructurings to determine the applicable accounting for the Company's Restated Credit Agreement. The Company determined that modification accounting was appropriate based on the facts and circumstances of the Company's analysis as applied to applicable GAAP. A primary determining factor was the imputed effective interest rate of the Company's debt being substantially higher after the modification than was present prior to the modification. This was a key determining factor in assessing whether the Company's secured lenders had granted a concession. The Restated Credit Agreement and Side Letter Agreement amended various provisions of the Original Credit Agreement and added various provisions as further described herein, including but not limited to the following provisions of the Restated Credit Agreement:

- } Restated Credit Agreement maturity at June 30, 2013, subject to Champion's compliance with terms of the Restated Credit Agreement and Side Letter Agreement.
- } \$0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement for the benefits of the Lenders, subject to shareholder approval. The Company had various milestone dates, which may have reduced the number of warrants outstanding upon satisfaction of certain conditions. None of the conditions were met. The warrants expire after October 19, 2017.
- } Various Targeted Transactions which may require the sale of various assets, divisions or segments upon the achievement of agreed upon value benchmarks among other considerations and if not successfully completed by the applicable milestone dates will be considered an event of default.
- } Existing debt restructured into a \$20,000,000 Term Loan A, \$6,277,743.89 Term Loan B, \$4,000,000 Bullet Loan and \$9,025,496.00 Revolver Loan.
- } A \$10,000,000 revolving credit facility with a sublimit of up to \$3,000,000 for swing loans. Outstanding borrowings thereunder may not exceed the sum of (1) up to 85% of eligible receivables (reduced to 80% of eligible receivables effective December 30, 2012) plus (2) up to the lesser of \$5,000,000 or 50% of eligible inventory.
- } Targeted interest rates as follows based on a LIBOR borrowing option; Term Note A at LIBOR plus 8%, Term Note B at 0% (subject to a deferred fee of 16% per annum with various milestone dates reducing or forgiving such fees upon successful completion of such milestones.), revolving loans at LIBOR plus 6% and Bullet Loans A at a rate of LIBOR plus 8%.
- } At Champion's option, interest at a LIBOR Rate plus the applicable margin.
- } Post default increase in interest rates of 2%.
- } Amendment of various covenants as further described in the Restated Credit Agreement.
- } Fixed Charge Coverage Ratio is required to be 1.0 to 1.0 as of January 31, 2013 and 1.10 to 1.0 as of April 30, 2013 based on a buildup model commencing October 1, 2012.
- } Leverage Ratio is required to be 3.30 to 1.00 as of January 31, 2013 and 3.10 to 1.00 as of April 30, 2013 based on a trailing twelve month EBITDA calculation.
- } Minimum EBITDA pursuant to a monthly build up commencing with the month ended October 31, 2012 of \$600,000 increasing to \$1,100,000 for November 30, 2012, \$1,600,000 at December 31, 2012, \$2,600,000 at January 31, 2013, \$3,350,000 at February 28, 2013, \$4,100,000 at March 31, 2013, \$5,200,000 at April 30, 2013, \$5,550,000 at May 31, 2013 and \$5,900,000 at June 30, 2013.
- } Maximum Capital expenditures are limited to \$1,000,000 for fiscal years commencing after October 31, 2012.
- } Enhanced reporting by Champion to Administrative Agent.
- } Continued retention of a Chief Restructuring Advisor and Raymond James & Associates, Inc. as well as continued retention by Secured Lenders of their advisor.
- } \$100,000 fee due at closing plus monthly Administrative Agent fees of \$15,000

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

The Company had borrowed under its \$10.0 million line of credit approximately \$6.2 million at July 31, 2013 which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch. Pursuant to the terms of the Restated Credit Agreement, the Company's borrowing base certificate as submitted to the Administrative Agent reflected excess availability of \$1,361,000 as of July 31, 2013 (the excess availability is subject to an excess availability threshold of \$500,000 and a \$309,000 administrative agent discretionary reserve and may be adjusted by the Administrative Agent). The May 2013 Forbearance Agreement also provided for a temporary overadvance of up to \$1.2 million and not to exceed aggregate revolving credit commitments of \$10.0 million. The temporary overadvance was eliminated pursuant the terms of the May 2013 Forbearance Agreement upon completion of Designated Transaction No. 1.

The Company is required to make certain mandatory payments on its credit facilities related to (1) net proceeds received from a loss subject to applicable thresholds, (2) equity proceeds and (3) effective January 31, 2009, the Company is required to prepay its credit facilities by 75% of excess cash flow for its most recently completed fiscal year. The excess cash flow for purposes of this calculation is defined as the difference (if any) between (a) EBITDA for such period and (b) federal, state and local income taxes paid in cash during such period plus capital expenditures during such period not financed with indebtedness plus interest expense paid in cash during such period plus the aggregate amount of scheduled payments made by the Company and its subsidiaries during such period in respect of all principal on all indebtedness (whether at maturity, as a result of mandatory sinking fund redemption, or otherwise), plus restricted payments paid in cash by the Company during such period in compliance with the Credit Agreement. Pursuant to the terms of the Limited Forbearance Agreement, there would be no excess cash flow payment due based on the contractual provisions regarding the application of cash collateral. The Company had no prepayment obligation due January 31, 2013 or in 2012 pursuant to the calculations of the applicable credit agreements.

The Company believes there is no exposure reasonably possible for current legal proceedings as of July 31, 2013. 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.

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

Newly Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05 "Comprehensive Income: Presentation of comprehensive income." The amendment to ASC 220 "Comprehensive Income" requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. In December 2011, the FASB issued ASU 2011-12 "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This amendment to ASC 220 "Comprehensive Income" will defer the adoption of presentation of reclassification items out of accumulated other comprehensive income until November 1, 2012. We adopted the new guidance beginning November 1, 2012, and the adoption of the new guidance did not impact our financial position, results of operations or cash flows, other than the related disclosures.

In September 2011, the FASB issued ASU 2011-08 "Intangibles—Goodwill and Other: Testing Goodwill for Impairment" which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt even if its annual test date is before the issuance of the final standard, provided that the entity has not yet performed its 2011 annual impairment test or issued its financial statements. We adopted the new guidance, but it will not affect our annual goodwill impairment testing which is performed during the fourth quarter, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

In July 2012, the FASB issued ASU 2012-02 "Intangibles—Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment" which provides an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. We adopted the new guidance, but it will not affect our annual intangible asset impairment testing which is performed during the fourth quarter, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

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

Recently Issued Accounting Standards

Effective July 1, 2009, changes to the ASC are communicated through an ASU. The FASB has issued ASU's 2009-01 through 2013-11 as of July 31, 2013. We have reviewed each ASU and determined that each ASU applicable to us will not have a material impact on our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

In February 2013, the FASB issued ASU 2013-02 "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This amendment does not change the current requirements for reporting net income or other comprehensive income in Financial Statements. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional details about those amounts. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

In April 2013, the FASB issued ASU 2013-07, "Presentation of Financial Statements: Topic Liquidation Basis of Accounting" ("ASU 2013-07"). ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces. ASU 2013-07 will be effective for the Company beginning on November 1, 2014. The Company expects that the adoption of ASU 2013-07 will not have a material impact on its financial statements or disclosure.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 provides that an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use the deferred tax asset for such purpose then the unrecognized tax benefit should be presented as a liability. ASU 2013-11 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The Company expects that the adoption of ASU 2013-11 will not have a material impact on its financial statements or disclosure.

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

**Environmental Regulation**

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

**Special Note Regarding Forward-Looking Statements**

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

**ITEM 3. Quantitative and Qualitative Disclosure 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 LIBOR or the prime rate. The Company does not currently utilize derivative financial instruments to manage market risk.

**ITEM 4. Controls and Procedures**

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

(b) Changes in Internal Controls. There have been no changes in our internal controls over financial reporting that occurred during the first nine months of fiscal year 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. 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. The Company is involved in various legal proceedings or claims pending against the Company that if unfavorably resolved may have a material adverse effect on our financial condition or results of operations (see other disclosure herein).

### Item 1A. Risk Factors

There were no material changes in risk factors from disclosures previously reported in our annual report on Form 10-K for the fiscal year ended October 31, 2012.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

a) Exhibits:

- |        |   |                                   |
|--------|---|-----------------------------------|
| (10.1) | Asset Purchase Agreement between BRP Company, Inc. and 544 Haywood Rd., LLC and Blue Ridge Printing Co., Inc. and CHMP Leasing, Inc. and Champion Industries, Inc. dated June 24, 2013. |                                   |
| (10.2) | Asset Purchase Agreement by and among HD Media Company, LLC, Champion Publishing, Inc. and Champion Industries, Inc. effective as of July 12, 2013.                                     |                                   |
| (31.1) | Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Marshall T. Reynolds  | Exhibit 31.1 Page Exhibit 31.1-p1 |
| (31.2) | Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley act of 2002 - Todd R. Fry   | Exhibit 31.2 Page Exhibit 31.2-p1 |
| (32)   | Marshall T. Reynolds and Todd R. Fry Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley act of 2002                              | Exhibit 32 Page Exhibit 32-p1     |

### Signatures

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHAMPION INDUSTRIES, INC.

Date: September 13, 2013

/s/ Marshall T. Reynolds

\_\_\_\_\_  
Marshall T. Reynolds  
Chief Executive Officer

Date: September 13, 2013

/s/ Todd R. Fry

\_\_\_\_\_  
Todd R. Fry  
Senior Vice President and Chief Financial Officer



**ASSET PURCHASE AGREEMENT**  
BETWEEN  
**BRP COMPANY, INC. (a North Carolina corporation)**

and

**544 Haywood Rd, LLC (a North Carolina limited liability company)**  
(the "Buyers")

and

**BLUE RIDGE PRINTING CO., INC. (a North Carolina corporation)**  
and

**CHMP LEASING, INC. (a West Virginia corporation)**  
(collectively the "Seller")

and

**CHAMPION INDUSTRIES, INC. (a West Virginia corporation)**  
(the "Shareholder")

Dated as of June 24, 2013

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**ARTICLE I**

**DEFINITIONS AND CONSTRUCTION**

- 1.1 Definitions
- 1.2 Construction

**ARTICLE II**

**PURCHASE, TERMS OF PAYMENT AND CLOSING**

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- 2.2 Purchased Assets
- 2.3 Excluded Assets
- 2.4 Procedures for Non-Transferable Assets
- 2.5 Assumed Liabilities
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- 3.2 Authority; Enforceability
- 3.3 Consents and Approvals; No Violation
- 3.4 Books and Records
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- 3.8 Taxes and Tax Returns
- 3.9 Litigation
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- 3.12 Environmental Matters
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- 3.14 Employees; Labor Matters
- 3.15 Assets
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- 3.19 Insurance
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- 3.21 Full Disclosure

**ARTICLE IV**

**[RESERVED]  
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6.2	Confidentiality			-
6.3	Operation of the Business of the Seller			-
6.4	Approvals and Consents			-
6.5	Efforts to Satisfy Closing Conditions			-
6.6	Notification			-
6.7	Employees			-
6.8	Lien Searches			-
6.9	Exclusivity			-
6.10	Blue Ridge Printing's Corporate Name			-

**ARTICLE VII**

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**ARTICLE VIII**

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**ARTICLE IX**

**TERMINATION**

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10.12	Construction	-
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10.16	Entire Agreement	-

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement, dated as of June 24, 2013, is between **BRP Company, Inc.**, a North Carolina corporation (“BRP”) and **544 Haywood Rd, LLC**, a North Carolina limited liability company (“544 Haywood Rd”) (collectively, the “Buyers” and each of BRP and 544 Haywood Rd, individually, a “Buyer”); and **Blue Ridge Printing Co., Inc.**, a North Carolina corporation (“Blue Ridge Printing”), **CHMP Leasing, Inc.**, a West Virginia corporation (“**Leasing**” and collectively with Blue Ridge Printing, the “Seller.”), and **Champion Industries, Inc.**, a West Virginia corporation and the sole shareholder of Blue Ridge Printing and Leasing (the “Shareholder”).

### Background Statement

Blue Ridge Printing is engaged in the business of commercial printing solutions, featuring Quad Raster, six color offset, lithography and foil stamping, in Asheville, North Carolina (the “Printing Business”). The operation of the Printing Business and the ownership of the fleet of vehicles by Leasing that are leased to Blue Ridge Printing shall be referred to in this Agreement as the “Business.”

The Seller desire to sell, and the Buyers desire to purchase, substantially all of the assets of the Seller related to the Business of Blue Ridge Printing, for the consideration and on the terms set forth herein.

### Statement of Agreement

The parties agree as follows:

## ARTICLE I

### DEFINITIONS AND CONSTRUCTION

1.1 **Definitions.** Capitalized terms used in this Agreement have the meanings given to them in **Appendix 1**.

1.2 **Construction.**

- (a) The article and section headings contained in this Agreement are solely for the purpose of reference and convenience, are not part of the agreement of the parties, and shall not in any way limit, modify or otherwise affect the meaning or interpretation of this Agreement.
- (b) References to “Sections” or “Articles” refer to corresponding Sections or Articles of this Agreement unless otherwise specified.
- (c) Unless the context requires otherwise, the words “include,” “including” and variations thereof mean without limitation, the words “hereof,” “hereby,” “herein,” “hereunder” and similar terms refer to this Agreement as a whole and not any particular section or article in which such words appear, and any reference to a statute, regulation or law shall include any amendment thereof or any successor thereto and any rules and regulations promulgated thereunder.
- (d) Unless the context requires otherwise, words in the singular include the plural, words in the plural include the singular, and words importing any gender shall be applicable to all genders.
- (e) If a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb).
- (f) Currency amounts referenced herein are in U.S. Dollars.
- (g) References to a number of days refer to calendar days unless Business Days are specified. Except as otherwise specified, whenever any action must be taken on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day.
- (h) All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP.

**ARTICLE II**  
**PURCHASE, TERMS OF PAYMENT AND CLOSING**

2.1 Purchase and Sale of Assets. On the terms and subject to the conditions of this Agreement, on the Closing Date, the Seller shall sell, convey, assign, transfer and deliver to the Buyers, and the Buyers shall purchase, acquire and accept from the Seller, all of the Purchased Assets, free and clear of all Liens, except for Permitted Liens, in exchange for payment of the Purchase Price.

2.2 Purchased Assets. For purposes of this Agreement, the term "Purchased Assets" means all of the assets, rights and properties owned, used or useable by Blue Ridge Printing, and all of such Blue Ridge Printing's rights therein, including, without limitation, the following assets, rights and properties, but excluding the Excluded Assets:

(a) all Fixed Assets of Blue Ridge Printing and the vehicles owned by Leasing that are identified in **Schedule 2.2(a)**, attached hereto and incorporated herein by reference, (the "Purchased Fixed Assets");

(b) all Real Property of Blue Ridge Printing (the "Purchased Real Property");

(c) all Improvements of the Purchased Real Property;

(d) all Inventories of Blue Ridge Printing (the "Purchased Inventories");

(e) all Governmental Authorizations held or owned by or issued or made available to Blue Ridge Printing (the "Purchased Governmental Authorizations") and all pending applications therefor or renewals thereof, to the extent transferable;

(f) all Proprietary Rights of Blue Ridge Printing, all telephone, telecopy, domain names, and e-mail addresses and listings of Blue Ridge Printing, including without limitation, those that are identified in **Schedule 2.2(f)**, attached hereto and incorporated herein by reference (the "Purchased Proprietary Rights");

(g) all Software of Blue Ridge Printing, including without limitation those that are identified in **Disclosure Schedule 2.2(g)(i)**, attached hereto and incorporated herein by reference but excluding those that are identified in **Disclosure Schedule 2.2(g)(ii)** attached hereto and incorporated herein by reference (the "Purchased Software");

(h) all files, records, documents, data, plans, proposals and all other recorded knowledge of Blue Ridge Printing, including customer lists and records, service and warranty records, equipment logs, operating guides and manuals, financial and accounting records, creative materials, advertising materials, promotional materials, feasibility studies, marketing studies or reports, other studies, other reports, correspondence and other similar documents and records, whether in written, electronic, visual or other form, and, subject to Legal Requirements, copies of all personnel and other records of Blue Ridge Printing that are described in **Section 2.3(d)**;

(i) all rights of Blue Ridge Printing relating to deposits and prepaid expenses shown on **Section 2.2(i)** of the Disclosure Schedule and such other deposits, if any of the same or similar type made by Blue Ridge Printing in the Ordinary Course between the date hereof and the Closing Date (the "Deposits"), claims for refunds and rights of offset;

- (j) all insurance benefits of Seller, including rights and proceeds, arising from, in connection with or relating to the Purchased Assets;
- (k) all claims and rights of Blue Ridge Printing in connection with or relating to the Business, including, without limitation, all claims and rights of Blue Ridge Printing against third parties relating to the Business, whether choate or inchoate, known or unknown, contingent or noncontingent;
- (l) the Business as a going concern and all of the goodwill associated with the Business; and
- (m) all Account Receivables of Blue Ridge Printing.

2.3 Excluded Assets. The Purchased Assets shall not include any of the following assets, rights and properties of Seller (the “Excluded Assets”), all of which are excluded from the Purchased Assets and shall be retained by Seller:

- (a) all cash, cash equivalents and short-term investments of Blue Ridge Printing;
- (b) all claims and rights of Blue Ridge Printing to federal, state, local and foreign Tax refunds, Tax refund claims, Tax credits and Tax deposits, but in each case only to the extent such refunds, claims, credits or deposits relate directly to a period ending at or prior to Closing;
- (c) all corporate seals, corporate minute books, stock records and Tax Returns of Blue Ridge Printing;
- (d) all records of Blue Ridge Printing that Blue Ridge Printing, pursuant to applicable Legal Requirements, is required to retain in its possession;
- (e) all insurance policies of Blue Ridge Printing and all of Blue Ridge Printing’s rights thereunder (except to the extent specified in **Sections 2.2(j) and 2.2(k)**);
- (f) all Governmental Authorizations of Blue Ridge Printing, to the extent not transferable under applicable Legal Requirements;
- (g) all assets and rights of Blue Ridge Printing in and with respect to the Plans and Other Benefit Obligations of Blue Ridge Printing;
- (h) all shares of capital stock of Blue Ridge Printing held by Blue Ridge Printing in treasury.
- (i) all of Leasing’s assets, excluding those listed in **Sections 2.2(a), (j), (k) or (l)**.

**2.4 Procedures for Non-Transferable Assets.** If any property or rights included in the Purchased Assets are not assignable or transferable either by virtue of the provisions thereof or under applicable Legal Requirements without the consent of some other party or parties, the Seller shall use Commercially Reasonable Efforts to obtain such consents prior to the Closing Date. If any such consents cannot be obtained prior to Closing, the Buyers may (a) in the exercise of their sole discretion waive such requirement as a condition to Closing, and in such event, this Agreement and the related instruments of transfer shall not constitute an assignment or transfer thereof and the Buyers shall not assume the obligations of the Seller with respect thereto, or (b) terminate this Agreement to the extent permitted by **Section 9.1(c)**. In the event the Buyers elect to proceed pursuant to subsection (a) of the preceding sentence, then following the Closing, the Seller shall (a) use Commercially Reasonable Efforts to obtain, as soon as possible after the Closing Date, any consents requested by the Buyer that were not previously obtained and (b) assign such property or rights included in the Purchased Assets to the Buyer on the effective date for any such consent obtained. With respect to any property or right included in the Purchased Assets for which a necessary consent has not been obtained as of the Closing Date, if requested by the Buyers, the Seller shall enter into any reasonable arrangement with the Buyers that is designed to give the Buyers the practical benefits of such property or right, without any additional cost to the Buyers.

**2.5 Assumed Liabilities.** As of the Effective Time, on the Closing Date, the Buyers shall assume, and shall thereafter timely pay and perform, the following obligations and liabilities of the Seller (the "Assumed Liabilities"):

(a) any outstanding trade account payable of Blue Ridge Printing with respect to Blue Ridge Printing's business (other than any trade account payable to the Shareholders or a related person of Blue Ridge Printing or the Shareholder) at the close of business on the day preceding the Closing (the "Assumed Trade Accounts");

(b) all accrued and unpaid vacation pay earned by employees of Blue Ridge Printing or the Shareholder employed exclusively in Blue Ridge Printing's business as currently conducted who receive an offer of employment "at will" on the Closing Date from Buyers and accept such offer (the "Employees") through the close of business on the day of the Closing (the "Assumed Vacation Earned"); and

(c) all amounts due as of the Closing Date by Blue Ridge Printing and Shareholder to vendors and employees on account of obligations incurred in the Ordinary Course of the Business, except obligations which are either contested, are a trade account payable not included under Section 2.5(a), or are accrued and unpaid vacation pay not included under Section 2.5(b) (the "Assumed Accounts Payable").

**2.6 Excluded Liabilities.**

(a) Neither the Buyers nor any Affiliate of each Buyer shall assume, take subject to or be liable for any liabilities or obligations of any kind or nature other than the Assumed Liabilities, whether absolute, contingent, accrued, known or unknown, of the Business, any of the Seller or any Affiliate of Seller (the "Excluded Liabilities").

(b) Without limiting the generality of **Section 2.6(a)** and excepting the Assumed Liabilities listed in **Section 2.5**, the Excluded Liabilities shall include any liabilities or obligations of the Seller or the Shareholder or any Affiliate of Seller or the Shareholder incurred, arising from or out of, in connection with or relating to:

(i) any claims made by or against the Seller or the Shareholder or any Affiliate of Seller or the Shareholder, whether before or after the Closing Date, that arise out of events prior to the Closing Date, including any and all liabilities or obligations relating to investigations by any Governmental Authority;

(ii) any Taxes, including any Taxes arising by reason of the transactions contemplated herein;

(iii) any liabilities or obligations under a Contract;

(iv) Environmental Laws or environmental liability related to Real Property;

(v) any Plans or Other Benefit Obligations;

(vi) any employment, severance, retention or termination agreement with any employee;

(vii) any employee grievance;

(viii) any obligation to indemnify, reimburse or advance amounts to any officer, director, employee or agent;

(ix) any obligation to distribute to any shareholder or otherwise to apply all or any part of the consideration received

hereunder;

(x) any Proceeding pending as of the Effective Time or any Proceeding commenced after the Effective Time that arises out of or relates to any occurrence or event happening prior to the Effective Time;

(xi) any compliance or noncompliance with any Legal Requirement of any Governmental Authority;

(xii) any credit facility or any security interest related thereto, *including but not limited to* the credit facility provided to the Seller by Fifth Third Bank and the related security interest pledged by the Seller to Fifth Third Bank;

(xiii) any fees and expenses in connection with the transactions contemplated hereby;

(xiv) any obligation to any shareholder or former shareholder;

(xv) any obligation relating to the Excluded Assets; and

(xvi) any obligation of any Seller under this Agreement or any other document executed in connection with the transactions contemplated hereby.



2.7 **Purchase Price.** In consideration of the sale of the Purchased Assets, at the Closing and subject to the conditions contained herein, the Buyers shall pay an aggregate amount (the "**Purchase Price**") equal to One Million Thirteen Thousand and no/100ths Dollars (\$1,013,000.00) (subject to adjustment as described below). The value of net Accounts Receivable as of the close of business on the Closing Date in excess of the value of the Assumed Liabilities as of the close of Business on the Closing Date (the "Net Liquidity Value") shall be determined and agreed to in good faith from the books and records of Blue Ridge Printing and Buyers by Buyers, Blue Ridge Printing and Shareholder as promptly as practicable after Closing, but in no event later than 45 days after Closing. If the amount of the Net Liquidity Value is positive, the amount of Net Liquidity Value shall be promptly paid by Buyers to Blue Ridge Printing and Shareholder. If the amount of the Net Liquidity Value is negative the amount of Net Liquidity Value shall be promptly paid by Blue Ridge Printing and Shareholder to Buyers. If the Buyers and Seller are unable to agree on the Net Liquidity Value as of Closing and/or the settlement thereof, their disagreement shall be submitted to an Arbitrator pursuant to the provisions of Section 8.8 of this Agreement.

2.8 **Manner of Payment.** The Purchase Price as provided in Section 2.7 above, before adjustment as described above for the Net Liquidity Value at Closing, but subject to the conditions contained in Section 2.12 below and Seller's payment of applicable filing fees for termination of any financing statements with respect to the Purchased Assets, shall be paid by Buyers to the Seller as follows:

on the Closing Date by wire transfer of immediately available funds to an account at Fifth Third Bank as Administrative Agent ("Agent") for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, as amended by First Limited Forbearance and Waiver Agreement and First Amendment to Amended and Restated Credit Agreement dated as of May 31, 2013 in the name of the Agent, as designated by Seller or Shareholder.

2.9 **Closing.** The closing (the "**Closing**") of the purchase and sale of the Purchased Assets shall take place at the offices of McGuire, Wood, & Bissette, P.A., in Asheville, North Carolina, beginning at 10:00 a.m., local time, on June 24, 2013. The Closing shall be effective as of 11:59 p.m. on the Closing Date (the "**Effective Time**") and all actions scheduled in this Agreement for the Closing Date shall be deemed to occur simultaneously at the Effective Time. Subject to the provisions of **Article IX**, failure to consummate the purchase and sale provided for in this Agreement on the date determined pursuant to this Section will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

2.10 **Closing Obligations.** At the Closing:

(a) The Seller shall deliver to the Buyers:

(i) a bill of sale substantially in the form of **Schedule 2.10(a)(i)** attached hereto (the "**Bill of Sale**") executed by Seller, conveying the Purchased Assets constituting personal property to BRP ;

(ii) general warranty deeds in form and substance reasonably satisfactory to the Buyers (the "**Deeds**") executed by Blue Ridge Printing, conveying to the 544 Haywood Rd, LLC fee simple title to the Purchased Real Property, without any exceptions other than Permitted Liens, and the following related documents:

(A) an affidavit from Blue Ridge Printing stating that such Seller is not a "foreign person" under the Foreign Investment in Real Property Tax Act of 1980, in form and substance reasonably satisfactory to the Buyer and otherwise in compliance with the Code;

(B) standard affidavits and indemnities from Blue Ridge Printing regarding mechanics' liens and parties in possession addressed to and in form and substance reasonably acceptable to a title insurance company satisfactory to the Buyer (the "**Title Insurer**") such that the Title Insurer will issue to the Buyer the Title Policies without exception for mechanics' liens or the rights of parties in possession;

(C) Forms 1099 to be filed with the Internal Revenue Service, and other documents, affidavits and filings required under applicable Legal Requirements with respect to Real Property transfers; and

(D) such evidence regarding the legal existence and good standing of Seller, and the authority of Seller to execute and deliver the Deeds, as the Title Insurer may reasonably request; and

(iii) A copy of Articles of Amendment prepared by Buyers' counsel and executed by Blue Ridge Printing for purposes of amending Blue Ridge Printing's Articles of Incorporation to change Blue Ridge Printing's corporate name to a corporate name other than its current name and all derivations thereof for filing by the Seller with the Department of Secretary of State, State of North Carolina, promptly after the Closing Date; and

(iv) Upon Buyers' direction, Seller shall initiate the internet domain transfer process by instructing Buyers' intended new registrar to request the transfer, so that the domain "www.brprinting.com" will come to reside at said new registrar, and both Buyers and Seller shall take all additional necessary steps in order to effectuate the registrar change and registrant name change in a timely manner.

(b) The Buyer shall deliver to the Seller the payments to be paid to the Seller pursuant to **Section 2.8**.

(c) At such time as Buyers reasonably request after Closing, the parties shall authorize CRC (i) to redirect information that is being sent to Shareholder's CRC system for Blue Ridge Printing to Buyers' CRC system and (ii) to migrate any information for Blue Ridge Printing that is not in Buyer's CRC system from Shareholder's CRC system to Buyers' CRC system, and until such time as CRC has migrated a copy of all Blue Ridge Printing data from Shareholder's CRC system to Buyers' CRC system, Shareholder shall provide Buyers with the level of access to such data that is necessary to conduct Buyers' business consistent with past practice.

2.11 Purchase Price Allocation. An amount equal to the Purchase Price shall be allocated among the Purchased Assets to comply with the requirements of Section 1060 of the Code. Based on this allocation, the Seller and the Buyers agree prepare and deliver IRS Forms 8594, in accordance with Schedule 2.11, hereto and incorporated herein by reference, and agree not to take any position inconsistent therewith before any Governmental Authority charged with the collection of any Tax or in any other Proceeding. Buyers shall prepare and deliver IRS Forms 8594 to Seller within forty-five (45) days after the Closing Date to be filed with the IRS.

2.12 Real Property and Other Expenses; Proration.

(a) The Seller shall pay (i) all applicable Taxes on the Deeds conveying the Purchased Real Property to the Buyers or otherwise due upon transfer of the Purchased Real Property to the Buyer and (ii) any sales or use Taxes arising out of the transactions contemplated herein. The Buyer shall pay any recording fees for recording the Deeds conveying the Purchased Real Property to the Buyer, and the cost of the Title Policies and any surveys obtained by the Buyer.

(b) The Seller shall be responsible for, and as of the Closing shall have paid, all ad valorem Taxes on the Purchased Assets levied in years prior to the year in which the Closing occurs.

(c) All ad valorem Taxes on the Purchased Assets for the year in which the Closing occurs shall be prorated per diem on a calendar-year basis. The Seller shall be responsible for the prorated amount of such Taxes up to and including the Closing Date. The Buyer shall be responsible for the prorated amount of such Taxes after the Closing Date. If any ad valorem Taxes on the Purchased Assets are not due until after the Closing Date, the Buyers shall assume the responsibility of paying the Taxes when the Tax bills are submitted and, at the Closing, the Seller shall remit to the Buyers the prorated amount of such Taxes up to and including the Closing Date. If the amount of any such Taxes is not known as of the Closing Date, the proration of such Taxes shall be based on the Tax bills for the immediately preceding year for which such Tax was paid or payable. If, based on actual Tax bills for the year in which the Closing occurs, (x) it is determined that the Seller has paid to the Buyers pursuant to this **Section 2.12(c)** an aggregate amount that is greater than the aggregate amount of the ad valorem Taxes for which the Seller is responsible pursuant to this **Section 2.12(c)**, the Buyers shall refund to the Seller the amount of such excess, plus interest thereon, computed at the Prime Rate, from the Closing Date until the date of payment, within 15 days after the amount of such excess is known, or (y) it is determined that the Seller has paid to the Buyers pursuant to this **Section 2.12(c)** an aggregate amount that is less than the aggregate amount of the ad valorem Taxes for which the Seller is responsible pursuant to this **Section 2.12(c)**, the Seller shall remit to the Buyers the amount of such deficiency, plus interest thereon, computed at the Prime Rate, from the Closing Date until the date of payment, within 15 days after the amount of such deficiency is known.

**ARTICLE III**  
**REPRESENTATIONS AND WARRANTIES OF THE SELLER**

The Seller and Shareholder represent and warrant to the Buyers that:

**3.1 Organization; Good Standing.**

(a) Each of Seller and Shareholder is a corporation, duly organized, validly existing and in good standing under the laws of North Carolina or West Virginia, as appropriate. Seller and Shareholder has full corporate power and authority to own or use the Purchased Assets and to conduct its business as presently conducted. No Seller nor Shareholder is required to be qualified to do business as a foreign entity in any other jurisdiction, and no other jurisdiction has given notice to the Seller or Shareholder indicating that the Seller or Shareholder should be qualified in any other jurisdiction.

(b) Each of Seller and Shareholder has delivered to the Buyers accurate and complete copies of the articles of incorporation and bylaws of such Seller and Shareholder.

**3.2 Authority; Enforceability.** Seller and Shareholder has the absolute and unrestricted right, authority, power and capacity to (i) execute and deliver this Agreement and each certificate, document and agreement to be executed by such Seller and Shareholder in connection herewith (the certificates, documents and agreements to be executed by such Seller and Shareholder in connection with this Agreement, collectively, the "Seller Documents") and (ii) perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Seller Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by Seller and Shareholder, and no other proceedings on the part of such Seller and Shareholder are necessary to authorize this Agreement or any Seller Document or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by Seller and Shareholder and constitutes a legal, valid and binding obligation of such Seller and Shareholder, enforceable against it in accordance with its terms. Upon execution and delivery by Seller of the Seller Documents to be executed by such Seller, the Seller Documents shall constitute a legal, valid and binding obligation of such Seller, in each case enforceable against it in accordance with its terms.

**3.3 Consents and Approvals; No Violation.**

(a) No Governmental Authorization is required in connection with (i) the execution or delivery by the Seller or Shareholder of this Agreement or the Seller Documents, (ii) the performance of the Seller's obligations under this Agreement or the Seller Documents or (iii) the consummation of the transactions contemplated hereby.

(b) Except as disclosed in **Section 3.3** of the Disclosure Schedule, neither the execution and delivery of this Agreement and the Seller Documents by the Seller or Shareholder nor the performance of the Seller's obligations hereunder or thereunder nor the consummation of the transactions contemplated hereby will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in any violation of any provision of the articles of incorporation, bylaws, articles of organization or operating agreement of any of the Seller or Shareholder, any resolution adopted by the board of directors, members or shareholders of any of the Seller or Shareholder or any agreement among shareholders or members of any of the Seller or Shareholder;

(ii) contravene, conflict with or result in a breach of any of the terms or provisions of, or give any Person a right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Contract of Seller;

(iii) result in the creation of any Lien upon any of the Purchased Assets;

(iv) contravene, conflict with, violate, or give any Governmental Authority or other Person the right to challenge any of the transactions contemplated hereby or exercise any remedy (including revocation, withdrawal, suspension or modification of any Governmental Authorization) or obtain any relief under, any Legal Requirement applicable to any of the Seller;

(v) cause the Buyer to become subject to, or to become liable for the payment of, any Tax;

(vi) contravene, conflict with or violate the terms or requirements of, or result in any loss, or right of revocation, withdrawal, suspension, termination or modification of, any Purchased Governmental Authorization;

(vii) cause any of the Purchased Assets to be reassessed or revalued by any taxing authority or other Governmental Authority; or

(viii) otherwise require any of the Seller to give any notice to, or obtain any consent from, any Person.

3.4 Books and Records. The books of account and other records of Blue Ridge Printing, all of which have been made available to the Buyer, are complete and correct and have been maintained in accordance with sound business practices and Legal Requirements.

3.5 Financial Statements. Shareholder and Blue Ridge Printing have delivered to the Buyers the balance sheet of Blue Ridge Printing as of October 31, 2010, 2011 and 2012, and the related statements of operations for each of the fiscal years ending on such dates, **Section 3.5** of the Disclosure Schedule contains an unaudited balance sheet of Blue Ridge Printing (the “Blue Ridge Printing Interim Balance Sheet”) as of April 30, 2013 (the “Balance Sheet Date”) and an unaudited statement of operations of Blue Ridge Printing for the six-month period ending on such date (collectively, the “Blue Ridge Printing Financial Statements”). The Blue Ridge Printing Financial Statements (i) present fairly, in all material respects, the financial position of Blue Ridge Printing and the results of its operations and cash flows as of the dates and for the periods referred to in the Blue Ridge Printing Financial Statements, were prepared in accordance with the books and records of Blue Ridge Printing on a consistent basis and are sufficient to permit preparation of the audited financial statements of Shareholder in accordance with GAAP, except as otherwise noted therein, subject, to normal recurring year-end adjustments (the effect of which would not, individually or in the aggregate, have a Material Adverse Effect) and (ii) are consistent with the books and records of Blue Ridge Printing. The balance sheet of Shareholder as of October 31, 2010, 2011 and 2012, and the related consolidated statements of operations for each of the fiscal years ending on such dates, as well as the unaudited financial statements of Shareholder as of April 30, 2013 (collectively, the Shareholder Financial Statements) are available to Buyers at [www.sec.gov](http://www.sec.gov). The Shareholder Financial Statements (i) present fairly, in all material respects, the consolidated financial position of Shareholder and the results of its consolidated operations and cash flows as of the dates and for the periods referred to in the Shareholder Financial Statements, all in accordance with GAAP consistently applied throughout the periods referred to in the Shareholder Financial Statements, subject, to normal recurring year-end adjustments (the effect of which would not, individually or in the aggregate, have a Material Adverse Effect) and (ii) are consistent with the books and records of Shareholder.

3.6 Undisclosed Liabilities. To the Seller’s or Shareholder’s Knowledge, the Seller and Shareholder have no obligation or liability (whether known or unknown and whether absolute, contingent or otherwise), except liabilities and obligations that (i) are fully accrued or reserved against in the Shareholder Financial Statements; (ii) were incurred in the Ordinary Course and consistent with past practices and are of the same type and category as shown on the Shareholder Financial Statements; or (iii) are the Seller’s obligations under the Contracts of Seller, excluding liability for breaches thereof.

3.7 Absence of Certain Changes or Events. Except as disclosed on Section 3.7 of the Disclosure Schedule, since April 30, 2013, Seller and Shareholder have conducted its business only in the Ordinary Course and there has not been any:

- (i) event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect;
- (ii) change in such Seller’s authorized or issued capital stock or any declaration or payment of any dividend or other distribution in respect of shares of such Seller’s capital stock or membership interests;
- (iii) amendment or modification to such Seller’s articles of incorporation, articles of organization, bylaws or operating agreement;
- (iv) loss or damage (whether or not covered by insurance) affecting any of the Purchased Assets;
- (v) sale (other than sales of Inventories in the Ordinary Course), lease or other disposition of any Purchased Asset or other property of such Seller or mortgage, pledge or imposition of any Lien on any Purchased Asset or other property of such Seller;
- (vi) change in the accounting methods used by such Seller;
- (vii) acquisition of assets by such Seller other than in the Ordinary Course;
- (viii) the loss of any Purchased Proprietary Right as a result of the failure to make any filing with or pay any fee to any Governmental Authority; or
- (ix) agreement, whether oral or written, by any of the Seller to do any of the foregoing.

### 3.8 Taxes and Tax Returns.

(a) Seller and Shareholder has duly and timely filed all Tax Returns required to be filed by it on or before the date hereof, and all such Tax Returns are true, correct and complete in all material respects. Seller and Shareholder has duly paid or made provision on such Seller's and Shareholder's financial statements, in accordance with GAAP, for the payment of all Taxes of such Seller that have been incurred or are due to any taxing authorities by such Seller and Shareholder. Seller and Shareholder has established reserves on such Seller's or Shareholder's financial statements that are adequate for the payment of all Taxes of such Seller not yet due and payable. All amounts required to be paid by Seller and Shareholder as estimated income taxes under Code § 6655, and all comparable provisions of state or local statutes, have been duly paid. Since December 31, 2012, no Seller or Shareholder has incurred any liability for Taxes, other than in the Ordinary Course.

(b) There are no disputes pending in respect of, or claims asserted for, Taxes upon any Seller or Shareholder, nor are there any pending or, to the Seller's or Shareholder's Knowledge, threatened audits or investigations or outstanding matters under discussion with any taxing authorities with respect to the payment of Taxes of Seller or Shareholder, nor has any Seller or Shareholder given or been requested to give any currently effective waivers extending the statutory period of limitation applicable to any Taxes for any period. No issues that have been raised by any taxing authority in connection with any Taxes or Tax Returns of any of the Seller or Shareholder are of a recurring nature that would apply to the Taxes or the Tax Returns of the Buyers after the Closing Date. To the Seller's and Shareholder's Knowledge, there are no threatened claims or disputes, nor is there any basis for any claims or disputes, for past due Taxes of any of the Seller. No claim against any Seller has ever been made by an authority in a jurisdiction where such Seller does not file Tax Returns.

(c) There are no Liens with respect to Taxes (except for Liens for Taxes, assessments or other governmental charges not yet due) upon any of the Purchased Assets.

(d) To the Seller's or Shareholder's Knowledge, there has been withheld or collected from each payment made to each employee of Seller the amount of all Taxes, including, to the extent applicable, federal income Taxes, Federal Insurance Contributions Act Taxes, and state and local income, payroll and wage Taxes, required to be withheld or collected therefrom through the date hereof, and there has been withheld from each payment made by Seller to each other Person the amount of all Taxes, including without limitation, to the extent applicable, sales Taxes, required to be withheld or collected therefrom through the date hereof, and the same have been paid to the proper Tax depositories or collecting authorities by the date hereof or shall be timely paid to the proper Tax authorities thereafter.

### 3.9 Litigation.

(a) There are no Proceedings that have been commenced by or against any of the Seller or Shareholder or, to the Seller's and Shareholder's Knowledge, that have been threatened against or may affect any of the Seller or Shareholder (including its officers, directors, managers or employees in their capacity as such) or any of its properties, assets or operations, or that challenge, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the transactions contemplated by this Agreement. No event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Proceeding.

(b) There are no Orders to which any of the Seller or Shareholder or to which any of the assets owned or used by any of the Seller or Shareholder are subject or that may adversely affect any of the Seller or Shareholder (including its officers, directors, managers or employees in their capacity as such) or that challenge, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the transactions contemplated by this Agreement, or that could affect the enforceability of this Agreement against any of the Seller or Shareholder or impair any of the Seller's or Shareholder's ability to consummate the transactions contemplated by this Agreement. To the Seller's or Shareholder's Knowledge, no officer, director, manager, agent, or employee of any of the Seller or Shareholder is subject to any Order that prohibits such officer, director, manager, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of any of the Seller.

### 3.10 Governmental Authorizations.

(a) Seller and Shareholder to the Seller's and Shareholder's Knowledge has all of the Governmental Authorizations necessary or required for such Seller and Shareholder to lawfully conduct its business as currently conducted and for such Seller and Shareholder to own, lease or use its assets.

(b) To the Seller's or Shareholder's Knowledge, **Section 3.10(b)** of the Disclosure Schedule contains a complete and accurate list of each Purchased Government Authorization. Each of the Purchased Governmental Authorizations is valid and in full force and effect, and all applications required to have been filed for renewal of the Purchased Governmental Authorizations have been duly filed on a timely basis with the appropriate Governmental Authorities, and all other filings required to have been made with respect to the Purchased Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Authorities. To the Seller's or Shareholder's Knowledge, except as described in **Section 3.10(b)** of the Disclosure Schedule, the Purchased Governmental Authorizations (i) are not subject any restrictions or conditions that would restrict the Business as presently conducted or as presently planned to be conducted; and (ii) are transferable to the Buyers and shall remain in full force and effect immediately subsequent to the Closing without any cost to the Buyers and without any additional restriction or condition, or adverse change, as a result of the transactions contemplated hereby.

3.11 Compliance with Laws. To the Seller's or Shareholder's Knowledge, except as set forth on **Section 3.11** of the Disclosure Schedules, Seller (i) is, and has been, in compliance with all Legal Requirements applicable to such Seller with respect to the ownership, development, construction, management, use or operation of the Purchased Assets (including the Purchased Real Property and the Improvements located on the Purchased Real Property) or the conduct of the Business as presently or previously conducted,.

3.12 Environmental Matters.

(a) To the Seller's or Shareholder's Knowledge, Blue Ridge Printing (i) is, and at all times has been, in compliance with all Environmental Laws, (ii) is not liable under any Environmental Laws for remediation or other costs, (iii) has not received any communication (written or oral) that alleges that it is not, or at any time has not been, in such compliance, or has caused exposure of any Person or the environment to any Hazardous Substance, (iv) has all the Governmental Authorizations required by the Environmental Laws for the conduct of the Business and (v) knows of no facts or circumstances that may prevent or substantially increase the cost of compliance by Buyers with the Environmental Laws.

(b) **Section 3.12(b)** of the Disclosure Schedule identifies, to Blue Ridge Printing's Knowledge, all environmental reports, audits or assessments, all occupational health studies, all regulatory inspections reports and correspondence with regulatory authorities in connection with environmental matters, and all documents pertaining to underground and above-ground storage tanks, polychlorinated biphenyls (PCBs), asbestos in buildings or products, off-site disposal or wastes, and environmental consent orders, fines and penalties, in each case, that relate to property or facilities now or formerly owned, leased or operated by Blue Ridge Printing, including the Purchased Real Property and the Improvements (such properties and facilities, the "Facilities"), and all such items have been delivered to the Buyer.

(c) There does not exist, is not occurring and, to Blue Ridge Printing's Knowledge, has not occurred at any time any presence, generation, storage, treatment, transport, release or disposal of any Hazardous Substance on, in, under, to or from any Facility in violation of any Environmental Law or that may result in any liability or obligation of any of the Seller or the Buyers. Blue Ridge Printing has not caused to occur any presence, generation, storage, treatment, transport, release or disposal of any Hazardous Substance in violation of any Environmental Law or that may result in any liability or obligation of Blue Ridge Printing or the Buyer.

(d) Blue Ridge Printing does not own or operate nor, to Blue Ridge Printing's Knowledge, has it formerly owned or operated any site that, nor has Blue Ridge Printing sent wastes to a site that, pursuant to CERCLA or any other state or federal law, (i) has been placed on the "National Priorities List," the "CERCLIS" list or any other state or federal list of sites with suspected or confirmed environmental problems, (ii) is subject to or the source of a claim, administrative order or other request to take removal or remedial action, or other response or corrective action, or to pay money under any Environmental Law or (iii) is otherwise the subject of any federal or state investigation relating to any Environmental Law.

(e) To the Seller's or Shareholder's Knowledge, **Section 3.12(e)** of the Disclosure Schedule identifies (i) all on-site and off-site locations where Blue Ridge Printing has stored, disposed or arranged for the disposal of Hazardous Substances, (ii) all on-site and off-site locations where Blue Ridge Printing has used, stored or disposed of Hazardous Substances, except for storage of cleaning, pest control and office supplies held for use by Blue Ridge Printing in the Ordinary Course, (iii) all underground storage tanks, and the capacity and contents of such tanks, located on any property owned, leased or otherwise occupied by Blue Ridge Printing, (iv) all asbestos contained in or forming part of any building, building component, structure or premises owned, leased or otherwise occupied by Blue Ridge Printing and (v) all polychlorinated biphenyls ("PCBs") used or stored at any property owned, leased or otherwise occupied by Blue Ridge Printing.

### 3.13 Employee Benefit Plans: ERISA.

(a) **Section 3.11** of the Disclosure Schedule lists each employee pension, retirement, profit sharing, bonus, incentive, deferred compensation, hospitalization, medical, dental, vacation, insurance, sick pay, disability, severance and other plan, trust, fund, program, policy, contract, arrangement or the like that is a Plan maintained, participated in or contributed to by Blue Ridge Printing or any ERISA Affiliate (each, a “Seller Plan”). In addition, **Section 3.11** of the Disclosure Schedule lists each obligation, arrangement, plan or customary practice that is an Other Benefit Obligation maintained, participated in or contributed to by Blue Ridge Printing (“Seller Benefit Obligation”). **Section 3.11** of the Disclosure Schedule also lists each ERISA Affiliate. The terms “Seller Plan” and “Seller Benefit Obligation” also include any Plan or Other Benefit Obligation formerly maintained, participated in or contributed to by Blue Ridge Printing, a predecessor of Blue Ridge Printing, or any ERISA Affiliate (including with respect to such a predecessor) or former ERISA Affiliate (including with respect to such a predecessor) if Blue Ridge Printing has any liability with respect thereto.

(b) Neither Blue Ridge Printing nor any ERISA Affiliate has ever participated in any “multiemployer plan” (as defined in Section 4001 (a)(3) of ERISA). Neither Blue Ridge Printing nor any ERISA Affiliate is subject to any liability with respect to current or prior participation in, current or prior contributions to or current or prior obligations to contribute to any such multiemployer plan. Neither Blue Ridge Printing nor any ERISA Affiliate has any intent or commitment, whether legally binding or not, to establish, maintain or participate in any plan, fund, program, policy, contract, arrangement, obligation, practice or the like that would, if such intent or commitment had already been carried out, be a Seller Plan or a Seller Benefit Obligation, or to modify or change any Seller Plan or Seller Benefit Obligation that would affect any participant in such Plan or Other Benefit Obligation or any employee or terminated employee of Blue Ridge Printing or any ERISA Affiliate.

(c) With respect to each of the Seller Plans that is intended to be tax-qualified under Section 401 of the Code, a current, effective favorable individual determination letter has been received by such Seller or the ERISA Affiliate with respect to all of the terms of the Plan relevant to the Plan’s qualification. With respect to each of the Seller Plans or Seller Benefit Obligations (or any fund, trust or other funding medium thereunder) for which a ruling, determination letter, or the like is required to obtain the intended tax benefits thereof, such ruling, determination letter or the like has been received and is in effect.

### 3.14 Employees: Labor Matters.

(a) **Section 3.14(a)** of the Disclosure Schedule sets forth all current employees of Blue Ridge Printing, identifies which of such employees are on leave of absence, layoff, short-term disability or other similar status, and indicates for each such employee such employee’s job title, current hourly rate of compensation or base salary (as applicable) and bonus structure, accrued vacation and severance pay, as well as such employee’s date of birth and date of hire. There is no contract (i) for the employment of any individual or (ii) relating to the payment of any severance or termination payment or bonus to any employee or former employee of Blue Ridge Printing.

(b) Blue Ridge Printing is not delinquent in payments to any employee of Blue Ridge Printing for any wages, salaries, commissions, bonuses or other compensation for any services performed by them to date or amounts required to be reimbursed to such employees.

(c) To Seller’s and Shareholder’s Knowledge, no employee of Blue Ridge Printing is a party to, or otherwise bound by, any agreement or arrangement, including any confidentiality, noncompetition, or proprietary rights agreement, between such employee and any other Person that in any way adversely affects or shall affect (i) the performance of his or her duties as an employee of Blue Ridge Printing, (ii) the ability of Blue Ridge Printing to conduct its business or (iii) the ability of such individual to assign to Blue Ridge Printing any rights under any invention, improvement or discovery.

(d) **Section 3.14(c)** of the Disclosure Schedule specifies the number of employees terminated by Blue Ridge Printing during the 90-day period prior to the date hereof. To Blue Ridge Printing’s Knowledge, no employee of Blue Ridge Printing intends to terminate his or her employment with Blue Ridge Printing.

(e) Blue Ridge Printing has delivered to the Buyer true and complete copies of all personnel, payroll, and employment manuals and policies of Blue Ridge Printing.

(f) There are no loans or other obligations payable or owing by Blue Ridge Printing to any officer, director or employee of Blue Ridge Printing, except salaries, wages, bonuses and salary advances and reimbursement of expenses incurred and accrued in the Ordinary Course. There are no loans or debts payable or owing by any such Persons or their Affiliates to Blue Ridge Printing, nor has Blue Ridge Printing guaranteed any of their respective loans or obligations.

(g) All of the Employees shall remain employees of Blue Ridge Printing to June 24, 2013 at 11:59:59 p.m., at which time, their employment will be terminated.

### 3.15 Assets.

(a) Seller owns good and valid title to all of the Purchased Assets, whether tangible or intangible, that they purport to own, including all of the assets reflected on the Blue Ridge Printing Interim Balance Sheet (except for assets held under capitalized leases and assets sold since the Balance Sheet Date in the Ordinary Course), but excluding the Purchased Real Property (which is addressed in **Section 3.16**, free and clear of all the Liens except for the Permitted Liens.

(b) To the Seller's or Shareholder's Knowledge, **Section 3.15(b)** of the Disclosure Schedule lists all of the Purchased Fixed Assets owned by Seller and the location thereof.

(c) To the Seller's or Shareholder's Knowledge, **Section 3.15(c)** of the Disclosure Schedule lists all of the Purchased Assets (other than the Purchased Real Property) that are leased (rather than owned) by Seller. For each such leased asset, Seller has delivered to the Buyer true and complete copies of all leases and other agreements affecting such asset.

(d) To the Seller's or Shareholder's Knowledge, each item of tangible personal property included in the Purchased Fixed Assets is in a good state of repair, reasonable wear and tear excepted, is free of any defect, does not require any maintenance and repairs except for routine maintenance and repairs not material in nature or cost and is adequate for use by Seller for its intended purposes.

(e) The Purchased Assets (i) constitute all of the assets used by Blue Ridge Printing in connection with the operation of the Business and (ii) are sufficient for the continued conduct of the Business by the Buyer after the Closing in substantially the same manner as conducted prior to the Closing.

### 3.16 Real Property.

(a) **Section 3.16(a)** of the Disclosure Schedule (i) identifies all of the Purchased Real Property, and (ii) indicates which Purchased Real Property is owned, which is leased and which is operated.

(b) Blue Ridge Printing has valid, good and marketable fee simple title to all of the Purchased Real Property shown in **Section 3.16(a)** of the Disclosure Schedule as being owned by it, free and clear of all Liens other than Permitted Liens. To the Seller's or Shareholder's Knowledge, all of the Purchased Real Property is insurable at regular rates by a title insurer reasonably acceptable to the Buyer. Blue Ridge Printing has delivered to the Buyer copies of the deeds and other instruments (as recorded) by which Blue Ridge Property acquired such Purchased Real Property interests, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of such Seller and relating to such property or interests.

(c) The Purchased Real Property, and the improvements, buildings and structures thereon (the "Improvements"), (i) constitute all of the Real Property used by Blue Ridge Printing in the conduct of the Business, (ii) may continue to be used after the Closing for the operation of the Business as currently operated by Blue Ridge Printing and (iii) to the Seller's or Shareholder's Knowledge, comply with all federal, state, or local building, zoning, health, safety, platting, subdivision or other Legal Requirements and any applicable private restrictions. To the Seller's or Shareholder's Knowledge, the current and anticipated use of the Purchased Real Property and the Improvements is not a pre-existing, nonconforming use, and no notice of the violation of any such Legal Requirement or private restriction has been received by Blue Ridge Printing.

(d) To Seller's and Shareholder's Knowledge, there are no pending, threatened, or contemplated condemnation, expropriation or other Proceedings (nor is there any basis for any such action) affecting the Purchased Real Property, or any part thereof, or of any assessments made or threatened with respect to the Purchased Real Property or any part thereof, or of any sales or other disposition of the Purchased Real Property, or any part thereof, in lieu of condemnation.

(e) Blue Ridge Printing does not own or hold, or is obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell or dispose of the Purchased Real Property, or any portion thereof or interest therein.

(f) To the Seller's or Shareholder's Knowledge, all of the Improvements are structurally sound and adequately supported by the soils and foundations thereunder and are free from defects, any need for material repairs, deferred maintenance and pest infestation or damage. To the Seller's or Shareholder's Knowledge, no Improvement encroaches upon any other Real Property, and there are no encroachments by other buildings or improvements onto the Purchased Real Property. To the Seller's or Shareholder's Knowledge, none of the Improvements are located in a flood hazard area, or are prior, nonconforming structures under either the applicable zoning regulations or the applicable building codes.



(g) To the Seller's or Shareholder's Knowledge, all of the Purchased Real Property and all of the Improvements are serviced by all necessary and adequate utilities, including water, sewage, gas, electricity and telephone. To the Seller's or Shareholder's Knowledge, all water, rail, gas, electrical, steam, compressed air, telecommunication, sanitary and storm sewage lines and systems and other similar systems serving the Purchased Real Property or the Improvements are installed and operating and are sufficient to enable the Purchased Real Property and all of the Improvements to continue to be used and operated in the manner currently being used and operated, and any so-called hookup fees or other associated charges have been fully paid. To the Seller's or Shareholder's Knowledge, each such utility or other service is provided by a public or private utility or service company and enters the Purchased Real Property from an adjacent public street or valid private easement owned by the supplier of such utility or other service. All of the Purchased Real Property is fully accessible by public roads and, to Seller's Knowledge, no fact or condition exists that would result in the termination of the current access from the Purchased Real Property to any presently existing highways and roads adjoining or situated on the Purchased Real Property. Each Improvement has direct access to a public street adjoining the property on which such Improvement is situated over the driveways and accessways currently being used in connection with the use and operation of such Improvement, and no existing accessway crosses or encroaches upon any property or property interest not owned by Blue Ridge Printing. No Improvement or portion thereof is dependent for its access, operation or utility on any land, building or other improvement not included in the Purchased Real Property.

(h) Blue Ridge Printing does not owe any money to any architect, contractor, subcontractor or materialmen for labor or materials performed, rendered or supplied to or in connection with the Purchased Real Property, and there is no construction or other improvement work being done at nor are there any construction or other improvement materials being supplied to the Purchased Real Property.

3.17 Inventory. The Purchased Inventories are in amounts sufficient to conduct the operations of Blue Ridge Printing in the Ordinary Course consistent with past practice.

3.18 Proprietary Rights.

(a) Ownership and Right to Use. Blue Ridge Printing owns, has been granted a license to use or otherwise has the right to use all of the Purchased Proprietary Rights. The Purchased Proprietary Rights constitute all of the Proprietary Rights used by Blue Ridge Printing in the Business. Blue Ridge Printing neither owns nor uses in connection with the Business any registered (i) trademarks, (ii) trade names, (iii) service marks, (iv) patents or (v) copyrights, and no applications by Blue Ridge Printing are pending therefor. As of the date hereof, Blue Ridge Printing has not received any notice of any claim of infringement upon, or conflict with, any trademark, trade name, patent, copyright or other proprietary right of any other Person.

(b) Software. Except as set forth in **Section 2.2(g)(ii)** of the Disclosure Schedule, the Purchased Software constitutes all of the Software used by Blue Ridge Printing.

3.19 Insurance.

(a) **Section 3.19(a)** of the Disclosure Schedule lists all of the insurance policies maintained by Seller for any of the Purchased Assets or the operations of the Business and for each policy indicates the insurer's name, policy number, expiration date and amount and type of coverage. Seller has delivered to the Buyer true and complete copies of all such policies. **Section 3.19(a)** of the Disclosure Schedule also describes: (i) any self-insurance arrangement by Seller including any reserves established thereunder; (ii) any Contract or arrangement, other than a policy of insurance, for the transfer or sharing of any risk by a Seller; and (iii) all obligations of Seller with respect to insurance (including such obligations under leases and service agreements) and identifies the policy under which such coverage is provided.

(b) All insurance policies set forth or required to be set forth in **Section 3.19(a)** of the Disclosure Schedule are currently in effect and shall continue in full force and effect following consummation of the transactions contemplated hereby. All premiums due and payable on such policies have been paid. No Seller, nor, to the Seller's Knowledge, any other Person is in breach of its obligations with respect to any such policy. No Seller has received (i) any refusal of coverage or any notice that a defense shall be afforded with reservation of rights or (ii) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or shall not be renewed or that the issuer of any such policy is not willing or able to perform its obligations thereunder.

(c) Seller has given notice of all existing claims to the insurer providing coverage. No insurance policy of any Seller provides for any retrospective premium adjustment or other experienced-based liability on the part of the Seller.

(d) All insurance policies set forth in **Section 3.19(a)** of the Disclosure Schedule, taken together, are sufficient for compliance with all Legal Requirements and provide adequate insurance coverage for the Purchased Assets and the operations of the Business to the Seller's or Shareholder's Knowledge.

3.20 Brokers. No broker, finder or other Person is or shall be entitled to any brokerage fees, commissions or finder's fees in connection with the transactions contemplated hereby from the Seller by reason of any action taken by any of the Seller, except for Raymond James & Associates, for which Shareholder shall be solely responsible.

3.21 Full Disclosure.

(a) To the Seller's or Shareholder's Knowledge, no statement that relates to any of the Seller or Shareholder contained in this Agreement, the Disclosure Schedule or any Seller Document (including each representation and warranty in this **Article III** contains any untrue statement of a material fact or omits to state any material fact that was necessary to make such statements, in light of the circumstances in which they were made, not misleading.

(b) To Seller's and Shareholder's Knowledge, there are no facts that have specific application to the Seller or Shareholder (other than general economic or industry conditions) that materially adversely affect or, as far as Seller and Shareholder can reasonably foresee, materially threaten, the assets or the business, prospects, financial condition, or results of operations of the Business that has not been set forth in this Agreement or the Disclosure Schedule.

**ARTICLE IV**

[RESERVED]

**ARTICLE V**

**REPRESENTATIONS AND WARRANTIES RELATING TO THE BUYERS**

The Buyers represent and warrant to the Seller and Shareholder as follows:

5.1 Organization. BPR is a corporation, 544 Haywood Rd is a limited liability company, and both entities are duly organized, validly existing and in good standing under the laws of the State of North Carolina.

5.2 Authority; Enforceability. Each Buyer has the absolute and unrestricted legal right, authority, power and capacity to (i) execute and deliver this Agreement and each certificate, document and agreement to be executed by such the Buyer in connection herewith (collectively, the “Buyer Documents”) and (ii) perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Buyer Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by each Buyer, and no other proceedings on the part of such Buyer are necessary to authorize this Agreement or any of the Buyer Documents or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by each Buyer and constitutes a legal, valid and binding obligation of such the Buyers, enforceable against it in accordance with its terms. Upon execution and delivery by each Buyer of each Buyer Document to be executed by such Buyer, such Buyer Document shall constitute a legal, valid and binding obligation of such Buyer, in each case enforceable against it in accordance with its terms.

5.3 Consents and Approvals; No Violation.

(a) Except as disclosed in **Section 5.3** of the Disclosure Schedule, no Governmental Authorization is required in connection with (i) the execution or delivery by the Buyers of this Agreement or the Buyer Documents, or (ii) the performance of the Buyers’ obligations under this Agreement or the Buyer Documents.

(b) Neither the execution and delivery of this Agreement and the Buyer Documents by the Buyers nor the performance of the Buyers’ obligations hereunder or thereunder shall (with or without notice or lapse of time): (i) contravene, conflict with or result in any violation of any provision of the articles of incorporation or bylaws of any of the Buyers or any resolution adopted by the board of directors of any of the Buyers, or (ii) contravene, conflict with, result in any violation of, or give any Governmental Authority the right to challenge any of the transactions contemplated hereby or to exercise any remedy (including revocation, withdrawal, suspension or modification) or obtain any relief under, any Legal Requirement applicable to the Buyers.

5.4 Litigation. There are no Proceedings commenced against, or, to each Buyer’s Knowledge, threatened against such Buyer that could affect its ability to consummate the transactions contemplated by this Agreement. Each Buyer is not subject to any Order that could affect the enforceability of this Agreement against such Buyer or impair its ability to consummate the transactions contemplated by this Agreement.

5.5 Brokers. No broker, finder or other Person is or shall be entitled to any brokerage fees, commissions or finder’s fees in connection with the transactions contemplated hereby from any of the Seller by reason of any action taken by any of the Buyers.

**ARTICLE VI  
COVENANTS AND AGREEMENTS**

**6.1 Access to Information.**

Between the date hereof and the Closing Date, Blue Ridge Printing shall (i) afford the Buyers, such Buyer's prospective lenders and their authorized representatives reasonable access, during normal business hours and upon reasonable notice, to the books and records of Blue Ridge Printing and the Purchased Real Property, the Improvements and other assets and facilities owned or used by Blue Ridge Printing (including such access as is necessary to conduct all appraisals, surveys and environmental investigations and sampling such Buyer or its prospective lenders desires to undertake); provided that any such investigation by any of the Buyers shall be conducted in such a manner as not to interfere unreasonably with the normal operations of Blue Ridge Printing, and (ii) cause Blue Ridge Printing officers, agents or other appropriate officials to furnish the Buyers with all internally-prepared financial statements of Blue Ridge Printing promptly upon the preparation thereof and such other financial and operating data (including accountants' work papers) and other information with respect to the business operations of Blue Ridge Printing as the Buyer may from time to time reasonably request.

**6.2 Confidentiality.**

(a) Until the Closing Date, the Buyers shall protect, and shall use Commercially Reasonable Efforts to cause its officers, directors, employees, lenders, accountants, representatives, agents, consultants and advisors to protect, the confidentiality of all proprietary and confidential information furnished to the Buyers in connection with the transactions contemplated by this Agreement, using the same care and procedures used to protect such Buyer's own proprietary and confidential information, and each Buyer shall not disclose, and shall use Commercially Reasonable Efforts to cause its officers, directors, employees, lenders, accountants, representatives, agents, consultants and advisors not to disclose, such proprietary and confidential information to any other Persons except as may be reasonably necessary in connection with the transactions contemplated hereby or except to the extent (i) such information is or becomes publicly available or obtainable from independent sources and not in breach of the Buyers' obligations hereunder, (ii) such information is required to be disclosed by a Legal Requirement, (iii) such information was known by such Buyer prior to any disclosure to it by the Seller, or (iv) disclosure is necessary for such Buyer to enforce any or all of its rights under this Agreement. If the transactions contemplated by this Agreement are not consummated, such information, including all analyses, compilations, studies or other documents prepared by or on behalf of each Buyer based on such information, shall be returned to the Seller or destroyed immediately upon the Seller's request.

(b) From and after the date hereof, the Seller and Shareholder shall not disclose or use, and each of the Seller and Shareholder shall use Commercially Reasonable Efforts to cause its officers, directors, employees, lenders, accountants, representatives, agents and advisors not to disclose or use, any of the Seller's proprietary and confidential information in connection with or relating to the Business to any other Persons except to the extent (i) such information is or becomes publicly available or obtainable from independent sources and not in breach of the obligations of the Seller hereunder, (ii) such information is required to be disclosed by law or by Governmental Authorities having jurisdiction over such Seller, or (iii) disclosure is necessary for such Seller to enforce any or all of its rights under this Agreement.

**6.3 Operation of the Business of the Seller.** Except as contemplated by this Agreement, during the period from the date hereof to the Closing Date, Seller and Shareholder shall (a) conduct its business only in the Ordinary Course, (b) use Commercially Reasonable Efforts to preserve its relationships with customers, suppliers and others with whom such Seller or Shareholder deals, to keep available the services of its officers and employees and to maintain the Purchased Assets in substantially the condition currently existing, (c) confer with the Buyers concerning operational matters of a material nature and (d) otherwise report periodically to the Buyers concerning the Business. Except as otherwise expressly permitted by this Agreement, between the date hereof and the Closing Date, there shall be no change in the terms of any Contracts or other documents included in the Purchased Assets, except as consented to in writing by the Buyers, and Seller shall not take any affirmative action or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in **Section 3.7** is likely to occur.

#### 6.4 Approvals and Consents.

(a) As promptly as practicable after the date of this Agreement, the Seller and Shareholder shall make all filings required by Legal Requirements to be made by them in order to consummate the transactions contemplated hereby. Between the date of this Agreement and the Closing Date, the Seller and Shareholder shall (i) cooperate with the Buyers with respect to all filings that the Buyers elect to make or is required by Legal Requirements to make in connection with the transactions contemplated hereby and (ii) cooperate with the Buyer in obtaining all of the Buyer Consents. The Seller and Shareholder shall use their Commercially Reasonable Efforts to obtain promptly the Seller Consents.

(b) As promptly as practicable after the date of this Agreement, the Buyers shall make all filings required by Legal Requirements to be made by it to consummate the transactions contemplated hereby. Between the date of this Agreement and the Closing Date, the Buyers shall cooperate with the Seller with respect to all filings that the Seller are required by Legal Requirements to make in connection with the transactions contemplated hereby and (ii) cooperate with the Seller in obtaining all of the Seller Consents; provided that this Agreement shall not require the Buyers to dispose of or make any change in any portion of its business or to incur any other burden to obtain a Governmental Authorization.

#### 6.5 Efforts to Satisfy Closing Conditions.

(a) Between the date hereof and the Closing Date, Seller and Shareholder shall (i) use its Commercially Reasonable Efforts to cause the conditions in **Article VII** to be satisfied on or before the day of Closing provided in **Section 2.9**; and (ii) not take any action or omit to take any action within its reasonable control to the extent such action or omission might result in a breach of any term or condition of this Agreement or in any representation or warranty contained in this Agreement being inaccurate or incorrect as of the Closing Date.

(b) Subject to the proviso contained in **Section 6.4(b)**, between the date hereof and the Closing Date, each Buyer shall (i) use its Commercially Reasonable Efforts to cause the conditions in **Article VII** to be satisfied on or before the later of the day of Closing provided in **Section 2.9**; and (ii) not take any action or omit to take any action within its reasonable control to the extent such action or omission might result in a breach of any term or condition of this Agreement or in any representation or warranty contained in this Agreement being inaccurate or incorrect as of the Closing Date.

#### 6.6 Notification.

(a) Seller. Prior to the Closing Date, Seller and Shareholder shall promptly notify the Buyers in writing if it becomes aware of any fact or condition that (i) causes or constitutes a breach of any representation or warranty set forth in **Article III**, or (ii) would have caused or constituted a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Disclosure Schedule if the Disclosure Schedule were dated the date of the occurrence or discovery of any such fact or condition (including the addition of a new Section to the Disclosure Schedule), the Seller and Shareholder shall promptly deliver to the Buyers a supplement to the Disclosure Schedule specifying such change. During the same period, the Seller shall promptly notify the Buyers of the occurrence of any breach of any covenant of the Seller or of the occurrence of any event that may make the satisfaction of the conditions set forth in **Section 7.1** or **7.3** impossible or unlikely.

(b) Buyer. Prior to the Closing Date, each Buyer shall promptly notify the Seller and Shareholder in writing if it becomes aware of any fact or condition that (i) causes or constitutes a breach of any representation or warranty set forth in **Article V**, or (ii) would have caused or constituted a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Disclosure Schedule if the Disclosure Schedule were dated the date of the occurrence or discovery of any such fact or condition (including the addition of a new Section to the Disclosure Schedule), the Buyers shall promptly deliver to the Seller a supplement to the Disclosure Schedule specifying such change. During the same period, the Buyers shall promptly notify the Seller of the occurrence of any breach of any covenant of the Buyers or of the occurrence of any event that may make the satisfaction of the conditions in **Section 7.1** or **7.2** impossible or unlikely.

6.7 Employees.

(a) Before and after the Closing Date, Blue Ridge Printing shall use Commercially Reasonable Efforts to assist the Buyers in obtaining the employment of those employees of Blue Ridge Printing (the "Seller Employees") that the Buyers desire to employ, and Blue Ridge Printing shall cooperate with and shall make available to the Buyers, to the extent permitted by applicable Legal Requirements, all information and documents as may be necessary to assist and coordinate the employment by the Buyer of any the Seller Employees.

(b) Effective as of the close of business on the Closing Date, Blue Ridge Printing shall terminate the employment of all of the Seller Employees that the Buyer desires to employ. The Buyers shall offer employment, as of the close of business on the Closing Date, on an at-will basis, to the Seller Employees that the Buyers desire to employ on such terms and with such benefits as the Buyers determine in their absolute discretion.

(c) The parties expressly agree that nothing in this Agreement shall be construed as requiring the Buyers to assume any collective bargaining agreement with respect to any Seller Employees. In addition, nothing in this Agreement, expressed or implied, shall (i) obligate the Buyers to employ any Person currently employed by any of the Seller, to engage any independent contractor currently engaged by any of the Seller or to assume any obligations relating to the employment of any Person as an employee, independent contractor or otherwise; or (ii) confer upon any employee or independent contractor of any of the Seller any right to employment or to continued employment for any specified period, as an employee, independent contractor or otherwise.

6.8 Lien Searches. The Buyers shall promptly, but in any event within ten days after the date of this Agreement, obtain and deliver to the Seller Uniform Commercial Code, tax and judgment lien search results, from the Seller's jurisdiction of incorporation and each jurisdiction in which the Purchased Assets are located.

6.9 Exclusivity. In recognition of the time that shall be expended and the expense that shall be incurred by the Buyers in connection with the transactions contemplated hereby, until such time, if any, as this Agreement is terminated pursuant to **Article IX**, each of the Seller and Shareholder shall not, and shall cause its officers, agents, employees and representatives not to, directly or indirectly, (a) encourage, solicit, engage in negotiations or discussions with, or provide information with respect to any inquiry or proposal (an "Acquisition Proposal") relating to (i) the possible direct or indirect acquisition of all or any portion of the Business, whether through the acquisition of the capital stock or other equity interest of any of the Seller or all or substantially all of the Purchased Assets, or (ii) any business combination with the Seller or (b) discuss or disclose either this Agreement (except as may be required by law, or is necessary in connection with the transactions contemplated hereby, and except to the extent that such information becomes public other than as result of a violation hereof), with any Person other than the Buyers without the prior written approval of the Buyers. Additionally, Seller agrees to promptly notify the Buyers upon receipt of any Acquisition Proposal from any Person.

6.10 Blue Ridge Printing's Corporate Name. The Seller and Shareholder agree to change the corporate name of Blue Ridge Printing, at its expense, promptly after the Closing Date by filing Articles of Amendment for purposes of amending Blue Ridge Printing's Articles of Incorporation on file with the Department of the Secretary of State, State of North Carolina, to a name other than the its current corporate name and all derivations thereof. Commencing on the Closing Date the Seller and Shareholder shall cease to use the name current corporate name of Blue Ridge Printing and all derivations thereof in any commercial manner whatsoever, except as may be required to be disclosed by a Legal Requirement.

**ARTICLE VII  
CLOSING CONDITIONS**

7.1 Mutual Conditions. The respective obligations of each party to consummate the transactions required to be taken by it at the Closing shall be subject to the fulfillment of the following conditions:

(a) No party to this Agreement shall be subject on the Closing Date to any Order of a court of competent jurisdiction that enjoins or prohibits the consummation of the transactions contemplated by this Agreement, nor shall there be any Proceeding pending or threatened by any Person other than a party to this Agreement that involves any challenge to, or seeks damages or other relief in connection with, any of the transactions contemplated hereby, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the transactions contemplated hereby.

(b) No Legal Requirement shall have been adopted or promulgated as of the Closing Date having the effect of making the transactions contemplated herein illegal or otherwise prohibiting consummation of, or making void or voidable, the transactions contemplated herein.

7.2 Buyers' Conditions. The obligation of the Buyers to consummate the transactions required to be taken by it at the Closing shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Buyer (in whole or in part):

(a) All representations and warranties (individually and collectively) of Seller in this Agreement and all other documents and certificates required to be delivered hereby shall be, if specifically qualified by materiality, true and correct in all respects and, if not so qualified, shall be true and correct in all material respects, in each case on the date hereof and as of the Closing Date as if made on the Closing Date, but without giving effect to any supplement to the Disclosure Schedule. Seller shall have performed and complied with all covenants, agreements and conditions (individually and collectively) contained in this Agreement required to be performed and complied with by it at or prior to the Closing Date.

(b) Seller shall have delivered to the Buyers a certificate certifying the matters set forth in **Section 7.2(a)** with respect to itself (subject to any supplements to the Disclosure Schedule that are delivered to the Buyers prior to the Closing Date in accordance with **Section 6.6(a)**).

(c) The Seller shall have delivered to the Buyers the Seller Consents, and such Seller Consent shall be in full force and effect.

(d) The Buyers shall have obtained the Buyer Consents, and each such Buyer Consent shall be in full force and effect.

(e) The Seller shall have delivered each document required to be delivered pursuant to **Sections 2.10(a)**.

(f) [RESERVED]

(g) The Buyers shall have received a certificate from the secretary of Seller certifying (i) that attached thereto is a true and complete copy of such Seller's articles of incorporation or articles of organization, as applicable, and all amendments thereto, certified by the Secretary of State of such Seller's jurisdiction of incorporation as of a date not more than 10 Business Days prior to the Closing Date, (ii) that attached thereto is a true and complete copy of the bylaws or operating agreement, as applicable, of such Seller as then in effect, (iii) that attached thereto is a true and complete copy of the resolutions adopted by the board of directors or the managers, as applicable, of such Seller authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (iv) as to the incumbency and signatures of any of such Seller's officers who shall execute documents at the Closing or who have executed this Agreement.

(h) Seller shall have delivered to the Buyers a certificate of existence of such Seller, dated as of a date not more than 10 Business Days prior to the Closing Date, from the jurisdiction of its incorporation or organization, as applicable, and from each jurisdiction in which it has qualified to do business.

(i) Seller shall have delivered to the Buyers a certificate as to the tax good standing status of such Seller, dated as of a date not more than 10 Business Days prior to the Closing Date, from the jurisdiction of organization of such Seller and from each jurisdiction in which such Seller has qualified to do business.

(j) All of the data for Blue Ridge Printing in Shareholder's CRC system through date of Closing shall have been migrated into Buyer's CRC system.

(k) The Buyers shall have delivered to the Seller updates to the Uniform Commercial Code, tax and judgment lien search results previously delivered under **Section 6.8**, prepared by a nationally recognized search provider, dated as of a date not more than 10 Business Days prior to the Closing Date.

(l) The Buyers shall have received evidence satisfactory to it that prior to or substantially concurrent with the consummation of the transactions contemplated by this Agreement all of the Liens (other than the Permitted Liens) to which any of the Purchased Assets may be subject shall be released and any related filings terminated of record.

(m) The Buyers shall have received: (i) ALTA/ASCM Land Title Surveys, satisfactory in form and substance to the Buyers, of all of the Purchased Real Property and (ii) fully effective title insurance policies (the "Title Policies") on ALTA form (or in the form of commitments marked effective as policies in accordance with this paragraph) under which the Title Insurer insures fee simple title to the Purchased Real Property. Such Title Policies shall be in the amount of the portion of the Purchase Price allocated to each property insured, shall contain such endorsements as the Buyer may require, must not contain any "general" or "standard" exceptions, and must not be subject to or contain any conditions, requirements or exceptions, except for Permitted Liens. The Seller agree that the portion of the Purchase Price due to the Seller at Closing in accordance with **Section 2.8(a)** shall be held in escrow by McGuire, Wood & Bissette, P.A. pending recording of the Deeds, and the issuance of the Title Policies to Buyer, at which time it shall be paid as provided herein. The Seller and the Buyer agree to provide instructions to McGuire, Wood & Bissette, P.A. consistent with the requirements of this paragraph.

(n) Since the date of this Agreement, there must not have been commenced or threatened against the Buyers, or against any Person affiliated with the Buyers, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated hereby or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the transactions contemplated hereby.

7.3 **Seller's Conditions.** The obligations of the Seller to consummate the transactions required to be taken by them at the Closing shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Seller:

(a) All representations and warranties (individually and collectively) of the Buyers in this Agreement and all other documents and certificates required to be delivered hereby shall be, if specifically qualified by materiality, true and correct in all respects and, if not so qualified, shall be true and correct in all material respects, in each case on the date hereof and as of the Closing Date as if made on the Closing Date, but without giving effect to any supplement to the Disclosure Schedule. The Buyers shall have performed and complied in all material respects with all covenants, agreements and conditions (individually and collectively) contained in this Agreement required to be performed and complied with by it at or prior to the Closing Date.

(b) The Buyers shall have delivered to the Seller a certificate certifying as to the matters set forth in **Section 7.3(a)** (subject to any supplements to the Disclosure Schedule that are delivered to the Seller prior to the Closing Date in accordance with **Section 6.6(b)**) executed by its chief executive officer or president.

(c) The Buyers shall have delivered each document required to be delivered and shall have made such payments required pursuant to **Sections 2.10(b)**.

(d) The Seller shall have received from each Buyer a certificate from the secretary of such Buyer certifying (i) that attached thereto is a true and complete copy of the Buyer's articles of incorporation or articles of organization, as applicable, and all amendments thereto, certified by the Secretary of State of Buyer's jurisdiction of incorporation, (ii) that attached thereto is a true and correct copy of the bylaws or operating agreement, as applicable, of such Buyer as then in effect, (iii) that attached thereto is a true and complete copy of the resolutions adopted by the board of directors or the managers, as applicable, of such Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (iv) as to the incumbency and signatures of any of such Buyer's officers who shall execute documents at the Closing or who have executed the Agreement. The Buyers shall have received a certificate from the secretary of Seller certifying (i) that attached thereto is a true and complete copy of such Seller's articles of incorporation or articles of organization, as applicable, and all amendments thereto, certified by the Secretary of State of such Seller's jurisdiction of incorporation as of a date not more than 10 Business Days prior to the Closing Date, (ii) that attached thereto is a true and complete copy of the bylaws or operating agreement, as applicable, of such Seller as then in effect, (iii) that attached thereto is a true and complete copy of the resolutions adopted by the board of directors or the managers, as applicable, of such Seller authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (iv) as to the incumbency and signatures of any of such Seller's officers who shall execute documents at the Closing or who have executed this Agreement.

(e) The Buyers shall have obtained and delivered to the Seller a certificate of existence of the Buyers from the jurisdiction of its incorporation or organization, as applicable.



**ARTICLE VIII  
INDEMNIFICATION**

8.1 Survival; Knowledge. All representations, warranties, covenants and agreements made by any of the Seller, Shareholder and the Buyers in this Agreement, the Disclosure Schedule and the documents to be executed in connection with this Agreement, including the certificates delivered pursuant to **Sections 7.2(b)** and **7.3(b)**, shall survive the Closing and, except for those in Sections 3.1, 3.2, 3.3, 3.8, 3.15(a), and 3.16(a) in this Agreement, shall terminate three (3) years after Closing. No representation or warranty shall be deemed to be waived or otherwise diminished as a result of any due diligence investigation by the party to whom the representation or warranty was made, as a result of any actual or constructive knowledge by such party with respect to any facts, circumstances or claims or that any representation or warranty is false, in each case, whether before or after the execution and delivery of this Agreement or at the time of Closing.

8.2 Seller's and Shareholder's Agreement to Indemnify. Subject to the limitations set forth in this **Article VIII**, the Seller and Shareholder, jointly and severally, shall indemnify and hold harmless the Buyers and their Affiliates (and the officers, directors, managers, equity holders, employees and agents of each of them) for, and shall pay to such Persons and reimburse such Persons for, any and all Damages arising, directly or indirectly, from or in connection with:

(a) any breach or alleged breach of any representation or warranty of any of the Seller or Shareholder contained in this Agreement, the Disclosure Schedule, any supplement to the Disclosure Schedule or in any certificate or document delivered pursuant to this Agreement, including the certificate delivered pursuant to **Section 7.2(b)**;

(b) any inaccuracy or alleged inaccuracy in any representation or warranty of any of the Seller or Shareholder contained in this Agreement as of the Closing Date, without giving any effect to any supplement to the Disclosure Schedules delivered pursuant to **Section 6.6(a)**, other than any disclosure in any such supplement that causes the condition in **Section 7.2(a)** not to be satisfied and is expressly identified in the Seller's or Shareholder's certificate delivered pursuant to **Section 7.2(b)** as having caused such condition not to be satisfied;

(c) any breach or alleged breach of any covenant or agreement of any of the Seller or Shareholder contained in this Agreement or in any agreement or instrument executed and delivered pursuant to this Agreement;

(d) any Liability (including without limitation any Liability that becomes, or is alleged to have become, a liability of the Buyer under any applicable bulk sales law, under any doctrine of de facto merger or successor liability, or otherwise by operation of law);

(e) any violation or alleged violation of any Environmental Law with respect to any of the Seller or with respect to any Facility that first occurs or commences prior to the Closing Date; and

(f) any actual or alleged presence, generation, treatment, storage, disposal, transport, release, threatened release or suspected release of any Hazardous Substance (i) by any of the Seller, (ii) existing or occurring on, in, under, about, to or from any Facility prior to the Closing Date or (iii) existing or occurring, on, in, under, about, to or from any off-site disposal site to which the Seller sent wastes prior to the Closing Date.

8.3 Buyers' Agreement to Indemnify. Subject to the limitations set forth in this **Article VIII**, the Buyers, jointly and severally, shall indemnify and hold harmless the Seller, Shareholder and their Affiliates (and the officers, directors, managers, equity holders, employees and agents of each of them) for, and shall pay to such Persons and reimburse such Persons for, any and all Damages arising, directly or indirectly, from or in connection with:

(a) any breach or alleged breach of any representation or warranty of any of the Buyers contained in this Agreement or in any certificate delivered pursuant to this Agreement, including the certificate delivered pursuant to **Section 7.3(b)**;

(b) any inaccuracy or alleged inaccuracy in any representation or warranty of any of the Buyers contained in this Agreement as of the Closing Date, without giving any effect to any supplement to the Disclosure Schedules delivered pursuant to **Section 6.6(b)**, other than any disclosure in a supplement to the Disclosure Schedules that causes the condition in **Section 7.3(a)** not to be satisfied and is expressly identified in the certificate delivered pursuant to **Section 7.3(b)** as having caused the condition in **Section 7.3(a)** not to be satisfied; and

(c) any breach or alleged breach of any covenant or agreement of any of the Buyers contained in this Agreement or in any agreement or instrument executed and delivered pursuant to this Agreement.

8.4 Limitations on Seller's and Shareholder's Indemnity. If the Closing occurs, notwithstanding anything set forth in this **Article VIII** to the contrary:

(a) The Seller and Shareholder shall have no liability under **Section 8.2(a)** or **8.2(b)** unless and until the aggregate amount of the Damages under such subsections exceeds \$25,000 after which the Indemnifying Party shall have obligation to indemnify for the full amount of the Damages without regard to such limitation; provided that the foregoing limitation shall not apply to any breach or alleged breach of any representation or warranty set forth in **Section 3.15(a)** or **3.16(b)**, or that, to the Seller's Knowledge, was inaccurate when made (whether upon execution of this Agreement or at Closing), as to which the Seller shall be liable in full from the first dollar of loss.

(b) No indemnification shall be required by the Seller and Shareholder under **Section 8.2(a)** or **8.2(b)** unless the Seller and Shareholder shall have received notice of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by the Buyers on or before the date three years after the Closing Date; provided that with respect to breaches of the representations and warranties set forth in **Section 3.8, 3.11, and 3.13**, indemnification shall be required if the Seller or Shareholder shall have received notice of the claim prior to the date 30 days after the expiration of the statute of limitations applicable to claims by third parties giving rise to the breach of such representations and warranties; provided further, that the foregoing limitation shall not apply to any breach or alleged breach of any representation or warranty set forth in **Section 3.2, 3.15(a), 3.16(b), or 3.20**.

(c) The Seller and Shareholder shall have no liability under **Section 8.2(a)** or **8.2(b)** for the amount of Damages under such subsections that is greater than \$1,000,000.

8.5 Limitations on Buyer's Indemnity. If the Closing occurs, notwithstanding anything set forth in this **Article VIII** to the contrary:

(a) The Buyer shall have no liability under **Section 8.3(a)** or **8.3(b)** unless and until the aggregate amount of the Damages under such subsections exceeds \$25,000 after which the Indemnifying Party shall have obligation to indemnify for the full amount of the Damages without regard to such limitation; provided, that the foregoing limitation shall not apply to any breach or alleged breach of any representation or warranty that, to the Buyer's Knowledge, was inaccurate when made (whether upon execution of this Agreement or Closing), as to which the Buyers shall be liable in full from the first dollar of loss.

(b) No indemnification shall be required by the Buyer under **Section 8.3(a)** or **8.3(b)** unless the Buyers shall have received notice of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by the Seller on or before the date three years after the Closing Date; provided that the foregoing limitation shall not apply to any breach or alleged breach of any representation or warranty set forth in **Section 5.2 or 5.5**.

(c) Buyer shall have no liability under **Section 8.3(a)** or **8.3(b)** for the amount of Damages under such subsections that is greater than \$1,000,000.

#### 8.6 Procedure for Indemnification – Third-Party Claims.

(a) If any Person shall claim indemnification hereunder arising from any claim or demand of a third party, the party seeking indemnification (the “Indemnified Party”) shall notify the party from whom indemnification is sought (the “Indemnifying Party”) in writing of the basis for such claim or demand setting forth the nature of the claim or demand in reasonable detail. The failure of the Indemnified Party to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any indemnification obligation hereunder except to the extent the Indemnifying Party demonstrates that the defense of such claim or demand is materially prejudiced by the failure to give such notice.

(b) If any Proceeding is brought by a third party against an Indemnified Party and the Indemnified Party gives notice to the Indemnifying Party pursuant to **Section 8.6(a)**, the Indemnifying Party shall, unless the claim involves Taxes, be entitled to participate in such Proceeding and, to the extent that it wishes, to assume the defense of such Proceeding, if (i) the Indemnifying Party provides written notice to the Indemnified Party that the Indemnifying Party intends to undertake such defense, and by such notice it shall be conclusively established that the Indemnifying Party shall indemnify the Indemnified Party against all claims for indemnification resulting from or relating to such third-party claim as provided in this **Article VIII**, (ii) the Indemnifying Party provides to the Indemnified Party evidence acceptable to the Indemnified Party that the Indemnifying Party shall have the financial resources to defend against the third-party claim and to fulfill its indemnification obligations hereunder, (iii) the Indemnifying Party conducts the defense of the third-party claim actively and diligently with counsel reasonably satisfactory to the Indemnified Party and (iv) if the Indemnifying Party is a party to the Proceeding, the Indemnifying Party has not determined in good faith that joint representation would be inappropriate. The Indemnified Party shall, in its sole discretion, have the right to employ separate counsel (who may be selected by the Indemnified Party in its sole discretion) in any such action and to participate in the defense thereof, and the fees and expenses of such counsel shall be paid by such Indemnified Party. The Indemnified Party shall fully cooperate with the Indemnifying Party and its counsel in the defense or compromise of such claim or demand, provided that all reasonable out-of-pocket expenses incurred by the Indemnified Party shall be paid by the Indemnifying Party (except as set forth in the preceding sentence). If the Indemnifying Party assumes the defense of a Proceeding, (A) no compromise or settlement of the claims with respect thereto may be effected by the Indemnifying Party without the Indemnified Party’s consent unless (I) there is no finding or admission of any violation of law or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Party and (II) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and (B) the Indemnified Party shall have no liability with respect to any compromise or settlement of such claims effected without its consent.

(c) If (i) notice is given to the Indemnifying Party of the commencement of any Proceeding and the Indemnifying Party does not, within ten days after the Indemnified Party’s notice is given, give notice to the Indemnified Party of its election to assume the defense of such Proceeding, or (ii) an Indemnified Party determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it other than as a result of monetary damages for which it would be entitled to indemnification from the Indemnifying Party under this Agreement, the Indemnified Party shall (upon notice to the Indemnifying Party) have the right to undertake the defense, compromise or settlement of such claim; provided that the Indemnifying Party shall reimburse the Indemnified Party promptly and periodically for the costs of defending against the third-party claim (including reasonable attorneys’ fees and expenses) and the Indemnifying Party shall remain responsible for any indemnifiable amounts arising from or related to such third-party claim to the fullest extent provided in this **Article VIII**. The Indemnifying Party may elect to participate in such Proceedings, negotiations or defense at any time at its own expense.

(d) The Seller hereby consent to the non-exclusive jurisdiction of any court in which a Proceeding is brought against any Indemnified Party for purposes of any claim that an Indemnified Party may have under this Agreement with respect to such Proceeding or the matters alleged therein, and agree that process may be served on the Seller with respect to such a claim anywhere in the world.

(e) With respect to any third-party claim subject to indemnification under this **Article VIII**, (i) both the Indemnified Party and the Indemnifying Party, as the case may be, shall keep the other Person fully informed of the status of such third-party claim and any related Proceedings at all stages thereof if such Person is not represented by its own counsel, and (ii) the parties agree to render (each at its own expense) to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any third-party claim.

(f) With respect to any third-party claim subject to indemnification under this **Article VIII**, the parties agree to cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use Commercially Reasonable Efforts, in respect of any third-party claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable Legal Requirements), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any third-party claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

8.7 Alleged Breaches. For the purposes of this **Article VIII**, an “alleged” breach, inaccuracy or violation of a representation, warranty or covenant shall exist only if there is a claim by a third-party against an Indemnified Party alleging facts that, if true, would constitute a breach, violation or inaccuracy of such representation or warranty or covenant.

8.8 Indemnification Procedure – Direct Claims.

(a) If an Indemnified Party shall claim indemnification hereunder for any claim other than a third-party claim, the Indemnified Party shall notify the Indemnifying Party in writing of the basis for such claim setting forth the nature and amount of the damages resulting from such claim. The Indemnifying Party shall give written notice of any disagreement with such claim within 15 days following receipt of the Indemnified Party’s notice of the claim, specifying in reasonable detail the nature and extent of such disagreement. If the Indemnifying Party and the Indemnified Party are unable to resolve any disagreement within 30 days following receipt by the Indemnified Party of the notice referred to in the preceding sentence, the disagreement shall be submitted for resolution to an independent Person (the “Arbitrator”) mutually agreed by the Indemnifying Party and the Indemnified Party. If the Indemnifying Party and the Indemnified Party cannot agree on a single Arbitrator, then the disagreement shall be submitted to an Arbitrator selected in accordance with the Rules of the American Arbitration Association.

(b) Any such arbitration shall be conducted in accordance with the Rules of the American Arbitration Association and shall be held in Asheville, North Carolina or such other location to which the parties to such dispute mutually agree. The determination by the Arbitrator shall be made within 30 days of the submission of the dispute, shall be in accordance with this Agreement, shall be set forth in a written statement delivered to the Indemnifying Party and the Indemnified Party and shall be final, binding and conclusive. Judgment upon the decision rendered by the Arbitrator may be entered in any court having jurisdiction thereof and may include the award of attorneys’ fees and other costs to the extent provided by this Article. The Person who is prevailed against in the resolution of such disagreement shall pay the fees and expenses of the Arbitrator; if one Person does not prevail on all issues, the fees and expenses shall be apportioned in such manner as the Arbitrator shall determine. Any amount owing by any Person as a result of this **Section 8.8** shall be paid within two Business Days after final determination of such amount.

(c) The parties agree that (i) the provisions of this **Section 8.8** shall not apply to any preliminary or temporary equitable relief sought with respect to breaches of the obligations set forth in **Sections 6.2** and **10.6**, and (ii) the Arbitrator shall have no power to grant such preliminary or temporary relief with respect to breaches of such obligations.

8.9 Interest. Interest shall accrue on the unpaid amount of all indemnification obligations hereunder at the Prime Rate, such interest to be calculated based on the actual number of days elapsed from the date each indemnification obligation becomes due and owing until paid in full and shall be based on a 365-day year.

8.10 Remedies Not Exclusive. The remedies provided in this **Article VIII** are not exclusive of and do not limit any other remedies that may be available to any party, but the limitations provided in **Sections 8.4** and **8.5** shall apply to any claims based on breaches of representations and warranties.

**ARTICLE IX**  
**TERMINATION**

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Seller, Shareholder and the Buyers;

(b) by the Seller and Shareholder if all the conditions in **Article VII** shall have become incapable of fulfillment (other than through the failure of any of the Seller to comply fully with any of their obligations under this Agreement) and such conditions shall not have been waived by the Seller and Shareholder;

(c) by the Buyers, if all of the conditions set forth in **Article VII** shall have become incapable of fulfillment (other than through the failure of the Buyers to comply fully with any of their obligations under this Agreement) and such conditions shall not have been waived by the Buyers;

(d) by the Seller and Shareholder, if any of the Buyers materially breaches any provision of this Agreement and such breach remains uncured for a period of 10 days after the Buyers receives written notice of such breach;

(e) by the Buyers, if any of the Seller or Shareholder materially breaches any other provision of this Agreement and such breach remains uncured for a period of 10 days after the Seller receives notice of such breach; or

(f) by either the Buyers or the Seller and Shareholder, if the Closing has not taken place on or before June 28, 2013 or such later date agreed to by the parties.

9.2 Procedure and Effect of Termination. In the event of a termination of this Agreement by any party pursuant to **Section 9.1**:

(a) The terminating party shall give prompt written notice thereof to the other party, and the transactions contemplated hereby shall be abandoned, without further action by either of the parties hereto.

(b) All further obligations of the parties shall terminate, except that the obligations in **Section 6.2, Article VIII, Section 10.1** and **Section 10.6** hereof shall survive. Notwithstanding anything in this Agreement to the contrary, each of the parties to this Agreement shall be entitled to any remedy to which such party may be entitled at law or in equity for the violation or breach by any other party of any agreement, covenant, representation or warranty contained in this Agreement, including pursuing claims under **Article VIII**, and if any party shall bring an action to enforce this Agreement, the prevailing or successful party shall be entitled to recover its reasonable attorneys' fees and other costs incurred in such action.

(c) All filings, applications and other submissions relating to the transactions contemplated herein shall, to the extent practicable, be withdrawn from the agency or other Person to which made.

**ARTICLE X  
GENERAL PROVISIONS**

10.1 Expenses. Whether or not the transactions contemplated hereby are consummated, except as otherwise provided herein, the Buyers shall pay all costs and expenses incurred by the Buyers in connection with this Agreement and the transactions contemplated hereby, and the Seller and Shareholder shall pay all costs and expenses incurred by the Seller and Shareholder in connection with this Agreement and the transactions contemplated hereby, including in each case all fees and expenses of investment bankers, finders, brokers, agents, representatives, consultants, counsel and accountants. If this Agreement is terminated, the obligation of each party to pay its own expenses will be subject to any right arising from a breach of the Agreement by another party.

10.2 Amendment and Modification. This Agreement may be amended, modified or supplemented only by an agreement in writing signed by the party against whom such amendment, modification or supplement is sought to be enforced. Any such writing must refer specifically to this Agreement.

10.3 Waiver of Compliance; Consents. The rights and remedies of the parties are cumulative and not alternative and may be exercised concurrently or separately. No failure or delay by any party in exercising any right, power, or privilege under this Agreement shall operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (ii) no waiver that may be given by a party shall be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party shall be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement. Any consent required or permitted by this Agreement is binding only if in writing.

10.4 [RESERVED]

10.5 Notices. All notices, consents, waivers and other communications hereunder shall be in writing and shall be (i) delivered by hand, (ii) sent by facsimile transmission, or (iii) sent certified mail or by a nationally recognized overnight delivery service, charges prepaid, to the address set forth below (or such other address for a party as shall be specified by like notice):

(a) If to any of the Seller or Shareholder, to:

Champion Industries, Inc.  
2450 First Avenue  
P.O. Box 2968  
Huntington, WV 25728  
Attn: Timothy D. Boates, Chief Restructuring Officer  
Facsimile: 304-528-2765

Copies to:

Huddleston Bolen LLP  
611 Third Avenue  
P.O. Box 2185  
Huntington, WV 25722-2185  
Attn: Thomas J. Murray  
Facsimile: 304-522-4312

(b) If to any of the Buyers, to:

BRP Company, Inc.  
10 Mountainbrook Rd.  
Asheville, NC 28805  
Attn: David N. Wilcox  
Facsimile: (828) 255-4867

Copies to:

McGuire, Wood & Bisette, P.A.  
48 Patton Avenue  
Asheville, North Carolina 28801  
Attn: Richard A. Kort  
Facsimile: 828 252-2438

Each such notice or other communication shall be deemed to have been duly given and to be effective (x) if delivered by hand, immediately upon delivery if delivered on a Business Day during normal business hours and, if otherwise, on the next Business Day; (y) if sent by facsimile transmission, immediately upon confirmation that such transmission has been successfully transmitted on a Business Day before or during normal business hours and, if otherwise, on the Business Day following such confirmation, or (z) if sent by a nationally recognized overnight delivery service, on the day of delivery by such service or, if not a Business Day, on the first Business Day after delivery. Notices and other communications sent via facsimile must be followed by notice delivered by hand or by overnight delivery service as set forth herein within five Business Days.

10.6 Publicity. No party hereto shall make any public announcement or similar publicity of the transactions contemplated by this Agreement prior to the Closing without first obtaining the prior written consent of Seller, Shareholder and the Buyers; provided that nothing contained herein shall prohibit any party from making any public announcement if such party determines in good faith, on the advice of legal counsel, that such public disclosure is required by a Legal Requirement so long as such party consults with Seller, Shareholder and the Buyers prior to making such disclosure. From and after the Closing, any public announcement or similar publicity with respect to this Agreement or the transactions contemplated hereby will be issued at such a time and in such a manner as the Buyers determine. The Buyers and Blue Ridge Printing shall consult with each other concerning the means by which Blue Ridge Printing's employees, customers and suppliers will be informed of the transactions contemplated hereby and the Buyer shall have the right to be present at any such communication.

10.7 Assignment; No Third-Party Rights. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party. Except as set forth in **Section 8.2**, this Agreement and its provisions are for the sole benefit of the parties to this Agreement and their successors and permitted assigns and shall not give any other Person any legal or equitable right, remedy or claim.

10.8 Governing Law. The execution, interpretation and performance of this Agreement, and any disputes with respect to the transactions contemplated by this Agreement, including any fraud claims, shall be governed by the internal laws and judicial decisions of the State of North Carolina, without regard to principles of conflicts of laws.

10.9 Jurisdiction; Service of Process. If any party commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the United States District Court for the Western District of North Carolina shall have sole and exclusive jurisdiction over any such proceeding. If such court lacks federal subject matter jurisdiction, the parties agree that the courts of the State of North Carolina in the County of Buncombe shall have sole and exclusive jurisdiction. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept service of process to vest personal jurisdiction over them in any of these courts. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

10.10 Further Assurances; Records. Subject to the proviso in **Section 6.4(b)**, each Party shall cooperate and take such actions, and execute all such further instruments and documents, at or subsequent to the Closing, as another party or other parties may reasonably request in order to convey title to the Purchased Assets to Buyer and otherwise to effect the terms and purposes of this Agreement. Each party shall provide the other party or parties with access to all relevant documents and other information pertaining to the Purchased Assets that are needed by such other party or parties for the purposes of preparing Tax Returns or responding to an audit by any Governmental Authority or for any other reasonable purpose.

10.11 Severability. If any provision contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, unless the invalidity of any such provision substantially deprives either party of the practical benefits intended to be conferred by this Agreement. Notwithstanding the foregoing, any provision of this Agreement held invalid, illegal or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable, and the determination that any provision of this Agreement is invalid, illegal or unenforceable as applied to particular circumstances shall not affect the application of such provision to circumstances other than those as to which it is held invalid, illegal or unenforceable.

10.12 Construction. Each party acknowledges that such party and its attorneys have been given an equal opportunity to negotiate the terms and conditions of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party or any similar rule operating against the drafter of an agreement shall not be applicable to the construction or interpretation of this Agreement.

10.13 Disclosure Schedule. Each representation, warranty and covenant set forth herein shall have independent significance. Any disclosures in any part of the Disclosure Schedule apply only to the Section of this Agreement to which they expressly relate and not to any other representation, warranty or covenant. In the event of any inconsistency between the statements in the body of this Agreement and those in of the Disclosure Schedule (other than an exception expressly set forth as such in of the Disclosure Schedule with respect to a specifically identified representation or warranty), the statements in the body of this Agreement will control.

10.14 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.



10.15 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed on signature pages exchanged by facsimile, in which event each party shall promptly deliver to the others such number of original executed copies as the others may reasonably request.

10.16 Entire Agreement. This Agreement, including the Appendices, the Schedules and the Disclosure Schedule, constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter hereof. The Appendices, Schedules and the Disclosure Schedule hereto are an integral part of this Agreement and are incorporated by reference herein. This Agreement supersedes all prior agreements, understandings, promises, representations and statements between the parties and their representatives with respect to the transactions contemplated by this Agreement.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**BRP COMPANY, INC.**

By:

Name: Bruce L. Fowler

Title: President

**544 HAYWOOD RD, LLC**

By:

Name: David N. Wilcox

Title: Manager

**BLUE RIDGE PRINTING CO., INC.**

By:

Name: Marshall T. Reynolds

Title: President

**CHAMPION INDUSTRIES, INC.**

By:

Name: Marshall T. Reynolds

Title: Chief Executive Officer

**CHMP LEASING, INC.**

By:

Name:

Title:

## APPENDIX 1

“Accounts Receivable” means, with respect to a Person, (i) all trade accounts receivable and other rights to payment from customers of such Person and the full benefit of all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of goods shipped or products sold or services rendered to customers of such Person, (ii) all other accounts or notes receivable of such Person, including accounts receivable from Affiliates, officers, directors, shareholders, partners, members or managers of such Person and the full benefit of all security for such accounts or notes and (iii) any claim, remedy or other right related to any of the foregoing.

“Acquisition Proposal” has the meaning set forth in **Section 6.9**.

“Affiliate” means with respect to any Person, each of the Persons that directly or indirectly, through one or more intermediaries, owns or controls, is controlled by or is under common control with, such Person. For the purpose of this Agreement, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this agreement, as it may hereafter be amended in accordance with its terms.

“Arbitrator” has the meaning set forth in **Section 8.8**.

“Balance Sheet Date” has the meaning set forth in **Section 3.5**.

“Bill of Sale” has the meaning set forth in **Section 2.10(a)**.

“Blue Ridge Printing Financial Statements” has the meaning set forth in **Section 3.5**.

“Blue Ridge Printing Interim Balance Sheet” has the meaning set forth in **Section 3.5**.

“Business” has the meaning set forth in the Background Statement of this Agreement.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina are generally closed for business.

“Buyer” has the meaning set forth in the introductory paragraph of this Agreement.

“Buyer Consent” means (i) any Governmental Authorization set forth or required to be set forth on **Section 5.3** of the Disclosure Schedule or (ii) any approval, consent, ratification, waiver or other authorization (including any Governmental Authorization) necessary to cure, remedy or waive any default, violation or conflict, or relinquish any rights, set forth or required to be set forth on **Section 5.3** of the Disclosure Schedule.

“Buyer Documents” has the meaning set forth in **Section 5.2**.

“CERCLA” means the federal statute commonly referred to as the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

“Champion Financial Statements” has the meaning set forth in **Section 3.5**.

“Champion Interim Balance Sheet” has the meaning set forth in **Section 3.5**.

“Closing” has the meaning set forth in **Section 2.9**.

“Closing Date” means the date and time as of which the Closing actually takes place.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commercially Reasonable Efforts” means the efforts that a prudent business Person would use in similar circumstances to achieve a desired result and as expeditiously as possible; provided that an obligation to use the Commercially Reasonable Efforts under this Agreement does not require the Person subject to that obligation to take actions that would result in a materially adverse change in the benefits to such Person of this Agreement or the transactions contemplated hereby.

“Contract” means any agreement, contract, obligation, promise or undertaking (whether oral or written and whether express or implied), including but not limited to contracts, agreements, licenses, indentures, deeds of trust, leases and notes.

“Damages” means damages loss, liability, claim, damage, expense (including cost of investigation and reasonable attorneys’ fees) and diminution of value, whether or not involving a third-party claim.

“Deeds” has the meaning set forth in **Section 2.10(a)**.

“Deposits” has the meaning set forth in **Section 2.2(i)**.

“Disclosure Schedule” means the Disclosure Schedule delivered to the Buyer by the Seller concurrently with the execution of this Agreement.

“Effective Time” has the meaning set forth in **Section 2.9**.

“Environmental Laws” means any Legal Requirement that relates to the generation, storage, handling, discharge, emission, transportation, treatment or disposal of Hazardous Substances or wastes or to the protection of human health and the environment, including CERCLA, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Clean Water Act, the Federal Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, and the Hazardous Material Transportation Act, in each case as amended, and the regulations implementing such acts and the state and local equivalent of such acts and regulations, and common law.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, including all regulations and other authoritative Governmental Authority guidance issue with respect thereto.

“ERISA Affiliate” means any trade or business, whether or not incorporated, that is a member of a group of corporations or of trades or businesses (whether or not incorporated) that along with the Seller are treated as a single employer under and for any of the purposes specified in Section 414(b), (c), (m) or (o) of the Code or that is a member of a controlled group within the meaning of Section 4001(a)(14) of ERISA that includes the Seller.

“Excluded Assets” has the meaning set forth in **Section 2.3**.

“Excluded Liabilities” has the meaning set forth in **Section 2.6(a)**.

“Facilities” has the meaning set forth in **Section 3.12(b)**.

“Fixed Assets” means, with respect to a Person, all equipment, machinery, furniture and furnishings, fixtures, tools, dies, computer hardware, data processing and telecommunications equipment, office equipment, vehicles and other tangible personal property of every type and kind owned, used or useable by such Person, whether owned or leased, all contract rights (including any express or implied warranties) with respect thereto, and all maintenance records and other documents relating thereto.

“GAAP” means generally accepted accounting principles as recognized by the American Institute of Certified Public Accountants, applied on a consistent basis.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any municipal, local, city or county government, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled, through capital stock or otherwise by any of the foregoing.

“Governmental Authorization” means any approval, consent, certificate of need, skilled nursing, assistant living, continuing care or other license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Legal Requirement.

“Hazardous Substance” includes each substance identified or designated as such under CERCLA, as well as any other substance or material meeting any one or more of the following criteria: (i) it is or contains a substance designated as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law, (ii) it is toxic, reactive, corrosive, ignitable, infectious, radioactive or otherwise hazardous or (iii) it is or contains, without limiting the foregoing, petroleum hydrocarbons.

“Improvements” has the meaning set forth in **Section 3.16(c)**.

“Indemnified Party” has the meaning set forth in **Section 8.6(a)**.

“Indemnifying Party” has the meaning set forth in **Section 8.6(a)**.

“Inventories” means, with respect to a Person, all inventories of such Person of finished goods, work in process, raw materials and spare parts and all other materials and supplies to be used, consumed or sold by such Person.

“Knowledge” means the knowledge of the party and of any officer, director or employee of that party (other than Bruce Fowler in his capacity as an officer, director or employee of Blue Ridge Printing, it being the parties’ intent that none of the Seller or the Shareholder shall have any obligation to indemnify the Buyers for any breach or alleged breach of representation or warranty of which Bruce Fowler had actual knowledge or should have known under the following standard), which shall include the actual knowledge of any such Person and the knowledge any such Person should have in the exercise of such Person’s duties with such party or would be expected to have or obtain after reasonable inquiry and includes information available in the books, records and files of such party.

“Legal Requirement” means any statute, law, treaty, rule, regulation, Order, decree, writ, injunction or determination of any arbitrator or court or Governmental Authority and, with respect to any Person, includes all such Legal Requirements applicable or binding upon such Person, its business or the ownership or use of any of its assets.

“Liens” means any mortgages, claims, liens, security interests, pledges, escrows, charges, options or other restrictions or encumbrances of any kind or character whatsoever.

“Material Adverse Effect” means an adverse effect in excess of \$25,000 individually and in the aggregate for Seller and \$25,000 individually and \$250,000 in the aggregate for Shareholder on the condition (financial or otherwise), results of operations, business, properties, liabilities or prospects of the Seller’s business.

“Order” means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any court, administrative agency, other Governmental Authority or by any arbitrator.

“Ordinary Course” means an action taken by a Person only if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority) or by its shareholders or other owners; and

(c) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors of such Person (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

“Other Benefit Obligations” means all obligations, arrangements, plans or customary practices, whether or not legally enforceable, to provide benefits, other than salary or wages, as compensation (whether taxable or not) for services rendered, to present or former directors, employees, or agents, other than obligations, arrangements, plans or customary practices that are Plans, including, without limitation, consulting agreements, sabbatical and leave policies, severance policies, stock option and other stock compensation plans, fringe benefits within the meaning of Section 132 of the Code and cafeteria plans under Section 125 of the Code.

“Permitted Liens” means (i) the Liens for current Taxes not yet due and payable (provided that, with respect to Real Property, Taxes shall be deemed to refer to ad valorem property taxes only), (ii) with respect to personal property only, the Liens imposed by law, such as the Liens of carriers, warehousemen, mechanics, materialmen and landlords, and other similar Liens incurred in the Ordinary Course for sums not constituting borrowed money, that are not overdue (iii) with respect to Real Property only, (A) minor imperfections of title, if any, none of which materially detracts from the value or impairs the present or anticipated use of the Real Property subject thereto, or impairs the present or anticipated operations of the Seller and (B) zoning laws and other land use restrictions that do not impair the present or anticipated use of the Real Property subject thereto.

“Person” means any corporation, association, joint venture, partnership, limited liability company, organization, business, individual, trust, government or agency or political subdivision thereof or other legal entity.

“Plan” means an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, an employee pension benefit plan with the meaning of Section 3(2) of ERISA or a plan that is both.

“PCBs” has the meaning set forth in **Section 3.12(e)**.

“Prime Rate” means the per annum rate of interest from time to time by Bank of America, N.A. (or, if such bank discontinues its practice of announcing its prime rate, such other institution approved by the Buyer and the Seller) as its prime rate of interest, in effect from time to time.

“Proceeding” means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

“Proprietary Rights” means, with respect to a Person, all fictitious names, assumed names, trade names, corporate names or derivatives thereof, trademarks, trademark applications, service marks, service mark applications, brand names, product names, slogans, trade secrets, know-how, patents, patent applications, copyrights, copyright applications, designs, logos, formulas, inventions, product rights or other intangible assets of any nature, whether in use, under development or design, or inactive.

“Purchase Price” has the meaning set forth in **Section 2.7**.

“Purchased Assets” has the meaning set forth in **Section 2.2**.

“Purchased Fixed Assets” has the meaning set forth in **Section 2.2(a)**.

“Purchased Governmental Authorizations” has the meaning set forth in **Section 2.2(e)**.

“Purchased Inventories” has the meaning set forth in **Section 2.2(d)**.

“Purchased Proprietary Rights” has the meaning set forth in **Section 2.2(f)**.

“Purchased Real Property” has the meaning set forth in **Section 2.2(b)**.

“Purchased Software” has the meaning set forth in **Section 2.2(g)**.

“Real Property” means, with respect to a Person, all real property owned, leased or operated in whole or in part by such Person.

“Seller” has the meaning set forth in the introductory paragraph of this Agreement.

“Seller Benefit Obligation” has the meaning set forth in **Section 3.13(a)**.

“Seller Consent” means (i) any Governmental Authorization set forth or required to be set forth on **Section 3.3** of the Disclosure Schedule or (ii) any approval, consent, ratification, waiver or other authorization (including any Governmental Authorization) necessary to cure, remedy or waive any default, violation or conflict, or relinquish any rights, set forth or required to be set forth on **Section 3.3** of the Disclosure Schedule.

“Seller Document” has the meaning set forth in **Section 3.2**.

“Seller Employees” has the meaning set forth in **Section 6.7(a)**.

“Seller Plan” has the meaning set forth in **Section 3.13(a)**.

“Software” means, with respect to a Person, all types of computer software programs owned, licensed, used or usable by such Person, including operating systems, application programs, software tools, firmware and software imbedded in equipment, including both object code and source code versions thereof. The term “Software” also includes all written or electronic materials that explain the structure or use of the Software or that were used in the development of the Software, including logic diagrams, flow charts, procedural diagrams, error reports, manuals and training materials.

“Taxes” means (i) all taxes, charges, fees, levies or other assessments (whether federal, state, local or foreign), including income, gross receipts, excise, property, sales, use, transfer, license, payroll, franchise, ad valorem, withholding, Social Security and unemployment taxes and (ii) any interest, penalties and additions related to the foregoing.

“Tax Return” means any report, return or other information required to be supplied to a taxing authority in connection with the Taxes.

“Title Insurer” has the meaning set forth in **Section 2.10(a)**.

“Title Policies” has the meaning set forth in **Section 7.2(m)**.



**ASSET PURCHASE AGREEMENT**  
**by and among**  
**HD MEDIA COMPANY, LLC**  
**CHAMPION PUBLISHING, INC.**  
**AND**  
**CHAMPION INDUSTRIES, INC.**

**Effective as of July 12, 2013**

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## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), effective as of July 12, 2013, is by and among Champion Publishing, Inc., a West Virginia corporation ("Publishing"), Champion Industries, Inc., a West Virginia corporation ("Champion"), and HD Media Company, LLC ("Buyer"). Publishing and Champion are each individually referred to herein as a "Seller" and together referred to as "Sellers".

WHEREAS, Sellers own and publish the *The Herald Dispatch*, a daily newspaper distributed in and around Huntington, West Virginia, together with all related publications and services and assets and facilities, all related web sites and all of Sellers' rights to prepare, publish, sell and distribute any of the foregoing in all languages (collectively the "Newspaper") and the mastheads and certain other intellectual property associated with the Newspaper (the "Mastheads"); and

WHEREAS, Sellers desire to sell and Buyer desires to purchase all of the assets related to the operation, publication and distribution of the Newspaper as a going concern, together with the Mastheads.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and based upon the representations and warranties made by each party to the other in this Agreement, the parties have agreed to consummate the sale of the Newspaper on the terms contained herein.

### ARTICLE I

#### SALE OF ASSETS AND TERMS OF PAYMENT

1.1 Transfer of Assets. Upon the terms and subject to the conditions of this Agreement, on the Closing Date (as defined in Section 2.1 hereof) Sellers will sell, assign, convey or cause to be conveyed, transfer and deliver to Buyer, and Buyer will purchase and accept from Sellers, all of the assets and properties of Sellers, tangible or intangible, of every kind and description, used by Sellers that relate primarily to the business and operation of the Newspaper as a going concern (all such assets being referred to herein as the "Sellers' Assets"), but excluding the Excluded Assets described in Section 1.2 below.

In addition, upon the terms and subject to the conditions of this Agreement, on the Closing Date, Sellers will sell, assign, convey or cause to be conveyed, transfer and deliver to Buyer, and Buyer will purchase and accept from Sellers, the Newspaper's "Mastheads" which consist of the mastheads, trademarks, trade dress, trade names, service marks, registrations, domain names, and other property rights relating thereto and all goodwill associated therewith. The Sellers' Assets along with the Mastheads are hereinafter collectively referred to as the "Assets". The Assets include, without limitation, the following:

- (a) The Real Property (as defined in Section 3.10(b));
- (b) All Leases (as defined in Section 3.9(e));
- (c) Sellers tangible personal property, editorial material, work in process, finished goods, manuscripts, notes and drafts, graphic artwork, cuts, photographs and negatives owned by Sellers to the extent they relate primarily to the Newspaper; promotional materials, inserts, and direct mail materials owned by Sellers to the extent they relate primarily to the Newspaper; stationery, supplies, purchase orders, forms, labels, shipping materials and catalogs owned by Sellers to the extent they relate primarily to the Newspaper; and all lists owned by Sellers of contributors, authors, correspondents, reviewers, photographers, illustrators and editors who contribute or have contributed to the Newspaper; other inventory and supplies, and other assets and equipment relating primarily to the Newspaper, including without limitation those listed in Schedule 3.14 hereto;
- (d) All contracts, agreements and similar documents that relate to the operation of the Newspaper or are otherwise specifically assumed pursuant hereto, together with all subscriptions and all orders and agreements for the sale of advertising, space reservations and insertion orders relating to the Newspaper, including without limitation those described in Schedule 3.9 hereto;
- (e) All of Sellers right, title and interest in and to all licenses, Permits (as defined in Section 3.7), variances, franchises, certifications, approvals and other governmental authorizations relating primarily to the Newspaper, together with any renewals, extensions or modifications thereof and additions thereto;
- (f) All publishable materials of any nature, as used in the business of the Newspaper, the names "*The Herald Dispatch*", "*The Lawrence Herald*" and "*Putnam Herald*", copyrights, patents, trademarks, service marks, logotypes and trade names (including registrations and applications for registration of any of the foregoing), web sites, domain names, processes, inventions, computer software, computer programs and software and program rights, trade secrets, goodwill and other intangible rights and interests issued to or owned by Sellers and used in connection with the operation, publication and distribution of the Newspaper;

- (g) All of Sellers accounts or other receivables, claims, evidences of debt owed to Sellers, utility deposits and other deposits and prepaid expenses arising out of Sellers' operation of the Newspaper together with all records relating thereto;
- (h) All of the Newspaper's files and other records in whatever form relating to the operation of the Newspaper, including without limitation all of its historical materials relating to the Newspaper's advertising, circulation and distribution, all circulation, subscriber, delivery and mailing lists and carrier routes maintained by Sellers to the extent they relate to the Newspaper, all data related to such lists, all circulation readership studies, audience surveys and research owned by Sellers, and all other mailing lists, together with all records, reports and tapes of computer data owned by Sellers, in each case to the extent they relate primarily to the Newspaper, rate cards, verification cards, advertising insertion orders, specimen copies of all advertisements carried in the Newspaper, and copies of current price lists, discount lists, catalogs, public relations materials, sales correspondence, call reports, call books, advertiser lists and sales promotion lists;
- (i) All claims, causes of action, rights of recovery and rights of set-off of any kind (including, without limitation, rights under and pursuant to all warranties, representations and guarantees made by suppliers of products, materials or equipments, or components thereof) to the extent they relate to the Newspaper, are owned by Sellers and relate to the period of time following the Closing Date;
- (j) All of Sellers libraries of back and current issues of the Newspaper;
- (k) All of Sellers goodwill in and going concern value of the Newspaper;
- (l) Any prepaid taxes of Sellers which are included as Assets on the Closing Date;
- (m) All of Sellers right, title and interest in and to any non-solicitation agreements benefiting the Newspaper;

(n) Without duplication, all assets relating primarily to the operations of the Newspaper reflected in the Newspaper's balance sheet included in the Financial Statements dated as of May 31, 2013 (the "Balance Sheet Date"), together with changes in the ordinary course of business or as otherwise allowed under this Agreement up to and including the Closing Date;

(o) Assignment of Sellers' rights, if any, to indemnification under the Amended and Restated Asset Purchase Agreement effective as of April 12, 2007 by and among Gannett Satellite Information Network, Inc., Gannett River States Publishing Corporation, Pacific and Southern Company, Inc., Federated Publications, Inc., Media West – GSI, Inc., Media West – GRS, Inc., GateHouse Media Illinois Holdings, Inc. and GateHouse Media, Inc., pursuant to which the indemnity obligations of the Gannett Parties with respect to the Newspaper are partially assigned to Publishing and Champion. Notwithstanding anything to the contrary contained herein, it is understood that Sellers are not making any representation, warranty or guarantee as to the enforceability or collectibility of such assignment; and

(p) All cash remaining under the control of the Seller at the close of business (5:00 p.m. EDT) on the Closing Date, which is on the Premises (being the 946 Fifth Avenue, Huntington, WV property) or at any other location, other than cash held in Seller's bank account, money market or other similar accounts.

1.2 Excluded Assets. The following assets relating to the business of operating, publishing and distributing the Newspaper shall be retained by Sellers and shall not be sold, assigned, conveyed, transferred or delivered to Buyer (the "Excluded Assets"):

(a) All cash and cash equivalents, except as described in Section 1.1(p) above;

(b) Claims by Sellers with respect to the Excluded Assets and liabilities not assumed by Buyer, including without limitation all refunds and claims for tax refunds (except for prepaid taxes acquired by Buyer pursuant to Section 1.1(l) above) and counterclaims with respect to obligations and liabilities not being assumed by Buyer hereunder;

(c) All contracts of insurance, tax records and tax returns;

(d) All Employee Benefits Plans (as defined in Section 3.13(c));



- (e) (i) the franchise to be a corporation ; (ii) the organizational documents (including articles or certificate of incorporation or bylaws (as applicable)); (iii) in respect of Sellers which are corporations: (A) the corporate seal, (B) the minute books, (C) the stock books, and (D) the stock certificates; (iv) the qualifications to transact business as a foreign corporation; (v) the arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers; (vi) other records or similar documents relating to the organization, maintenance and existence of Sellers as a corporation; and (vii) any other corporate records relating to the corporate organization or capitalization (as applicable) of Sellers;
- (f) All items of a corporate overhead nature that are controlled by or located at the corporate offices of Sellers;
- (g) Any right, property or asset described in Schedule 1.2(j) hereto, including the property and rights which are shared with affiliates of Sellers and not used primarily in the businesses of the Newspaper;
- (h) Any assets or properties of Seller, tangible or intangible, of every kind and description which are not used primarily in connection with the businesses of the Newspaper and are not included in the Financial Statements of Publishing;
- (i) All assets of River Cities Printing and the tradename "River Cities Printing"; and
- (j) Sellers' rights under this Agreement.

1.3 Liabilities.

- (a) The Assets shall be sold and conveyed to Buyer free and clear of all liens and encumbrances of Fifth Third Bank, as Administrative Agent for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, as amended by First Limited Forbearance and Waiver Agreement and First Amendment to Amended and Restated Credit Agreement dated as of May 31, 2013. Buyer shall assume, discharge and perform the following liabilities (the "Assumed Liabilities"):
  - (i) those liabilities and obligations of Sellers under the contracts assigned to Buyer which are described in Subsection 1.1(d) (other than any obligation under any such contract related or arising prior to the Closing Date, including, without limitation, any liability for breach or nonperformance); provided, however, that if any such contract requires a consent to the assignment thereof to Buyer and such consent has not been obtained, then this Agreement, to the extent permitted by law, shall constitute an equitable assignment by Sellers to Buyer of all rights, benefits, title and interest, liabilities and obligations under such contract;

- (ii) those liabilities and obligations of Sellers as of the Closing Date constituting deferred revenues, including but not limited to liabilities under agreements for advertising to the extent to be run in issues of the Newspaper published after the Closing Date and prepaid subscriptions;
  - (iii) those liabilities and obligations of Sellers for trade accounts payable and advertising rebates payable which are primarily related to the operations of the Newspaper and all applicable taxes accrued or accruable at the Closing Date related to the newspaper operations exclusive of federal or state income taxes or franchise taxes; and
  - (iv) those employee liabilities and obligations of Sellers primarily related to the operation of the Newspaper, which shall include accrued payroll, unused vacation, sick leave, holiday and personal days and applicable taxes.
- (b) Except as set forth in Section 1.3(a) above or as otherwise expressly set forth herein, Buyer does not assume and will not be liable for, and Sellers shall remain unconditionally liable for, all other liabilities or obligations of Sellers (or any other person, in the case of liabilities or obligations for taxes) (the "Excluded Liabilities"), including, but not limited to:
- (i) any liability or obligation arising prior to Closing under any contract not described in Subsection 1.1(d) above;
  - (ii) any liability under any contract of insurance or relating to any other Excluded Assets;
  - (iii) any liability arising out of any termination by any Seller of the employment of any employee, consultant or independent contractor of the Newspaper on or prior to the Closing Date, or who retired on or prior to the Closing Date;

(iv) any liability under any litigation, proceeding or claim of any nature related to the Newspaper arising during, or brought by any person or entity with respect to, the period of time on or prior to the Closing Date, whether or not such litigation, proceeding or claim is pending, threatened or asserted before, on or after the Closing Date;

(v) any liability for (I) any taxes (other than taxes of Sellers assumed by Buyer pursuant to Section 1.3(a)(iii) above) with respect to the Newspaper or the Assets for periods ending on or prior to the Closing Date and taxes deemed, pursuant to Section 1.6, payable for the portion ending on the Closing Date of a Straddle Period (as defined in Section 1.6), (II) except as allocated in Section 10.4, any taxes imposed on the transfer of the Assets or the Newspaper on or prior to the Closing Date and, (III) any estate or gift taxes imposed with respect to Sellers, the Assets or the Newspaper on or prior to the Closing Date; provided, however, that Transfer Taxes (as defined in Section 10.4) on the transfer of the Assets pursuant to this Agreement shall be paid by Sellers as provided in Section 10.4;

(vi) except as otherwise set forth in this Agreement, any and all liabilities incurred by Sellers in connection with the negotiation, execution or performance of this Agreement (including, without limitation, all legal, accounting, brokers, finders and other professional fees and expenses); or

(vii) any and all obligations, liabilities and/or commitments, including but not limited to obligations, liabilities and/or commitments pursuant to Environmental Laws, arising out of or related to conditions or events arising from or related to the Real Property and/or the operation of the Newspaper thereon that occurred on or prior to the Closing Date. The obligations, liabilities and/or commitments contemplated by this Section 1.3(b)(viii) include, but are not limited to, all matters arising from or relating to Item 2 of Schedule 3.17 and all facts and circumstances underlying or leading to such implementation or that made such implementation necessary.

1.4 Consideration. Subject to the conditions contained in this Agreement, and in consideration of the sale of the Assets, Buyer will pay on the Closing Date the sum of Ten Million Dollars (\$10,000,000) (the "Purchase Price"). The sum of Two Million Dollars (\$2,000,000) held in escrow pursuant to the Amended and Restated Letter of Intent dated June 14, 2013 between Sellers and Douglas Reynolds and the "Escrow Letter" therein referred shall be applied towards the Purchase Price on the Closing Date.

1.5 Manner of Payment. The Purchase Price shall be paid to Sellers on the Closing Date in immediately available funds by wire transfer to bank accounts designated by Sellers and Fifth Third Bank as Administrative Agent for secured lenders.

1.6 Adjustments. . Items to be prorated as of the close of business on the Closing Date shall include only personal property taxes and real property taxes. The portion of any personal property taxes and real property taxes for a taxable period that includes the Closing Date (a "Straddle Period") that shall be deemed to be payable for the portion of the period ending on the Closing Date shall be the amount of such taxes for the entire period (or, in the case of such taxes determined on an arrears basis, the amount of such taxes for the immediately preceding period) multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

1.7 Allocation of Purchase Price. As soon as practicable after the date hereof, but in no event later than ninety (90) days after the Closing Date, Buyer and Sellers will negotiate, in good faith, with a view towards allocating, as of the Closing Date, the Purchase Price among the Assets. If Buyer and Sellers agree upon an allocation, then both parties agree to file Federal Form 8594 consistent with such an agreement. If an agreement cannot be reached prior to the Closing, the parties shall engage an independent and mutually acceptable appraiser to perform a valuation of the Assets. This valuation shall be used in allocating the Purchase Price. Buyer and Sellers shall use such allocation for all purposes, including tax and financial reporting. If, contrary to the intent of the parties hereto as expressed in this Section 1.7, any taxing authority makes or proposes an allocation different from that contemplated in this Section 1.7, Sellers and Buyer shall cooperate with each other in good faith to contest such taxing authority's allocation (or proposed allocation); provided, however, that, after consultation with the party adversely affected by such allocation (or proposed allocation), the other party hereto may file such protective claims or returns as may reasonably be required to protect its interest.

ARTICLE II.  
THE CLOSING

2.1 Time and Place of Closing. The closing (the "Closing") of the sale and purchase of the Assets shall be held in the offices of Huddlestone Bolen LLP, 611 Third Avenue, Huntington, West Virginia 25701 on or before July 15, 2013 (the "Closing Date"). Closing shall be deemed effective at 11:59 p.m. local time on the Closing Date.

2.2 Deliveries by Sellers. At the Closing, Sellers, as appropriate, will deliver to Buyer the following, each of which shall be in form and substance satisfactory to the parties hereto:

- (a) Bills of sale, general warranty deeds, assignments and other instruments of transfer and documents as shall be appropriate to carry out the intent of this Agreement and sufficient to sell, assign, convey and transfer good and valid (or in the case of real property, good and marketable) title to the Assets to Buyer, subject to Permitted Encumbrances;
- (b) Assignments of Sellers domain names relating to the Newspaper;
- (c) Any consents to assignments from third parties obtained by Sellers relating to the Material Contracts that require such consent as shown on Schedule 3.9 hereto, as well as any other consents obtained by Sellers;
- (d) Receipt for the Purchase Price;
- (e) Transition services agreements among Sellers and Buyer executed by Sellers, which, among other things, provide for Sellers to continue to provide certain services with respect to the Newspaper for various periods of time after the Closing Date, substantially in accordance with Schedule 2.2(e), as set forth in such agreements (the "Transition Services Agreements");
- (f) Certificates, dated the Closing Date, of an appropriate officer of each Seller as to approval of such Seller relating to this Agreement and the transactions contemplated hereby;

- (g) Certificates of an appropriate officer of each Seller certifying the fulfillment of the conditions set forth in Section 8.1;
- (h) A certificate of an appropriate officer of each Seller as to that Seller's status as a non-foreign entity; and
- (i) Such other certificates, instruments and documents as are required to be delivered by Sellers pursuant to the terms of this Agreement.

2.3 Deliveries by Buyer. At the Closing, Buyer will deliver to Sellers the following, each of which shall be in form and substance satisfactory to the parties hereto:

- (a) Funds equal to the Purchase Price in such manner as described in Section 1.5 above;
- (b) An instrument of assumption pursuant to which Buyer shall assume the Assumed Liabilities as provided in Section 1.3 hereof;
- (c) The Transition Services Agreements, executed by Buyer;
- (d) If applicable, a Certificate dated the Closing Date, of the Secretary of Buyer as to approval of Buyer relating to this Agreement and the transactions contemplated hereby;
- (e) Certificate of Buyer certifying the fulfillment of the conditions set forth in Sections 7.1(a) and 7.1(b) below; and
- (f) Such other certificates, instruments and documents as are required to be delivered by Buyer pursuant to the terms of this Agreement.

ARTICLE III.  
REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, as appropriate, represent and warrant to Buyer as follows:

3.1 Organization; Qualification. Each Seller is a corporation validly existing and in good standing under the laws of its state of incorporation. The applicable Seller has the full power and authority to own and operate the Assets (excluding the Mastheads) and carry on the business operations of the Newspaper as such operations are now being conducted. The applicable Seller has the full power and authority to own the Mastheads. Each Seller (a) is duly qualified to do business and in good standing, and is duly licensed, authorized or qualified to transact business in each jurisdiction in which the ownership or lease of real property or the conduct of its business requires it to be so qualified, and (b) has all government licenses, Permits, approvals and other authorizations necessary to own its properties and assets and carry on its business as it is now being conducted, except such licenses, Permits, approvals and other authorizations described in clauses (a) and (b) the lack of which would not have a Material Adverse Effect (as defined in Section 3.4).

3.2 Authority Relative to this Agreement. Each Seller has the full power, authority and legal right to execute and deliver this Agreement and to consummate the transactions and perform its obligations as contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action, and this Agreement has been duly and validly executed and delivered by each Seller and, assuming due authorization, execution and delivery by Buyer, constitutes a legal, valid and binding obligation of such Seller enforceable against such Seller in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar law affecting the rights of creditors generally.

3.3 Financial Statements. Schedule 3.3 sets forth (a) the unaudited financial statements of the Newspaper for the fiscal year ended October 31, 2012 and (b) unaudited financial statements for the period through May 31, 2013 (the "Balance Sheet Date") (the financial statements referred to in clauses (a) and (b) being "Financial Statements"). The Financial Statements fairly present in all material respects the financial position of the Newspaper and the results of operations of the Newspaper as at and for the periods covered thereby and have been prepared in conformity with Sellers historical accounting practices which reflect accrual basis accounting and, with respect to the Newspaper, are sufficient to permit preparation of the audited financial statements of Champion in accordance with generally accepted accounting principles, except as otherwise noted therein or as set forth on Schedule 1.6(c). No material adjustments of the Financial Statements are required for a fair presentation of the results of operations and financial position of the Newspaper on an accrual basis. Except as set forth on Schedule 3.3, the Financial Statements are correct and complete in accordance with the books and records regularly maintained by the Newspaper which reflect accrual basis accounting. The Financial Statements fairly present the results of operations and financial position of the Newspaper as of the dates and for the periods set forth therein. Sellers shall deliver on the Closing Date to Buyer a schedule of the Newspaper's outstanding accounts receivable as of the Closing Date. All such accounts receivable have arisen in the ordinary course of business and represent bona fide indebtedness incurred by the applicable account debtor and have been properly adjusted for bankrupt and other uncollectible accounts. Assuming reasonable collection efforts by Buyer, Sellers have no reason to believe that such accounts receivable would not be collectible (net of Sellers reserves for uncollectible receivables established by Sellers in the ordinary course of its business consistent with past practice). Sellers make no representations, however, about the future business or financial prospects of the Newspaper for Buyer's intended purposes.

3.4 Business Since the Balance Sheet Date. Except as set forth on Schedule 3.15, since the Balance Sheet Date, the business of the Newspaper has been conducted in the ordinary course of business and in substantially the same manner as it was before the Balance Sheet Date. Since the Balance Sheet Date, there has been no change in the business, condition (financial or otherwise), properties or operations of the Newspaper or other event or occurrence which has had or would reasonably be expected to have a material adverse effect on the business, operations, properties or condition (financial or otherwise) of the Newspaper taken as a whole (“Material Adverse Effect”) as of the Closing Date.

3.5 No Defaults.

(a) The execution, delivery and performance of this Agreement by Sellers will not (i) conflict with any provision of the Certificates of Incorporation or Bylaws of any Seller, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration), with notice or passage of time or both, under or conflict with any of the terms, conditions or provisions of any Material Contract (as defined in Section 3.9), note, bond, mortgage or other instrument, obligation or agreement relating to the business of the Newspaper or to which any of the Assets may be subject, and which default or conflict, singly or in the aggregate, would or would reasonably be expected to have a Material Adverse Effect, (iii) violate any law, statute, rule, regulation, order, injunction or decree of any federal, state or local governmental authority or agency applicable to Seller or any of the Assets, or (iv) result in the creation or imposition of any Lien of any nature whatsoever on any of the Assets.



(b) Except for the required consents with respect to the contracts referred to in Section 3.9, Sellers are not required to submit any notice, report or other filing with, or obtain any consent, approval or waiver from, any governmental or regulatory authority or instrumentality or any other third party in connection with the execution, delivery or performance of this Agreement by Sellers or the consummation of the transactions contemplated hereby, except where failure to give such notice, report or other filing, or to obtain such consent, approval or waiver would have no, and would not be reasonably expected to have a, Material Adverse Effect.

3.6 Undisclosed Liabilities. No Seller has any obligation or liability to be reflected or reserved against in any of the Financial Statements which is not fully reflected or reserved against in such Financial Statements except for liabilities which have arisen in the ordinary course of business.

3.7 Licenses and Authorizations. All licenses, Permits and authorizations required to own the Assets and to conduct the business of the Newspaper are held by Sellers in full force and effect with no violations of any of them having occurred, other than violations that would not have, and would be reasonably expected to have, a Material Adverse Effect. All such material licenses, Permits and Authorizations are listed in Schedule 3.7. Except as disclosed in Schedule 3.12, no proceeding is pending or, to the knowledge of Sellers, threatened in writing, seeking the revocation or limitation of any such license, Permit or other authorization.

3.8 Condition and Adequacy of the Assets; Title. The tangible assets included in the Assets are in adequate operating condition and repair, ordinary wear and tear excepted, and are adequate and suitable in accordance with general industry practices and applicable law for the purposes for which they are currently used. Except for the lien of Fifth Third Bank, as Administrative Agent for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, as amended by First Limited Forbearance and Waiver Agreement and First Amendment to Amended and Restated Credit Agreement dated as of May 31, 2013, each Seller has good and marketable title to all of the Assets which it purports to own free and clear of all security interests, mortgages, conditional sales agreements, charges, liens and other encumbrances ("Liens"), except for Permitted Encumbrances. All inventory of each Seller included in the Assets is useful in the ordinary course of such Seller's business. Without limiting the generality of any of the foregoing, except as indicated on Schedule 3.8, no Seller uses furniture, fixtures, equipment, inventory or supplies in connection with the operation of the Newspaper which it does not own. Except for the Excluded Assets, the Assets are, in the aggregate, all of the assets which are necessary to operate the Newspaper in the manner in which the Newspaper was operated during the preceding 12-month period, except for additions thereto and deletions therefrom in the ordinary course of business and consistent with past practice.

3.9 Contracts and Arrangements. As used herein, “Material Contracts” means all of the following contracts, agreements and arrangements (written or oral) included in the Assets involving annual consideration of more than \$25,000:

- (a) Sales agency or advertising representation contracts;
- (b) Contracts for the future construction or purchase of capital improvements, purchase of materials, supplies or equipment, or for the sale of assets;
- (c) Consulting contracts, employment agreements or freelance agreements;
- (d) Licenses or agreements under which Seller is authorized to publish materials supplied by others in future issues of the Newspaper;
- (e) Leases of real and personal property (collectively, the “Leases”); and
- (f) Any other contract or lease not made in the usual and ordinary course of business, or not terminable by Sellers without liability upon not more than 90 days’ written notice.

All of the Material Contracts are listed on Schedule 3.9. Schedule 3.9 specifies those Material Contracts, the assignment of which requires the consent of a third party. Provided that any requisite consent to the assignment of Material Contracts to Buyer is obtained, to the knowledge of Sellers, each of the contracts and leases which is assigned to and assumed by Buyer on the Closing Date is valid and in full force and effect. There is no existing default, event of default or other event under such Material Contracts which, with or without notice or lapse of time or both, would constitute a default or an event of default by a Seller under any such contract. To the knowledge of Sellers, there is not, under any of the Material Contracts, any existing default or event of default which, with or without notice or lapse of time or both would constitute a default or event of default on the part of any other party thereto, except such defaults, events of default and other events which would not have, and would not reasonably be expected to have, a Material Adverse Effect. Prior to the Closing Date, Sellers will make available to Buyer complete copies (or written summaries of oral contracts) of all of the Material Contracts.

3.10 Real Property.

(a) Schedule 3.10(a) sets forth a complete and accurate list of all real property owned in fee by Sellers or their respective affiliates and used primarily in the business of the Newspaper (the “Owned Real Property”);

(b) Schedule 3.10(b) sets forth a complete and accurate list of all leasehold interests used primarily in the business of the Newspaper (the “Leased Real Property”). The Leased Real Property and the Owned Real Property are collectively referred to as the “Real Property”;

(c) Sellers hold good and marketable fee title to each parcel of Owned Real Property disclosed on Schedule 3.10(a), free and clear of any Liens except for that lien of Fifth Third Bank, as Administrative Agent, as a Lender and as a L/C Issuer, easements, rights-of-way, licenses, use restrictions, claims, charges, options, rights of first offer, rights of first refusal or title defects, except for Permitted Encumbrances of any nature whatsoever (as defined below). As used herein, the term “Permitted Encumbrances” means (i) liens for taxes not yet due and payable; (ii) liens for taxes which are being contested in good faith and by appropriate proceedings in the amount of which a reserve has been created on the Closing Date Balance Sheet; (iii) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or other like liens arising in the ordinary course of business or which are being contested in good faith and by appropriate proceedings in the amount of which a reserve has been created on the Closing Date Balance Sheet; or (iv) easements, rights-of-way, encroachments, licenses, restrictions, conditions and other similar encumbrances incurred or suffered in the ordinary course of business and which do not materially interfere with the current use of the Owned Real Property or result in, or would not reasonably be expected to result in, a Material Adverse Effect;

(d) Sellers have a valid and enforceable interest in each parcel of Leased Real Property disclosed in Schedule 3.10(b) as being leased by Sellers; and

(e) There is no action or proceeding pending or, to the knowledge of Sellers, threatened in writing, by any governmental agency or authority for assessment or collection of past-due taxes, impact fees or special assessments affecting any part of any Owned Real Property, and no condemnation or eminent domain proceeding is pending or, to the knowledge of Sellers, threatened in writing, against any part of any Owned Real Property.

3.11 Intellectual Property. Except for the Excluded Assets (as defined in Section 1.2) and any matter relating thereto, all copyrights, trademarks, trade names, service marks, logotypes and patents and all other material intellectual property rights which are owned or held for use or used by Sellers in connection with the business and operation of the Newspaper and which are material to the operation of the Newspaper or ownership of any of the Assets (the "Rights") are valid, in good standing and uncontested. Schedule 3.11 sets forth a complete and accurate list of all material Rights of Sellers relating to the operation of the Newspaper. Sellers possess adequate rights, licenses or other authority to use all Rights necessary to own the Assets and to conduct the business of the Newspaper as presently conducted. Sellers have not received any notice with respect to any alleged infringement or unlawful or improper use of any Rights owned or alleged to be owned by others. Neither any affiliate of a Seller nor any officer or employee of a Seller has any interest in any Right, all of which are free and clear of any Lien. Sellers have no knowledge of any infringement of any of the Rights.

3.12 Litigation and Compliance with Laws. Except as set forth on Schedule 3.12: (a) the Newspaper has not been operating under or subject to, or in default with respect to, any order, writ, injunction, judgment or decree of any court or federal, state, or local governmental authority or agency; (b) neither Sellers nor any of their officers, agents or affiliates has received any inquiry, written or oral, from any such authority concerning any of the operations or business of the Newspaper during the two-year period prior to the date of this Agreement which has had or is reasonably expected by Sellers to have a Material Adverse Effect; (c) there is no litigation, claim or arbitration pending by or against, or to the knowledge of Sellers or their affiliates, threatened against, any Seller or the Newspaper related to or affecting any of the Assets or the operation of the Newspaper, including without limitation, any litigation, arbitration or claim relating to any union or union activities; and (d) Sellers and their affiliates have complied with all laws, regulations, orders or decrees applicable to Sellers, the Assets and the Newspaper and the present uses by Sellers of the Assets and operation of the Newspaper do not violate any such laws, regulations, orders or decrees, except for any non-compliance with or violation of any of the foregoing that, singly or in the aggregate, has not had and is reasonably expected by Sellers not to have a Material Adverse Effect.

3.13 Employees.

(a) Schedule 3.13(a) lists the names and salaries or rates of commission, date of employment (with Sellers or the prior owner of the Newspaper) and job title of all the full and part-time employees of the Newspaper.

(b) Except as set forth on Schedule 3.13(b), (i) Sellers are not a party to any collective bargaining agreement or any other labor agreement covering or relating to any employees of the Newspaper, and have not recognized and have not received a demand for recognition of any collective bargaining representative relating to any employees of the Newspaper; and (ii) no strike is pending or to the knowledge of Sellers threatened against the Newspaper by its employees or any collective bargaining representative claiming to represent such employees.

(c) Employee Benefit Programs; ERISA.

(i) Sellers have delivered to Buyer correct and complete copies of each material employment, bonus, deferred compensation, pension, stock option, stock appreciation right, profit-sharing or retirement plan, arrangement or practice, each material medical, vacation, retiree medical, severance pay plan, and each other material agreement or fringe benefit plan, arrangement or practice, of Sellers, whether legally binding or not, including all “employee benefit plans,” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), which covered one or more employees of the Newspaper at any time since Sellers acquisition of the Newspaper (“Employee Benefit Programs”). Sellers have complied, in all material respects, with the terms of all Employee Benefit Programs and all laws with respect to such programs, including the Code and ERISA, and no default exists with respect to the obligations of Sellers or any of its ERISA Affiliates under any such Employee Benefit Programs, which default would have a Material Adverse Effect.

(ii) Neither Seller has made a complete or partial withdrawal, within the meaning of Section 4201 of ERISA, from any multiemployer plan which covered one or more employees of the Newspaper at any time since Sellers acquisition of the Newspaper which has resulted in, or could result in, any withdrawal liability, except for any such liability which would not have a Material Adverse Effect. Seller has not maintained or contributed to a plan which has been a multiemployer plan with respect to Newspaper employees.

(iii) Neither Seller has provided or is required to provide, security to any pension plan or to any single-employer plan which covered one or more employees of the Newspaper at any time pursuant to Section 401(a)(29) of the Code except as would not have a Material Adverse Effect. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder. "ERISA Affiliate" means, with respect to any entity, trade or business, any other entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

3.14 Personal Property. Schedule 3.14 lists all tangible personal property included in the Assets. Except as set forth on Schedule 3.14, Sellers own and have good and valid title to such properties, free and clear of all Liens, except for Permitted Encumbrances.

3.15 Changes. Except as shown on Schedule 3.15 to this Agreement, no Seller has, with respect to the business of the Newspaper: (a) mortgaged, pledged or subjected to a Lien, any of the Assets; (b) sold, leased, removed or transferred any material asset used or useful in the business of the Newspaper; or (c) increased the compensation payable or to become payable to any employee or agent, except increases in accordance with historical practices.

3.16 **Brokers.** Except for the fees of Raymond James & Associates, Inc., which shall be paid by Sellers, there is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transactions contemplated hereby as a result of any agreement, understanding or action by Sellers.

3.17 **Environmental Matters.** Except as set forth on Schedule 3.17, the Newspaper has obtained all Permits (as defined below) required under all Environmental Laws and is in compliance with all Environmental Laws and with all such Permits and has not violated any of the foregoing, except where such failure to comply or violation would not have a Material Adverse Effect. For purposes of this Agreement, “Environmental Law” means all Legal Requirements and Permits concerning land use, public health, safety, welfare, or the environment, including without limitation the Resource Conservation and Recovery Act, (42 U.S.C. §§ 6901 et seq.), as amended, and the Comprehensive Environmental Response, Compensation, and Response Act (42 U.S.C. §§ 9601 et seq.), as amended (“CERCLA”). For purposes of this Agreement, “Legal Requirements” means any statute, ordinance, code or other law (including the common law), rule, regulation, order, notice standard, procedure or requirement enacted, adopted, applied or issued by any governmental or regulatory authority (domestic or foreign), including, without limitation judicial decisions applying or interpreting any such Legal Requirement. For purposes of this Agreement, “Permit” shall mean any permit, license, consent, authorization, approval, privilege, waiver, exception, variance, exclusionary or inclusionary orders and other concessions. All such Permits are current and in full force and effect. Except as set forth on Schedule 3.17, with respect to the business, ownership and/or operation of the Newspaper, Sellers have not received and, to the knowledge of Sellers, no other person has received, any notice from any governmental or regulatory agency to the effect that Sellers have performed, failed to perform, or suffered any act, or that a condition exists, which might reasonably give rise to liability to Sellers under CERCLA, nor has Sellers, or, to the knowledge of Sellers, any other person, submitted any notice pursuant to section 103 of CERCLA to, or responded to any request for information pursuant to section 104 of CERCLA from, any governmental or regulatory agency with respect to the Assets. Except as set forth on Schedule 3.17, Sellers has not caused or contributed to the release or threat of release of any Hazardous Substance, and to the knowledge of Sellers there exists no Hazardous Substance released, threatened to be released, disposed, discharged, dumped or spilled on, at, beneath, from or to the Real Property (including without limitation any surface waters or groundwaters thereon), except as would not have a Material Adverse Effect. For purposes of this Agreement, “Hazardous Substance” means any element, material, chemical, compound, mixture or solution defined, designated, listed, classified or regulated under any Environmental Law. Except as set forth on Schedule 3.17, to the knowledge of Sellers, no Hazardous Substance used, generated or handled by the Newspaper on the Real Property or elsewhere has been released, disposed, discharged, dumped or spilled on, or migrated to or from, any other real property, except as would not have a Material Adverse Effect. Sellers has produced true and complete copies of all non-proprietary audits, data, reports, investigations or other materials conducted in respect of or concerning the environmental condition of the Real Property or the Newspaper that are in Sellers possession, custody or control. Except as set forth on Schedule 3.17, to the knowledge of Sellers, no underground storage tanks or asbestos containing materials are or have been located in, on or under any portion of the Real Property or structures thereon.

3.18 Circulation. The paid circulation of the Newspaper reported in the Audit Bureau of Circulations Reports and the Newspaper's publisher's statements (as set forth on Schedule 3.18 hereto) are true and correct.

3.19 Insurance. Schedule 3.19 sets forth a true, correct and complete list of all claims made by Sellers under insurance policies of any kind or nature maintained as of the date of this Agreement by or on behalf of Sellers and relating to the Newspaper and/or the Assets which are still outstanding, setting forth as to each claim the date, nature and amount thereof and its current status.

3.20 Taxes. (a) Except as set forth in Schedule 3.20, Sellers have timely filed, after giving effect to any applicable extensions, all tax returns required to be filed by them, and all such tax returns were complete and correct at the time of filing and continue to be complete and correct. Sellers have timely paid, after giving effect to any applicable extensions, all taxes required to be paid by them.

(b) No representative of any taxing authority is asserting in writing or orally any material tax deficiency that has not been adequately reserved for, and no liens for taxes exist (other than liens for taxes not yet due or for taxes being contested in good faith), with respect to the Assets or the Newspaper. All required tax estimates, deposits, prepayments and similar reports or payments for current periods have been properly made. There are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of Sellers, threatened against Sellers in respect of taxes, nor are any material matters under discussion with any governmental authority relating to taxes.



(c) All material amounts that are required to be collected or withheld by Sellers have been duly collected and withheld, and any such amounts that are required to have been remitted to any taxing authority have been duly remitted.

(d) Sellers have not waived any statute of limitations in respect of taxes or agreed to an extension of time with respect to a tax assessment or deficiency.

ARTICLE IV.  
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers as follows:

4.1 Organization. Buyer is a limited liability company validly existing and in good standing under the laws of the State of West Virginia.

4.2 Authority Relative to this Agreement. Buyer has the full power, authority and legal right to execute and deliver this Agreement and to consummate the transactions and perform its obligations as contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated hereby by Buyer have been duly and validly authorized by all necessary action, and this Agreement has been duly and validly executed and delivered by Buyer and assuming due authorization, execution and delivery by Seller, constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar law affecting the rights of creditors generally.

4.3 No Defaults. The execution, delivery and performance of this Agreement by Buyer will not (a) conflict with or result in any breach of any provision of the certificate of incorporation, by-laws or other organizational documents of Buyer, or (b) violate any law, statute, rule, regulation, order, injunction or decree of any federal, state or local governmental authority or agency applicable to Buyer.

4.4 **Brokers.** There is no broker or finder or other person who would have any valid claim against any Seller for a commission or brokerage in connection with this Agreement or the transactions contemplated hereby as a result of any agreement, understanding or action by Buyer.

ARTICLE V.

COVENANTS OF SELLER PENDING THE CLOSING DATE

Sellers, as applicable, covenant and agree that from the date hereof to and including the Closing Date:

5.1 **Maintenance of Business.** Sellers shall continue to carry on the business and operation of, and maintain the books, accounts and records of, the Newspaper in substantially the same manner as heretofore in the ordinary course of business and shall maintain the properties, machinery, equipment and other Assets used in the business of the Newspaper in substantially the same manner as heretofore in the ordinary course of business.

Except as set forth on Schedule 5.1, prior to the Closing Date, no Seller will, with respect to the Newspaper, without the prior written consent of Buyer, which will not be unreasonably withheld, conditioned or delayed:

(a) (i) Make any change in circulation practices, or promotional, marketing or premium practices of the Newspaper, other than changes in the ordinary course of business which changes are not material, or (ii) make any change in policies for the pricing of circulation or advertising of the Newspaper except for changes in the ordinary course of business which changes are not material;

(b) Sell, lease, remove, transfer or agree to sell, lease, remove or transfer any of the Assets without replacement thereof with an asset of substantially equivalent kind, condition and value;

(c) Enter into or amend any contract of employment or collective bargaining agreement, or permit or commit to any increases or changes in the compensation (including, but not limited to, bonus, pension, profit-sharing, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement) of any employees of the Newspaper, except for increases in accordance with historical practices;

- (d) Enter into or amend any contract or commitment with respect to any of the Newspaper involving annual consideration of more than \$25,000, waive any right or enter into any other transaction, other than as permitted by other provisions of this Agreement;
- (e) Sell, assign, transfer, license or permit to lapse any material Right;
- (f) Make any material change in any of the Real Property or fail to maintain the Real Property or other Assets in adequate repair and condition, ordinary wear and tear excepted; or cancel or fail to renew any of the current insurance policies or any of the coverage thereunder maintained for the protection of any of the Real Property or the other Assets;
- (g) Except for Permitted Encumbrances, encumber any of the Assets or permit any of the Assets to become subject to any Lien;  
or
- (h) Enter into any contracts, agreements or arrangements (written or oral) with any of its affiliates.

5.2 Organization; Goodwill. Sellers shall use their reasonable efforts to preserve the business organization of the Newspaper intact and preserve the goodwill of the Newspaper's suppliers, customers and others having business relations with the them.

5.3 Access to Facilities, Files and Records. At the reasonable request of Buyer and subject to the need to preserve the confidentiality of this transaction prior to Closing in order to preserve relationships with employees and customers, Sellers shall give or cause to be given to the officers, employees, accountants, counsel and authorized representatives of Buyer (a) full access during normal business hours to all facilities, property, accounts, books, minute books, deeds, title papers, licenses, agreements, contracts, tax returns, records and files of every character, equipment, machinery, fixtures, furniture, vehicles, notes and accounts payable and receivable and inventories related to the Newspaper, and (b) all such other information concerning the Assets and affairs of the Newspaper as Buyer may reasonably request. With the consent and supervision of Sellers, Sellers shall permit representatives of Buyer to perform inspections of the Real Property and the structures located thereon and to perform surveys, environmental assessments, sampling and audits as Buyer may reasonably request with respect to the Assets.

5.4 Representations and Warranties. Sellers shall give detailed written notice to Buyer promptly upon the occurrence of or becoming aware of the impending or threatened occurrence of any event which would cause or constitute a breach, or would have caused a breach had such event occurred or been known to Sellers prior to the date hereof, of any of Sellers representations or warranties contained in this Agreement or in any Schedule hereto.

5.5 Corporate Action. Subject to the provisions of this Agreement, Sellers will take all necessary action required of them to carry out the transactions contemplated by this Agreement.

5.6 Consents. Sellers will use commercially reasonable efforts to obtain or cause to be obtained prior to the Closing Date consents to the assignment to or assumption by Buyer of all of the Material Contracts which require the consent of any third party by reason of the transactions provided for in this Agreement as shown on Schedule 3.9; provided, however, that no Seller shall be required to make any payments or to incur any obligations to third parties in connection with the obtaining of any such consent.

5.7 Confidential Information. If for any reason the transactions contemplated in this Agreement are not consummated, Sellers shall not disclose to third parties any information designated as confidential and received from Buyer or its agents in the course of investigating, negotiating and completing the transactions contemplated by this Agreement. Nothing shall be deemed to be confidential information with respect to the preceding sentence which: (a) is known to Sellers at the time of its disclosure to it; (b) becomes publicly known or available other than through disclosure by Sellers; (c) is rightfully received by Sellers from a third party not known by Sellers to be subject to an obligation of confidentiality; or (d) is independently developed by Sellers.

5.8 Consummation of Agreement. Subject to the provisions of Section 10.2 of this Agreement, Sellers shall use reasonable efforts to fulfill and perform all conditions and obligations on its part to be fulfilled and performed under this Agreement and to cause the transactions contemplated by this Agreement to be fully carried out.

5.9 Notice of Proceedings. Sellers will promptly notify Buyer in writing upon becoming aware of any order or decree or any complaint praying for an order or decree restraining or enjoining the consummation of this Agreement or the transactions contemplated hereunder, or upon receiving any notice from any governmental department, court, agency or commission of its intention to institute an investigation into, or institute any action or proceeding to restrain or enjoin consummation of this Agreement or such transactions, or to nullify or render ineffective this Agreement or such transactions if consummated.

5.10 Taxes. Sellers shall pay all taxes relating to the Newspaper or the Assets as they become due.

ARTICLE VI.  
COVENANTS OF BUYER PENDING THE CLOSING DATE

Buyer covenants and agrees that from the date hereof to and including the Closing Date:

6.1 Representations and Warranties. Buyer shall give detailed written notice to Sellers promptly upon the occurrence of or becoming aware of the impending or threatened occurrence of any event which would cause or constitute a breach, or would have caused a breach had such event occurred or been known to Buyer prior to the date hereof, of any of the representations and warranties of Buyer contained in this Agreement.

6.2 Corporate Action. Subject to the provisions of this Agreement, Buyer will take all necessary action required to carry out the transactions contemplated by this Agreement.

6.3 Confidential Information. If for any reason the transactions contemplated in this Agreement are not consummated, Buyer shall not disclose to third parties any information designated as confidential and received from Sellers or their agents in the course of investigating, negotiating and completing the transactions contemplated by this Agreement. Nothing shall be deemed to be confidential information which: (a) is known to Buyer at the time of its disclosure to it; (b) becomes publicly known or available other than through disclosure by Buyer; (c) is rightfully received by Buyer from a third party; or (d) is independently developed by Buyer.

Except to the extent required by law, Buyer also shall not disclose to third parties the terms of this Agreement; provided, however, that Buyer may disclose such terms to any current or prospective lender or investor who has demonstrated to the reasonable satisfaction of Buyer (x) the financial capability to be a lender or investor of Buyer and (y) a good faith interest in becoming a lender or investor of Buyer. Buyer shall cause any person or entity to whom the terms of this Agreement are disclosed to agree to abide by the provisions of this Section 6.3. Buyer shall be responsible for compliance with the provisions of this Section 6.3 by any person or entity to whom the terms of this Agreement are disclosed by Buyer.

6.4 Consummation of Agreement. Subject to the provisions of Section 10.2 of this Agreement, Buyer shall use its reasonable efforts to fulfill and perform all conditions and obligations on its part to be fulfilled and performed under this Agreement and to cause the transactions contemplated by this Agreement to be fully carried out.

6.5 Notice of Proceedings. Buyer will promptly notify Sellers in writing upon becoming aware of any order or decree or any complaint praying for an order or decree restraining or enjoining the consummation of this Agreement or the transactions contemplated hereunder, or upon receiving any notice from any governmental department, court, agency or commission of its intention to institute an investigation into, or institute any action or proceeding to restrain or enjoin the consummation of this Agreement or such transactions, or to nullify or render ineffective this Agreement or such transactions if consummated.

6.6 Maintenance of Financial Position. Between the date of this Agreement and the Closing Date, Buyer shall not take any action, or fail to take any action, that would impair Buyer's ability to fulfill its obligations under this Agreement.

ARTICLE VII.  
CONDITIONS TO THE OBLIGATIONS OF SELLERS

The obligations of Sellers under this Agreement are, at their option, subject to the fulfillment of the following conditions prior to or at the Closing Date:

7.1 Representations, Warranties and Covenants.

(a) The representations and warranties of Buyer contained in this Agreement and in any statement, certificate, schedule or other document delivered by Buyer pursuant hereto or in connection with the transactions contemplated hereby, shall have been true and accurate as of the date when made and shall be deemed to be made again on and as of the Closing Date and shall then be true and accurate, except for untrue or inaccurate representation or warranties which would not, in the aggregate, impair Buyer's ability to fulfill its obligations under this Agreement; and

(b) Buyer shall have delivered to Sellers a certificate of an appropriate officer of Buyer, dated the Closing Date, certifying to the fulfillment of the conditions set forth above.

7.2 Proceedings.

- (a) No action or proceeding shall have been instituted before any court or governmental body to restrain or prohibit, or to obtain substantial damages in respect of, the consummation of the transactions contemplated by this Agreement which, in the reasonable opinion of Sellers, may reasonably be expected to result in an award of substantial damages; and
- (b) At the Closing Date, there shall be no injunction, restraining order or decree of any nature of any court or governmental authority or body in effect which restrains or prohibits the consummation of the sale and purchase of the Assets.

ARTICLE VIII.  
CONDITIONS TO THE OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement are, at its option, subject to the fulfillment of the following condition prior to or at the Closing Date.

8.1 Fifth Third Lien. Release of liens of Fifth Third Bank, as Administrative Agent for those secured lenders under that certain First Amended and Restated Credit Agreement dated as of October 19, 2012, as amended by First Limited Forbearance and Waiver Agreement and First Amendment to Amended and Restated Credit Agreement dated as of May 31, 2013 to the Assets.

ARTICLE IX.  
INDEMNIFICATION

9.1 Survival; Limitations.

(a) The representations and warranties of the parties contained in or made pursuant to this Agreement shall be deemed to have been made on the date hereof and on the Closing Date, shall survive the Closing Date and shall remain operative and in full force and effect for the period ending July 15, 2015 (the "Survival Period"); provided that if on or prior to the expiration of the Survival Period, a notice of claim for indemnification shall have been given in accordance with Section 9.4 hereof, the indemnified party shall continue to have the right to be indemnified with respect to such indemnification claim until such claim for indemnification has been satisfied or otherwise resolved as provided in this Article IX; and provided further that the representations and warranties contained in Section 3.17 ('Environmental Matters'), 3.18 ('Circulation') and Section 3.20 ('Taxes') shall survive until the expiration of the applicable statute of limitations period plus 90 days and the representations and warranties contained in Sections 3.2 ('Sellers' Authority'), 3.16 ('Brokers') and 4.2 ('Buyer's Authority') and all covenants and agreements made by any party hereunder which are to be performed after the Closing Date shall survive without time limit, with the exception of Sections 9.2(a) and 9.3(a), which shall only remain operative and in full force and effect as long as indemnification with respect to the underlying representation and warranty remains available in accordance with the foregoing provisions of this Section 9.1(a) (including as extended pursuant to the first proviso hereof).

(b) Buyer shall not be entitled to indemnification under this Agreement for any indemnification claim under Section 9.2(a) until the aggregate Loss and Expense (as defined herein) suffered by Buyer subject to indemnification under Section 9.2(a) of this Agreement exceeds \$100,000 (the "Threshold"). Once the Threshold has been reached, Buyer shall be entitled to full indemnification from Sellers pursuant to Section 9.2(a) below for the aggregate amount of Loss and Expense suffered by Buyer, including any and all claims which individually or in the aggregate did not reach the Threshold. Notwithstanding the foregoing, the Threshold shall not apply to any adjustments under Section 1.6, or resulting from fraud or willful misconduct by Sellers or to any indemnification claim related to covenants and agreements made by any party hereto which are to be performed after the Closing Date.

(c) Sellers' maximum aggregate liability to Buyer for indemnification claims under Section 9.2(a) of this Agreement with respect to any Loss and Expense shall be \$1,000,000 (the "Cap"); provided that the Cap shall not apply to any Loss and Expense suffered by Buyer resulting from fraud or willful misconduct by Sellers or any covenants and agreements made by any party hereto which are to be performed after the Closing Date. Except with regard to compensation for claims paid to third parties, no indemnifying party shall have any liability to an indemnified party for any punitive, indirect, incidental or consequential damages or loss including, without limitation, loss of revenue or loss of profits.



(d) Except for equitable remedies (including, without limitation, injunctive relief) and in the absence of fraud, the parties hereto acknowledge and agree that the sole and exclusive remedy of Buyer and Seller, as the case may be, from and after the Closing Date with respect to any Loss and Expense whatsoever and any and all claims for breach or liability under this Agreement or any of the transactions contemplated hereby shall be solely in accordance with, and limited by, the indemnification provisions set forth in this Article IX.

9.2 Indemnification of Buyer. Sellers agree that they shall jointly and severally indemnify, defend and hold Buyer harmless from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities, including without limitation, liabilities for reasonable attorneys' fees and disbursements ("Loss and Expense"), suffered directly or indirectly by Buyer by reason of, or arising out of:

- (a) any breach of any representation or warranty made by Sellers pursuant to this Agreement, provided that, solely for purposes of this Article IX, any representation or warranty of Sellers contained herein that is subject to a materiality or Material Adverse Effect qualification shall not be so qualified for purposes of determining whether a breach has occurred;
  - (b) any failure by any Seller to perform or fulfill any of its covenants or agreements set forth in this Agreement;
  - (c) any failure by any Seller to pay or perform when due any of its liabilities or obligations arising out of or related to the business of the Newspaper on or prior to the Closing Date which have not been assumed by Buyer hereunder, including, but not limited to, the Excluded Liabilities;
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- (d) any litigation, proceeding or claim by any third party relating to the business or operations of the Newspaper on or prior to the Closing Date;
- (e) the Excluded Assets; or
- (f) any liability, including but not limited to any liability pursuant to any Environmental Law, arising from or related to conditions or events that occurred prior to the Closing arising from or related to the ownership of the Real Property and/or the operations of the Newspaper on the Real Property on or prior to the Closing Date.

9.3 Indemnification of Sellers. Buyer agrees that it shall indemnify, defend and hold each Seller harmless from and against any and all Loss and Expense suffered directly or indirectly by such Seller by reason of, or arising out of:

- (a) any breach of any representation or warranty made by Buyer pursuant to this Agreement;
- (b) any failure by Buyer to perform or fulfill any of its covenants or agreements set forth in this Agreement;
- (c) any failure by Buyer to pay or discharge on or subsequent to the Closing Date any Assumed Liabilities hereunder; or
- (d) any litigation, proceeding or claim by any third party relating to the business or operation of the Newspaper after the Closing Date.
- (e) claims made by New Employees with respect to termination of employment by Buyer after the Closing Date, including, but not limited to, any claims for improper termination or severance payments.

9.4 Notice of Claims. If any Sellers or Buyer believes that it has suffered or incurred any Loss and Expense, it shall notify the other party promptly in writing and within the applicable time period specified in Section 9.1, describing such Loss and Expense, the amount thereof, if known, and the method of computation of such Loss and Expense, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss and Expense shall have occurred; provided, however, that the amount of the Loss and Expense set forth in the notice shall not be a limitation on any claim for the actual amount of such Loss and Expense.

9.5 Defense of Third Party Claims. If any action at law or suit in equity is instituted by a third party (a "Claim") with respect to which any of the parties intends to claim a Loss and Expense under this Article IX, such party shall promptly notify the indemnifying party of such action or suit. The indemnifying party shall have the right to conduct and control any Claim through counsel of its own choosing, but the indemnified party may, at its election, participate in the defense of any such Claim at its sole cost and expense. If the indemnifying party does not notify the indemnified party within 10 days after receipt of the notice specified in this Section 9.5 that it is defending any such Claim, then the indemnified party may defend such Claim, and settle such Claim, through counsel of its own choosing, and recover from the indemnifying party the amount of any such settlement or of any judgment and the costs and expenses of such defense, including, but not limited to, reasonable attorneys' fees and disbursements.

Notwithstanding the foregoing, the failure by a party to abide by these terms and conditions shall not affect the other party's obligations to indemnify such party against Loss and Expense under this Article IX, except to the extent the indemnifying party is actually prejudiced thereby.

#### ARTICLE X.

##### MISCELLANEOUS PROVISIONS

10.1 Risk of Loss. The risk of any loss, damage or destruction to any of the Assets to be transferred to Sellers hereunder from any cause shall be borne by Sellers at all times prior to the Closing hereunder. Upon the occurrence of any loss or damage in excess of \$10,000 to any of the Assets to be transferred hereunder prior to the Closing, Sellers shall notify Buyer of same in writing immediately stating with particularity the extent of the loss or damage incurred, the cause thereof if known and the extent to which restoration, replacement and repair of the Assets lost or destroyed will be reimbursed under any insurance policy with respect thereto.

10.2 Abandonment of Agreement. This Agreement may not be terminated by Sellers or Buyer at any time prior to the Closing Date unless Fifth Third, as Administrative Agent, Lender and L/C Issuer fails to release any and all liens it may have upon the Assets at the Closing Date. If Fifth Third Bank so refuses to release its lien or cannot for any reason so release its lien then the Agreement may be cancelled by either party.

10.3 Liabilities Upon Abandonment. In the event this Agreement is terminated pursuant to Section 10.2 above, no party hereto shall have any liability to any other party for costs, expenses, damages, loss of anticipated profits or otherwise. If this Agreement is terminated pursuant to Section 10.2, Buyer shall be entitled to the return of the \$2,000,000 deposit made on or about June 19, 2013 (the "Deposit") and nothing else.

10.4 Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses. Any sales or use taxes or recording or transfer taxes or fees directly related to transferring the Assets to Buyer ("Transfer Taxes") shall be paid by Sellers.

10.5 Employees and Employee Benefits.

(a) Buyer hereby agrees to offer employment, effective the day after the Closing Date, to all individuals who are, on the Closing Date, active, full or part-time employees (including employees on short-term leave) of the Newspaper. With respect to each such employee to whom Buyer offers employment, Buyer shall offer to employ such person at a base compensation that is no less than the base compensation that was paid to such employee immediately prior to Closing. Each employee of the Newspaper who accepts employment with Buyer on the Closing Date is hereinafter referred to as a "New Employee".

(b) Except as set forth in subsection (a) above, Buyer, in its sole discretion, shall determine what employee benefits will be made available to New Employees; provided, however, that Buyer will offer medical coverage to New Employees on and after the Closing Date, to the extent permitted by any applicable health plans, shall waive for New Employees any pre-existing condition limitations and waiting periods that may apply under its health plans, and shall recognize New Employees' service with Sellers or any of their respective affiliates as if it were service with Buyer for purposes of satisfying any vesting requirements under any benefit plans offered by Buyer (but not for purposes of benefit accrual or for determining the amount of benefits payable under any benefit plan other than a vacation plan).

(c) Buyer shall be responsible for any obligations under federal, state or local plant closing statutes, including the WARN Act, with respect to events occurring after the Closing Date other than any such obligations arising from the consummation of the transactions contemplated by this Agreement.

(d) Sellers shall be responsible for and timely pay all compensation owed to the New Employees and shall be responsible for and timely provide New Employees with all benefits owed under the Employee Benefit Programs through the Closing Date. Sellers will retain all of the Employee Benefit Programs, including all employee benefit plans and pension plans, and Buyer will not assume obligations under any such programs. Sellers shall be fully and solely responsible for any costs, expenses, obligations and liabilities arising out of the pension or retirement obligations attributable to the Newspaper's current or former employees related to the period on or prior to the Closing Date.

10.6 Further Assurances and Consents.

(a) From time to time after the Closing Date, without further consideration, each Seller will, at its expense, (i) execute and deliver, or cause to be executed and delivered, such documents to Buyer as Buyer may reasonably request in order to effectively vest in Buyer good and valid (and, in the case of Real Property, good and marketable) title to the Assets, and (ii) use reasonable efforts to obtain any third-party consents to the assignment to Buyer of the Material Contracts which require the consent of any third party by reason of the transactions provided for in this Agreement and which were not obtained by Seller on or before the Closing Date.

(b) From time to time after the Closing Date, Buyer will provide Sellers with access, with reasonable prior notice and during normal business hours, to the financial records of the Newspaper related to the period on or prior to the Closing Date for use by Sellers in connection with tax and/or legal proceedings related to the operation of the Newspaper on or prior to the Closing Date. Buyer agrees to maintain all tax records related to the Newspaper for all tax years that remain open as of the Closing Date unless and until (i) Sellers notify Buyer in writing that any such tax year(s) has (have) been closed or (ii) Buyer has given Sellers prior written notice of its intent to destroy such records and Sellers have not reasonably and promptly requested that such records not be destroyed.

(c) If, in order to properly prepare its financial statements or documents to be filed with any governmental authority or agency, it is necessary that any party hereto be furnished with additional information relating to the Assets or the Newspaper and such information is in the possession of any of the other parties hereto, such party or parties agree to use its/their best efforts to furnish such information to the requesting party without cost or expense to the requesting party, unless it necessary for such party or parties to incur third party expenses (e.g. legal or accounting fees) in connection with such request in which case the requesting party shall reimburse the furnishing party for such third party expenses. After the Closing Date, except to the extent otherwise noted, Sellers, on the one hand, and Buyer, on the other hand, shall, to the extent reasonably requested by the other: (i) assist in the preparation of tax returns relating to the Assets and/or the Newspaper, (ii) cooperate in preparing any audits by or disputes with any governmental authority, including but not limited to, regarding any tax returns, (iii) at any time after the execution of this Agreement, assist in the preparation of unaudited and audited financial statements to the extent they relate to, incorporate or rely upon any information regarding the Assets and/or the Newspaper, including but not limited to providing relevant work papers and any certification or representation reasonably requested, (iv) make available information, records and documents relating to taxes relating to the Assets and/or the Newspaper, and (v) furnish copies of correspondence received from any governmental authority in connection with any tax audit or information request relating to the Assets and/or the Newspaper.

10.7 **Waiver of Compliance.** Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement or condition herein may be waived by the other party only by a written instrument signed by the party granting the waiver. Any such waiver or failure to insist upon strict compliance with a term of this Agreement shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply.

10.8 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand or by facsimile transmission or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to Sellers, to:

Champion Publishing, Inc.  
2450-90 First Avenue  
Huntington, West Virginia 25703  
Attn: Todd R. Fry  
Fax No. (304) 528-2765

with a copy to:

Huddleston Bolen LLP  
611 Third Avenue  
Huntington, West Virginia 25701  
Attn: Thomas J. Murray  
Fax No. (304) 522-4312

and

Champion Industries, Inc., to:  
2450-90 First Avenue  
Huntington, West Virginia 25703  
Attn: Todd R. Fry  
Senior Vice President and Chief Financial Officer  
Fax No. (304) 528-2765

with a copy to:

Huddleston Bolen LLP  
611 Third Avenue  
Huntington, West Virginia 25701  
Attn: Thomas J. Murray  
Fax No. (304) 522-4312

(b)If to Buyer:  
HD Media Company, LLC

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-----  
Attn: Douglas Reynolds  
Fax No.:-----

with a copy to:

Stepoe & Johnson PLLC  
P.O. Box 2195  
Huntington, WV 25722-2195  
Attn: David H. Lunsford  
Fax No.:-----

10.9 Assignment. This Agreement and all of its terms shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Prior to the Closing, this Agreement shall not be assigned by any party hereto without the prior written consent of the other parties.

10.10 Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of West Virginia without reference to the choice of law principles thereof.

10.11 Public Announcements. Prior to the Closing, except as required by applicable law, rule or regulation, no public announcement (including an announcement to employees) or press release concerning the transactions provided for herein shall be made by any party without the prior written approval of the other parties, which shall not be unreasonably withheld, conditioned or delayed. With respect to any disclosures required by applicable law, rule or regulation, including disclosure requirements under applicable securities laws and Current Reports on Form 8-K, each party will consult with the other party and allow the other party to review the proposed disclosure prior to making any such disclosures.

10.12 No Third Party Rights. Nothing in this Agreement shall be deemed to create any right on the part of any person or entity not a party to this Agreement.

10.13 Waiver of Jury Trial. Sellers and Buyer specifically waive any right to trial by jury in any court with respect to any contractual, tortious or statutory claim, counterclaim or crossclaim against the other arising out of or connected in any way to this Agreement because the parties hereto, each of whom are represented by counsel, believe that the complex commercial aspects of their dealing with one another make a jury determination neither desirable nor appropriate.



10.14 Counterparts. This Agreement may be executed in identical counterparts and each counterpart hereof shall be deemed to be an original instrument, but all counterparts hereof taken together shall constitute a single document.

10.15 Headings. The article and section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

10.16 Specific Performance. Except as provided in Section 10.3, without limiting or waiving in any respect any rights or remedies of Buyer or any of Sellers given under this Agreement, or now or hereafter existing at law or in equity or by statute, Buyer and each Seller shall be entitled to seek specific performance of the obligations to be performed by Buyer or a Seller, as the case may be, in accordance with the provisions of this Agreement.

10.17 Severability. If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

10.18 Confidentiality. Except as contemplated in Section 6.3, Sellers and Buyer shall not disclose to third parties the terms of this Agreement except as required by applicable law.

10.19 Entire Agreement; Amendments. This Agreement, including the Exhibits and Schedules hereto and the documents delivered hereunder, together with the Amended and Restated Letter of Intent dated June 14, 2013 among Sellers and Douglas Reynolds, embodies the entire agreement and understanding of the parties in respect of the subject matter hereof, and supersedes all prior agreements and understandings between the parties. This Agreement may not be amended except in a writing signed by both parties. The parties have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

*{Signature page follows}*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, which is effective as of the date first written above.

**SELLERS:**

CHAMPION PUBLISHING, INC.

By:  
Name: Todd R. Fry  
Title: Vice President and Chief Financial Officer  
Date: July 12, 2013

CHAMPION INDUSTRIES, INC.

By:  
Name: Todd R. Fry  
Title: Senior Vice President and Chief Financial Officer  
Date: July 12, 2013

**BUYER:**

HD MEDIA COMPANY, LLC

By:  
Name: Douglas Reynolds  
Title: Sole Member  
Date: July 12, 2013

---

**Schedule 1.2(j)**  
**Excluded Assets**

- Assets of River Cities Printing and tradename River Cities Printing
- See attached fixed asset listing for River Cities Printing

\RIVERCITIESPRINTING.COM

\STICKONADS.COM

\YOURRIVERCITIES.COM

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**Schedule 1.6(e)**  
**Exceptions to GAAP**

See the attached Huntington, West Virginia Financial Statements (Schedule 3.3).

The Huntington, West Virginia Financial Statements have not been prepared in accordance with GAAP as set forth below:

1. Absence of a statement of cash flows, statement of shareholders' equity, the absence of footnotes, and the absence of disclosures related to such footnotes.
  2. Absence of normal year-end adjustments and quarterly adjustments in interim financial statements for various items.
  3. Workers Compensation is typically prepaid and may not conform to GAAP on a stand alone basis due to allocation to newspaper segment.
  4. Absence of allocations for certain costs associated with shared services, if any, for such items as corporate executive management, certain legal, accounting, telecommunications, human resources, medical, disability, and insurance amounts.
  5. Medical costs are allocated based on an internal charge and may not be representative of actual medical costs applicable to the segment due to reinsurance premiums, IBNR reserves actual claims experience among other factors.
  6. Income and franchise tax accounting to the extent applicable may not conform to GAAP on a stand alone segment or divisional basis as recorded in the internal financial statements.
  7. Absence of liabilities associated with environmental liabilities none of which are known nor accrued.
  8. Absence of interest income / expense on intercompany accounts, if any.
  9. Newsprint is valued at cost or net realizable value if below cost.
  10. Assets, liabilities and revenues and expenses of River Cities Printing have been excluded. Some of these items are subject to judgment in terms of allocations of costs or otherwise adjusted based on good faith estimates by management consistent with past practice.
  11. A substantial portion of the Company's interest bearing debt has been pushed down to the Herald-Dispatch.
-

**Schedule 2.2(e)  
Transition Services Table**

**Attached**

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1.

**Transition Services Agreement**

**Services Provided by The Herald-Dispatch (HD) to Champion Industries (CI) and River Cities Printing (RCP):**

<b>Transition Item</b>	<b>Requested Transition Period</b>	<b>Resolution</b>
HD Production Director takes care of the majority of purchasing for RCP.	Transition to Champion over the next 90 days	
HD processes Accounts Payable for RCP	Transition to Champion over the next 90 days	
HD processes Accounts Receivable for RCP	Transition to Champion over the next 90 days	
HD maintains certain database for RCP	Transition to Champion over the next 90 days	
HD leases warehouse space that is used by HD, RCP and CI for inventory storage (100 Industrial Lane, Route 2, Huntington, WV 25702).	HD currently pays the entire \$7,000 monthly payment and all CAM charges. The warehouse is used by HD newsprint, River Cities paper, and Champion Printing paper. Over the next 90 days HD will continue to pay rent until the parties agree to enter into an appropriate lease agreement or locate other space.	
RCP uses HD Imagesetters and Adtrackers software to process orders.	HD will continue to provide services to RCP. Parties will negotiate in good faith over the next 90 days a fee for services agreement.	
HD tracks inventory for RCP.	HD would continue to provide service and inventory function would transition to Champion over the next 90 days.	

**Services Utilized by The Herald-Dispatch (HD) from Champion Industries (CI) and River Cities Printing (RCP):**

<b>Transition Item</b>	<b>Requested Transition Period</b>	<b>Resolution</b>
CI processes payroll for HD and RCP for free.	HD to transition to new payroll software/service within 90 days and/or parties agree to negotiate a fee for services agreement.	
CI processes tax filings for HD.	HD to transition to software/service within 90 days and/or parties agree to negotiate a fee for services agreement.	
HD workers compensation insurance and general insurance is combined with CI policies.	HD obtains its own insurance coverage prior to closing.	
HD health insurance is provided by CI (self-insured). Third party administrator is Healthsmart.	HD obtains its own insurance coverage prior to closing.	
HD leases a van from Champion Leasing.	HD could choose to continue leasing van. Vehicle lease payment is \$1,120 per month.	
CI maintains and renews Secure Certificates for HD IT department.	HD would need to obtain list of certificates and expiration dates from CI prior to closing.	
CI (Output Solutions) prints and mails HD subscriber billings.	CI would continue to provide and HD will continue to pay for service. HD pays based on number of bills printed and mailed.	
RCP prints stick-on notes and single sheet inserts for HD for insertion into the paper.	HD could continue to use RCP for printing, but HD would expect higher costs. Over the last 12 months, HD expensed \$163,841 for advertising items printed by RCP. HD would expect this expense to increase by approximately 20 percent once RCP and HD are separated.	

**SCHEDULE 3.3**  
**Financial Statements**  
**Attached**

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**Schedule 3.7**  
**Licenses and Permits**

Elevator Inspection and License for Operation

- Annual inspection by a state approved inspector.
- Annual testing by a state approved contractor
- Annual testing must be witnessed by a state approved inspector.
- Traction elevators (cable) must be tested for full load capacity every 5 years by a state approved contractor. There must be a state approved inspector present during testing.
- Licenses are issued following approved testing by the State of West Virginia, Division of Labor.

Wastewater

- Testing done February 17, 2005
- Soluble Ag Result = 1.1
- Federal level 3.0
- No permits required
- We have an exemption through 2009.

Waste Generation Report

- Tested March 21, 2007
- No waste detected.

Business Licenses

- State of WV
  - City of Huntington
  - City of Ashland
  - City of Catlettsburg
  - City of Milton
-



**Schedule 3.9  
Contracts**

(1) Licenses or agreements under which Seller is authorized to publish materials supplied by others in future issues of the Newspaper with:

- Gannett News Service (no written agreement)
- Associated Press (consent required)
- USA Weekend (consent required)

(2) Leases of real and personal property with:

- Lease with ADJ Corporation for space at Route 2, Kyle Lane, Cabell County, West Virginia (\*consent required for assignment, not to be unreasonably withheld)

(3) Other contracts outside of the ordinary course of business involving annual consideration of more than \$25,000:

- Agreement effective January 1, 2011, expiring December 31, 2013, between The Herald-Dispatch and Graphic Communications Conference/International Brotherhood of Teamsters Local 619-M of District Council 3 (no assignment provisions). See Schedule 3.13.
- Newsprint Purchase Agreement dated October 8, 2007 between Champion Publishing, Inc. and Cox Newsprint Supply, Inc. (consent required)

(4) Miscellaneous online and IT contracts:

Contracts and outside services			
Online services	contract detail	Monthly	Annual
Accuweather (link to Accuweather web site)	5 year starting 10-7-11	253	2,796
Adido (HD Cars online)	Automatic 1 year renewal	9,713	116,536
AP Associated Press		2,468	29,613
Call Source (provides phone numbers for advertising tracking)	none	100	1,200
Brightcove (online advertising video)	3 month	2,468	29,500
Cinema Source	Automatic 1 year renewal		-
Do Apps (E edition for mobile devices)	Automatic 1 year renewal		-
FXI Television (daily comics and puzzles)		603	7,235
GMTI (digital collections)	Automatic 1 year renewal	861	10,336
Monster (employment online)		3,000	36,000
24/7 RealMedia (Online Ad System, host our online display ads)	none	1,252	15,024
Trilia (Realestate)			-
Yellow Pages (classified yellow pages)	Automatic 1 year renewal		-
Tecnavia (E-paper online)	Automatic 1 year renewal	961	11,536
Zebra Mobile Inc (The Herald Dispatch.com for mobile devices)	Automatic 1 year renewal	199	2,388
Zope (The Herald Dispatch online host)	Automatic 3 year renewal	5,700	68,400
IT Agreements	contract detail	Monthly	Annual
DPS (ad database support and upgrades)	Automatic 1 year renewal	769	9,228
Edwise (Abinet newsprint management system)	Automatic 1 year renewal	73	876
Mediaspan (Adpower support)	Automatic 1 year renewal	1,810	21,725
Newswire (accounting, circulation, advertising)	Automatic 1 year renewal	12,092	145,104
Onevision (Asura support and upgrades)	Automatic 1 year renewal	357	4,284
PCMail (ciscosmart switch support)	Automatic 1 year renewal	653	7,836
Software Consulting Services (Layout 8000 support and upgrades)	Automatic 1 year renewal	272	3,268

**The Herald-Dispatch/River Cities Printing  
Software Inventory December 2012**

<b>Software</b>	<b>Version</b>	<b>Vendor</b>	<b>Description</b>
Abinet	4.3	Ediwise	Newsprint inventory management
Adobe Creative Suites	2& 5.5	Adobe	InDesign, Photoshop, Illustrator, Acrobat, Flash. Used for ad and news page production
Adpower	2.3	Harris/Mediaspan	Classified, advertising, scheduling, and pagination.
AdTracker X	6.8, 4E	DPS	Ad production database
Crystal Reports	10 & 11	Business Objects	Database reporting software
ECRM RIP	7.2r0	Konica	Film imaging software.
Fetch	5.3.1	Fetch Softworks	FTP file retrieving software
ICVerify	4.0	ICVerify	Credit card processing
Imaging Station	4.3	Graphic Enterprise	Plotter ripping software.
Inlay	4.0.8	Software Consulting Services	Used to apply the pagination file to an InDesign template.
Layout 8000	10.3.1	Software Consulting Services	Layout and pagination
Microsoft Map Point 2006	2006.0	Microsoft	Circulation route mapping software.
News Edit Pro	4.0.3	Harris/Mediaspan	Editorial database
Newsware	7.0	Icanon	Newspaper specific GL, AP, Advertising & Circulation
Pitstop Professional	8.0	Enfocus	PDF editing software
Rightfax Utility	9.3.2	Captaris Inc.	Network based fax utility
SlimCD	5.2	SlimCD	Credit card processing
Taske	8.1	Taske Technology	Photo monitoring software
Apogee	1.45.2	AGFA	Commercial printing processing software.
Asura	11.5	One Vision	Preflight program
Remote Programming Software	5.1	Bosch	Fob and building security software.
Symantec Backup Exec 2010	R3	Symantec	Backup server files
AVG Anti-virus Business Edition 2012	2012.0.2221	AVG Technologies	Corporate anti-virus
Automate 6, 7 and 8	6,7,8	Network Automation, Inc.	Used to automate daily web feeds and other tasks
Transporter	4.0.1	Harris & Baseview/Mediaspan	Used to transport tasks from News Edit Pro to Digital Collections and web interface
Digital Collections	DC-5	GMTI	Editorial archiving software
Intellitunes	4.5	AGFA	Automated picture toning software
Microsoft Office 2007 Suites 32-bit Edition			
Microsoft Office 2010 Suites 32-bit Edition			
FreeHand MX			Newsroom artist

**Schedule 3.10(a)**  
**Owned Real Property**

946 5th Avenue, Huntington, West Virginia 25701-2004

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**Schedule 3.10(b)**  
**Leased Real Property**

Route 2, Kyle Lane, Cabell County, West Virginia  
(office and warehouse space)

The warehouse is approximately 44,400 square feet. HD pays \$7,000 per month. The warehouse is used by HD Newsprint, River Cities paper, and Chapman Printing paper. HD newsprint storage and office space currently takes up approximately 2,505 square feet.

The Herald Dispatch ("HD") leases a van from Champion Leasing for \$1,120 per month. The lease is on a month to month basis. HD also uses a Champion Industries freightliner box truck to haul paper from the warehouse and will need to be leased going forward.

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**Schedule 3.11**  
**Intellectual Property**

**Unregistered Common Law Marks**

The Herald-Dispatch, formerly U.S. Registered Trademark (Registration No. 2758696) and all rights under Champion Publishing, Inc.'s U.S. Trademark Application Serial No. 86006427

Best of the Tri-State

Health Source

Herd Game Day

MU Back-to-School

The Lawrence Herald

The Putnam Herald

Tri-State Family

Tri-State Home Buyers' Guide

Tri-State Visitors' Guide

Tri-State Weekend

**Trademarks and Tradenames**

[www.hdclassifieds.com](http://www.hdclassifieds.com)

[www.hdhomes.com](http://www.hdhomes.com)

[www.hdjobs.com](http://www.hdjobs.com)

[www.herald-dispatch.com](http://www.herald-dispatch.com)

[www.herald-dispatchcars.com](http://www.herald-dispatchcars.com)

[www.lawrenceherald.com](http://www.lawrenceherald.com)

[www.putnamherald.com](http://www.putnamherald.com)

[www.tristatefamily.com](http://www.tristatefamily.com)

**Other**

Advertiser Lists

Subscriber Lists

Copyrighted Stories & Photos since 1909

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NETWORK SOLUTIONS, LLC

1. herald-dispatch.com
2. tristatefamily.com
3. lawrenceherald.com
4. putnamherald.com
5. hdclassifieds.com
6. hdhomes.com
7. hdjobs.com
8. stickonads.com
9. hdonline.com
10. theherald-dispatch.com
11. 4yi.com
12. musports.com
13. thehuntingtonheralddispatch.com
14. theheralddispatch.com
15. huntingtonheralddispatch.com
16. huntingtonherald-dispatch.com
17. huntingtonheralddispatch.info
18. wvhomeforgood.org
19. thehuntingtonherald-dispatch.com

OTHERS

1. southpointford.com
2. greenupchevroletbuick.com

**Schedule 3.12  
Litigation and Compliance with Laws**

None

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**Schedule 3.13(a)**  
**Employees; Salaries**

See employee listing, attached hereto as Exhibit 3.13(a)

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**Schedule 3.13(b)**  
**Labor Agreements**

Pressroom is unionized (Teamsters, formerly Graphic Communications International Union); contract expires 12/31/13.

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**Schedule 3.14**  
**Tangible Personal Property**

See fixed asset report attached hereto as Exhibit 3.14(a)

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**Schedule 3.15**  
**Changes Since Balance Sheet Date**

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**Schedule 3.17**  
**Environmental Matters**

(1) Asbestos-containing materials are present at the Herald-Dispatch building.

(2) Lead wipe sampling has identified the presence of lead on various surfaces within the Herald-Dispatch building. The source of the lead is unknown, but could be from former plate making operations. The extent of the presence of the lead residuals within the building has not been fully delineated and is not known.

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**Schedule 3.18**  
**Circulation Reports**

See Circulation report, attached hereto as Exhibit 3.18(a)

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**Schedule 5.1**  
**Maintenance of Business**

The Herald-Dispatch intends to renew/renegotiate its expiring advertising contracts.

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**Schedule 8.4**  
**Material Consents**

None

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PRINCIPAL EXECUTIVE OFFICER CERTIFICATION  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002

I, Marshall T. Reynolds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Champion Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 13, 2013

/s/ Marshall T. Reynolds

Marshall T. Reynolds  
Chief Executive Officer

PRINCIPAL FINANCIAL OFFICER CERTIFICATION  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002

I, Todd R. Fry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Champion Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 13, 2013

/s/ Todd R. Fry

Todd R. Fry  
Senior Vice President & Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Champion Industries, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Marshall T. Reynolds and Todd R. Fry, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- ) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- ) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

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

A signed copy of this written statement required by section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: September 13, 2013