

CHAMPION INDUSTRIES INC  
Form 10-K  
January 29, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

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

For the Fiscal Year Ended October 31, 2014

OR

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

Commission File No. 000-21084

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

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

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

2450 First Avenue  
P.O. Box 2968  
Huntington, West Virginia  
(Address of Principal Executive  
Offices)

25728  
(Zip Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.  
Yes  No

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

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

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

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

As of April 30, 2014 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$2,115,452 based on the closing price as reported on the OTC Market.

The outstanding common stock of the Registrant at the close of business on January 9, 2015, consisted of 11,299,528 shares of Common Stock, \$1.00 par value.

Total number of pages including cover page: 125

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Registrant's definitive proxy statement expected to be dated February 12, 2015, with respect to its Annual Meeting of Shareholders to be held on March 16, 2015, are incorporated by reference into Part III, Items 10-14. Exhibit Index located in Part IV Item 15.

#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

#### PART I

The Company experienced net losses in fiscal 2014, 2012, and 2011. Net losses incurred for the twelve month period ended October 31, 2014 were due to operating and interest expenses that were greater than the revenue generated by the Company. Losses for the same period in 2012 and 2011 were due primarily to non-cash charges for impairment of goodwill and other intangible assets associated with the former newspaper segment of the Company as well as a valuation allowance increase against our deferred tax assets in 2012. Our ability to operate is dependent primarily on our ability to continue operating the Company with working capital since the Company is currently operating without a revolving credit facility, due in part to substantially all of the Company's assets being encumbered pursuant to the October 2013 Credit Agreement. (See Item 1A, "Risk Factors", Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of the Notes to Consolidated Financial Statements)

#### ITEM 1 - BUSINESS

##### HISTORY

Champion Industries, Inc. ("Champion" or the "Company") is a major commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets east of the Mississippi River. The Company's sales offices and/or production facilities are located in Huntington, Charleston, Parkersburg, Clarksburg, and Morgantown, West Virginia; Baton Rouge, Louisiana; and, Evansville, Indiana. The Company's sales force of approximately 50 salespeople sells printing services, business forms, management services, office products, and office furniture.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 29, 1998, the Company acquired all outstanding common shares of Thompson’s of Morgantown, Inc. and Thompson’s of Barbour County, Inc. (collectively, “Thompson’s” or “Champion Morgantown”) of Morgantown, West Virginia.

Rose City, Capitol and Thompson’s are operated as divisions of Stationers.

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

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

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

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

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

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

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

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

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

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

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

## BUSINESS

Champion is engaged in the commercial printing and office products and furniture supply business in regional markets east of the Mississippi River. The Company's sales force markets a full range of printing services, business forms, office products and office furniture. Management views these sales activities as complementary, since frequent customer sales calls required for one of its products or services provide opportunities to cross-sell other products and services. The Company believes it benefits from significant customer loyalty and customer referrals because it provides personal service, quality products, convenience and selection with one-stop shopping.

The Company's printing services range from the simplest to the most complex jobs, including business cards, books, tags, labels, brochures, posters, 4- to 6-color process printing and multi-part, continuous and snap-out business forms. The Company's state-of-the-art equipment enables it to provide computerized composition, art design, paste-up, stripping, film assembly and color scanner separations. Included within our print segment are fulfillment services to our customers which encompass warehousing, distribution, and reporting services. The Company also offers complete bindery and letterpress services. The printing operations contributed \$37.4 million, \$42.7 million, and \$52.2 million or 58.8%, 59.0%, and 59.9% of the Company's total revenues for the fiscal years ended October 31, 2014, 2013 and 2012.

The Company provides a full range of office products and office furniture primarily in the budget and middle price ranges, and also offers office design services. The Company publishes a catalog of high volume, frequently ordered items purchased directly from manufacturers. These catalog sales account for the bulk of sales volume and afford sales personnel flexibility in product selection and pricing. Medium to large volume customers are offered levels of pricing discounts. In addition, the Company offers a broad line of general office products through major wholesalers' national catalogs. The Company also has Internet e-commerce sites, which allow customers to order office products, furniture and forms online. The e-commerce sites include the office products and office furniture catalog, which is customized specifically for each customer requesting Internet e-commerce access. These sites include [www.stationers-wv.com](http://www.stationers-wv.com) and [www.cbiwv.com](http://www.cbiwv.com). In addition, the Company offers customized on-line forms management solutions through <http://printwithchampion.com>. The Company is a member of a major office products purchasing organization. Members benefit from volume discounts, which permit them to offer competitive prices and improve margins. The Company's office furniture business focuses on the budget to middle price range lines, although upscale lines are offered as well. Office products, office furniture and office design operations contributed \$26.1 million, \$29.7 million,



and \$35.0 million, or 41.2%, 41.0%, and 40.1% of the Company's total revenues for the fiscal years ended October 31, 2014, 2013 and 2012.

## ORGANIZATION

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

### Commercial Printing

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

Carolina Cut Sheets, Inc., located in Huntington, West Virginia, manufactures single sheet business forms which are sold to other commercial printers and dealers and through the Company's other divisions.

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

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

Chapman Printing in Charleston, West Virginia, operates as a full line printing, printing services distributor and office products and office furniture distributor. Chapman Printing Charleston offers complete print management, fulfillment, mail, digital print, office furniture and print and office products and B2B e-commerce solutions. The Syscan operation was consolidated into the Chapman Printing Charleston division effective November 1, 2005. This division also operates a facility in Morgantown, West Virginia, providing printing, office products and office furniture, distribution and integration services. In 2007, the Chapman Printing Charleston division spun off its print on demand and mail operations into a new division located in Charleston, West Virginia, operating under the name Champion Output Solutions. Champion Output Solutions is a comprehensive transactional printing and mail center providing statement rendering, check and explanation of benefits variable print, medical billing and postal optimization.

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

Office Products, Office Furniture and Office Design

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

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

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

PRODUCTS AND SERVICES

Printing Services

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

Division	Sales & Customer Service	Pre-Press	Sheet Printing	Rotary Printing	Full Color	Output Solutions
Huntington	*	*	*	*		
Charleston / Morgantown	*	*				
Champion Output Solutions	*					*
Parkersburg	*	*	*		*	
Champion Graphic Communications (Baton Rouge)	*	*	*		*	
Carolina Cut Sheets, Inc.	*					
U.S. Tag & Ticket Company, Inc.	*	*		*		
	*	*	*	*		

River Cities Printing

\* - Services Provided

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Office Products, Office Furniture and Office Design