

CHAMPION INDUSTRIES INC  
Form DEF 14A  
February 17, 2006

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant  **x**  
Filed by a Party other than the Registrant  **o**

Check the appropriate box:

- o** Preliminary Proxy Statement
- o** Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x** Definitive Proxy Statement
- o** Definitive Additional Materials
- o** Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

**Champion Industries, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x** No fee required.
- o** Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
(set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

- o** Fee paid previously with preliminary materials.

- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously.

Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
-

- (3) Filing Party:
  - (4) Date Filed:
-

**CHAMPION INDUSTRIES, INC.**  
P. O. Box 2968  
Huntington, West Virginia 25728

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
*to be held March 20, 2006*

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To The Shareholders:

The annual meeting of shareholders of Champion Industries, Inc. will be held at the Radisson Hotel Huntington, 1001 Third Avenue, Huntington, West Virginia, on Monday, March 20, 2006 at 1:00 p.m. local time for the following purposes:

1. To fix the number of directors at seven (7) and to elect directors to hold office until the next annual meeting of shareholders.
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record of the Common Stock of Champion Industries, Inc. at the close of business on February 10, 2006 are entitled to notice of this meeting and to vote at the meeting.

We hope you will attend the meeting and vote your shares in person. However, since a majority of the outstanding shares must be present in person or by proxy in order to conduct the meeting, we urge you to date, sign and return the enclosed proxy as promptly as possible, whether or not you plan to attend the meeting in person. If you do attend the meeting, you may then withdraw your proxy if you so desire. The proxy may be revoked at any time prior to its exercise, but after commencement of the annual meeting, the proxy may be revoked only in accordance with the order of business adopted for the meeting.

Dated: February 17, 2006

By Order of the Board of  
Directors

WALTER R. SANSOM,  
SECRETARY

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**CHAMPION INDUSTRIES, INC.**

P. O. Box 2968

Huntington, West Virginia 25728

**PROXY STATEMENT**

***ANNUAL MEETING OF SHAREHOLDERS***

***to be held March 20, 2006***

**INTRODUCTION**

The accompanying proxy is solicited by and on behalf of the Board of Directors of Champion Industries, Inc. (the "Company") for use at the annual meeting of shareholders to be held on Monday, March 20, 2006, at 1:00 p.m. local time at the Radisson Hotel Huntington, 1001 Third Avenue, Huntington, West Virginia, and any adjournment thereof (the "Annual Meeting"). The Company anticipates that this Proxy Statement and the form of proxy will be sent or given to shareholders on approximately February 17, 2006.

Only those shareholders of record as of the close of business on February 10, 2006 are entitled to notice of and to vote at the meeting and any adjournment thereof. At such time, the Company had and continues to have only one (1) class of stock outstanding, consisting of 9,745,913 issued and outstanding shares of common stock, of the par value of One Dollar (\$1.00) per share (the "Common Stock") held by approximately 461 shareholders. The Common Stock carries no preemptive rights.

**Cumulative Voting is Authorized**

The Company's By-laws provide that at each election for directors every shareholder entitled to vote at such election has as many votes as the number of shares owned, multiplied by the number of directors to be elected, and may either accumulate all votes for one candidate or distribute those votes among as many candidates as the shareholder may choose. For all other purposes, each share is entitled to one vote.

**SOLICITATION OF PROXIES AND VOTING**

Solicitation of proxies may be made in person or by mail, telephone, or facsimile by directors, officers and regular employees of the Company or its subsidiaries and by proxy solicitation companies. The Company may also request brokerage houses, banks, and other record holders of the Company's stock to forward proxy solicitation materials to the beneficial owners of such stock, and will reimburse such persons for their expenses in connection therewith. The Company has engaged Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies of brokers and financial institutions and their nominees, for a fee of \$4,000, plus reimbursement of reasonable out-of-pocket expenses. The expense of soliciting proxies will be borne by the Company.

Shares represented at the meeting by properly executed proxies in the accompanying form will be voted at the meeting, or any adjournment thereof, and where the shareholder giving the proxy specifies a choice by means of the ballot space provided in the form of proxy, the shares will be voted in accordance with the specifications so made. If no directions are given by the shareholder, the proxy will be voted in accordance with the recommendations of the Board of Directors of the Company, for the election of the Board of Directors' seven (7) nominees for election as directors of the Company (or, if deemed appropriate by the individuals appointed in the proxies, cumulatively voted for less than all of the Board's nominees to ensure the election of as many of the Board's nominees as possible). Any proxy given for use at the meeting may be revoked at any time before it is exercised by written notice or subsequently dated proxy received by the Company, or by oral revocation given by the shareholder in person at the meeting or any adjournment thereof. The proxies appointed by the Board of Directors may, in their discretion, vote upon such other matters as may properly come before the annual meeting.

Votes, whether in person or by proxy, will be counted and tabulated by judges of election appointed by the Board of Directors of the Company, in conjunction with an independent, third-party vote tabulation firm. The presence of a majority of the outstanding shares of Common Stock in person or by proxy is necessary to constitute a quorum. Abstentions and broker non-votes will not be counted as votes either "for" or "against" any matters coming before the Annual Meeting, but will be counted toward determining the presence or absence of a quorum. Votes withheld in connection with the election of one or more of the nominees for director will not be counted as votes cast for such individuals. In the election of directors, those nominees receiving the seven (7) highest number of votes shall be elected, even if such votes do not constitute a majority.

## **ELECTION OF DIRECTORS**

### **Proposal No. 1 in the Accompanying Form of Proxy**

The proxies granted by the shareholders will be voted at the meeting for the resolution, unless contrary direction is indicated, establishing the number of directors at seven (7) and the election of the seven (7) nominees listed below. The proxies cannot be voted for a greater number of persons. The nominees elected as directors are to serve until the next annual meeting of shareholders and until their successors are duly elected and have qualified. The By-laws provide, however, that between annual meetings, the Board of Directors, by a majority vote, may increase the number of directors and may appoint such persons as they may select, by a majority vote, to fill any vacancies.

While it is not anticipated that any of the nominees will be unable to serve, if for any reason one or more shall be unable to do so, the proxies will be voted for any nominees selected by management of the Company. The persons listed below have been nominated by the Board of Directors for election as directors. Each of the nominees is currently a director of the Company. The name, age, principal occupation and business experience of each, all positions and offices held by each with the Company or any of its subsidiaries and any period during which he has served as such are set forth below.

**Name, Age, Position and  
Offices with Company  
and Year Became  
Director**

**Principal Occupations for Past Five Years**

Louis J. Akers - 54  
Director - 2004

Vice Chairman of Board of Directors, Ferris, Baker Watts, Incorporated since December 2001; Chief Executive Officer, Ferris, Baker Watts, Incorporated, from October 1998 to December 2001.

Philip E. Cline -72  
Director - 1992

Consultant, July 1999 to present; President of River City Associates, Inc. and General Manager of Radisson Hotel Huntington since 2001; President, Monumental Concrete Co. August 1996 to July 2005; President, Chief Executive Officer and Director, Broughton Foods Company from January 1997 to June 1999; Interim President and Chief Executive Officer, Broughton Foods Company from November 1996 to December 1996; Consultant from January 1996 to November 1996, Executive Vice President (1995 to 1996), Vice President and Treasurer (1968 to 1995) of J. H. Fletcher & Co. (manufacturer of underground mining equipment); Director of Bank One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.) from 1983 to December 2000.

Harley F. Mooney, Jr. - 77  
Director - 1992

Brig. Gen. U.S. Army (Ret.); Managing Partner, Mooney-Osborne & Associates (management consulting) from 1985 to present; Director of Stationers, Inc. (a Company subsidiary) from 1989 to present; consultant to Stationers, Inc. from 1988 to 1990; consultant to The Harrah and Reynolds Corporation from 1988 to 2003; Director of Ohio River Bank, Ironton, Ohio from 1995 to present; Chairman of the Board of Directors, Caspian Industries (manufacturing) from 1996 to 2003.

A. Michael Perry - 69  
Director - 1992

Co-founder and co-manager, Heritage Farm Museum and Village (Appalachian rural life museum), Huntington, West Virginia, since 2001; Retired; President (from 1983 to December 1993), Chief Executive Officer (from 1983 to June 1, 2001) and Chairman of Board from November 1993 to June 1, 2001 of Bank One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.).





Marshall T. Reynolds - 69 Chief Executive Officer and Chairman of the Board of Directors of Company from 1992 to present, President of Company from December 1992 to September 2000; President and general manager of The Harrah and Reynolds Corporation, predecessor of the Company, from 1964 (and sole shareholder from 1972) to present; Chairman of the Board of River City Associates, Inc. (owner of Radisson Hotel Huntington) since 1989; Chairman of the Board of Directors, Broughton Foods Company from November 1996 to June 1999; Director (from 1983 to November 1993) and Chairman of the Board of Directors (from 1983 to November 1993) of Bank One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.).

Neal W. Scaggs - 69 President, Baisden Brothers, Inc. (retail and wholesale hardware) Director - 1992 from 1963 to present.

Glenn W. Wilcox, Sr. - 74 Chairman of the Board of Directors of Wilcox Travel Agency, Director - 1997 Inc. since 1953; Chairman of the Board of Directors (since 1974) and President (from 1974 to 1997) of Blue Ridge Printing Co., Inc; Chairman of the Board of Directors of Tower Associates, Inc. (real-estate development) since 1989.

Mr. Reynolds is chairman of the board of directors and Mr. Scaggs is a director of Premier Financial Bancorp, Inc., of Huntington, West Virginia, which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

Mr. Scaggs is chairman of the board of directors and Mr. Reynolds is a director of First State Financial Corporation, of Sarasota, Florida which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

Mr. Reynolds is a director of First Guaranty Bank, of Hammond, Louisiana, which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

Mr. Perry is a director of Arch Coal, Inc., which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

Mr. Reynolds is a director of Abigail Adams National Bancorp, Inc., of Washington D.C., which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

Mr. Wilcox is a director of The Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc., registered investment companies under the Investment Company Act of 1940.

Mr. Reynolds is chairman of the board of directors and Messrs. Cline, Perry and Scaggs are directors of Portec Rail Products, Inc., of Pittsburgh, Pennsylvania, which has a class of securities registered pursuant to the Securities Exchange Act of 1934.

## MEETINGS, COMMITTEES AND ATTENDANCE

During fiscal year 2005, there were 10 meetings of the Company Board of Directors. All directors attended 75% or more of the aggregate of meetings of the Board and their committees held during their respective terms, except for Mr. Akers, who attended five Board meetings. The Company strongly encourages all members of the Board of Directors to attend the annual meeting of shareholders each year. At the prior year's annual shareholder meeting, all 7 of the directors were present.

The Board of Directors consists of a majority of "independent directors" as such term is defined in the Nasdaq Stock Market Marketplace Rules. The Board of Directors has determined that Louis J. Akers, A. Michael Perry, Neal W. Scaggs and Glenn W. Wilcox, Sr. are independent directors.

The Board of Directors has adopted a formal policy by which shareholders may communicate with members of the Board of Directors by mail addressed to an individual member of the Board, to the full Board, or to a particular committee of the Board, at the following address: c/o Champion Industries, Inc., P.O. Box 2968, Huntington, West Virginia 25728-2968. This information is also available on the Company's website at [www.champion-industries.com](http://www.champion-industries.com).

The Board of Directors has three standing committees: a Compensation Committee, a Nominating Committee and an Audit Committee.

The Compensation Committee reviews and recommends to the Board the compensation and employee benefits of officers of the Company and administers the 1993 and 2003 Stock Option Plans. The Compensation Committee did not meet during fiscal year 2005. The Compensation Committee consists of Messrs. Akers, Perry and Scaggs, all of whom are independent directors as defined in the Nasdaq Stock Market Marketplace Rules. A copy of the Compensation Committee charter is available on the Company's website at [www.champion-industries.com](http://www.champion-industries.com).

The purpose of the Nominating Committee is to assist the Board in identifying qualified individuals to become board members and in determining the composition of the Board and its committees. When considering a potential director candidate, the Nominating Committee looks for personal and professional integrity, demonstrated ability and judgment and business experience. The Nominating Committee will review and consider director nominees recommended by shareholders. There are no differences in the manner in which the Nominating Committee evaluates director nominees based on whether the nominee is recommended by a shareholder. A copy of the Nominating Committee charter is available on the Company's website at [www.champion-industries.com](http://www.champion-industries.com). The Nominating Committee currently consists of Messrs. Perry, Scaggs and Wilcox, all of whom are independent directors as defined in the Nasdaq Stock Market Marketplace Rules.

The Company's By-laws provide that any shareholder wishing to present a nomination for the office of director must do so in writing delivered to the Company at least 14 days and not more than 50 days prior to the first anniversary of the preceding year's annual meeting. Each notice must set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) relating to the nomination or nominations; (d) the class and number of shares of the Company which are beneficially owned by such shareholder and the person to be nominated as of the date of such shareholder's notice and by any other shareholders known by such shareholder to be supporting such nominees as of the date of such shareholder's notice; (e) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (f) the consent of each nominee to serve as a director of the Company if so elected.

The Audit Committee meets with the Company's financial management and independent auditors and reviews the accounting principles and the scope and control of the Company's financial reporting practices, and makes reports and recommendations to the Board with respect to audit matters. The Audit Committee also recommends to the Board the appointment of the firm selected to be independent certified public accountants for the Company and monitors the performance of such firm; reviews and approves the scope of the annual audit and evaluates with the independent certified public accountants the Company's annual audit and annual consolidated financial statements; and reviews with management the status of internal accounting controls and internal audit procedures and results. The Audit Committee met five (5) times during fiscal year 2005. The Audit Committee is required to have and will continue to have at least three members, all of whom must be "independent directors" as defined in the Marketplace Rules of the Nasdaq Stock Market. Messrs. Akers, Scaggs and Wilcox are the current members of the Audit Committee.

The Board determined that Mr. Akers, Mr. Scaggs and Mr. Wilcox are financially literate in the areas that are of concern to the Company, and are able to read and understand fundamental financial statements. The Board has also determined that Mr. Akers, Mr. Scaggs, and Mr. Wilcox each meet the independence requirements set forth in the Marketplace Rules of the Nasdaq Stock Market.

The Securities and Exchange Commission ("SEC") has adopted rules to implement certain requirements of the Sarbanes-Oxley Act of 2002 pertaining to public company audit committees. One of the rules adopted by the SEC requires a company to disclose whether it has an "audit committee financial expert" serving on its audit committee.

Based on its review of the criteria of an audit committee financial expert under the rule adopted by the SEC the Board of Directors does not believe that any member of the Board of Directors' Audit Committee would be described as an audit committee financial expert. At this time, the Board of Directors believes it would be desirable for the Audit Committee to have an audit committee financial expert serving on the committee. While informal discussions as to potential candidates have occurred, at this time no formal search process has commenced.

The Company's Board of Directors has adopted a written charter for the Audit Committee of the Board. A copy of the written Audit Committee charter is available on the Company's website at [www.champion-industries.com](http://www.champion-industries.com). Please review the "Report of the Audit Committee" included in this annual meeting proxy statement.

### OWNERSHIP OF SHARES

#### Principal Shareholder

No person is known to the Company to be the beneficial owner of more than 5% of the Company Common Stock at January 16, 2006 except as follows:

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common Stock	Marshall T. Reynolds 2450 1st Avenue Huntington, West Virginia 25728	4,780,127 shares <sup>(1)</sup>	49.0%

(1) Includes presently exercisable options to purchase 30,000 shares pursuant to 1993 and 2003 stock option plans, 4,738,687 shares through a controlled corporation, The Harrah and Reynolds Corporation ("Harrah and Reynolds"), of which Mr. Reynolds is the sole shareholder and 2,440 shares held by Mr. Reynolds' wife. 2,377,750 shares are pledged as collateral to secure loans made to Mr. Reynolds in the ordinary course of business by several commercial banks. Any disposition of such pledged shares upon a default by Mr. Reynolds under such loans could result in a change of control of the Company. The Company has no reason to believe that any such default will occur.

**Security Ownership of Officers and Directors**

The following table sets forth certain information concerning ownership of Company Common Stock as of January 16, 2006 by (i) each of the directors and nominees, (ii) each executive officer named in the Summary Compensation table contained herein, and (iii) all directors and executive officers as a group. Except as otherwise noted, each beneficial owner listed below has sole voting and investment power with respect to the shares listed next to the owner's name.

<b>Name of Beneficial Owner</b>	<b>Shares Beneficially Owned</b>	<b>Percentage of Class</b>
Louis J. Akers	-0-	*
Philip E. Cline	65,200	*
Harley F. Mooney, Jr.	22,690	*
A. Michael Perry	35,456	*
Marshall T. Reynolds	4,780,127 <sup>(1)</sup>	49.0%
Neal W. Scaggs	62,300 <sup>(2)</sup>	*
Glenn W. Wilcox, Sr.	117,500	1.2%
Toney K. Adkins	42,401 <sup>(3)</sup>	*
Todd R. Fry	30,500 <sup>(4)</sup>	*
R. Douglas McElwain	50,919 <sup>(4)(5)</sup>	*
James A. Rhodes	31,000 <sup>(4)</sup>	*
All directors and executive officers as a group (15 persons) <sup>(6)</sup>	5,365,725	52.8%

\* The percentage of shares of Company Common Stock beneficially owned by these persons is less than 1%.

(1) Includes presently exercisable options to purchase 30,000 shares of Common Stock pursuant to 1993 and 2003 Stock Option Plans, 4,738,687 shares owned by a controlled corporation and 2,440 shares owned by wife, with respect to which reporting person has no voting or investment power.

(2) Joint voting and investment power shared with wife with respect to 62,300 shares.

(3) Joint voting and investment power with wife with respect to 12,206 shares; also includes presently exercisable options to purchase 30,000 shares of common stock pursuant to 1993 and 2003 Stock Option Plans.

- (4) Includes presently exercisable options to purchase 30,000 shares of Common Stock pursuant to 1993 and 2003 Stock Option Plans.
- (5) Joint voting and investment power shared with wife with respect to 15,456 shares; 385 shares owned by wife.
- (6) Includes presently exercisable options to purchase an aggregate of 222,000 shares of Common Stock pursuant to 1993 and 2003 Stock Option Plans. These shares are not included for purposes of computing the percentage of Common Stock held by all directors and executive officers as a group.

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## COMPENSATION OF DIRECTORS AND OFFICERS

### Compensation of Directors

Company directors who are not employees of the Company are paid a director's fee of \$1,000 per month and \$100 per committee meeting attended. In addition, Company director Harley F. Mooney, Jr. was paid directors' fees of \$500 per Stationers, Inc. Board meeting, for total Stationers, Inc. directors' fees of \$6,000 in fiscal year 2005. The Company reimbursed director Glenn W. Wilcox, Sr. for travel expenses incurred in attendance at monthly Board meetings, aggregating \$8,941, in fiscal year ended October 31, 2005.

### Compensation of Executive Officers

#### *Summary of Cash and Certain Other Compensation*

The following table shows, for the fiscal years ended October 31, 2005, 2004 and 2003, the cash compensation paid by the Company and its subsidiaries, as well as certain other compensation paid or accrued for those years, to each of the five most highly compensated executive officers of the Company in all capacities in which they served:

**SUMMARY COMPENSATION TABLE**

(a) Name and Principal Position	Annual Compensation			(d) Bonus (\$)	Long Term Compensation Awards	(i) All Other Compensation <sup>(3)</sup> (\$)
	(b) Year	(c) Salary (\$)	(e) Options <sup>(1)</sup> (#)		(f) Options <sup>(1)</sup> (#)	
<b>Marshall T. Reynolds,</b> Chief Executive Officer, Chairman of the Board of Directors	2005	1	-0-	12,000	-0-	
	2004	1	-0-	6,000	-0-	
	2003	1	-0-	6,000	-0-	
<b>James A. Rhodes,</b> Senior Vice President, Division Manager	2005	125,008	26,533	12,000	3,031 <sup>(2)</sup>	
	2004	51,488	87,729	6,000	2,784 <sup>(2)</sup>	
	2003	51,488	79,840	6,000	2,627 <sup>(2)</sup>	
<b>R. Douglas McElwain,</b> Senior Vice President, Division Manager	2005	125,004	35,987	12,000	3,000 <sup>(2)</sup>	
	2004	50,016	100,000	6,000	3,000 <sup>(2)</sup>	
	2003	50,016	78,241	6,000	2,565 <sup>(2)</sup>	
<b>Todd R. Fry,</b> Senior Vice President, Chief Financial Officer	2005	125,008	25,000	12,000	2,500 <sup>(2)</sup>	
	2004	125,008	25,000	6,000	2,500 <sup>(2)</sup>	
	2003	125,008	-0-	6,000	2,500 <sup>(2)</sup>	
<b>Toney K. Adkins,</b> President and Chief Operating Officer	2005	130,008	25,000	12,000	3,100 <sup>(2)</sup>	
	2004	50,016	50,000	6,000	2,000 <sup>(2)</sup>	
	2003	50,016	50,000	6,000	2,000 <sup>(2)</sup>	

(1) All options are granted at the market price of Company Common Stock on the date of the grant except Marshall Reynolds whose shares are granted at a 10% premium over market price.

(2) This item consists of matching contributions by the Company to its 401(k) Plan on behalf of each of the named executives to match pre-tax elective deferral contributions (included under Salary) made by each to such plan. Participation in the 401(k) Plan is open to any employee age 21 or older on January 1 and July 1 of each year following the first day of the thirteenth month of employment. Subject to limitations contained in the Internal Revenue Code, participants may contribute 1% to 15% of their annual compensation and the Company contributes 100% of the participant's contribution not to exceed 2% of the participant's annual compensation.

(3) The Company provides certain of its executive officers with non-cash benefits and perquisites, such as the use of employer-owned or leased automobiles. Management believes that the aggregate value of these benefits for fiscal 2005, 2004 or 2003 did not, in the case of any executive officer, exceed \$50,000 or 10% of the aggregate salary and annual bonus reported for him in the Summary Compensation Table.



## OPTION GRANTS IN LAST FISCAL YEAR - 2005

Name	Number of securities underlying options granted		% of total options granted to employees in fiscal year	Exercise Price (\$/share)	Expiration date	Potential realizable value at Assumed annual rates of Stock price appreciation For option term (2)	
	Type (1)	#				5%(\$)	10%(\$)
<b>Marshall T. Reynolds,</b>	ISO	12,000					
Chief Executive Officer,	NQSO	-0-					
Chairman of the Board Of Directors	TOTAL	12,000	4.9%	\$ 4.66	10/17/2010	\$ 9,017	\$ 26,023
<b>James A. Rhodes,</b>	ISO	12,000					
Senior Vice President, Division Manager	NQSO	-0-					
	TOTAL	12,000	4.9%	\$ 4.24	10/17/2010	\$ 14,057	\$ 31,063
<b>R. Douglas McElwain,</b>	ISO	12,000					
Senior Vice President, Division Manager	NQSO	-0-					
	TOTAL	12,000	4.9%	\$ 4.24	10/17/2010	\$ 14,057	\$ 31,063
<b>Todd R. Fry,</b>	ISO	12,000					
Senior Vice President, Chief Financial Officer	NQSO	-0-					
	TOTAL	12,000	4.9%	\$ 4.24	10/17/2010	\$ 14,057	\$ 31,063
<b>Toney K. Adkins,</b>	ISO	12,000					
President and Chief Operating Officer	NQSO	-0-					
	TOTAL	12,000	4.9%	\$ 4.24	10/17/2010	\$ 14,057	\$ 31,063

(1) Incentive Stock Option (ISO) or Non-qualified Stock Option (NQSO). These options were granted on October 17, 2005, and vested immediately. Options have a term of five years and are exercisable at any time during such five years as to any or all options, conditioned upon optionee's employment by Company at time of exercise (or exercise within 90 days following termination of employment due to death, disability or voluntary retirement).

(2) Potential gains are net of exercise price, but before taxes associated with exercise. These amounts represent assumed annual rates of appreciation, at 5% and 10%, for the 5 years option term, based on Securities and

Exchange Commission rules, and do not represent the Company's estimate or projection of the price of the Company's Common Stock in the future. Additionally, these values do not take into account certain provisions of the options providing for termination of the options following termination of employment. Actual gains, if any, on stock option exercises depend upon the actual future performance of the Company's Common Stock. Accordingly, the potential realizable values set forth in this table may not be achieved.

The following table shows the number of shares covered by both exercisable and non-exercisable stock options as of October 31, 2005. Also reported are the values for "in-the-money" options which represent the positive spread between the exercise price of any such existing stock options and the fiscal year-end price of Company Common Stock.

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR END OPTION/SAR VALUES**

(A)	(B)	(C)	(D)	(E)
Name	Shares Acquired on Exercise (#)	Value Realized (\$) (1)	Number of Unexercised Options/SARs at FY-End (#)  Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/SARs at FY-End (\$) (2)  Exercisable/ Unexercisable
<b>Marshall T. Reynolds,</b> Chief Executive Officer and Chairman of the Board of Directors	-0-	-0-	30,000/0	\$ 16,260
<b>James A. Rhodes,</b> Senior Vice President, Division Manager	-0-	-0-	30,000/0	\$ 19,560
<b>R. Douglas McElwain,</b> Senior Vice President, Division Manager	-0-	-0-	30,000/0	\$ 19,560
<b>Todd R. Fry,</b> Senior Vice President, Chief Financial Officer	-0-	-0-	30,000/0	\$ 19,560
<b>Toney K. Adkins,</b> President and Chief Operating Officer	-0-	-0-	30,000/0	\$ 19,560

(1) Aggregate market value of the shares covered by the option less the aggregate price paid by the executive.

(2) Market value of shares covered by in-the-money options on October 31, 2005 (based on \$4.25 per share, the closing price of Company Common Stock on the NASDAQ Stock Market on October 31, 2005), less option exercise prices. Options are in-the-money if the market value of the shares covered thereby is greater than the option exercise price. All options are granted at the market price of Company common stock on the date of the grant.

**COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

Effective September 1, 1999, Mr. Reynolds directed that his salary be set at \$1.00 per year.

The Company's compensation package for executive officers consists of base salary plus the opportunity to earn a cash bonus and discretionary stock options. The base salaries are set at levels the Committee believes sufficient to attract and retain qualified executives. Cash bonuses are based upon net profit of each of the Company's divisions for which each executive officer is responsible, as well as the Committee's assessment of the executive's individual performance and level of responsibility. Stock options are intended to attract and retain executive management by affording them an opportunity to receive additional compensation based upon performance of the Company's Common Stock, and are based upon the Committee's assessment of each executive officer's overall performance.

Members of the Compensation Committee:

Louis J. Akers  
A. Michael Perry  
Neal W. Scaggs

**STOCK PERFORMANCE GRAPH**

The following graph compares the annual change in cumulative total shareholder return on the Company's common stock for the five year period ended October 31, 2005 with the cumulative total return of the Russell 2000 Index and a peer group index. This graph assumes the reinvestment of all dividends, if any, paid on such securities and an investment of \$100 on October 31, 2000. The companies in the peer group index are: Banta Corporation, Cadmus Communications Corp., Outlook Group Corp., Standard Register Company and United Stationers, Inc. There is no assurance that the Company's common stock performance will continue in the future with the same or similar trends as depicted in the below graph.

	<b>Champion Industries, Inc.</b>	<b>Russell 2000 Index</b>	<b>Peer Group Index</b>
<b>10/31/00</b>	100.00	100.00	100.00
<b>10/31/01</b>	94.80	87.30	110.91
<b>10/31/02</b>	104.33	77.20	126.63
<b>10/31/03</b>	181.93	110.68	146.38
<b>10/31/04</b>	159.85	123.66	157.30
<b>10/31/05</b>	203.89	138.60	184.71

**TRANSACTIONS WITH DIRECTORS, OFFICERS,  
AND PRINCIPAL SHAREHOLDERS**

**Intercompany Transactions**

The Company has certain relationships and transactions with Harrah and Reynolds and its affiliated entities. Management believes that all existing agreements and transactions described herein between the Company and Harrah and Reynolds and its affiliates are on terms no less favorable to the Company than those available from unaffiliated parties.

*Realty Leases*

Harrah and Reynolds, Marshall T. Reynolds or affiliated entities and Company officers own the fee interest in certain real estate used by the Company in its business, and lease this real estate to the Company. Except for the last two properties listed, for which the lessor pays real-estate taxes and lessee has a limited repair obligation all realty leases are "triple net," whereby the Company pays for all utilities, insurance, taxes, repairs and maintenance, and all other costs associated with the properties. The properties leased, and certain of the lease terms, are set forth below.

<b>Property</b>	<b>Lessor</b>	<b>Square Feet</b>	<b>Annual Rental</b>	<b>Expiration of Term</b>
2450 1st Avenue Huntington, West Virginia	ADJ Corp. <sup>(1)</sup>	85,000	\$ 116,400	2008
1945 5th Avenue Huntington, West Virginia	Harrah and Reynolds	37,025	30,000	2007
615-619 4th Avenue Huntington, West Virginia	ADJ Corp. <sup>(1)</sup> and Harrah and Reynolds	59,641	21,600	2008
405 Ann Street Parkersburg, West Virginia	Printing Property Corp. <sup>(2)</sup>	36,614	57,600	2008
890 Russell Cave Road Lexington, Kentucky	Printing Property Corp. <sup>(2)</sup>	20,135	57,600	2007
North Hill Drive / West 3000 Washington Street Charleston, West Virginia	Williams Land Corp. <sup>(3)</sup>	37,710	150,840	2009

2800 Seventh Avenue Charleston, West Virginia	Williams Land Corp. <sup>(3)</sup>	5,000	20,000	2006
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(1) ADJ Corp. is a West Virginia corporation. Two-thirds of the outstanding capital stock of ADJ Corp. is owned by Marshall T. Reynolds' two sons. One-third of the outstanding capital stock is owned by the son of director A. Michael Perry.

(2) Printing Property Corp. is a West Virginia corporation wholly-owned by Mr. Reynolds.

(3) Williams Land Corporation is a West Virginia corporation wholly owned by Company executive officer William G. Williams, Jr.

#### **Transactions with Directors**

The Company participates in a self-insurance program for employee health care benefits with affiliates controlled by Marshall T. Reynolds, Chief Executive Officer and Chairman of the Board of Directors. The Company is allocated costs primarily related to the reinsurance premiums based on its proportionate share to provide such benefits to its employees. The Company's expense related to this program for the years ended October 31, 2005, 2004 and 2003 was approximately \$3,236,000, \$3,197,000 and \$2,999,000. In July, 2003, Tenet Health Care System filed a civil action in Louisiana against the Company seeking repayment for medical services rendered to an employee of an affiliate, allegedly under the Company medical plan. The affiliate has acknowledged in writing that the Company plan bears no responsibility for medical services provided to the affiliate plan participant and has delivered to the Company a written agreement to indemnify, defend and hold the Company and the Company's plan harmless from any and all claims and expenses incurred as a result of this lawsuit.

During 2005, 2004 and 2003 the Company utilized an aircraft owned by an entity controlled by Marshall T. Reynolds and reimbursed the controlled entity for the use of the aircraft, fuel, air crew, ramp fees and other expenses attendant to the Company's use, in amounts aggregating \$118,000, \$95,000 and \$79,000. The Company believes that such amounts are at or below the market rate charged by third-party commercial charter companies for similar aircraft.

Director Louis J. Akers is Vice Chairman of the Board of Directors of Ferris, Baker Watts, Incorporated. During the year ended October 31, 2005, Ferris, Baker Watts, Incorporated purchased printing products and services from the Company and paid the Company \$177,322 for same.

On September 7, 2004, pursuant to a Stock Purchase Agreement dated September 7, 2004 with William G. Williams, Jr., the sole shareholder of Syscan Corporation ("Syscan"), a West Virginia corporation, the Company purchased all the issued and outstanding capital stock of Syscan, for a 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. Upon consummation of such purchase, Syscan became a wholly owned subsidiary of the Company.

Pursuant to the Stock Purchase Agreement, the Company and William G. Williams, Jr., on September 7, 2004 entered into an Employment Agreement providing for Mr. Williams' employment as a Vice President of both the Company and Syscan, at an annual base salary of \$125,000 and an annual bonus of at least \$25,000. The Employment Agreement has a two (2) year term.

Mr. Williams, Syscan and the Company also executed a Confidentiality and Non-Competition Agreement dated September 7, 2004 providing that Mr. Williams will maintain the confidentiality of the Company and Syscan's confidential and proprietary information and will not compete with Syscan or the Company for a period of seven (7) years after the termination of Mr. Williams' employment with Syscan or the Company.



Pursuant to the Stock Purchase Agreement, Syscan and Williams Land Corporation, an entity wholly owned by Mr. Williams, executed leases of two (2) properties owned by Williams Land Company and occupied by Syscan as its production and office facilities. The lease of Syscan's main production facility at North Hills Drive and Washington Street West, Charleston, West Virginia provides for a five (5) year term at monthly rental of \$12,570, with Syscan having the option to purchase the facility at the end of the lease term, and Williams Land Company having the option to require Syscan to purchase the facility at the end of the lease term, for \$1,500,000.

The lease of Syscan's office building at 2800 Seventh Avenue, Charleston, West Virginia provides for a term not to exceed twenty four (24) months at monthly rental of \$7,500 for the first twelve (12) months, and \$1,667 monthly rental for the second twelve (12) months. The lease is cancelable by Williams Land Corporation on thirty (30) days notice. The Company consolidated Syscan's offices, previously located in this building, into the main production facility and currently leases 5,000 square feet of warehouse space.

Pursuant to the Stock Purchase Agreement, Syscan and Williams Properties, LLC, an entity wholly-owned by Mr. Williams, executed and consummated an Agreement of Purchase and Sale pursuant to which Syscan purchased for \$117,000 a building located at 811 Virginia Street, Charleston, West Virginia which is leased to a third party for document storage.

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

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no Forms 5 were required for those persons, the Company believes that, during fiscal year 2005, all filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with.

#### **INDEPENDENT AUDITORS**

The consolidated financial statements of the Company for the years ended October 31, 2005 and 2004 have been audited by BKD LLP, independent auditors.

The Board of Directors selects the independent accountants for the Company each year. On February 4, 2004, the Company dismissed Ernst & Young LLP and engaged the firm of BKD, LLP as its independent accountants for the fiscal year ended October 31, 2004. During the Company's two most recent fiscal years and through the date of discharge of Ernst & Young LLP, there were no disagreements with Ernst & Young LLP on any matters of accounting principles or practices, financial statement disclosure, or

auditing scope and procedures which, if not resolved to the satisfaction of Ernst & Young LLP, would have caused Ernst & Young LLP to make reference to the matter in its report. The report of Ernst & Young LLP on the Company's financial statements for the fiscal year ended October 31, 2003, contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. The Company requested Ernst & Young LLP to furnish to the Company a letter addressed to the Commission stating whether it agrees with the above statements. Such letter, received by the Company on February 9, 2004, was filed as an Exhibit to Form 8-K by the Company with the Securities and Exchange Commission on February 9, 2004. The decision to change accountants was approved by the Audit Committee of the Board of Directors of the Company and ratified by the Board of Directors.

A representative of BKD, LLP will be present at the annual meeting of shareholders in order to respond to appropriate questions and to make any other statement deemed appropriate.

### **Audit Fees**

Audit fees and expenses billed to the Company by BKD, LLP for the audit of the Company's financial statements for the fiscal year ended October 31, 2005 and October 31, 2004 for review of the Company's financial statements included in the Company's quarterly reports on Form 10-Q, are as follows and inclusive of subsequent year billings related to the aforementioned audited periods and classified accordingly: (Fiscal 2005 fees represent contractual fees and are inclusive of expenses billed.)

Fiscal 2005	Fiscal 2004
\$172,619	\$165,868

### **Audit Related Fees**

Audit related fees and expenses billed to the Company by BKD, LLP for fiscal years 2005 and 2004 for services related to the performance of the audit or review of the Company's financial statements that were not included under the heading "Audit Fees", are as follows:

Fiscal 2005	Fiscal 2004
\$0	\$0

### **Tax Fees**

Tax fees and expenses billed to the Company for fiscal years 2005 and 2004 for services related to tax compliance, tax advice and tax planning, consisting primarily of preparing the Company's federal and state income tax returns for the previous fiscal periods and inclusive of expenses are as follows:

Fiscal 2005	Fiscal 2004
\$0	\$0

**All Other Fees**

Fees and expenses billed to the Company by BKD, LLP and Ernst & Young LLP for the fiscal years 2005 and 2004 for all other services provided: (Fiscal 2005 fees represent estimated fees by Ernst & Young LLP, and actual BKD, LLP billings.)

Fiscal 2005	Fiscal 2004
\$14,110	\$59,770

In 2003, the Audit Committee established a policy whereby the independent auditor is required to seek pre-approval by the Committee of all audit and permitted non-audit services by providing a prior description of the services to be performed and specific estimates for each such service.

The Audit Committee approved all of the services performed by BKD, LLP during fiscal 2005.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees the Company’s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosure in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company’s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. The Committee has discussed with the independent auditors the auditors’ independence from management and the Company, including the matters in the written disclosures and letter received from the independent auditors as required by the Independence Standards Board, and has considered the compatibility of non-audit services with the auditors’ independence.

The Committee discussed with the Company’s independent auditors the overall scope and plans for their audit. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company’s internal controls, and the overall quality of the Company’s financial reporting. The Committee held five (5) meetings during the fiscal year ended October 31, 2005.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended October 31, 2005 for filing with the Securities and Exchange Commission. The committee has

also recommended the selection of the Company's independent auditors.

Neal W. Scaggs, Audit Committee Chair  
 Glen W. Wilcox, Audit Committee Member  
 Louis J. Akers, Audit Committee Member

**EQUITY COMPENSATION PLAN INFORMATION**

The following table gives information about Company Common Stock that may be issued upon the exercise of options under the Company's 1993 Stock Option Plan and 2003 Stock Option Plan, as of October 31, 2005.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders . . . . .	570,000	\$ 3.67	228,000
Total . . . . .	570,000	3.67	228,000

## **OTHER BUSINESS**

### **Proposal #2 in the Accompanying Form of Proxy**

At present, the Board of Directors knows of no other business to be presented by or on behalf of the Company or its Board of Directors at the meeting. If other business is presented at the meeting, the proxies shall be voted in accordance with the recommendation of the Board of Directors.

Shareholders are urged to specify their choices, and date, sign, and return the enclosed proxy in the enclosed envelope, to which no postage need be affixed if mailed in the Continental United States. Prompt response is helpful, and your cooperation will be appreciated.

### **Code of Ethics**

The Board of Directors adopted a Code of Business Conduct and Ethics on December 15, 2003 that applies to all of the Company's officers, directors and employees and a Code of Ethics for the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Accounting Officer which supplements our Code of Business Conduct and Ethics (collectively the "Codes") which are intended to promote honest and ethical conduct, full and accurate reporting and compliance with laws. We have filed copies of the Codes with the SEC as an exhibit to our October 31, 2003 annual report on Form 10-K.

### **PROPOSALS BY SHAREHOLDERS**

Proposals by shareholders for possible inclusion in the Company's proxy materials for presentation at the next annual meeting of shareholders must be received by the Secretary of the Company no later than October 20, 2006. In addition, the proxy solicited by the Board of Directors for the next annual meeting of shareholders will confer discretionary authority to vote on any shareholder proposal presented at that meeting, unless the Company is provided with the notice of such proposal no later than January 3, 2007. The Company's By-laws provide that any shareholder wishing to present a nomination for the office of director must do so in writing delivered to the Company at least 14 days and not more than 50 days prior to the first anniversary of the preceding year's annual meeting, and that written notice must meet certain other requirements. For further details as to timing of nominations and the information required to be contained in any nomination, see the discussion of the Nominating Committee under "Director Meetings, Committees and Attendance" or Article III, Section 10 of the Company's By-laws, a copy of which may be obtained from the Secretary of the Company upon written request delivered to P. O. Box 2968, Huntington, West Virginia 25728.

**FORM 10-K**

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH PERSON WHOSE PROXY IS BEING SOLICITED, UPON THE REQUEST OF ANY SUCH PERSON, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED OCTOBER 31, 2005, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO. REQUESTS FOR COPIES OF SUCH REPORT SHOULD BE DIRECTED TO TODD R. FRY, CHIEF FINANCIAL OFFICER, CHAMPION INDUSTRIES, INC., P. O. BOX 2968, HUNTINGTON, WEST VIRGINIA 25728.

Dated: February 17, 2006

By Order of the Board of Directors

WALTER R. SANSOM, SECRETARY

**CHAMPION INDUSTRIES, INC.**  
**ANNUAL MEETING OF SHAREHOLDERS, MARCH 20, 2006**  
**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned hereby appoints Todd R. Fry and Toney K. Adkins, and each of them, with full power of substitution, proxies of the undersigned to vote all shares of the Common Stock of Champion Industries, Inc. (the "Company") which the undersigned is entitled to vote at the Annual Meeting of shareholders of the Company to be held at the Radisson Hotel Huntington, 1001 Third Avenue, Huntington, West Virginia, on March 20, 2006, and at any adjournments thereof, as indicated below.

1. ELECTION OF DIRECTORS.

FOR ALL NOMINEES LISTED BELOW    WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW

(except as marked to the contrary below)

Louis J. Akers      Marshall T. Reynolds  
Philip E. Cline      Neal W. Scaggs  
Harley F. Mooney, Jr.   Glenn W. Wilcox, Sr.  
A. Michael Perry

INSTRUCTION: To withhold authority to vote for any individual, write that nominee's name on the line provided below:

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2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting and any adjournments thereof.

(Continued, and to be signed and dated, on the reverse side)

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This Proxy will be voted as directed, but **IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR EACH OF THE NOMINEES.** If any other business is presented at the Annual Meeting, this Proxy will be voted by those named in this Proxy in accordance with the recommendation of the Board of Directors. At the present time, the Board of Directors knows of no other business to be presented at the Annual Meeting. This Proxy confers discretionary authority on those named in this Proxy to vote with respect to the election of any person as director where the nominee is unable to serve or for good cause will not serve and matters incident to the conduct of the Annual Meeting.

This Proxy may be revoked prior to its exercise.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature if held jointly

Please sign exactly as your name(s) appear(s) on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, trustee, committee, personal representative or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY IN THE RETURN ENVELOPE.