

ARNOLD & PORTER LLP  
399 Park Avenue  
New York, New York 10022-4690  
Telephone: (212) 715-1000  
Facsimile: (212) 715-1399  
Michael J. Canning (MC 8060)

*Proposed Counsel for the Debtors  
and Debtors-in-Possession*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re	Chapter 11
Quebecor World (USA) Inc., <u>et al.</u> ,	Case No. 08-10152 (____)
Debtors.	Jointly Administered
	Honorable _____

**MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER  
AUTHORIZING THE DEBTORS TO MAINTAIN FINANCING OF INSURANCE  
PREMIUMS AND RENEWALS THEREOF AND TO MAKE  
PAYMENTS THEREUNDER**

The above-captioned debtors and debtors in possession (the “Debtors”)<sup>1</sup>  
respectfully hereby move the Court (the “Motion”) for the entry of an order, the proposed

---

<sup>1</sup> Contemporaneously herewith, the Debtors have filed a motion to have their Chapter 11 cases consolidated for procedural purposes and jointly administered. The Debtors are the following entities: Quebecor World (USA) Inc., Quebecor Printing Holding Company, Quebecor World Capital Corporation, Quebecor World Capital II GP, Quebecor World Capital II LLC, WCZ, LLC, Quebecor World Lease GP, Quebecor World Lease LLC, QW Memphis Corp., The Webb Company, Quebecor World Printing (USA) Corp., Quebecor World Loveland Inc., Quebecor World Systems Inc., Quebecor World San Jose Inc., Quebecor World Buffalo Inc., Quebecor World Johnson & Hardin Co., Quebecor World Northeast Graphics Inc., Quebecor World UP / Graphics Inc., Quebecor World Great Western Publishing Inc., Quebecor World DB Acquisition Corp., WCP-D, INC., Quebecor World Taconic Holdings Inc., Quebecor World Retail Printing Corporation, Quebecor World Arcata Corp., Quebecor World Nevada Inc., Quebecor World

form of which is attached hereto as Exhibit A (the “Order”), authorizing the Debtors to maintain the financing of insurance premiums and renewals thereof and to make payments required under premium finance agreements. In support of this Motion, the Debtors rely on the Declaration of Jeremy Roberts in Support of Chapter 11 Petitions and First Day Orders (the “Declaration”). In further support of this Motion, the Debtors respectfully represent as follows:

### **Jurisdiction**

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334.

This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 105(a) and 107(b) of title 11 of the United States Code 11 U.S.C. §§ 101-1330, as amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (“BAPCA”), and Rule 9018 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

### **Background**

4. On January 21, 2008 (the “Petition Date”), the 53 Debtors filed their voluntary petitions for relief (the “Chapter 11 Cases”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

---

Atglen Inc., Quebecor World Krueger Acquisition Corp., Quebecor World Book Services LLC, Quebecor World Dubuque Inc., Quebecor World Pendell Inc., Quebecor World Fairfield Inc., QW New York Corp., Quebecor World Dallas II Inc., Quebecor World Nevada II LLC, Quebecor World Dallas, L.P., Quebecor World Mt. Morris II LLC, Quebecor World Petty Printing Inc., Quebecor World Hazleton Inc., Quebecor World Olive Branch Inc., Quebecor World Dittler Brothers Inc., Quebecor World Atlanta II LLC, Quebecor World RAI Inc., Quebecor World KRI Inc., Quebecor World Century Graphics Corporation, Quebecor World Waukee Inc., Quebecor World Logistics Inc., Quebecor World Mid-South Press Corporation, Quebecor Printing Aviation Inc., Quebecor World Eusey Press Inc., Quebecor World Infiniti Graphics Inc., Quebecor World Magna Graphic Inc., Quebecor World Lincoln Inc, and Quebecor World Memphis LLC.

5. The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner, and no official committee has yet been established in this case.

6. On January 20, 2008, the Debtors' corporate parent, Quebecor World, Inc. ("QWI") together with each of the Debtors commenced a proceeding before the Superior Court, Commercial Division, for the Judicial District of Montreal (the "Canadian Court") for a plan of compromise or arrangement (the "Canadian Proceeding") under the Canadian Companies' Creditors Arrangement Act ("CCAA").<sup>2</sup> Each of the Debtors was joined in the Canadian Proceeding, in order that each Debtor may obtain the protection of a stay under the CCAA as well as under the Bankruptcy Code.

#### **I. The Debtors' Business**

7. The Debtors collectively operate the second largest commercial printing business in the United States, maintaining approximately 78 facilities in 29 states. QWI is a Canadian corporation and the corporate parent of the Debtors, having been incorporated on February 23, 1989 pursuant to the Canada Business Corporations Act to combine the assets constituting what was then the printing division of Quebecor Inc. (QWI, together with the Debtors and all of QWI's debtor and non-debtor subsidiaries and affiliates are referred to herein as "QW World"). QWI is a public company with shares listed on the Toronto Stock Exchange and the New York Stock Exchange, and its

---

<sup>2</sup> The Canadian Court appointed Ernst & Young, Inc. to serve as Monitor for the Canadian Proceeding, and UBS Investment Bank is serving as a financial advisor to the Canadian Affiliates.

registered and principal office is located in the City of Montreal in the Province of Quebec, Canada.

8. QW World's United States assets and operations are organized under QWI's principal United States subsidiary, Quebecor World (USA) Inc. ("QWUSA"). QWUSA, one of the Debtors, is a wholly-owned subsidiary of Quebecor Printing Holding Company ("QPCH"), also a Debtor, and a direct, wholly-owned subsidiary of QWI. As the corporate parent of QW World's United States subsidiaries, QWUSA oversees the Debtors' cash management, operations, employee matters and other areas. In addition, QWUSA is a party to certain of the Debtors' prepetition financing agreements.

9. In addition to the Debtors' operations and assets in the United States, and QWI's operations and assets in Canada, QW World has operations and assets in Latin America, Europe and Asia, which are not the subject of any bankruptcy or insolvency proceeding. In Canada, QW World is the second largest commercial printer with 16 facilities in 5 provinces through which QW World offers a diversified mix of printed products and related value-added services, both to the Canadian market and internationally. QW World is also the largest independent commercial printer in Europe with 17 facilities operating in Austria, Belgium, Finland, France, Spain, Sweden, Switzerland and the United Kingdom, and is the largest commercial printer in Latin America with eight facilities, and has one facility in India.

10. For the year ending December 31, 2006, approximately 79% of QW World's revenue was derived from North American operations, 17% from European

operations and 4% from Latin American operations. QW World's operations in the United States account for approximately 62% of overall revenue.

11. QW World's key customers include the largest publishers, retailers and catalogers in the geographic areas in which QW World operates. In the magazine group, QW World prints magazines for publishers, including, for example, 15 magazine titles for Time, Inc.,<sup>3</sup> *Cosmopolitan* for Hearst Corp., *Elle* for Hachette-Filipacchi Magazines US, *ESPN the Magazine* for Walt Disney Corp., *Forbes* for Forbes Inc. and *In Touch Weekly* for Bauer Publishing USA, while QW World's retail insert group includes customers such as CVS, Sears, JC Penney, Kohl's, and Walgreens. QW World's operations also encompass (a) catalogues for customers such as Williams-Sonoma, Oriental Trading Company, Victoria's Secret, IKEA, Cabelas and Bass Pro, (b) books for McGraw-Hill, Scholastic, Simon & Schuster, Thomas Nelson, Time-Warner and Pearson Education, (c) directories for Yellow Book USA, RH Donnelly, Windstream and Frontier in the United States, the Yellow Pages Group in Canada, as well as Telmex and Telefonica in Latin America and (d) direct mail services.

12. QW World's sales and marketing activities are highly integrated and reflect an increasingly global approach to customers' needs, complemented by product specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe and Latin America, and customers are able to coordinate simultaneous printing throughout QW World's network through a single sales representative.

---

<sup>3</sup> These include *Time*, *Fortune*, *Money*, *Sports Illustrated*, *People*, *Entertainment Weekly*, *Southern Living*, *Cooking Light* and *Coastal Living*.

13. Not surprisingly, the principal raw materials used in QW World's businesses are paper and ink. The Debtors, together with their non-debtor affiliates, utilize centralized raw material purchases in order to avoid administrative complications and realize cost benefits from efficiencies of scale. For most purchases, QW World negotiates with a limited number of suppliers to maximize purchasing power, although QW World does not rely on any single supplier.

14. Much of the Debtors' business is seasonal, with the majority of historical operating income occurring during the second half of the financial year. This is primarily due to seasonal advertising patterns and the related higher number of magazine pages, new product launches and back-to-school, retail and holiday catalogue promotions. Because the Debtors depend on advertising for a significant portion of their revenue, operating results are also sensitive to prevailing economic conditions.

## **II. The Debtors' Industry**

15. Commercial printing is a highly fragmented, capital intensive industry. The North American, European and Latin American printing industries are very competitive in most product categories and geographic regions. The Debtors estimate that in 2006, in the United States alone, there were approximately 30,700 commercial printers, with industry analysts considering most of the industry's markets to be currently oversupplied – and competition is significant. Competition is largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology.

16. In addition to competition from other commercial printers, technological changes continue to erode the Debtors' businesses, as increased accessibility and quality of electronic alternatives to the traditional delivery of printed documents, through the

increased use of the internet and the electronic distribution of media content, documents and data, which provide consumers with virtually instant access to information.

Nevertheless, while such trends put pressure on the Debtors' operations, the Debtors believe printed media will continue to play a strong role in marketing, advertising and publishing.

### **III. Prepetition Credit Obligations and Receivables Facility**

17. The principal debt obligations and receivables facility of the Debtors currently outstanding consist of:

- a. A \$750 million revolving credit facility with a bank syndicate under which the Royal Bank of Canada is administrative agent, secured up to a maximum of \$135 million by (i) unlimited guaranties, dated on or about October 26, 2007 from certain of the Debtors; (ii) a pledge of the shares of Debtor QW Memphis Corp. ("QW Memphis") by Debtors QWUSA, the Webb Company and Quebecor World Memphis LLC, dated October 26, 2007; (iii) a pledge of the shares of QWUSA by QPHC, dated October 26, 2007; (iv) security on all personal and real property of QW Memphis, dated October 26, 2007, excluding accounts receivable subject to the North American receivable sale program and certain real estate located in Covington, Tennessee; and (v) security on all inventory of QWI located in Canada, dated October 26, 2007. As of January 11, 2008, the aggregate amount of indebtedness outstanding under the Bank Syndicate Agreement was approximately \$735 million.
- b. An equipment financing agreement dated as of January 13, 2006 (as amended) among QWI, as borrower, QWUSA, as guarantor, and Société Générale (Canada) ("Soc Gen"), as lender, providing for an equipment financing credit facility in the aggregate amount of the Canadian dollar equivalent of €136,165,415 expiring on July 1, 2015.<sup>4</sup> The equipment financing facility is guaranteed and secured on a *pari passu* basis up to \$35 million by the same collateral as the credit facilities under the bank syndicate agreement. As of January 11, 2008, the aggregate amount outstanding under the Equipment Financing Agreement was approximately \$155 million.
- c. Certain of the Debtors and QWI are obligors under note issuances consisting of (i) an indenture dated as of November 3, 2003 among Quebecor World Capital Corporation ("QWCC"), as issuer, QWI, as

---

<sup>4</sup> As of January 15, 2008, this is equivalent to approximately U.S. \$202,571,926.

guarantor, and Wilmington Trust Company, as trustee, providing for the issuance of 4.875% senior notes due in 2008 and 6.125% senior notes due in 2013. The aggregate amounts outstanding under such notes as of September 30, 2007 were \$199.9 million and \$398.2 million, respectively; (ii) an indenture dated as of December 18, 2006 among QWI, as issuer, QWUSA, Quebecor World Capital LLC (“QWLLC”) as predecessor in interest to Quebecor World Capital II LLC (“QWLLC II”) and Quebecor World Capital ULC (“QWULC”) as predecessor in interest to Quebecor World Capital II GP (“QWCGP”), as guarantors, and Wilmington Trust Company, as trustee, providing for the issuance of 9.75% senior notes due in 2015. The aggregate amount outstanding under such notes as of September 30, 2007 was \$400 million; (iii) an indenture dated as of March 6, 2006 among QWULC as predecessor in interest to QWCGP, as issuer, QWI, QWUSA and QWLLC as predecessor in interest to QWLLC II, as guarantors, and Wilmington Trust Company, as trustee, providing for the issuance of 8.75% senior notes due in 2016. The aggregate amount outstanding under such notes as of September 30, 2007 was \$450 million; and (iv) an indenture dated as of January 22, 1997 among QWCC, as issuer, QWI (then known as Quebecor Printing Inc.), as guarantor, and The Bank of New York, as trustee, providing for the issuance of 6.50% senior notes due in 2027. The aggregate amount outstanding under such notes as of September 30, 2007 was \$3.2 million. The terms and conditions of the note issuances limit the aggregate amount of secured indebtedness that may be incurred under the Bank Syndicate Agreement and the Equipment Finance Agreement to approximately \$170 million.

- d. QWI and certain of the Debtors are parties to an accounts receivable facility pursuant to: (i) a Canadian receivables purchase agreement dated as of October 24, 2007 between QWI, as seller, and Quebecor World Finance Inc. (“QWF”), as purchaser, whereby QWI sells, with limited recourse, its Canadian trade receivables on a revolving basis in an amount not to exceed \$135 million Canadian; (ii) a U.S. receivables purchase agreement dated as of September 24, 1999 (as amended) among certain Debtors, as sellers, and QWF, as purchaser, whereby the sellers sold, with limited recourse, all of their U.S. trade receivables on a revolving basis in an amount not to exceed \$408 million (\$459 million during peak season); and (iii) an amended and restated receivables sale agreement dated as of September 24, 1999, as amended and restated as of December 22, 1999 (as further amended the “RSA”) among, *inter alia*, QWF, as seller, the purchasers party thereto and ABN Amro Bank N.V., as agent (“ABN”). Pursuant to the RSA, ABN holds a first priority lien on all of the Debtors’ and QWI’s accounts receivable purchased by QWF under the respective Canadian and U.S. receivables purchase agreements. The Canadian receivables program was rolled into the U.S. receivable program on or about October 24, 2007, and as of December 31, 2007 the aggregate amount outstanding on account of the Debtors’ accounts receivable subject to the RSA was approximately \$428 million.

#### **IV. Developments Necessitating Restructuring**

18. QWI's financial performance has suffered in the past few years, especially with respect to its European operations, as a result of a combination of factors, including declining prices and sales volume, and a temporary disturbance caused by a major retooling of its printing operations initiated in 2002. While it has substantially completed its retooling program in North America, and achieved, and even surpassed, its cost reduction objectives, QWI has not yet met its forecasted earnings projections. Rather, the combination of significant capital investments and continued operating losses, principally as a result of its European operations, together with the write down of its European assets, including goodwill, has resulted in increased financing needs. During this period, it was also necessary for QWI to repurchase certain private notes in order to avoid breaching certain debt to equity ratios, while also facing reduction in amounts available under the Bank Syndicate Agreement. These factors have had a significant impact on all of the members of QW World's corporate family, and, accordingly, have adversely impacted the Debtors' operations and financial position.

19. More recent events have further complicated the Debtors' efforts to improve their balance sheets and financial position. First, on November 13, 2007, QWI announced a refinancing plan consisting of a \$250 million equity offering and a \$500 million debt offering. On November 20, 2007, however, QWI announced the withdrawal of such refinancing plan due to adverse financial market conditions. Second, on December 13, 2007, QWI announced that it would not be able to consummate a previously announced transaction to sell its European operations, which would have resulted in proceeds to QWI of approximately \$341 million, to be paid in cash, shares and through the assumption of indebtedness.

20. In 2006, restructuring initiatives related to the closure or downsizing of various facilities were undertaken, mainly in connection with the North American and European operations, including the closure of printing and binding facilities in Illinois in the catalogue group, the closure of the Kingsport, Tennessee facility in the book group, and the closure of the Red Bank, Ohio, and the Brookfield, Wisconsin facilities in the magazine group, which further affected the Debtors' liquidity.

21. Although the Debtors have to date aggressively sought to raise additional funds, they have not been successful, and the lenders under the Bank Syndicate Agreement have recently indicated that they will not provide any further advances under the bank facility beyond those currently permitted. Facing year end covenant defaults under the Bank Syndicate Agreement, the Debtors and QWI obtained a waiver from the bank syndicate lenders and from the sponsors of its North American securitization program, subject to the satisfaction of certain conditions and refinancing milestones, including obtaining \$125 million in new financing by January 15, 2008. The Debtors and QWI were not successful in satisfying the conditions and refinancing milestones set by the bank syndicate lenders.

22. Moreover, the Debtors are currently facing a severe liquidity crisis. Even if operations were conducted in the normal course of business, the Debtors' cash flow projections indicate that they will require approximately \$225 million to satisfy their obligations through the end of January 2008, with virtually no availability under the Bank Syndicate Agreement. In this regard, as of November 30, 2007, QWI had aggregate outstanding trade payables of approximately \$526.7 million, of which approximately \$120 million are attributable to the Debtors, \$135 million are attributable to QWI's other

North American operations, \$211 million are attributable to the European operations and \$60.6 million are attributable to Latin American operations. In addition to ordinary course payments, QWI was also contractually obligated to make debt payments of approximately \$19.5 million by January 15, 2008, which were not paid and to make payments related to pension obligations of approximately \$10 million, which were only partially made.

23. Quite simply, QWI and the Debtors do not have sufficient liquid resources to pay obligations that either are now due or are expected to become due in January, 2008. The lenders under the Bank Syndicate Agreement have indicated that they will not provide any advances under the bank facility beyond those currently permitted under the Bank Syndicate Agreement, suppliers are demanding cash terms and customers are threatening to cease doing business with QWI and the Debtors altogether unless letters of credit or similar accommodations are provided to such customers.

24. Although the Debtors represent a significant portion of the operations of QWI – a global leader in the printing field – and enjoy significant competitive advantages and a strong customer base, the fact remains that their current financial situation cannot continue. The Debtors’ overall businesses remain viable and stable, but restructuring changes must be made, including the discontinuance of business segments that cannot be made profitable and the streamlining of other business segments to increase profitability, in order to return the Debtors to financial health.

#### **The Financed Insurance Policy**

25. In the ordinary course of the Debtors’ businesses, the Debtors obtain and maintain numerous insurance policies providing coverage for, among many other things,

property, general liability, excess liability, workers' compensation, automobile liability, directors' and officers' liability, and fiduciary liability. The insurance provided by these policies is essential to the preservation of the Debtors' businesses, property, and assets, and, in many cases, such coverage is required by various regulations, laws, and contracts that govern the Debtors' commercial activity.

26. In late 2007, the Debtors determined that it would be economically advantageous to obtain certain insurance without having to pay the premiums on a lump-sum basis. Accordingly, in the ordinary course of the Debtors' business, the Debtors decided to finance the premiums on certain of their property insurance policies (the "Policies"), which Policies insure property of QWUSA and its subsidiaries in the United States. Specifically, on December 3, 2007, QWUSA, along with QWI, entered into a premium financing agreement (the "PFA") with AIG Credit Corp. of Canada (the "Lender") whereby QWUSA and QWI agreed to reimburse the Lender for insurance premiums paid by the Lender on behalf of QWUSA and QWI in the aggregate amount of \$5,661,162. In this regard, QWUSA and QWI made a cash down payment of \$1,132,232.40 on account of such reimbursement obligation and financed the remaining \$4,528,929.60. The PFA requires ten monthly installments of \$461,867.63, commencing December 15, 2007. The first two such payments were made prepetition, and the next payment is due on February 15, 2008. The PFA bears a total finance charge of \$89,748.70, with an annual interest rate of 4.30%.

27. If the Debtors were unable to continue making payments on the PFA, the Lender may seek to terminate the underlying Policies so as to recover unearned

premiums and thereby recoup the money it is owed.<sup>5</sup> The Debtors would then be required to obtain replacement insurance on an expedited basis and pay a lump-sum premium for the replacement insurance policies in advance, which payment would likely be greater than the premiums currently being paid by the Debtors under the existing policies. Even if the Lenders were not permitted to terminate the Policies, any interruption of payment would have a severe, adverse effect on the Debtors' ability to finance premiums for future policies.

### **Relief Requested**

28. By this Motion, the Debtors propose to continue to finance the premiums for their insurance policies throughout these Chapter 11 Cases by continuing the existing PFA and making payments thereunder, and by renewing the PFA in the ordinary course of business, and/or entering into new PFAs, each without the need for further authority or approval of the Court (but with prompt written notice being given by the Debtors to counsel to the Official Committee of Unsecured Creditors, once formed). The Debtors will be required to continue their insurance coverage throughout the duration of these Chapter 11 Cases, and submit that the continuation of the PFA, and the payment of amounts due thereunder, falls squarely within their ordinary course of business, but have nevertheless filed this Motion out of an abundance of caution.

### **Basis For Relief**

29. Sections 1107(a) and 1108 of the Bankruptcy Code authorize a debtor-in-possession to continue to operate its business. Section 363(c) of the Bankruptcy Code

---

<sup>5</sup> The PFA provides that if payment to Lender is not made when due, "Lender may exercise Lender's power of attorney, cancel the Policies in accordance with the provisions contained in this Agreement direct the Insurance Companies as to all sums assigned, to Lender..." The Debtors reserve their right to assert that any such termination would violate the automatic stay of section 362 of the Bankruptcy Code.

authorizes a debtor-in-possession operating its business pursuant to section 1108 of the Bankruptcy Code to use property of the estate in the ordinary course of business and without notice or hearing. The Debtors submit that to the extent that it does not require or involve payment of prepetition claims, the Debtors' continued performance under, or the exercise of their rights pursuant to, the PFA is in the ordinary course of business and is permitted by sections 363(c), 1107(a), and 1108 of the Bankruptcy Code, without the need for further application to the Court. In that regard, it bears emphasis that the post-petition payments the Debtors seek to make under the PFA will be to ensure post-petition insurance coverage insuring Debtors' property. Thus, in substance, this is not a case of a debtor seeking to pay post-petition for goods or services received prepetition.

Notwithstanding the foregoing, and out of an abundance of caution, the Debtors are seeking the Court's authorization to continue the PFA and to make payments thereunder.

30. Moreover, the Operating Guidelines of the Office of the United States Trustee for the Southern District of New York require that debtors obtain and maintain insurance following the petition date. See Operating Guidelines and Financial Reporting Requirements Required in All Cases Under Chapter 11, Office of the United States Trustee for the Southern District of New York (Jan. 15, 1992). In fact, under section 1112(b)(4)(C) of the Bankruptcy Code, failure to maintain insurance may be grounds for conversion or dismissal of a Chapter 11 case.

31. To the extent the Debtors' obligations under or relating to the PFA constitute prepetition obligations rather than post-petition obligations, the Debtors should be authorized, in their discretion, to pay those obligations pursuant to Section 105(a) of the Bankruptcy Code, which states, in part, "the court may issue any order, process, or

judgment that is necessary or appropriate to carry out the provisions of this title.” Courts have previously recognized the need for debtors in possession to pay prepetition obligations to protect the value and assets of the estate and to ensure a smooth continuation of the debtor’s business, and courts have authorized such payments pursuant to 11 U.S.C. § 105(a) under the “doctrine of necessity.” See In re Ionosphere Clubs, Inc., 98 B.R. 174, 175-76 (Bankr. S.D.N.Y. 1989) (noting that bankruptcy courts commonly use their equitable powers to authorize the payment of prepetition debts when such payment is needed for the debtor’s restructuring).

32. In addition, section 363(b)(1) of the Bankruptcy Code provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Under this Section, a court may authorize a debtor to pay certain prepetition claims. See Ionosphere Clubs, 98 B.R. at 175 (affirming lower court order authorizing payment of prepetition wages pursuant to Section 363(b) of the Bankruptcy Code). In order to do so, “the debtor must articulate some business justification, other than the mere appeasement of major creditors.” Ionosphere Clubs, 98 B.R. at 175. See Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1065 (2d Cir. 1983). Further, pursuant to section 364 of the Bankruptcy Code, a debtor may, in the exercise of its business judgment, incur secured or unsecured debt if the borrowing is in the best interests of the estate. See In re Ames Dept. Stores, 115 B.R. 34, 38 (Bankr. S.D.N.Y. 1990) (stating that with respect to postpetition credit, courts “permit debtors-in-possession to exercise their basic business judgment consistent with their fiduciary duties”).

33. As set forth above, maintaining the PFA is important to the Debtors' business operations and the success of the Chapter 11 Cases. First, if the Debtors are unable to continue making payments on the PFA, the Lender may seek to terminate the Policies. If the Lender were successful in doing so, the Debtors would then be required to obtain replacement insurance on an expedited basis and pay a larger lump-sum premium for the insurance policies in advance. Even if the Lender were not permitted to terminate the Policies, any interruption of payment would have a severe, adverse affect on the Debtors' ability to finance premiums for future policies when the current Policies and PFA expire. Accordingly, the detrimental effect on the Debtors' business resulting from cessation of the Policies or interruptions under the PFA would greatly outweigh the costs associated with honoring obligations under the PFA that were deemed to arise prepetition.

34. Bankruptcy courts in this district have routinely granted the type of relief requested herein. See, e.g., In re Bally total fitness of Greater New York, Inc., Case No. 07- 12395 (BRL) (Bankr. S.D.N.Y. Aug. 2, 2007); In re Curative Health Services, Inc., Case No. 06-10552 (SMB) (Bankr. S.D.N.Y. March 27, 2006); In re Calpine Corp., Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Jan. 18, 2006); In re Delta Air Lines, Inc., Case No. 05-17923 (ASH) (Bankr. S.D.N.Y. Sept. 15, 2005); In re Atkins Nutritionals, Inc., et al., Case No. 05-15913 (ALG) (Bankr. S.D.N.Y. Aug 1, 2005); In re Tower Automotive, Inc., Case No. 05-10578 (ALG) (Bankr. S.D.N.Y. March 16, 2005).<sup>6</sup>

### **Memorandum of Law**

---

<sup>6</sup> Nothing in this Motion should be construed as: (a) an admission as to the validity or priority of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claims; or (c) an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code.

35. This Motion sets forth citations to the applicable authority and a discussion of their application to the requests set forth in this Motion. Accordingly, the Debtors respectfully submit that such citations and discussion satisfy the requirement under Local Bankruptcy Rule 9013-1(b) that the Debtors submit a separate memorandum of law in support of the Motion, and request that the Court waive such requirement with respect to this Motion.

**No Prior Request**

36. No prior application for the relief requested in this Motion has been made to this or any other Court.

**Notice**

37. No trustee, examiner or creditors committee has been appointed in these Chapter 11 cases. Notice of this Motion has been provided to (a) the 60 largest unsecured creditors of the Debtors, (b) the Royal Bank of Canada as administrative agent under the Bank Syndicate Agreement, (c) Société Générale (Canada), (d) Wilmington Trust Company, as trustee for the 4.875% senior notes due in 2008 and 6.125% senior notes due in 2013, (e) Wilmington Trust Company, as trustee for the 9.75% senior notes due in 2015, (f) Wilmington Trust Company, as trustee for the 8.75% senior notes due in 2016, (g) the Chase Manhattan Bank, as trustee for the 6.50% senior notes due in 2027, (h) Debtors' proposed post-petition lender, (i) the United States Trustee for the Southern District of New York, (j) the Securities and Exchange Commission, (k) the Internal Revenue Service, (l) the United States Department of Justice, and (m) Ken Coleman, Esq., Allen & Overy, as counsel for the Monitor. The Debtors submit that no other or further notice of this Motion is required. A copy of the Motion is also freely available on

the website of the Debtors' proposed claim and noticing agent, Donlin, Recano & Company, Inc., at [www.donlinrecano.com](http://www.donlinrecano.com).

WHEREFORE, the Debtors respectfully request the entry of an Order, substantially in the form of Exhibit A, granting the relief requested herein and such other and further relief as the Court deems just and proper.

Dated: January 22, 2008  
New York, New York

Respectfully submitted,

/s/ Michael J. Canning

ARNOLD & PORTER LLP  
399 Park Avenue  
New York, New York 10022-4690  
Telephone: (212) 715-1000  
Facsimile: (212) 715-1399  
Michael J. Canning (MC 8060)

*Proposed Counsel for the Debtors  
and Debtors-in-Possession*

**EXHIBIT A**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re

Quebecor World (USA) Inc., et al.,

Debtors.

Chapter 11

Case No. 08-10152 (\_\_\_)

Jointly Administered

Honorable \_\_\_\_\_

**ORDER AUTHORIZING THE DEBTORS TO MAINTAIN FINANCING OF  
INSURANCE PREMIUMS AND RENEWALS THEREOF AND TO MAKE  
PAYMENTS THEREUNDER**

Upon consideration of the motion (the “Motion”)<sup>1</sup> seeking entry of an order (the “Order”) authorizing the Debtors to maintain the financing of insurance premiums and renewals thereof, and to make payments due thereunder, and upon the Declaration of Jeremy Roberts in Support of Chapter 11 Petitions and First Day Orders in the above-captioned Chapter 11 Cases; and it appearing that the relief requested is in the best interests of the Debtors’ estates, their creditors and other parties in interest; and it appearing that this Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and adequate notice of the Motion and opportunity for objection having been given; and it appearing that no other notice need be given; and after due deliberation and sufficient cause therefor,

**IT IS HEREBY ORDERED:**

---

<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

1. The Motion is granted as set forth herein.
2. The Debtors, in their business judgment, are authorized to honor the terms of their existing Premium Finance Agreement and to make payments due thereunder, to renew that agreement, and to enter into new premium finance agreements in the ordinary course of business as set forth in the Motion (with prompt written notice being given by the Debtors to counsel to the Official Committee of Unsecured Creditors of any new agreements).
3. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.
4. Nothing herein shall be deemed to constitute the post-petition assumption of any executory contracts by the Debtors.
5. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.
6. The requirement set forth in Rule 9013(b) of the Local Bankruptcy Rules for the Southern District of New York that any motion or other request for relief be accompanied by a memorandum of law is hereby deemed satisfied by the contexts of the Motion or otherwise waived.
7. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: January \_\_\_\_\_, 2008

---

United States Bankruptcy Judge