

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

In re

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

Debtors.

Chapter 11

Case No. 08-10152 (JMP)

Jointly Administered

**STIPULATION AND CONSENT ORDER RESOLVING (I) MOTION FOR APPROVAL
OF ADEQUATE ASSURANCE OF PAYMENT TO UTILITY SERVICES AND
CONTINUATION OF SERVICES AND (II) OBJECTION OF MERCED IRRIGATION
DISTRICT TO DEBTORS' MOTION FOR INTERIM ORDER
DETERMINING ADEQUATE ASSURANCE OF PAYMENT FOR FUTURE UTILITY
SERVICES AND TO THE ADEQUATE ASSURANCE PROCEDURES PROVIDED
BY THE INTERIM ORDER UNDER 11 U.S.C. §§ 105(A) AND 366 DETERMINING
ADEQUATE ASSURANCE OF PAYMENT FOR FUTURE UTILITY SERVICES**

The above-captioned debtors and debtors-in-possession (collectively, the "Debtors") and Merced Irrigation District ("Merced"), by and through their respective counsel, do hereby stipulate and agree as follows:

RECITALS

A. On January 21, 2008 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

B. On January 22, 2008, the Debtors filed the Motion of the Debtors for Interim Order Determining Adequate Assurance of Payment for Future Utility Services (the "Motion").¹

C. On January 23, 2008, the Court entered the Interim Order Under 11 U.S.C. §§ 105(a) and 366 Determining Adequate Assurance of Payment for Future Utility Services (the

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

“Interim Order”).

D. On February 11, 2008, Merced filed a Motion for Approval of Adequate Assurance of Payment to Utility Services and Continuation of Services [Docket No. 174] (the “Merced Motion”).

E. On February 12, 2008, Merced filed an objection to the Motion [Docket No. 190] (the “Objection”).

F. Pursuant to paragraphs 9 and 14 of the Interim Order, the Debtors have the authority to resolve the Merced Motion and the Objection by mutual agreement with Merced.

G. After good faith negotiations, the Parties have agreed to resolve the issues raised by the Merced Motion and the Objection on the terms below and as agreed to in that certain letter agreement dated February 20, 2008 (the “Letter Agreement”) pursuant to which Debtors shall provide certain adequate assurance of payment for future utilities services to Merced.

STIPULATION AND AGREEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and between Debtors and Merced as follows:

1. Upon delivery of the adequate assurance deposit by the Debtors subject to compliance with the revised billing and payment terms pursuant to the Letter Agreement, Merced shall be deemed to be adequately assured of payment for future utility services within the meaning of Section 366 of the Bankruptcy Code.

2. Merced is prohibited from altering, refusing or disconnecting utility services to Debtors on the basis of the commencement of the Debtors’ cases under chapter 11 of the Bankruptcy Code or on account of unpaid invoices for utility services provided before January 21, 2008.

3. Under no circumstances shall any portion of the adequate assurance deposit delivered by Debtors to Merced be used to satisfy any prepetition obligations of the Debtors to the Merced for utility services.

4. The Objection is hereby resolved in its entirety pursuant to the terms set forth in the Letter Agreement and this Stipulation and Order.

5. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Stipulation and Order, including, without limitation, providing the adequate assurance specified in the Letter Agreement to Merced.

6. Nothing in this Stipulation and Order shall be deemed to constitute a waiver of any rights of the Debtors or Merced under the Letter Agreement, and the Debtors and Merced expressly reserve all such rights.

7. This Stipulation and Order may be executed in any number of counterparts, each of which shall be deemed an original and together constitute one and the same instrument. This Stipulation and Order may not be modified, except in a written instrument signed by authorized representatives of the Debtors and Merced.

8. This Stipulation and Order shall be (i) immediately effective and enforceable upon its approval by the Court and (ii) binding on and inure to the benefit of the Debtors and Merced and their respective successors, heirs, and assigns.

9. The Court retains jurisdiction with respect to all matters arising from or related to implementation of this Stipulation and Order.

<p>RICHARDS KIBBE & ORBE LLP</p> <p>By: <u>/s/ Joon P. Hong</u></p> <p>Joon P. Hong One World Financial Center New York, New York 10281-1003 Telephone: (212) 530-1917 Facsimile: (212) 344-8917</p> <p>Conflicts Counsel for the Debtors and Debtors in Possession</p>	<p>DOWNEY BRAND LLP</p> <p>By: <u>/s/ R. Dale Ginter</u></p> <p>R. Dale Ginter, Bar No. 100784 555 Capitol Mall, Tenth Floor Sacramento, California 95814-4686 Telephone: (916) 444-1000 Facsimile: (916) 444-2100</p> <p>Counsel for Merced Irrigation District</p>
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IT IS SO ORDERED.

Dated: New York, New York
February 26, 2008

s/James M. Peck
United States Bankruptcy Judge