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Hearing Date: March 6, 2008
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: :
: Chapter 11
:
QUEBECOR WORLD (USA) INC., et al., : Case No. 08-10152 (JMP)
:
Debtors. : (Jointly Administered)
:
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LIMITED OBJECTION OF CORPORATE PROPERTY ASSOCIATES 9, L.P. TO THE DEBTORS' MOTION FOR ENTRY OF (I) AN INTERIM ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION SECURED FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(c) AND 364(e), (B) AUTHORIZING USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED LENDERS, (C) USING POSTPETITION FINANCING TO PURCHASE RECEIVABLES PORTFOLIO AND (D) SCHEDULING FINAL HEARING PURSUANT TO FED. R. BANKR. P. 4001(b) AND (c); AND (II) A FINAL ORDER AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION SECURED FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(c) AND 364(e) (DOCKET NO. 12)

Corporate Property Associates 9, L.P. ("Landlord"), by its undersigned counsel, submits this limited objection (the "Objection") to the motion (the "Motion") of Quebecor World (USA) Inc., et al., the debtors and debtors in possession in the above-captioned cases (the "Debtors"),¹ for a final order pursuant to sections 105, 361, 362, 364(c) and 364(e) of title 11 of

¹ 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 &

the United States Code (the “Bankruptcy Code”) authorizing, among other things, the Debtors to obtain post-petition financing, and respectfully represents as follows:

BACKGROUND

1. Landlord owns certain non-residential real property located in DeKalb County, Georgia (the “Premises”). Pursuant to a lease agreement, dated as of May 1, 1996, as subsequently amended by the assignment and assumption of lease agreement, dated January 22, 1997, and the first amendment to lease agreement, dated March 1, 1997 (collectively, the “Lease”), Quebecor Printing Atlanta Inc. (“Tenant”) leased the Premises from Landlord. Pursuant to Guaranty and Suretyship Agreement, dated as of March 1, 1997, as amended by a joinder, dated July 29, 2002, Quebecor World Inc. (“QWI”), unconditionally and irrevocably guaranteed Tenant’s obligations under the Lease. Landlord understands that Tenant is one of the Debtors and a subsidiary of QWI.² QWI is the corporate parent of the Debtors and a debtor under the Companies’ Creditors Arrangements Act of Canada.

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 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.

² Representatives of the Debtors have informed Landlord that Tenant is a Debtor in these cases, presumably under a different name. Nevertheless, and despite repeated inquiries to the Debtors’ counsel, Landlord has been unable to confirm that Tenant is, in fact, one of the Debtors and, if so, under what name. Landlord reserves all rights in this regard.

THE MOTION

2. By their Motion, the Debtors seek this Court's final approval (the "Final DIP Order") authorizing Quebecor World (USA) Inc. and QWI to borrow, on a joint and several basis, under the DIP Credit Facility³ up to an aggregate principal amount of \$1 billion pursuant to a Senior Secured Superpriority Debtor-in-Possession Credit Agreement, dated as of January 21, 2008, annexed to the Motion as Exhibit B (the "DIP Credit Agreement"). Each of QWI's subsidiaries acting as signatories to the DIP Credit Agreement, including Tenant (collectively, the "Guarantors"), is to guarantee all the obligations under the DIP Credit Agreement.

Specifically, section 8.01 of the DIP Credit Agreement provides, in relevant part, as follows:

Each Guarantor, severally, unconditionally and irrevocably guarantees . . . the punctual payment when due . . . of all of the Obligations of each of the other Loan Parties now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations)

3. By order, dated January 23, 2008 (the "Interim DIP Order"), this Court granted the Motion on an interim basis.

THE OBJECTIONS

A. Tenant's Liability Under the DIP Credit Agreement Should be Limited in Scope

4. Each of the Guarantors, including Tenant, would jointly and severally, unconditionally and irrevocably, guarantee timely payments of the Obligations under the DIP Credit Agreement. As such, Tenant would be obligated for all obligations outstanding under the DIP Credit Facility irrespective of the actual benefit to Tenant from the DIP Credit Facility. It would be inequitable for Tenant to be liable for debts from which it did not receive an actual

³ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

benefit. Accordingly, Landlord objects to the Motion insofar as it fails to limit the scope of Tenant's exposure under the DIP Credit Agreement to Tenant's pro rata benefit in terms of actual proceeds received from the DIP Credit Facility.

5. To remedy the problem, Tenant's liability under the DIP Credit Facility should be limited to Tenant's pro rata benefit from the DIP Credit Facility. Alternatively, Tenant should have a superpriority claim together with a first priority lien against each other Debtor to the extent of any claim for indemnification or contribution based on such other Debtor receiving the benefits (i.e., proceeds) from the DIP Credit Facility. Otherwise, should Tenant's guaranty obligations be called upon, and as a consequence, Tenant not be able to pay postpetition rent to Landlord, then Landlord would be penalized even though the Debtors' postpetition use of the Premises would have been primarily for the Lenders' benefit.

B. The Lenders Should Not Be Granted Greater Rights Than Those of the Debtors

6. Pursuant to section 9 of the Lease, Tenant is restricted from directly or indirectly, creating or permitting to be created any lien on the Premises. In addition, section 33 of the Lease defines the term "lien" as "lien, charge, encumbrance, title retention agreement, pledge, security interest, mortgage and/or deed of trust."

7. Among the liens proposed to be granted under the DIP Credit Agreement are liens upon all real property interests of the Guarantors, including Tenant's leasehold interests. See DIP Credit Agreement at section 9.01(h) (including Guarantors' leasehold interests within the definition of the "Real Property Collateral"); see also Paragraph 4(c) of the Interim DIP Order (authorizing the creation of liens on certain property, including interests in leaseholds).

8. The Bankruptcy Code does not allow debtors to transfer rights in leases that are greater than the rights the debtors themselves held outside of bankruptcy. The Debtors

are not seeking to assume and assign the Lease pursuant to section 365 of the Bankruptcy Code. Instead, they are seeking to pledge or mortgage their leasehold interests in the Premises without requiring any such action to be governed by the specific provisions of the Lease. To the extent the DIP Credit Agreement would nullify the applicable provisions in the Lease that prohibit Tenant from pledging or mortgaging certain interests in the Premises, the Debtors are attempting to transfer rights that the Debtors themselves do not have. Accordingly, the Final DIP Order should provide that any lien rights granted to the Lenders are subject to any restrictions in applicable leases, including the Lease.

C. Disposition of Collateral

9. Section 7.01(b) of the DIP Credit Agreement authorizes Credit Suisse to act on behalf of the Lenders as the Collateral Agent and to take actions, including “acting as the agent of such Lender Party for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Secured Obligations.” Because the DIP Credit Agreement defines Collateral broadly, the Lenders might argue they are entitled to sell, transfer, assign or otherwise convey Tenant’s leasehold interest in the Lease to a third party if a default occurs under the DIP Credit Agreement and five business days written notice is given to the Borrowers prior to taking any action. See DIP Credit Agreement, Section 6.01.

10. Section 365(d)(3) of the Bankruptcy Code makes the conveyance of certain leases subject, inter alia, to certain cure and adequate assurance requirements. Thus, any Final DIP Order should provide that any proposed disposition of the Debtors’ interest in the Lease shall be subject to the requirements of section 365 of the Bankruptcy Code and the terms of the Lease.

D. Insufficient Disclosure with respect to Quebecor World Finance Inc.

11. Landlord also objects to the Motion on the basis of insufficient disclosure concerning Quebecor World Finance Inc. (“QWF”), from which entity the Debtors seek authorization to purchase the Receivables Portfolio for approximately \$416.8 million. The Motion fails to disclose QWF’s relationship, if any, to the Debtors. The Motion also fails to provide sufficient justification for such a large expenditure.

E. Final DIP Order

12. The form of the proposed Final DIP Order has not been filed with the Bankruptcy Court. Landlord should be provided with a copy of the proposed Final DIP Order, blacklined to reflect changes from the Interim DIP Order, sufficiently in advance of the final hearing on the Motion in order to provide Landlord with a meaningful opportunity to review such Order and, if necessary, object thereto. In particular, Landlord would need the opportunity to review the Final DIP Order to determine whether such proposed order includes any waiver of rights under section 506(c) of the Bankruptcy Code, which should not apply to claims based on any unpaid postpetition obligations due under the Lease.

F. Reservation of Rights

13. This Objection is without prejudice to any and all rights that Landlord has pursuant to the Lease and applicable law. Landlord reserves all rights to object to the proposed Final DIP Order. Landlord further reserves the right to supplement this Objection at a later date, if applicable.

PROCEDURE

14. Landlord has served or is serving notice of this Objection on: (i) counsel to the Debtors; (ii) the Office of the United States Trustee; (iii) counsel to the Agent to the

Debtors' prepetition secured lenders; (iv) counsel to the Lenders; and (v) counsel to the Official Committee of Unsecured Creditors.

15. As this Objection presents no novel issue of law and the legal authorities for the relief requested are cited herein, Landlord requests that the Court waive the requirement of Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York that a memorandum of law be submitted herewith.

16. No previous motion for the relief sought herein has been made to this or any other court.

CONCLUSION

WHEREFORE, Landlord respectfully requests that: (a) the Motion be denied or granted only on terms consistent with the objections set forth above; and (b) Landlord be granted such other and further relief as is just and proper.

Dated: February 28, 2008

Respectfully submitted,

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