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as Prepetition Agent, on behalf of itself
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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re :
 : **Chapter 11 Case Nos.**
 :
QUEBECOR WORLD (USA) INC., et al., : **08-10152 (JMP)**
 :
Debtors. : **(Jointly Administered)**
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**OBJECTION OF ROYAL BANK OF CANADA, AS PREPETITION AGENT, TO
DEBTORS' MOTION FOR INTERIM AND FINAL 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; AND (C) USING
POSTPETITION FINANCING TO PURCHASE RECEIVABLES PORTFOLIO**

Royal Bank of Canada, in its capacity as the administrative agent for the Prepetition RBC Secured Lenders (as defined below) (in such capacity, "**Prepetition Agent**"), by and through its attorneys, hereby objects (the "**Objection**") to entry of the currently proposed form of final debtor-in-possession financing order (the "**Proposed Final Order**") pursuant to the Motion for Entry of (I) an Interim Order (including supplemental provisions "so ordered" on the record at the Interim Hearing (as defined below), the "**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 the 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) (the “**Motion**”),¹ filed on or about January 22, 2008 by Quebecor World (USA) Inc. (“**QWUSA**”) and all of its affiliated debtors (QWUSA, collectively with such affiliates, the “**Debtors**”) that have commenced chapter 11 cases and are debtors in these above-captioned jointly administered chapter 11 cases (the “**Cases**”). In support of its Objection, Prepetition Agent states as follows:

I. PRELIMINARY STATEMENT

1. Since the entry of the Interim Order, Prepetition Agent has worked closely with the Debtors and the other principal constituencies in these Cases in hopes of negotiating a Proposed Final Order that would be acceptable to all such parties. Those negotiations are ongoing and will likely continue until just prior to the final hearing on the Motion scheduled for March 6, 2008 (the “**Final Hearing**”). As of this writing, however, a number of Prepetition Agent’s substantive issues with the Proposed Final Order remain unresolved, including those highlighted below.

2. While Prepetition Agent is hopeful that it will reach a consensual resolution of all of its Proposed Final Order issues, it files this Objection out of an abundance of caution to preserve its right to object to the entry of the Proposed Final Order at the Final Hearing in the event that the principal constituencies are unable to reach agreement on all issues.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed in the Motion.

II. BACKGROUND

3. On January 21, 2008 (the “**Petition Date**”), the Debtors commenced the Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Since that time, the Debtors have continued in possession of their property and have operated and managed their businesses, as debtors in possession, pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. Pursuant to an Amended and Restated Credit Agreement, dated as of December 15, 2005 (as heretofore or hereafter amended, supplemented or otherwise modified, the “**Prepetition Credit Agreement**”), among Prepetition Agent, RBC Capital Markets, as arranger, the lenders party thereto (together with the Prepetition Agent, the “**Prepetition RBC Secured Lenders**”), and Quebecor World Inc. (“**QWI**”) and QWUSA, as Borrowers (collectively, the “**Prepetition Borrowers**”), the Prepetition RBC Secured Lenders made certain loans and other financial accommodations to the Prepetition Borrowers in an aggregate principal amount of approximately \$750 million (the “**Prepetition RBC Secured Indebtedness**”).

5. Certain subsidiaries of QWUSA (collectively, the “**Subsidiary Guarantors**”) unconditionally guaranteed the Prepetition RBC Secured Indebtedness pursuant to a Guaranty, dated as of October 26, 2007 (as heretofore or hereafter amended, supplemented or otherwise modified, the “**Subsidiary Guaranty**”). A contractually limited portion of the Subsidiary Guarantors’ obligations under the Subsidiary Guaranty are secured by first priority perfected security interests and liens in the personal and real property of the Subsidiary Guarantors as described in certain security agreements, pledge agreements, hypothecations, mortgages, deeds of trust and other collateral documents, each dated on or about October 26, 2007 (as heretofore or hereafter amended, supplemented or otherwise modified, the “**Prepetition Security**”).

Agreements”), entered into by QWI and certain subsidiaries of QWI for the benefit of the Prepetition Agent and the respective Prepetition RBC Secured Lenders (all such real and personal property, the “**Prepetition Collateral**”).

6. The Debtors filed the Motion on January 22, 2008. On January 23, 2008, the Court held an interim hearing (the “**Interim Hearing**”) on the Motion, at which the Court entered the Interim Order (a) authorizing QWUSA to borrow up to an aggregate principal or face amount of \$750,000,000, on a joint and several basis with QWI, from the “Lenders” (as defined in the Motion) (collectively, the “**DIP Lenders**”) under the DIP Credit Facility as provided for in the Interim Order and (b) scheduling the Final Hearing to consider entry of a final order authorizing QWUSA to borrow up to an aggregate principal or face amount of \$1,000,000,000, on a joint and several basis with QWI, from the DIP Lenders under the DIP Credit Facility and granting certain other relief requested in the Motion.

III. SUMMARY OF PRINCIPAL OBJECTIONS CURRENTLY UNRESOLVED

7. As of this writing, a number of substantive issues raised by the Prepetition Agent concerning the Proposed Final Order have not yet been resolved. Such issues include, without limitation, the following:

i. Requiring Further Court Approval of Material Amendments to DIP Loan Documents.

Paragraph 4(d) of the Proposed Final Order purports to allow the Debtors to amend the DIP Credit Agreement in almost any fashion without further Court approval, with the only stated exceptions being amendments that shorten the maturity of the DIP Credit Facility or that increase the commitments, the rate of interest or letter of credit fees.

The Debtors’ right to amend the DIP Credit Agreement without Court approval should be limited to “immaterial” amendments. Any proposed material amendments, including any that would modify or add any default or remedy provisions that are more restrictive to the Debtors, should be subject to notice, hearing and further order of this Court. Without this modification to the Proposed Final Order, the Debtors and DIP Lenders could effectively re-write the DIP

Credit Agreement and substantially modify the terms of the DIP Credit Facility that is being presented to this Court for approval.

ii. Preservation of Prepetition Agent's Right to Challenge Reasonableness of DIP Lenders' Fees and Expenses.

Paragraph 9 of the Proposed DIP Order would authorize the Debtors, among other things, to pay all reasonable fees and expenses of the Agent and the Arrangers without notice to any party other than the Creditors' Committee.

The Prepetition Agent should similarly receive copies of all invoices of the Agent's and Arranger's professionals, and have an opportunity to object to the allowance and payment of any such fees as unreasonable (although the Prepetition Agent has no objection to the DIP Lenders being reimbursed such professional fees and expenses subject to a disgorgement remedy).

iii. Preservation of Prepetition Agent's Right to Seek Further Order of this Court Authorizing or Directing the Segregation or Payment of Collateral Proceeds to the Prepetition RBC Secured Lenders.

The Proposed DIP Order, at paragraph 14(c), would prohibit the Debtors from paying any proceeds of QW Memphis Inventory Collateral or other Prepetition Collateral to the Prepetition RBC Secured Lenders for application to the RBC Secured Indebtedness unless such payments are both permitted by further order of the Court and permitted by the DIP Credit Agreement.

The Prepetition Agent believes that the Proposed Final Order should explicitly preserve the rights of the Prepetition Agent to seek Court authority for the segregation or payment of some or all of the proceeds of such collateral to the Prepetition RBC Secured Lenders at any time during the Cases, without regard to the provisions or limitations of the DIP Credit Agreement. The DIP Credit Agreement is voluminous and may contain provisions that restrict or that might be interpreted to restrict such payments, and the terms of the DIP Credit Agreement (which under the Proposed Final Order could be amended in almost any manner without further order of the Court) should not restrict this Court from ordering otherwise in the future.

iv. Granting Prepetition Agent Access to Debtor Information Consistent With Access Provided in the Interim Order.

The Proposed Final Order does not require the Debtors to provide the Prepetition RBC Secured Lenders with information comparable to that provided to the DIP Lenders. The Proposed Final Order should require the Debtors to deliver such information to the Prepetition RBC Secured Lenders, consistent with the provisions of the Interim Order, in order to allow the Prepetition RBC Secured Lenders to monitor their Prepetition Collateral and any use or diminution thereof during these Cases.

v. Granting Adequate Protection Liens and Section 507(b) Claims to Prepetition RBC Secured Lenders Consistent With Protections Provided in the Interim Order.

While the Prepetition Agent believes that the Debtors and the DIP Lenders have agreed to provide acceptable adequate protection to the Prepetition RBC Secured Lenders, as of this writing the Prepetition RBC Secured Lenders have not received a “final” version of the Proposed Final Order, and therefore cannot be certain that such protections will be incorporated in a manner acceptable to the Prepetition Agent.² Therefore the Prepetition Agent reserves all rights to object to the proposed adequate protection set forth in the Proposed Final Order, and to demand appropriate adequate protection as required by the Bankruptcy Code.

vi. Granting Liens and Superpriority Claims to Secure Repayment of Intercompany Transactions; Limitations on Intercompany Transfers to Non-Debtor Affiliates.

Despite the complicated corporate structure of the Debtors in these Cases, and the fact that certain affiliates of the Debtors remain non-debtors at this time, the Proposed Final Order fails to adequately address or restrict intercompany transactions and transfers among the Debtors and between the Debtors and their non-debtor affiliates. The Proposed Final Order should provide such protections as necessary to ensure that the Debtors honor and maintain the integrity of each Debtor’s estate, including (a) requiring the tracking of and accounting for each Debtor’s borrowings under the DIP Credit Facility and all postpetition intercompany transactions between and among the Debtors and between the Debtors and their non-debtor affiliates, (b) providing for liens and superpriority claims for intercompany lenders as appropriate and (c) restricting intercompany transfers from Debtors to non-debtor affiliates, as appropriate. The Prepetition Agent has proposed a new paragraph 25 to the Proposed Final Order that addresses these issues in a manner consistent with the kinds of provisions imposed in other large cases in this district, but as of this writing, such proposed language is still under consideration by the Debtors and DIP Lenders.

vii. Limiting Creditors’ Committee Standing to Domestic Debtors.

Paragraph 20 of the Proposed Final Order provides the Creditors’ Committee with the right to assert certain claims and objections on behalf of the estates. However,

² Among other things, as of this writing the Prepetition RBC Secured Lenders do not know what portion of the QW Memphis Inventory has been converted to receivables since the Petition Date, what portion of the QW Memphis Inventory remains, what receivables have been converted to cash and what cash has been deposited into the QW Memphis Cash Collateral Account, in each case in accordance with the terms of the Interim Order. Prior to the Interim Hearing, the Debtors represented to the Prepetition Agent that the QW Memphis Inventory would be fully converted from raw material to cash within approximately 45 days after the Petition Date, which time period has now passed, but the Prepetition RBC Secured Lenders have not received confirmation that this has occurred.

such language is drafted so broadly as to potentially include claims or objections brought on behalf of non-debtor affiliates of the Debtors (such as the affiliates in the related CCAA proceeding currently pending in Canada). The language providing for such Creditors' Committee rights should be limited to apply to claims made or objections brought on behalf of the domestic Debtors in these Cases.

IV. CONCLUSION

8. The Prepetition Agent has discussed the issues set forth herein with the Debtors, the Creditors' Committee, the DIP Lenders and the Ad Hoc Group of Bondholders, and is hopeful that it will be able to consensually resolve all of its remaining issues regarding the Proposed Final Order in advance of the Final Hearing. However, because many substantive issues remain outstanding as of this writing, the Prepetition Agent reserves all rights to object on any grounds to the final version of the Proposed Final Order that the Debtors present prior to or at the Final Hearing. If the Prepetition Agent and the other principal constituencies are not able to reach an agreement on the issues set forth herein (and all other issues previously communicated to such parties) prior to the Final Hearing, then Prepetition Agent respectfully requests that the Court order that the Proposed Final Order be modified prior to entry to address

Prepetition Agent's issues and grant such other relief as is appropriate.

Respectfully submitted,

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