Hearing Date: March 20, 2008 at 10:00 a.m.
Objection Deadline: March 18, 2008 at 4:00 p.m.

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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 Honorable James M. Peck

MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO PAY AND HONOR CERTAIN PREPETITION AMOUNTS DUE UNDER THE MANAGEMENT INCENTIVE PLANS AND TO CONTINUE THE PLANS IN THE ORDINARY COURSE OF BUSINESS

The above-captioned debtors and debtors in possession (collectively, the "Debtors") move this Court (the "Motion") for the entry of an order (the "Order"), substantially in the form attached hereto as Exhibit A, authorizing the Debtors to pay and honor certain management incentive payments that accrued pre-petition, authorizing the Debtors to continue the incentive plans in the ordinary course of business, and granting such other further relief as is just and proper. In support of this Motion, the Debtors rely on the Declaration of Jeremy Roberts submitted herewith. In further support of this Motion, the Debtors respectfully state 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 363(b) of title 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the "Bankruptcy Code").

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").

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 in this case.

6. On January 31, 2008, an Official Committee of Unsecured Creditors was appointed.

7. 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").[1] Each of the Debtors was joined in the Canadian

[1] 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.

Proceeding, in order that each Debtor may obtain the protection of a stay under the CCAA as well as under the Bankruptcy Code.

The Debtors' Business

8. 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").

9. 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.,[2] Cosmopolitan for Hearst Corp., *Elle* for Hachette-Filippachi 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 Telemex and Telefonica in Latin America and (d) direct mail services.

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[2] These include *Time*, *Fortune*, *Money*, *Sports Illustrated*, *People*, *Entertainment Weekly*, *Southern Living*, *Cooking Light* and *Coastal Living*.

<u>The Debtors' Management Incentive Plans</u>

10. Quebecor World Inc., together with its direct and indirect subsidiaries (collectively, the "Company"), maintains two annual incentive plans for its management employees (collectively, the "Incentive Plans"). The two plans are the Management Incentive Compensation Plan (the "MICP") and the Plant Based Incentive Plan (the "PBIP"). These Incentive Plans are an integral component of how the Company rewards and encourages its important managerial employees.

11. There are approximately 238 employees of the Company who are participants in the MICP, and 348 employees who are participants in the PBIP. Of these employees, approximately 376 employees of the Debtors are owed or will be owed prepetition incentive payments under the Incentive Plans for the second half of 2007.

12. Under both of the Incentive Plans, an employee must satisfy previously established performance criteria in order to qualify for an incentive award. To the extent that the applicable criteria is met, an employee is eligible to receive incentive payments twice a year. By this Motion, the Debtors seek authority to make the accrued payment due to their eligible employees under the Incentive Plans for the second half of 2007.

13. As the Debtors have demonstrated in previous motions to this Court, the Debtors' employees are a critical and necessary component of their businesses. Given the critical importance of the Debtors' employees to the overall operation of the Debtors' businesses, the Debtors filed a motion on January 22, 2008, seeking relief (the "Wage and Benefits Motion") with regards to (A) Authorizing the Debtor's to Continue to Pay and Honor Certain Prepetition Claims for (I) Wages, Salaries, Employee Benefits and Other Compensation, (II) Withholdings and Deductions and (III) Reimbursable Expenses (B) Authorizing the Debtors to Continue to Provide Employee Benefits in the Ordinary Course of Business; (C) Authorizing the Debtors to

Pay All Related Costs and Expenses; (D) Directing Banks to Receive, Process, Honor and Pay All Checks Presented for Payment and Electronic Payment Requests Relating to the Forgoing; and (E) Setting a Final Hearing. On January 23, 2008, the Court granted an interim order (the "Interim Order") authorizing the relief requested and set a final hearing on the Wage and Benefits Motion for February 21, 2008, which was further adjourned until March 20, 2008. In the Wage and Benefits Motion, the Debtors sought authority to pay certain prepetition sales commissions and incentive management bonuses, but deferred a hearing on such requests in light of the fact that no payments were due on account of such amounts until February or March.

14. The Debtors have now determined that approximately 135 of their employees covered under the MICP and 241 of their employees covered under the PBIP are owed incentive compensation for the second half of 2007 that accrued prepetition, with these incentive payments currently scheduled to be paid as of March 31, 2008. Of these employees, approximately 80% of the employees earned less than $150,000 in 2007, exclusive of this incentive award sought hereunder.

(1) The MICP

15. The total amount of incentive compensation due prepetition to the approximately 135 employees of the Debtors under the MICP, as part of their compensation for the second half of the 2007, is $2,627,776, which, on average, represents an average incentive bonus of approximately $20,000 per employee. Overall, the proposed prepetition payments for these employees range from $903 to $131,974.

16. The MICP is an integral component of the total compensation of the key managerial employees of the Company. The MICP is designed to take into consideration the needs of the Company and its key priorities, and as such takes into consideration the financial results of the Company. Moreover, the historical purpose and intent of the program is to: (1) stimulate the

achievement of organizational objectives; (2) ensure that financial targets are achieved or exceeded; (3) maximize return to shareholders; and (4) provide an incentive to attract, retain and reward key employees.

17. Specifically, participants in the MICP are evaluated against the financial results of the applicable region, group or division for which he or she is accountable. The incentive bonus itself is expressed as a percentage of base salary earned, and, accordingly, the amount of each incentive payment itself varies by employee. In addition, to being tied to the success of a particular region, group or division, the amount of an employee's incentive bonus is based upon the satisfaction of one or more performance criteria. In any given year, this criteria may include targets such as: (1) Earnings Before Interests and Taxes ("EBIT"); (2) Return on Capital Employed ("ROCE"); (3) Return on Average Shareholder Equity ("ROE"), (4) Cost of Capital; and (5) Earnings per Share ("EPS").

18. The plan design of the MICP is from time to time modified in order to take into consideration the changing needs of the Company, with any changes in the plan requiring the approval of the Human Resources Compensation Committee and the Company's Board of Directors. In 2006, the MICP included a component designed to align equity with long-term shareholder value, and, as such, 50% of the target bonus for each individual was deferred for a period of three years, while the other 50% was allocated between the attainment of specific personal objectives and EBIT targets. The amount deferred in 2006 was not a cash payment, but was instead deferred shares of stock scheduled to be transferred during the first quarter of 2009.

19. In 2007, the performance criteria was EBIT, and the MICP plan approved by the Company targeted EBIT (75% of the incentive bonus) and the achievement of personal objectives linked to the creation of shareholder value (25% of the incentive bonus).

20. Needless to say, the larger payments being requested herein for employees of the Debtors under the MICP are payable to individuals who were the most successful in satisfying their performance criteria under the approved 2007 plan criteria.

21. By this Motion, the Debtors seek authority to pay the accrued prepetition payments due to their employees under the MICP for the second quarter of 2007, and to pay any other accrued incentive payments that were previously deferred, including those amounts in 2006 or prior years, if applicable, to the extent payable at this time or at some time in the future.

22. Furthermore, it is the Company's intention to continue the MICP program for its qualifying employees, and to the extent these payments constitute ordinary course payments, the Debtors seek authority to continue the MICP for their qualifying employee in the ordinary course.

(2) The PBIP

23. The total amount of incentive compensation due prepetition to the approximately 241 individuals under the PBIP as part of their compensation for the second half of the 2007, is $1,949,760, which, on average, represents an average incentive bonus of approximately $8,000. Overall, the proposed prepetition payments per these employees ranges from $694 to $46,250.

24. The PBIP program is based on performance indicators that allow for the assessment of managers by using objectives set for such managers at the beginning of each year (*i.e.*, January 2007). These performance indicators address five main areas: (1) Capacity; (2) Productivity; (3) Quality; (4) Health and Safety; and (5) Earnings Before Interests and Taxes (EBIT).

25. The incentive bonus payable to each qualifying employee under the PBIP is expressed as a percentage of base salary earned by such employee, and, is determined based

upon performance measured against certain pre-established criteria. Thus the amount varies for each employee.

26. Needless to say, the larger payments being requested for employees of the Debtors under the PBIP are payable to individuals who were most successful in satisfying their performance criteria under the approved 2007 plan criteria.

27. By this Motion, the Debtors seek authority to pay the accrued prepetition payments due to their employees under the PBIP program for the second quarter of 2007, and the authority to continue the PBIP program in the future for the Debtors' employees to the extent theses payments constitute payments in the ordinary course of business.

Relief Requested

28. Through this Motion, the Debtors seek authority to pay their employees the prepetition payments due under the Incentive Plans for second half of 2007. It is extremely important that these incentive payments be made to these important managerial employees on a timely basis, as retention is a critical issue in this transition period and to the ultimate success of the Debtors' reorganization.

29. The managers who are eligible for incentive payments under these plans are essential to the reorganization of the Debtors. Without their skill, oversight, and abilities, and especially, their leadership, the Debtors will be hard pressed to maintain strong operations and emerge with viable businesses. If the Debtors are unable to make the second payment due on account of bonuses payable under the Incentive Plans to the managerial employees, the Debtors are gravely concerned that such employees may seek alternative employment, which would seriously hamper any reorganization efforts.

30. Although the amount sought to be paid to some of the managerial employees represents a significant bonus, the requested amounts need to be considered in light of several factors: (1) these managerial employees historically received compensation under the Incentive Plans and thus are counting on the second quarter payment for 2007 as part of their annual compensation; (2) these managerial employees are being awarded compensation as a direct result of their having achieved the kind of performance that is essential for the Debtors to succeed; and (3) these managerial employees are critical to the success of the reorganization of the Debtors' businesses.

31. Failure to pay these managerial employees the compensation currently due to them under the Incentive Plans may undermine these managerial employees' confidence in the Debtors' prospects, and may cause them to seek alternative employment, thereby risking the Debtors' critical employee relationships with its workforce. Further, the loss of key leadership within the Debtors' businesses would be particularly detrimental to the Debtors at a time when they are trying to stabilize their businesses, enhance value, and maximize the recovery for creditors.

32. Needless to say, high performing managerial employees are essential to the success of the Debtors' businesses. Accordingly, the commitment of the Debtors' managerial employees to their businesses and operations is fundamental to the success of the Debtors' restructuring efforts, and timely payment of the prepetition compensation due to these employees under the Incentive Plans is critical to this effort.

33. Accordingly, the Debtors seek immediate authority to pay the second half of 2007 payments due under the Incentive Plans, which will become due and owing as of March 31, 2008. Payment of these compensation amounts, which accrued under the Incentive Plans prepetition, is critical to the viability, morale and motivation of the Debtors' managerial

employee force, and a strong performance by the Debtors' managerial employees is absolutely essential to the success of the Debtors' businesses and their reorganization purposes.

34. The Debtors will make available to the Office of the United States Trustee and counsel to the Official Committee of Unsecured Creditors a schedule showing for each employee scheduled to receive, for the second half of 2007, compensation under the MICP or PBIP, the amount of such payment, the amount of such payment in the first half of 2007, and the total amount of compensation previously received by such employee on account of 2007.

Basis For Relief

35. Pursuant to sections 363(b) and 105(a) of the Bankruptcy Code, the Debtors seek authority to pay the compensation under the Incentive Plans that accrued prepetition, and, which becomes due and owing as of March 31,2008, as the managerial employees who are owed such compensation are critical to the Debtors' prospects for reorganization. Section 363(b)(1) of the Bankruptcy Code authorizes a debtor in possession to use property of the estate other than in the ordinary course of business after notice and a hearing. Section 105(a) of the Bankruptcy Code further provides, in pertinent part, that "[t]he court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]."

36. Such payments requested herein are authorized by section 105 because they are critical to the maintenance of a strong and dedicated work force, and to the Debtors' viability and opportunities for a successful reorganization.

37. These payments fall under the "necessity of payment" doctrine and are necessary for the preservation of the estate. See e.g., Miltenberger v. Logansport Ry. Co., 106 U.S. 286 (1882), (courts may authorize a debtor to make postpetition payments with respect to prepetition claims where such payments are necessary for the preservation of the estate). In re Lehigh &

New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1989) (noting that, under the necessity of payment doctrine, "if payment of a claim which arose prior to reorganization is essential to the continued operation of the [business] during reorganization, payment may be authorized even if it is out of corpus [of the estate]").

38. The failure to grant the Debtors the relief sought with regard to these incentive payments, even for a brief period of time, could have a material adverse impact on both the day-to-day operations of the Debtors' businesses and their reorganization efforts, and would run afoul of the rehabilitative nature of the Bankruptcy Code. The "fundamental purpose of reorganization is to prevent the debtor from going into liquidation." NLRB v. Bildisco & Bildisco, 465 U.S. 513, 528 (1984). The Debtors believe that if they are unable to honor the commitment to pay these accrued payments due under the Incentive Plans, the dedication and loyalty of their key employees would be jeopardized at a time when such support is most critical.

39. Many of the Debtors' employees sought to be compensated herein can easily find other jobs, and the Debtors believe that the success of their reorganization will be jeopardized if the compensation owed is not paid, as many of their employees may seek other employment if they are not given the security of receiving the compensation due under the Incentive Plans for the second half of 2007.

40. Indeed, the managerial employees are absolutely essential to the orderly and successful reorganization of the Debtors' businesses and financial affairs. They have an intimate knowledge of the Debtors' organization and target goals, and any deterioration in their morale at this critical time would undoubtedly impact the Debtors adversely, as well as the value of their assets and businesses, and ultimately their ability to reorganize. Obvious harm will occur if highly valued managerial employees do not receive their expected compensation in a timely manner.

41. For the foregoing reasons, the Debtors believe that granting the relief requested herein is appropriate and in the best interests of all parties in interest.

42. The Debtors are not requesting the assumption of any agreement in this Motion and, therefore, nothing contained in this Motion constitutes a request for authority to assume any policy, procedure or executory contract that may be described or referenced herein.

Memorandum Of Law

43. This Motion includes citations to the applicable authorities and a discussion of their application to this Motion. Accordingly, the Debtors respectfully submit that such citations and discussion satisfy the requirement that the Debtors submit a separate memorandum of law in support of this Motion pursuant to Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York.

Notice

44. Notice of this Motion has been provided to all parties on the Notice List as set forth in the Case Management Order. A copy of the Motion is also freely available on the website of the Debtors' proposed claim and noticing agent, Donlin, Recano & Company, Inc. ("Donlin, Recano") at www.donlinrecano.com.

No Prior Request

45. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request an entry of an order, substantially in the form attached hereto as Exhibit A, authorizing the Debtors to pay the accrued payments under the Incentive Plans, authorizing the Debtors continue the Incentive Plans in the ordinary course of business, and granting such other further relief as is just and proper.

Dated: March _____, 2008
New York, New York

Respectfully submitted,

_/s/_____________________

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EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER AUTHORIZING THE DEBTORS TO PAY AND HONOR CERTAIN PREPETITION AMOUNTS DUE UNDER THE MANAGEMENT INCENTIVE PLANS AND TO CONTINUE THE PLANS <u>IN THE ORDINARY COURSE OF BUSINESS</u>

Upon the motion (the "Motion")[1] of the above-captioned debtors (collectively, the "Debtors") for entry of an Order granting the Debtors request that they be authorized to pay the amounts due under the Incentive Plans and continue the Incentive Plans in the ordinary course of business; it appearing that the relief requested is in the best interest of the Debtors' estates, their creditors and other parties in interest; it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); it appearing that venue of this proceeding and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and notice of this Motion and the opportunity for a hearing on this Motion was appropriate under the particular circumstances and that no other or further notice need by given; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

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[1] 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 are authorized to pay the accrued prepetition payments due under the Management Incentive Compensation Plan and the Plant Based Incentive Plan.

3. The Debtors are authorized to continue the Management Incentive Compensation Plan and the Plant Based Incentive Plan in the ordinary course of business.

4. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

5. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

6. The requirement set forth in Rule 9013-1(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 contents of the Motion or otherwise waived.

7. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: March ______________, 2008

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United States Bankruptcy Judge