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

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)

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., et al.,	Case No. 08-10152 (JMP) Jointly Administered
Debtors.	Honorable James M. Peck

SECOND MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO PAY AND HONOR CERTAIN PREPETITION CLAIMS FOR SALES COMMISSIONS

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 unpaid sales commissions that accrued pre-petition, 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), 363(b), and 507(a)(4) 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.

<u>The Debtors' Business</u>

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*.

The Debtors' Sales Representatives

10. 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.

11. 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.

12. The Debtors' employees are a critical and necessary component of their printing business. Given the necessity of the Debtors' employees to the overall operations 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. As part of the Wage and Benefits

Motion, the Debtors sought authority to pay certain employees prepetition commissions and incentive management bonuses, but deferred a hearing on such requests under the assumption that no payments were due on account of such amounts until February or March.

13. On February 11, 2008, the Debtors filed a Motion for Entry of an Order Authorizing the Debtors to Pay and Honor Commissions that Accrued Prepetition (the "February Commission Motion"). As part of this February Commission Motion, the Debtors sought authority to pay the 59 sales employees whose commissions had been scheduled to be paid as February 1, 2007. In this February Commission Motion, the Debtors deferred seeking relief until a later hearing date with regards to the commissions owed to additional sales employees, including those sales commissions for 2007 sales that were not scheduled to be paid until March.

14. On February 21, 2008, this Court entered an order approving the relief requested in the February Commission Motion and authorizing the Debtors to pay commissions to the 59 sales employees that accrued prepetition and were due and owing as of February 1, 2008.

15. In reviewing the sales commission obligations for each of the Debtors, and their respective groups and divisions, the Debtors have now ascertained that, along with the sales commissions due in March that are addressed herein, there are certain additional prepetition commission obligations that have not yet been fully resolved. While the Debtors are only seeking authority herein with regards to the sales commissions due and payable in March, the Debtors reserve the right to file such motion or motions as may be necessary to seek the Court's authority to pay additional prepetition sales commissions as such obligations are finally determined, which the Debtors currently estimate to be approximately $550,000.

16. The Debtors are herein seeking authority to pay prepetition sales commissions currently owing to 108 sales employees. Of these 108 sales employees, 107 of the sales employees are owed accrued prepetition commissions by no later than March 31, 2008.[3]

17. The total amount of the sales commissions due to these 108 individuals is $3,175,111. Of this amount, $2,224,373 reflects amounts in excess of $10,950 per employee, with the proposed prepetition payments per employee ranging from $142 to $251,441.

18. Needless to say, the larger payments are being made to individuals who generated the most business for the Debtors during the applicable time period. 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 prepetition sales commissions, the amount of such payment and the amount of additional compensation previously received by such employee on account of 2007.

Relief Requested

19. Through this Motion, the Debtors seek authority to pay the Commissioned Employees (defined below) for the work such employees performed prepetition. It is extremely important that these commission payments be made to these important sales employees on a timely basis, as retention is a critical issue in this transition period and to the ultimate success of the Debtors' reorganization.

20. The commissions owing to these 108 sales employees (the "Commissioned Employees") are either already past due or will be due and owing by March 31, 2008, as noted above. If the Debtors are unable to make timely payment to the Commissioned Employees, the

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[3] The other employee is owed $15,000 for meeting specific sales and budget attainment goals in 2007. This payment was due at the end of January 2007, and the Debtors seek authority herein to pay this employee for successfully achieving the target sales goal.

Debtors are gravely concerned that such employees may seek alternative employment, which would seriously hamper any reorganization efforts.

21. The Debtors' sales representatives are compensated primarily on a commission basis, and are paid such commissions only when the payment for the account (i.e., the sale) is actually received by the Company; thus, the Debtors generally pay commissions to their sales representatives anywhere from 30-90 days after the sale actually occurred. Accordingly, the Commissioned Employees may go for long periods without receiving commissions, at which point they may be entitled to several months worth of commissions.

22. Although the amount sought to be paid is in excess of the priority limit for many of the Commissioned Employees, the requested amounts need to be considered in light of multiple factors: (1) these Commissioned Employees are primarily or exclusively paid through sales commissions; (2) sales commissions are often at their highest at the end of the year, and the Commissioned Employees thus rely on these year end payments as a significant portion of their annual compensation; and (3) these Commissioned Employees are critical to the success of the reorganization of the Debtors' businesses.

23. Once again, the sales employees' commissions can be quite cyclical, with the highest commissions often generated in the last quarter of the year. Indeed, November and December historically represent high sales volume months for the Debtors as a result of the significant amount of printing that occurs around the holidays. Therefore, many of the Commissioned Employees rely heavily on the commissions generated over the fourth quarter of the year, and not all of the commissions for the fourth quarter of 2007 have been paid yet. Failure to pay these commissions when due may undermine these sales employee confidence in the Debtors' prospects, and may cause these sales employees to seek employment with competitors, thereby risking the Debtors' critical customer relationships.

24. Needless to say, high performing professional sales employees are in great demand in this particular industry, and, as noted above, the Commissioned Employees have developed relationships that are essential to the success of the Debtors' businesses. Accordingly, the retention of the Debtors' sales employees is fundamental to the success of the Debtors' restructuring efforts, and timely payment of their commissions is critical to their retention.

25. The Debtors seek immediate authority to pay these prepetition commissions to the Commissioned Employees. Although the bulk of the prepetition commissions represent amounts in excess of $10,950 per employee, payment of these compensation amounts is critical to the viability, morale and motivation of the Debtors' sales force, and the strong performance of the Debtors' sales force is absolutely essential to the success of the Debtors' businesses.

Basis For Relief

26. Pursuant to sections 363(b) and 105(a) of the Bankruptcy Code, the Debtors seek authority to pay the outstanding sales commissions that accrued prepetition, as the sales employees who are owed such monies 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]."

27. While such payments sought to be authorized herein exceed the $10,950 priority limitation per employee contained in section 507(a)(4), such payments 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.

28. 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]").

29. The failure to grant the Debtors the relief sought with regard to these commissions, 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 commissions, employee dedication and loyalty would be jeopardized at a time when employee support is most critical.

30. Many of the Debtors' employees sought to be compensated herein can easily find other jobs, and the Debtors believe that the reorganization will be jeopardized if the compensation owed is not paid, as many of the employees may seek other employment if they are not given the security of receiving their sales commissions. Indeed, the Commissioned 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' customer base, 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. If these Commissioned Employees were to seek other employment, the Debtors would not only lose valuable employees but also valuable business relationships with these employees' customers. Therefore, obvious harm will occur if highly valued Commissioned Employees do not receive their expected compensation in a timely manner.

31. 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. The Court recognized this need in approving the earlier group of prepetition commission payments, and the payments for this group of Commissioned Employees are equally essential.

32. 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

33. 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

34. 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

35. 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 Commissioned Employees the sales commissions that accrued prepetition.

Dated: March 10, 2008
New York, New York

Respectfully submitted,

/s/ Michael J. Canning

Michael J. Canning (MC 8060)

ARNOLD & PORTER LLP
399 Park Avenue
New York, New York 10022-4690
Telephone: (212) 715-1000
Facsimile: (212) 715-1399

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 (JMP) Jointly Administered Honorable James M. Peck

ORDER AUTHORIZING THE DEBTORS TO PAY AND HONOR CERTAIN PREPETITION CLAIMS FOR SALES COMMISSIONS

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 and honor certain claims for sales commissions that accrued prepetition; 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 be given; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is GRANTED as set forth herein.

[1] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

2. The Debtors are authorized to pay the accrued prepetition commissions to the Commissioned Employees as set forth in the Motion.

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

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

5. 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.

6. 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