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

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

**DECLARATION OF ROSWELL DENNISON IN SUPPORT OF MOTIONS OF THE DEBTORS PURSUANT TO 11 U.S.C. § 365 TO ASSUME EXECUTORY CONTRACTS WITH (1) SIM PRODUCTS, INC., (2) GOSS INTERNATIONAL AMERICAS, INC., (3) MASCHINENFABRIK K. WALTER GMBH & CO. KG AND (4) HELL GRAVURE SYSTEMS, GMBH & CO. KG**

I, Roswell Dennison, declare as follows in support of the following Motions of the Debtors to assume certain executory contracts: (a) Motion of the Debtors Pursuant to 11 U.S.C. § 365 to Assume an Executory Contract with SIM Products, Inc. for Purchase of Co-Mailing Equipment (the "SIM Motion"); (b) Motion of the Debtors Pursuant to 11 U.S.C. § 365 to Assume an Executory Contract with Goss International Americas, Inc. for One (1) Universal 45 Four-High Tower Add On with Related Equipment (the "Goss Motion"); (c): Motion of the Debtors Pursuant to 11 U.S.C. § 365 to Assume Executory Contracts with Maschinenfabrik K. Walter GMBH & Co. KG for Two (2) Copper Tanks (the "K. Walter Motion"); and (d) Motion of the Debtors Pursuant to 11 U.S.C. § 365 to Assume Executory Contracts with Hell Gravure Systems, Gmbh & Co. KG for the Purchase of Engraving Equipment (the "HGS Motion," together with the SIM Motion, the Goss Motion, the K. Walter Motion, the "Motions").[1]

1. I am Vice President, Global Gravure Technology at QW World. In this capacity, I am generally familiar with the Debtors' day-to-day operations, including the matters set forth in the Motions.

**The SIM Motion**

2. The contract that is the subject of the SIM Motion pertains to an agreement between Quebecor World Logistics, Inc. ("QWL") and SIM Products, Inc. ("SIM") for the purchase of six 30-Pocket SF505 Co-Mailer Systems (each, a "Co-Mailer"). Co-Mailers are used by the Debtors in connection with their direct mail business. A 30-Pocket Co-Mailer system consists of software and equipment capable of integrating subscriber lists from up to 30 different publishers and then bundling the related publications (such as magazines and catalogs) according to mail carrier routes and/or postal ZIP codes established by the U.S. Postal Service, so that magazines, catalogs and other materials published by from multiple customers that are destined for the same geographic area are grouped together prior to delivery to the Postal Service. By bundling and pre-sorting publications in this manner, the Debtors are able to obtain postage rates for their customers that are much lower than those that would be available if the same publications were mailed individually. This service is particularly useful to publishers that, on their own, do not produce materials in sufficient volume to obtain the lowest rates available from the U.S. Postal Service. By combining publications from multiple customers, the Debtors are able to obtain lower rates and provide cost savings to their customers.

[1] Unless otherwise defined, capitalized terms used herein shall have the meanings set forth in the Motions.

3. The Debtors have a substantial presence in the direct mail industry and provide these services to both our printing customers and, more recently, to publishers who do not use the Debtors for printing services. The ability to offer our customers co-mailing services is critical to being a competitive participant in the direct mail industry because customers actively seek out businesses that offer co-mailing and the associated cost savings. Accordingly, in order to remain a leader in the direct mail industry, the Debtors have a strong business interest in being able to provide state-of-the-art co-mailing services to their customers.

4. The Co-Mailers that the Debtors have agreed to purchase from SIM under the Agreement represent the state-of-the-art in terms of co-mailing equipment. Prior to entering into the Agreement, the Debtors interviewed and negotiated with all of the limited number of prospective vendors for co-mailing equipment. At the end of that process, the Debtors determined that SIM offered the best equipment available at a very competitive price. In addition, due to the large size and complex nature of the machinery that comprises co-mailing systems, SIM has limited production capacity and it was necessary for the Debtors to reserve capacity in order to obtain delivery of the Co-Mailers in a timely manner.

5. The contract pursuant to which QWL and SIM agreed on the terms of QWL's purchase of six Co-Mailers consists of (i) a quotation of price and terms and a description of the Equipment provided by SIM and dated May 1, 2007 (the "Quotation"), (ii) two purchase orders submitted on behalf of QWL, (a) the first, Purchase Order No. 668 (the "First Purchase Order"), dated May 7, 2007, pursuant to which QWL ordered two Co-Mailers and (b) the second, Purchase Order No. 707 (the "Second Purchase Order," together with the First Purchase Order, the "Purchase Orders"), dated May 29, 2007, pursuant to which QWL ordered four Co-Mailers and (iii) a series of invoices from SIM to QWL on account of the Purchase Orders, setting forth

the payment schedule and amounts due for each Co-Mailer (the "Invoices," together with the Quotation and Purchase Orders, the "SIM Agreement").

6. Under the SIM Agreement, QWL is obligated to make monthly installment payments on account of each Co-Mailer. For the first two Co-Mailers ("Co-Mailer #1" and "Co-Mailer #2"), ordered pursuant to the First Purchase Order, QWL made a down payment on May 10, 2007, and commenced making monthly installment payments on July 15, 2007 through February 15, 2008. Manufacture of Co-Mailer #1 was completed in December 2007, and it is currently being held in storage by SIM pending the Debtors' decision on relocating to a new facility. Co-Mailer #2 is nearing completion, with a delivery date scheduled for March 2008.

7. With respect to the Second Purchase Order, QWL made a down payment on the four additional Co-Mailers ("Co-Mailer #3," "Co-Mailer #4," "Co-Mailer #5" and "Co-Mailer #6") on June 14, 2007. Installment payments on Co-Mailer #3, Co-Mailer #4 and Co-Mailer #5 were scheduled to commence on January 15, 2008. The Debtors have not made this initial, prepetition installment payment. The Debtors did, however, make the subsequent postpetition payment that was due on February 15, 2008. Installment payments on Co-Mailer #4 will commence with an initial payment due on May 15, 2008. Delivery dates for the remaining four Co-Mailers are anticipated to occur in July 2008, November 2008, March 2009 and July 2009.

8. As of the date of this Motion, the Debtors have made down payments and installment payments totaling approximately 39% of the total purchase price. The unpaid prepetition amount currently due and owing on account of the Co-Mailers is $541,965 (the installment payments that were due on Co-Mailers #3 through #5 on January 15, 2008).

9. Based on my knowledge of the Debtors' business and familiarity with obtaining co-mailing equipment, it is my belief that the assumption of the SIM Agreement is in the best

interests of the Debtors because of the amounts already paid by the Debtors under the SIM Agreement and because it would be very difficult to obtain replacement equipment if the Debtors do not continue to perform under the SIM Agreement.

**The Goss Motion**

10. The contract that is the subject of the Goss Motion pertains to an agreement between Quebecor World Waukee Inc. and Goss International Americas, Inc. ("Goss") for the purchase of one Universal 45 four-high tower add-on with related equipment (the "Tower"). The Tower would be added as an additional tower to an existing Goss Universal 45 press (the "Goss U45 Press") at the Debtors' facility in Waukee, Iowa. The Goss U45 Press is used primarily in the Debtors' telephone directory business. The Tower would provide additional page and color capability to the existing Goss U45 Press. Increasing the range of page and color capability that the Debtors are able to offer to their customers will substantially increase their ability to generate revenue in the telephone directory business. Because the Debtors have already installed the Goss U45 Press at their Waukee facility, Goss is the only manufacturer that produces a tower add-on that is compatible with the Debtors' existing equipment.

11. Beginning mid-April 2008, the Waukee facility will lose a substantial amount of earnings each week the Tower is not operational, as it will have to outsource work that would otherwise be produced on the Goss U45 Press. Installation of the Tower was scheduled for March-April because the facility is less busy during this time and could more easily afford to take the Goss U45 Press offline for the time it will take to complete the installation and testing for the Tower. As of the date of this Motion, the Tower has been manufactured and shipped to Waukee, and Goss has represented to the Debtors that it is prepared to begin installation of the Tower immediately following assumption of the contract between Goss and Waukee.

12. The contract pursuant to which Waukee and Goss agreed on the terms of Waukee's purchase of the Press Tower consists of (i) a purchase and security agreement stating the terms of the sale and the general sales conditions, dated March 21, 2007 and (ii) a contract amendment dated September 25, 2007, pursuant to which the price and equipment specifications were amended (together, the "Goss Agreement").

13. Waukee is obligated to make payments in accordance with the payment terms set forth in the Goss Agreement. Waukee made the payments due in July 2007 and October 2007. The Debtors did not make a prepetition payment of $705,458 that was due on January 2, 2008. The Debtors did, however, make the subsequent postpetition payment that was due under the Goss Agreement.

14. As of the date of this Motion, the Debtors have made down payments and installment payments totaling 45% of the total purchase price. The unpaid amount currently due and owing on account of the Tower is $705,458 (the payment that was due on January 2, 2008), which is the amount that would be required to cure the Debtors' defaults under the Goss Agreement.

15. The Debtors' representatives have held discussions with Goss to inform Goss of the Debtors' intent to assume the Goss Agreement, and have provided the Goss with assurance of their ability to perform under the Goss Agreement in the future. Goss has informed the Debtors that it consents to the assumption of the Goss Agreement, and has demonstrated its willingness to continue to perform by delivering the Tower to the Debtors' Waukee facility.

16. Accordingly, I believe that assumption of the Goss Agreement is a sound business decision that ensures that the Debtors will receive the equipment necessary for the ongoing

operation of their businesses and on account of which they have already advanced substantial sums.

**The K. Walter Motion**

17. The two contracts that are the subject of the K. Walter Motion pertain to agreements between the Debtor and Maschinenfabrik K. Walter GMBH & Co. KG. ("K. Walter") for the purchase of copper tanks used to plate the cylinders used in the rotogravure printing process ("Cylinder Plating Equipment"). Quebecor World Nevada Inc. ("QW Nevada") entered into an Equipment Purchase Agreement with K. Walter dated September 3, 2007 for the purchase of one copper tank for the Debtors' Fernley, Nevada facility, and Quebecor World Atglen, Inc. ("QW Atglen") entered into an Equipment Purchase Agreement with K. Walter dated September 19, 2007 for the purchase of one copper tank for the Debtors' Franklin, Kentucky facility (together, the "Agreements").

18. The Debtors' Fernley and Franklin facilities produce retail inserts and magazines included in weekend newspaper editions. The Cylinder Plating Equipment is used to apply a copper coating to the cylinders used in printing process. The image to be printed is engraved onto the copper. The copper must be stripped and a new layer "plated" for each image to be printed. The Cylinder Plating Equipment the Debtors have agreed to purchase will increase the Debtors' printing press capacity by minimizing the time required to produce new copper coated cylinders. Efficient plating equipment is critical because the Debtors' customers are increasingly printing different versions of the same insert or magazine for different geographic regions. Each version requires a new cylinder coating to be applied, no matter how small the changes to the image. Due to the extremely time-sensitive nature of these materials, quick turn-around time is

essential to maintaining Debtors' substantial presence in the retail insert and Sunday magazine industries.

19. The Fernley facility requires additional Cylinder Plating Equipment in order to increase its capacity. It is currently experiencing inefficient downtime on presses due to the need for an additional plating tank. The Franklin facility requires the new Cylinder Plating Equipment to replace an existing tank that is in need of very expensive repairs. The Debtors have determined that it would be more cost-effective to replace rather than repair the old tank.

20. Prior to entering into the Agreements, the Debtors conducted a bidding process with K. Walter and the only other supplier of this equipment. K. Walter offered a lower price.

21. The Debtors are obligated to make payments in accordance with the payment terms set forth in the Agreements. QW Nevada failed to make a prepetition payment of $240,000 on account of the equipment for the Fernley plant.

22. The Debtors' representatives have held discussions with K. Walter to inform K. Walter of the Debtors' intent to assume the Agreement, and have provided the K. Walter with assurance of their ability to perform under the Agreement in the future.

**23.** Accordingly, assumption of the Agreement is a sound business decision that ensures that the Debtors will receive the equipment necessary for the ongoing operation of their businesses and on account of which they have already advanced substantial sums. In addition, the Debtors will cure existing defaults under the Agreement, have generally performed in accordance with the Agreement's terms and have access to sufficient funds to support their future performance.

**The HGS Motion**

24. The HGS Motion pertains to the following agreements between Debtors and Hell Gravure Systems, GmbH & Co. KG ("HGS") (i) an agreement between Quebecor World Atglen Inc. ("QW Atglen") and HGS for the purchase of two K6 Engravers for the Debtors' Atglen, Pennsylvania facility (the "Atglen Agreement"), (ii) an agreement between Quebecor World Mt. Morris II LLC ("QW Mt. Morris") and HGS for the purchase of two K6 Engravers for the Debtors' Mt. Morris, Illinois facility (the "Mt. Morris Agreement"), (iii) an agreement between QW Atglen and HGS for the purchase of two K6 Engravers for the Franklin, Kentucky facility (the "Franklin Agreement"), and (iv) a purchase order submitted by QW Memphis Corp. to HGS for K6 upgrades to existing K406 Engravers (the "K6 Upgrades") for the Dickson, Tennessee facility (the "Dickson Agreement," together with the Atglen Agreement, the Mt. Morris Agreement and the Franklin Agreement, the "Agreements").

25. Engravers are used in the rotogravure printing process to engrave images onto large cylinders. Ink is applied to the cylinders and the image is then "rolled" onto the paper. Rotogravure printing is used in a number of the Debtors' businesses, including to the production of retail inserts, weekly news magazines and catalogs.

26. The Debtors' Atglen facility produces a number of retail inserts and weekly news magazines. More than 75% of the facility's work is rotogravure printing. The Debtors' Franklin facility, at which 100% of the work is rotogravure printing, produces primarily retail inserts and high-end catalogs. The Debtors' Mt. Morris facility, at which 100% of the work is rotogravure printing, produces primarily high end catalogs and Sunday magazines. Finally, the Debtors' Dickson facility, at which 100% of the work is rotogravure printing, produces primarily retail inserts and Sunday magazines.

27. The new K6 Engravers are to replace the Debtors' existing engravers that have outlasted their useful life and are quickly becoming obsolete. The computer technology in the existing engravers is incompatible with current generation of data files used by the Debtors' customers. In addition, the new engravers are more efficient, providing increased throughput and requiring less labor to operate. They produce a product of a substantially higher quality, as is increasingly demanded by Debtors' customers. Accordingly, in order to remain a leader in the production of rotogravure products, it is critical that the Debtors upgrade this equipment.

28. The K6 Upgrades for the Dickson facility would be used to upgrade Dickson's existing HGS model K406 Engravers to have certain K6 capabilities, including increased automation and accuracy and reduction in staffing requirements. The K406 Engravers are less sophisticated than the K6 Engravers, but substantially more sophisticated than the engravers the Debtors are seeking to replace at Atglen, Franklin and Mt. Morris.

29. It is critically important for the Debtors' business operations to promptly assume these contracts. The K6 Engravers for Atglen have both been delivered and installed. However, the electronic software that controls the machines is due to be shut off if cure payments are not promptly received. With respect to the Franklin contract, one of the K6 Engravers has been shipped and is being held at the port in New York pending payment of past-due pre-petition amounts owing. The second K6 Engraver has been built and is ready to ship. Once received at Franklin, the new equipment will take approximately two months to become fully operational, including training operators for the equipment and calibrating the machines to the unique specifications of each customer. The K6 Engravers for the Mt. Morris facility are still being manufactured. The Debtors must make prepetition cure payments by late March in order to retain their manufacturing priority and to secure a July shipment of the equipment. The K6

Upgrades for the Dickson facility are ready to ship but will require two months to install due to the substantial modifications necessary to adjust the upgrades to the existing equipment.

30. The K6 Engravers that the Debtors have agreed to purchase from HGS under the Agreements represent the state-of-the-art in terms of rotogravure engraving equipment. The Debtors have negotiated a substantial corporate discount with HGS. In addition, due to the purchase of multiple engravers, the Debtors negotiated an additional discount and received the engravers at a very competitive price.

31. QW Mt. Morris and HGS entered into the Mt. Morris Agreement on or about October 15, 2007. QW Mt. Morris is obligated to make payments pursuant to the payment schedule under the Mt. Morris Agreement, and failed to make a prepetition payment of €784,136 due on January 15, 2008. One of the engravers is in final testing and will be ready to ship in late March 2008. The other engraver will be built and ready to ship in early June, if the payments under the Mt. Morris Agreement are brought current by March 25, 2008. The unpaid prepetition amount currently due and owing on account of the Mr. Morris Agreement is €784,136 Euros.

32. QW Atglen and HGS entered into the Franklin Agreement on or about April 12, 2007. Atglen is obligated to make payments pursuant to the payment schedule under the Franklin Agreement, and failed to make a prepetition payment of €790,653 due January 15, 2008. The engravers have been shipped to New York but will not be delivered until the late payments under the Franklin Agreement are made. The unpaid prepetition amount currently due and owing on account of the Franklin Agreement is €790,653.

33. QW Memphis Corp. and HGS entered into the Dickson Agreement on or about August 21, 2007. Pursuant to the Dickson Agreement, HGS upgraded the hardware and software

on the Debtors' existing engravers. The unpaid prepetition amount currently due and owing on account of the Mr. Morris Agreement is €298,149, which was due on or about January 10, 2008.

34. QW Atglen and HGS entered into the Atglen Agreement on or about October 15, 2007. There are no prepetition amounts outstanding under the Atglen Agreement and the Debtors intend to make all postpetition installment payments due thereunder. Both engravers subject to the Atglen Agreement have been delivered and installed.

35. New rotogravure printing equipment is integral to a major sector of the Debtors' business, the printing of catalogs and retail mailings. The Debtors' ability to be a viable competitor in the this business is particularly important to their overall operations. Moreover, the equipment that is the subject of the Agreements represents a key element of the Debtors' efforts to retool and modernize their facilities and provide state-of-the-art service to their customers.

36. The Debtors' representatives have held discussions with HGS to inform HGS of the Debtors' intent to assume the Agreements, and have provided the HGS with assurance of their ability to perform under the Agreements in the future.

37. Accordingly, assumption of the Agreements is a sound business decision that ensures that the Debtors will receive the equipment necessary for the ongoing operation of their businesses and on account of which they have already advanced substantial sums.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 10, 2008.

__/s/ Roswell Dennison____________
Roswell Dennison