

ARNOLD & PORTER LLP
399 Park Avenue
New York, New York 10022-4690
Telephone: (212) 715-1000
Facsimile: (212) 715-1399
Michael J. Canning
Joel M. Gross

*Counsel for the Debtors
and Debtors-in-Possession*

**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

**DECLARATION OF JEREMY ROBERTS IN SUPPORT OF MOTION OF THE
DEBTORS FOR ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. § 363
AUTHORIZING (I) QUEBECOR WORLD LOGISTICS INC. TO ENTER INTO AND
PERFORM OBLIGATIONS UNDER A NEW LEASE FOR REAL PROPERTY
LOCATED AT 13 JENSEN DRIVE IN FRANKLIN TOWNSHIP, SOMERSET COUNTY,
NEW JERSEY AND (II) QUEBECOR WORLD (USA) INC. TO EXECUTE AND
DELIVER A GUARANTY RELATED THERETO**

I, Jeremy Roberts, declare as follows in support of the Debtors' motion (the "Motion) for the entry of an order authorizing (i) Quebecor World Logistics Inc. to enter into and perform obligations under a new lease for real property located at 13 Jensen Drive in Franklin Township, Somerset County, New Jersey and (ii) Quebecor World (USA) Inc. to execute and deliver a guaranty related thereto.

1. I am Senior Vice President, Corporate Finance and Treasurer of Quebecor World (USA) Inc. (“QWUSA”), a corporation organized under the laws of the State of Delaware and one of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”). In this capacity, I am generally familiar with the Debtors’ day-to-day operations, business and financial affairs, books and records.

2. The Debtors, through the operations of Debtor Quebecor World Logistics Inc. (“QW Logistics”), provide freight and logistics services to their customers. The Debtors’ freight and logistics customers include both customers that utilize the Debtors’ printing services and third parties that contract with QW Logistics strictly for freight and logistics services. As part of QW Logistics’ business, it maintains freight consolidation facilities across the United States. QW Logistics is currently in the process of relocating a consolidation facility in New Jersey, which facility is vital to QW Logistics’ freight and logistics services in the Northeast United States.

3. The Debtors also provide direct mail services to their customers. The Debtors have a substantial presence in the direct mail industry and provide these services to both their printing customers and, more recently, to publishers who do not use the Debtors for printing services. In this regard, as part of the direct mail services offered, the Debtors provide co-mailing services which consist of the bundling of mailings of multiple customers in order to reduce costs. The ability to offer 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.

4. In order to remain a leader in the direct mail industry, the Debtors must be able to provide state-of-the-art co-mailing services to their customers. To that end, the Debtors are

presently in the process of acquiring six state-of-the-art 30-Pocket SF505 Co-Mailer Systems (each, a “Co-Mailer”), which are used by the Debtors in connection with their direct mail business.¹

5. In order to better serve their customers and to respond to increased demand for co-mailing services, the Debtors intend to locate certain of the Co-Mailers in order to serve the Northeast United States, a region that constitutes approximately 30% of all U.S. distributions. The Debtors currently do not own or lease any facilities in the Northeastern United States that can support the installation of multiple Co-Mailers, which requirements necessitate at least 100,000 square feet. Moreover, the Debtors have determined that they can realize certain efficiencies and cost savings, and consolidate and streamline their operations, by locating certain of the Co-Mailers at the same facility as QW Logistics’ Northeastern United States consolidation facility. Accordingly, the Debtors are in need of additional real property that can serve as both a consolidation facility for QW Logistics and as the location for certain of the Co-Mailers.

6. In this regard, the Debtors, working with a real estate broker, analyzed more than ten potential locations, performed site visits and reviewed lease proposals. At the conclusion of this process, the Debtors determined that the facility best suited for the needs of both QW Logistics and the Debtors’ co-mailing business is the site located at 13 Jensen Drive, in Franklin Township, Somerset County, New Jersey.

¹ 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 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.

7. QW Logistics seeks approval of its entry into a Lease Agreement (the “Lease”) dated as of April 8, 2008 between QW Logistics, as Tenant, and Headlands Realty Corp., as Landlord (the “Landlord”), for the lease of approximately 239,229 rentable square feet known as “Suite 100” and located at 13 Jensen Drive in Franklin Township, Somerset County, New Jersey (the “Premises”).

8. In connection with, and as a condition to the Landlord’s willingness to enter into the Lease, QW USA, also a Debtor in these Chapter 11 Cases, agreed to execute and deliver to Landlord a Guaranty of Lease (the “Guaranty”) dated as of April 8, 2008, pursuant to which QW USA agreed to unconditionally and irrevocably guarantee the prompt payment by QW Logistics of all rents and all other sums payable by QW Logistics under the Lease and the faithful and prompt performance by QW Logistics of each and every one of the terms, conditions and covenants of the Lease.

9. The initial term of the Lease is 12 years, six (6) months and 23 days, commencing on April 8, 2008 and ending on October 31, 2020. QW Logistics will have the right, at its option, to renew the Lease for four (4) additional five (5) year terms, for a total of 20 years, at rates to be determined as set forth in Section 15.20 of the Lease.

10. During the initial term of the Lease, QW Logistics will pay rent in accordance with the schedule set forth in Section 1.4 of the Lease. In particular, neither any Base Rent nor tenant’s share of Operating Expenses (as defined in the Lease) will be due under the Lease during the “Pre-Base Rent Commencement Date Period,” from April 8, 2008 to September 30, 2008. For the following six (6) months, from October 1, 2008 until March 31, 2009, QW Logistics will have no obligation to pay any monthly installments of Base Rent and will be liable only for Operating Expenses payable during such period. Subject to QW Logistics’ entitlement

to a credit of \$31,640.75 for Base Rent due with respect to the monthly Base Rent otherwise payable on April 1, 2009, installments of Base Rent for the remainder of the initial term of the Lease will be as follows:

Time Period	Annual Base Rent Per Square Foot	Monthly Installment of Base Rent
May 1, 2009 to September 30, 2013	\$5.34	\$106,456.91
October 1, 2013 to September 30, 2018	\$6.08	\$121,209.36
October 1, 2018 to October 31, 2020	\$6.86	\$136,759.25

11. Including Operating Expenses, QW Logistics' estimated monthly rental payment under the Lease during the initial rental period ending September 30, 2013 will be \$138,354.12. In addition, pursuant to Section 1.15 of the Lease, QW Logistics is required to make an advance payment of rent in the amount of \$138,354.12 in connection with QW Logistics' entry into the Lease.

12. In addition, QW Logistics is required to provide the Landlord with a security deposit in the amount of \$1,700,000 (the "Security Deposit"). The Security Deposit will be provided in the form of an unconditional, irrevocable letter of credit. Pursuant to Section 5.4 of the Lease, the amount of the letter of credit constituting the Security Deposit will be reduced in the amount of \$141,666.67 on each anniversary of the Base Rent Commencement Date for each year of the Lease's term, subject to the requirement that scheduled reductions in the amount of the Security Deposit shall not cause it to be less than \$141,666.67.

13. QW Logistics will have the right to construct or install certain tenant improvements pursuant to Section 1.11 of the Lease. In this regard, the Landlord will pay QW Logistics a tenant improvement allowance in cash in the amount of \$1,143,249.

14. The effectiveness of the Lease, and the agreements, covenants and obligations of QW Logistics set forth in the Lease, are in all respects subject to the entry of a final, non-appealable order by the Court authorizing and approving the (a) the execution and delivery of the Lease by QW Logistics and the performance by QW Logistics of all of the agreements, covenants and obligations of QW Logistics set forth in the Lease and (b) the execution and delivery of the Guaranty by QW USA and the performance by QW USA of all of the agreements, covenants and obligations of QW USA set forth in the Guaranty (the "Approval Order"). The Lease provides that the Debtors must obtain entry of the Approval Order no later than 60 days from the date of the Lease, i.e., by June 8, 2008, and pending the entry of the Approval Order, the Debtors have no right to enter upon, use or occupy the Premises.

15. The Debtors have determined that entry into the Lease is in their best interests and is essential to their business operations. In order to accommodate the requirements of their customers, and the growing volume of business and demand for co-mailing services it is necessary that the Debtors obtain a facility in the Northeast United States that is capable of housing multiple co-mailing machines. In addition, in light of the decision of QW Logistics to relocate its consolidation facility, and the increased efficiencies and cost savings that will result from leasing a single facility to house both QW Logistics' consolidation facility and certain of the Co-Mailing machines, the Debtors believe that entry into the Lease is a sound exercise of business judgment. The operational capacity that the Debtors will have based at the new facility will provide the Debtors with a competitive edge in the Northeast United States and will provide the Debtors with leverage in obtaining new customers, many of whom are located in the Northeast United States. The absence of a strong presence in the co-mailing and freight and

logistics businesses in the Northeast United States will jeopardize the Debtors' ability to meet customer needs and will impair the Debtors' strategic growth plans in the co-mailing business.

16. The Debtors believe that the terms and conditions of the Lease are fair and reasonable and are the best available for a facility of this type in this region. The Debtors engaged in a thorough search for a new facility and, once they identified the Premises, engaged in extensive negotiations with the Landlord. Ultimately, the Debtors believe that the Lease represents the lowest operating cost, lowest lease cost and highest landlord incentives of any alternative available to the Debtors.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on May 12, 2008.

/s/ Jeremy Roberts
Jeremy Roberts