

**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

**STIPULATION AND CONSENT ORDER BETWEEN THE DEBTORS AND BLUE
HERON PAPER COMPANY**

This stipulation and consent order (the “Stipulation”) is entered into and agreed to by and between Quebecor World (USA) Inc., et al. (the “Debtors”), the Debtors in the above-captioned cases, and Blue Heron Paper Company (“Blue Heron”) by and through their undersigned attorneys, as follows:

WHEREAS, on January 21, 2008 (the “Petition Date”), the Debtors filed their voluntary petitions in this Court for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ cases are being jointly administered pursuant to an order of this Court, and pursuant to Sections 1107 and 1108 of the Bankruptcy Code the Debtors continue to operate their businesses and manage their properties as debtors-in-possession; and

WHEREAS, on January 31, 2008, an Official Committee of Unsecured Creditors (the “Creditors’ Committee”) was appointed in these cases.

WHEREAS, Blue Heron is a supplier of certain paper products to the Debtors and has a long-standing trade relationship with the Debtors; and

WHEREAS, on January 25, 2008, Blue Heron sent the Debtors a reclamation demand for goods received by the Debtors from Blue Heron within 45 days before the Petition Date (the “Reclamation Demand”); and

WHEREAS, on February 7, 2008, Blue Heron filed a *Motion of Blue Heron Paper Company (i) To Allow Recoupment and/or (ii) for Relief from the Automatic Stay to Allow Setoff* (the “Motion”); and

WHEREAS, no party in interest has filed or otherwise raised an objection to the relief requested in the Motion or the Reclamation Demand; and

WHEREAS, as of the Petition Date, the Debtors owed Blue Heron \$1,459,370.32 on account of all products shipped by Blue Heron to the Debtors pre-petition; and

WHEREAS, as of the Petition Date, Blue Heron owed the Debtors \$795,786.12 on account of rebates due to the Debtors for purchases from Blue Heron; and

WHEREAS, Blue Heron and the Debtors have agreed to resolve the Motion and Reclamation Demand on the terms and conditions set forth in this Stipulation, including specifically the setoff of the rebates owed to the Debtors by Blue Heron against the pre-petition amounts the Debtors owe to Blue Heron, and to otherwise resolve the Reclamation Demand.

NOW THEREFORE, it is hereby stipulated that:

1. The Debtors and Blue Heron hereby agree to setoff rebates in the aggregate amount of \$795,786.12 owed by Blue Heron to the Debtors pre-petition against the obligations of the Debtors in the aggregate amount of \$1,459,370.32 owing to Blue Heron pre-petition. In final settlement of all amounts owing to Blue Heron by the Debtors on account of pre-petition claims and obligations, including as set forth in the Reclamation Demand, Blue Heron is hereby granted an allowed section 503(b)(9) administrative claim (the “Blue Heron Claim”) in the aggregate amount of \$663,584.20, which claim shall be paid pursuant to any plan of reorganization confirmed in these cases or if no such plan is confirmed by the

Court, as further ordered by the Court after notice and hearing or as otherwise permitted or provided for by the order setting procedures for section 503(b)(9) claims in the Debtors' cases entered on April 21, 2008.

2. This Stipulation resolves in all respects the Motion and the Reclamation Demand (including all of the invoices attached to said Motion and Reclamation Demand); all other pre-petition obligations or transfers between, owing to or among Blue Heron and the Debtors. This Stipulation shall be binding on all parties in interest in Debtors' cases.
3. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Stipulation.

Dated: New York, New York
May 1, 2008

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Counsel to the Debtors and Debtors-In-Possession

SO ORDERED:

Dated: New York, New York
May 22, 2008

s/ James M. Peck
HONORABLE JAMES M. PECK
UNITED STATES BANKRUTPCY JUDGE