

Hearing Date: June 19, 2008

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

_____	)	
In re:	)	Chapter 11
	)	
QUEBECOR WORLD (USA) INC., <i>et al.</i> ,	)	Case No. 08-10152 (JMP)
	)	(Jointly Administered)
Debtors.	)	
_____	)	Hon. James M. Peck

**STIPULATION OF SETTLEMENT**  
**(NASHVILLE, TENNESSEE AND TAUNTON, MASSACHUSETTS LEASES)**

This Stipulation is made on the 9th day of June, 2008, by and between (1) Debtors Quebecor World Mid-South Press Corporation ("Quebecor Mid-South") and Quebecor World Retail Printing Corporation ("Quebecor Retail") and (2) KDN Investments, LLC (the "Tennessee

Landlord") and Melvin D. Small and Sarah Small, as trustees of Eagle Drive Trust (the "Massachusetts Landlord").

### **Background**

A. On January 21, 2008, Quebecor Mid-South and Quebecor Retail (collectively, the "Debtor Tenants"), together with various other affiliates, filed voluntary petitions under Chapter 11 of the Bankruptcy Code in this Court.

B. Quebecor Mid-South (formerly known as Mid-South Press Corporation) is tenant under a lease with the Tennessee Landlord dated July 11, 2001 (the "Nashville Lease") covering the real and personal property located at 2947 Brick Church Pike, Nashville (Davidson County), Tennessee (the "Nashville Property"). The Nashville Property consists of an office and manufacturing facility of approximately 106,900 square feet.

C. Quebecor Retail (formerly known as Retail Printing Corporation) is tenant under a lease with the Massachusetts Landlord dated July 11, 2001 (the "Taunton Lease") covering the real and personal property located at 50 John Hancock Road, Taunton (Bristol County), Massachusetts (the "Taunton Property"). The Taunton Property consists of an industrial building of approximately 149,329 square foot.

D. On April 1, 2008, the Tennessee Landlord and the Massachusetts Landlord (collectively, the "Landlords") filed in this Court the Landlords' Motion to Compel Debtors to Assume or Reject Purchase Agreements Relating to Real Estate in Nashville, Tennessee and Taunton, Massachusetts [Docket No. 475] (the "Purchase Agreement Motion"), seeking to establish a deadline for each of the Debtor Tenants to assume or reject the purchase agreement that arose from each Debtor Tenant's prepetition exercise of a purchase option for its leased premises, the closing of which would occur on July 11, 2008, the day after expiration of the

underlying lease in accordance with its terms (the "Existing Purchase Options"). (As a back-stop to the Existing Purchase Options, each of the Debtor Tenants also purported to exercise its option for five-year renewal of the underlying lease (the "Existing Renewal Options"), but only through the date of any delayed closing of the Existing Purchase Options.) The parties are in the midst of the process established by the Existing Purchase Options for appointment of appraisers to fix the purchase price if the parties are unable to agree (the "Purchase Price Process"). The Purchase Price Process was suspended and the hearing on the Purchase Agreement Motion, originally scheduled for April 17, 2008, was continued to the omnibus hearing of May 22, 2008, in each case pursuant to the Stipulation on Pending Motions Involving Nashville, Tennessee and Taunton, Massachusetts Leases dated April 17, 2008 (the "Interim Stipulation"), which was filed with and approved by this Court at the omnibus hearing of April 17, 2008. [Docket No. 574] On the record at the May 22, 2008 hearing, the hearing on the Purchase Agreement Motion was continued to the omnibus hearing of June 19, 2008 by agreement of the parties.

E. On April 1, 2008, the Tennessee Landlord filed the Landlord's Motion to Compel Debtor to Perform Postpetition Obligations Arising Under Nashville, Tennessee Lease [Docket No. 473] (the "Lease Performance Motion") seeking to require Quebecor Mid-South to cure alleged postpetition defaults including (1) failure to make a payment of real estate taxes in the amount of \$66,536.11 that came due during the postpetition period (the "Tax Payment"), and (2) construction of an unauthorized addition (the "Addition") and failure to operate in accordance with applicable law by reason of not having obtained a certificate of occupancy therefor (the "Certificate of Occupancy"). In addition, each of the Landlords has given notice to its respective tenant to supply evidence of insurance complying with the requirements of its lease (the "Insurance Requirement"). The Certificate of Occupancy has since been obtained and, in

accordance with the Interim Stipulation, the Tax Payment has been made. However, construction of the Addition without authorization by the Tennessee Landlord remains as an asserted uncured default under the Nashville Lease (the "Unauthorized Construction Default"), and the Landlords further assert that the Debtor Tenants have not yet supplied evidence of compliance with the Insurance Requirement. Pursuant to the Interim Stipulation, a hearing on the Lease Performance Motion as it relates to the Unauthorized Construction Default and the Insurance Requirement was scheduled to take place at the May 22, 2008 hearing. On the record at the May 22, 2008 hearing, such hearing was continued to the omnibus hearing of June 19, 2008 by agreement of the parties.

F. On April 7, 2008, the Debtor Tenants along with the other debtors herein filed the Debtors' Motion for Entry of an Order Pursuant to §365(d)(4) of the Bankruptcy Code Extending Time for the Debtors to Assume or Reject Unexpired Leases of Nonresidential Real Property [Docket No. 577] (the "Deadline Extension Motion") seeking, as to all of their leases of nonresidential real property including the Nashville Lease and the Taunton Lease a 90-day extension of the time within which such leases will be deemed rejected if not assumed (the "Assumption Deadline"). Pursuant to the Interim Stipulation, although the Deadline Extension Motion was granted in full as to all other leases, the Assumption Deadline as it relates to the Nashville Lease and the Taunton Lease was extended to and including May 31, 2008. On the record at the May 22, 2008 hearing, the hearing on the Deadline Extension Motion as it relates to the Nashville Lease and the Taunton Lease was continued to the omnibus hearing of June 19, 2008 by agreement of the parties. Although not expressly addressed at the May 22, 2008 hearing, the Debtor Tenants and the Landlords consider the Assumption Deadline as it relates to the Nashville Lease and the Taunton Lease to have been correspondingly extended.

G. With the Nashville Lease and the Taunton Lease each expiring by their terms on July 10, 2008, the Debtor Tenants and the Landlords have negotiated a comprehensive resolution addressing not only the pending disputes described above but also the Debtor Tenants' need for continued occupancy of the Nashville Property and the Taunton Property. This Stipulation and the exhibits hereto reflect that settlement, and constitute the Comprehensive Agreement referred to in the Interim Stipulation.

NOW, THEREFORE, subject to approval by this Court at the June 19, 2008 omnibus hearing, the Debtor Tenants and the Landlords hereby stipulate and agree as follows:

1. Nashville Lease Extension/Purchase Option. At the Closing, as defined in and provided for in paragraph 5 below (the "Closing"), the Tennessee Landlord and Quebecor Mid-South shall execute a First Amendment to Lease, whereby the Nashville Lease is extended for two years and is amended to provide a fixed-price option for Quebecor Mid-South to purchase the Nashville Property (the "Nashville Purchase Option"), and otherwise reflecting the principal terms set forth in the term sheet annexed hereto as Exhibit A, in form and substance satisfactory to the Tennessee Landlord and Quebecor Mid-South (the "Nashville Amendment"). The Nashville Lease, as amended by the Nashville Amendment (the "Amended Nashville Lease"), shall, without the need for any order of this Court other than the Approval Order (as defined below), be deemed assumed by Quebecor Mid-South pursuant to Section 365 of the Bankruptcy Code effective as of the Closing.

2. Taunton Extension/Purchase Option. At the Closing, the Massachusetts Landlord and Quebecor Retail shall execute a First Amendment to Lease, whereby the Taunton Lease is extended for two years and is amended to provide a fixed-price option for Quebecor Retail to purchase the Taunton Property (the "Taunton Purchase Option"), and otherwise reflecting the

principal terms set forth in the term sheet annexed hereto as Exhibit B, in form and substance satisfactory to the Massachusetts Landlord and Quebecor Retail (the "Taunton Amendment"). The Taunton Lease, as amended by the Taunton Amendment (the "Amended Taunton Lease"), shall, without the need for any order of this Court other than the Approval Order, be deemed assumed by Quebecor Retail pursuant to Section 365 of the Bankruptcy Code effective as of the Closing.

3. Restructuring Fees. At the Closing, (a) Quebecor Mid-South shall, as a one-time restructuring fee and not as a credit toward any obligation under the Tennessee Lease, pay \$50,000 in immediately available funds to the Tennessee Landlord, and (b) Quebecor Retail shall, as a one-time restructuring fee and not as a credit toward any obligation under the Massachusetts Lease, pay \$50,000 in immediately available funds to the Tennessee Landlord (collectively, the "Restructuring Fees").

4. Insurance Requirement. On or before June 18, 2008, the Debtor Tenants shall supply written evidence to the Landlords of compliance with the Insurance Requirement. The Landlords shall promptly supply written notice to the Debtor Tenants either (a) accepting such evidence as satisfactory (such notice not to be unreasonably withheld), or (b) specifying the respects in which such evidence is unsatisfactory, in which event the Debtor Tenants shall have ten business days within which to comply with the Insurance Requirement, and if they fail to do so, the Landlords may (in addition to their other remedies, including continued prosecution of the Lease Performance Motion as it relates to the Insurance Requirement) terminate this Stipulation by written notice to the Debtor Tenants, who shall promptly remit the Restructuring Fees to the Landlords as liquidated damages for the Debtor Tenants' breach of this Stipulation; *provided, however,* that if the Debtor Tenants believe that the Landlords have acted unreasonably or in bad

faith in determining that the Debtor Tenants have failed to comply with the Insurance Requirement, the Debtor Tenants shall be entitled to seek a determination from the Bankruptcy Court regarding compliance with the applicable Insurance Requirement; *and provided further* that the Debtor Tenants' election to seek such determination from the Bankruptcy Court shall not toll or otherwise extend the Closing Condition Deadline (hereinafter defined).

5. Closing. The Closing shall occur at a time and place or pursuant to an escrow arrangement agreed upon between the Debtor Tenants' and the Landlords' counsel, but not later than five business days after each of the following conditions has been satisfied: (a) an order of this Court approving this Stipulation and authorizing the Debtor Tenants' performance hereunder, in form and substance satisfactory to the Debtor Tenants and the Landlords (the "Approval Order"), shall have been entered; (b) the Approval Order shall have become final, with no motion for reconsideration having been filed nor any appeal taken, *provided, however*, that at any time when the Approval Order remains in full force and effect, not having been stayed, the Landlords may waive this condition to the Closing, which shall thereupon be deemed satisfied as of the date of such waiver, and *further provided* that the Landlords shall waive this condition to the Closing if (i) no objection to the motion seeking the Approval Order is filed, and (ii) the Approval Order specifies that there shall be no ten-day stay of thereof pursuant to Fed. R. Bankr. P. 6004(g); (c) the Debtor Tenants shall be in compliance with the Insurance Requirement and shall have received the Landlords' acceptance of their evidence thereof pursuant to paragraph 4 above (or the Bankruptcy Court shall have determined that the Debtor Tenants are in compliance with the Insurance Requirement); and (d) except for the Unauthorized Construction Default under the Nashville Lease, there shall be no Tenant Default, nor any event or condition that with the passage of time and/or the giving of notice would become a Tenant Default, under

(and as defined in) the Nashville Lease or the Taunton Lease. At the Closing, the Debtor Tenants and the Landlords shall exchange estoppel certificates which shall disclose, to the extent of their respective knowledge of same, the existence of any default (other than the Unauthorized Construction Default), or any event or condition that with the passage of time and/or the giving of notice would become a default, under the Nashville Lease and the Taunton Lease. If the foregoing conditions to the Closing have not been satisfied by July 3, 2008 (the "Closing Condition Deadline"), then either the Tenant Debtors or the Landlords may terminate this Stipulation by written notice to the other party's counsel. Any notice served pursuant to the foregoing provision shall also be delivered to (i) counsel for the Official Committee of Unsecured Creditors of Quebecor World (USA), Inc., et al. (Ira Dizengoff and David H. Botter, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022, (ii) counsel for the Prepetition Agent (Richard A. Levy and Peter P. Knight, Latham & Watkins, LLP, Sears Tower, Suite 5800, 233 South Wacker Drive, Chicago, Illinois 60606), and (iii) counsel for Ad Hoc Group of Quebecor Noteholders (Andrew N. Rosenberg and Elizabeth R. McColm, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019).

6. Termination Fee. If the Nashville Purchase Option is exercised and the Taunton Purchase Option is not exercised or, if exercised, is not consummated in accordance with the terms of the Amended Taunton Lease (other than solely by reason of default by the Massachusetts Landlord), then upon termination of the Amended Taunton Lease (whether at the end of its stated term or earlier) there shall be paid to the Tennessee Landlord, as the joint and several obligation of the Debtor Tenants, and in addition to any other amounts due under the Amended Taunton Lease, a termination fee equal to the amount of Fixed Rent under the

Amended Taunton Lease for the Lease Year commencing July 11, 2009. If the Taunton Purchase Option is exercised and the Nashville Purchase Option is not exercised or, if exercised, is not consummated in accordance with the terms of the Amended Nashville Lease (other than solely by reason of default by the Tennessee Landlord), then upon termination of the Amended Nashville Lease (whether at the end of its stated term or earlier) there shall be paid to the Tennessee Landlord, as the joint and several obligation of the Debtor Tenants, and in addition to any other amounts due under the Amended Nashville Lease, a termination fee equal to the amount of Fixed Rent under the Amended Nashville Lease for the Lease Year commencing July 11, 2009. For avoidance of doubt, no termination fee is payable if (a) both the Nashville Purchase Option and the Taunton Purchase Option are exercised and consummated in accordance with their terms (the Tenant Debtors may, in their sole and absolute discretion, determine to exercise of the Nashville Purchase Option and the Taunton Purchase Option at different times during the term of the respective Leases), or (b) neither the Nashville Purchase Option or the Taunton Purchase Option is exercised. Any termination fee that is payable hereunder shall not be a credit toward any obligation under or damages for breach of the Amended Nashville Lease or the Amended Taunton Lease, and shall be over and above such amounts as may be due under Section 503(b)(7) of the Bankruptcy Code.

7. Administrative Expense Priority. All obligations of a Debtor Tenant under this Stipulation, the Amended Nashville Lease and/or the Amended Taunton Lease (including obligations that arise by exercise of the Nashville Purchase Option and/or the Taunton Purchase Option) that come due on or before the effective date of a Chapter 11 plan for such Debtor Tenant shall (without limiting any other remedies of the Landlords) constitute administrative

expenses allowed under Section 503(b)(1)(A) of the Bankruptcy Code in respect of such Debtor Tenant.

8. Superseded Matters. Subject to occurrence of the Closing, (a) this Stipulation, together with the Amended Nashville Lease and the Amended Taunton Lease, shall constitute the full remaining relief to which (i) the Landlords are entitled under the Purchase Agreement Motion and the Lease Performance Motion (including for any allegedly uncured defaults under the Nashville Lease and the Taunton Lease), and (ii) the Debtor Tenants are entitled under the Deadline Extension Motion as it relates to the Nashville Lease and the Taunton Lease, (b) the Debtor Tenants' exercise of the Existing Purchase Options shall be of no further force and effect, and, accordingly, the Debtor Tenants' purported exercise of the Existing Renewal Options shall be of no further force or effect, and (c) the Purchase Price Process shall be, and hereby is, terminated. Each party shall be responsible for compensating the appraiser designated by such party in connection with the Purchase Price Process.

9. Pending Motions. Subject to the preceding paragraph, the Purchase Agreement Motion, the Lease Performance Motion and (solely as it relates to the Nashville Lease and the Taunton Lease) the Deadline Extension Motion shall remain pending through July 10, 2008, but shall be continued generally, subject to a request by either the Debtor Tenants or the Landlords for a hearing on all three motions to be scheduled on an emergency basis if this Stipulation is terminated pursuant to paragraph 5 above or it otherwise appears that the Closing will not occur. In the event that either the Debtor Tenants or the Landlords request that a hearing on one or all of the Purchase Agreement Motion, the Lease Performance Motion or the Deadline Extension Motion be scheduled, the deadline for any party to file an objection or response to any of said

motions shall not be less than five (5) business days after notice of the proposed hearing is served.

KDN Investments, LLC, and

MELVIN D. SMALL AND SARAH SMALL,  
TRUSTEES OF EAGLE DRIVE TRUST,

By their attorneys,

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THE DEBTORS and DEBTORS-IN-POSSESSION

By their attorneys,

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**LEASE BETWEEN KDN INVESTMENTS LLC AND  
QUEBECOR WORLD MID-SOUTH PRESS CORPORATION**

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**Proposed Lease Amendment – Principal Terms**

Assumption of Lease	Lease, with proposed amendments, to be assumed by Debtor Quebecor World Mid-South Press Corporation, and all amounts arising thereunder to be treated as administrative expenses under 11 U.S.C. §503(b)(1)(A)
Extension Term	Extension of Lease Term through July 10, 2010 (unless terminated sooner in accordance with terms of the Lease); rent will be as stated in the Lease, including annual increases; no further Extension Options
Purchase Option	Fixed, at \$6,150,000; exercisable upon 60 days prior written notice; closing of purchase must occur no later than expiration or earlier termination of Lease (replaces existing Right of First Offer in Lease)
Remedies	Additional remedies for Tenant default will be specified
Asserted Existing Default	Asserted existing default arising from Tenant's performance of Construction Work without obtaining Landlord's consent will be waived if Tenant exercises Purchase Option; if Purchase Option not exercised, Landlord may remove unauthorized alterations and additions at Tenant's cost; in the meantime, all rights reserved
Future Construction Defaults	In light of asserted existing default relating to unauthorized Construction Work, additional remedial provisions will be included to address consequences if Tenant performs Construction Work in the future without obtaining Landlord's consent as provided in Lease

**LEASE BETWEEN EAGLE DRIVE TRUST AND  
QUEBECOR WORLD RETAIL PRINTING CORPORATION**

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**Proposed Lease Amendment – Principal Terms**

Assumption of Lease	Lease, with proposed amendments, to be assumed by Debtor Quebecor World Retail Printing Corporation, and all amounts arising thereunder to be treated as administrative expenses under 11 U.S.C. §503(b)(1)(A)
Extension Term	Extension of Lease Term through July 10, 2010 (unless terminated sooner in accordance with terms of the Lease); rent will be as stated in the Lease, including annual increases; no further Extension Options
Purchase Option	Fixed, at \$7,600,000; exercisable upon 60 days prior written notice; closing of purchase must occur no later than expiration or earlier termination of Lease (replaces existing Right of First Offer in Lease)
Remedies	Additional remedies for Tenant default will be specified