

Hearing Date: June 17, 2008 at 2:00 p.m.

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**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

**STATEMENT OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS IN RESPONSE TO THE DEBTORS' MOTION FOR ENTRY  
OF AN ORDER GRANTING DEBTORS' AUTHORITY TO TRANSFER,  
CONVEY AND ASSIGN DIRECT OR INDIRECT INTERESTS, IF ANY, THAT  
DEBTORS MAY HAVE IN INTERCOMPANY LOANS OWED TO  
QUEBECOR WORLD INC. BY ITS EUROPEAN SUBSIDIARIES**

TO THE HONORABLE JAMES M. PECK,  
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the "Committee") of Quebecor World (USA) Inc., et al. (collectively, the "Debtors"), by and through its undersigned counsel, hereby submits this statement (the "Statement") in response to the Debtors' Motion for Entry of an Order Granting Debtors' Authority to Transfer, Convey and Assign Direct or Indirect Interests, if any, that Debtors may have in Intercompany Loans Owed to Quebecor World Inc. by its

European Subsidiaries (the “US Motion”). In support of the Statement, the Committee respectfully represents as follows:

### **BACKGROUND**

1. On or about January 21, 2008 (the “Petition Date”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code.
2. Since the Petition Date, the Debtors have continued in possession of their property and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On January 23, 2008, the Court entered an order jointly administering these chapter 11 cases pursuant to Bankruptcy Rule 1015(b) for procedural purposes only.
3. On January 20, 2008, the Debtors’ corporate parent, Quebecor World Inc. (“QWI”), together with each of the Debtors (collectively, the “Canadian Debtors” or the “Company”), commenced a proceeding (the “Canadian Proceeding”) before the Superior Court, Commercial Division, for the Judicial District of Montreal (the “Canadian Court”) for a plan of compromise or arrangement under the Canadian Companies’ Creditors Arrangement Act (“CCAA”). Each of the Debtors was joined in the Canadian Proceeding so that each such Debtor could obtain the protection of a stay under the CCAA, as well as under the Bankruptcy Code.
4. On January 31, 2008, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed the Creditors’ Committee.<sup>1</sup>
5. On June 10, 2008, the Canadian Debtors filed a Motion for an Order Authorizing the Sale of Shares of European Holding Subsidiary and the Assignment of Intercompany

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<sup>1</sup> The Committee is currently comprised of the following entities: Abitibi Consolidated Sales Corp.; Catalyst Pulp & Paper Sales, Inc.; MEGTEC Systems, Inc.; the Pension Benefit Guaranty Corp.; The Bank of New York Mellon; and Wilmington Trust Company.

Loans Owed by European Subsidiaries (the “Canadian Motion”) with the Canadian Court seeking authority to consummate the transaction (the “Europe Sale”) to, among other things, sell all of QWI’s shares in the share capital of Quebecor World European Holding S.A., its holding company for its European subsidiaries, and assign all intercompany loans owed to QWI by its European subsidiaries.

6. Also on June 10, 2008, Ernst & Young Inc. as monitor in the Canadian Proceedings (the “Monitor”) filed its Eighth Report (the “Monitor’s Report”) recommending that the Canadian Court approve the Canadian Motion.

7. On June 11, 2008, the Debtors filed the US Motion and the related Order to Show Cause Scheduling an Expedited Hearing on Debtors’ Emergency Motion.

### **The European Sales Process**

8. As discussed in the US Motion, the Canadian Motion and the Monitor’s Report (collectively, the “Pleadings”), QWI initiated a strategic review of the financial performance of its European operations in 2006 and, in November 2006, QWI’s management concluded that the most appropriate course of action was to sell its European operations. *US Motion* at ¶17; *Canadian Motion* at ¶15; *Monitor’s Report* at ¶18. Between December 7, 2006 and June 8, 2007, QWI conducted a sales process for its European operations. *US Motion* at ¶23-24; *Canadian Motion* at ¶18; *Monitor’s Report* at ¶24.

9. In April 2007, QWI entered into exclusive negotiations with one of multiple potential purchasers and signed a share purchase agreement on May 27, 2007 (the “May 2007 Offer”), subject to approval by QWI’s board of directors. *Monitor’s Report* at ¶25. Upon information and belief, the May 2007 Offer was valued at a price substantially greater than the price for the proposed Europe Sale (and substantially greater than the offer described in

paragraph 10 below). As stated in the Monitor's Report, the May 2007 Offer was rejected by QWI's board of directors (the "Board") on June 8, 2007, notwithstanding management's recommendation that the Board approve the sale. This information is glaringly absent from both the Canadian Motion and the US Motion.

10. Several months later, in or around October 2007, QWI entered into exclusive negotiations with Roto Smeets De Boer NV ("RSDB") regarding a merger of RSDB and QWI's European operations (the "RSDB Offer") valued at approximately €240 million (\$340 million). *US Motion* at ¶24; *Canadian Motion* at ¶21; *Monitor's Report* at ¶26. A share purchase agreement was executed on November 7, 2007. However, on December 13, 2007, the proposed transaction was rejected by RSDB's shareholders. *US Motion* at ¶24; *Canadian Motion* at ¶22-23; *Monitor's Report* at ¶26.

11. On May 22, 2008, the Debtors advised the Committee of the proposed Europe Sale; a sale which was required to close in approximately one month. On May 29, 2008, the Canadian Debtors entered into a definitive agreement for the Europe Sale for approximately €133 million (\$206 million).

### **STATEMENT**

12. It is truly unfortunate that the Debtors are before this Court and the Canadian Court seeking approval of the Europe Sale on the proposed terms. Upon information and belief, this situation could not only have been avoided, but consummation of one of the previously proposed transactions may have prevented the Debtors from having to seek protection under both the U.S. Bankruptcy Code and the CCAA.

13. In light of current circumstances, the Committee does not object to the Europe Sale as it is the "best" available alternative at this time. However, based upon the information

contained in the Pleadings and the Committee's analysis of the historical sales process during the past few weeks, the Committee has grave concerns regarding the Company's failure to consummate previous offers for substantially greater value than the proposed Europe Sale. Indeed, based on the Committee's analysis, as well as the information contained in the Pleadings, it appears as though the Company's failure to consummate several offers for substantially greater value than the proposed sale may have deprived the Company and its creditors of hundreds of millions of dollars of additional value for the European assets.

14. Accordingly, though the Committee recognizes that the proposed Europe Sale is the only alternative available to preserve the remaining value of the European assets, the Committee reserves all of its rights in connection with the process and all prior sales efforts related to the European assets including, but not limited to, continuing its investigation of the cause of the tremendous degradation in value of the European assets over the last 12 to 18 months. If upon completion of its investigation the Committee determines that any claims or causes of action exist in connection with such degradation of value, the Committee will pursue all available remedies against those responsible.

#### **CONCLUSION**

15. For the reasons set forth herein, and with a full reservation of all rights including, but not limited to, (i) continuing its investigation of whether any claims or causes of action exist in connection with the process and all prior sales efforts related to the European assets, and (ii) prosecuting any claims against party that may be responsible therefor, the Creditors' Committee does not object to the Europe Sale.

Dated: New York, New York  
June 16, 2008

**AKIN GUMP STRAUSS HAUER & FELD LLP**

By: /s/ David H. Botter

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