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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

DECLARATION OF BEN SCHWARTZ IN SUPPORT OF THE DEBTORS' MOTION FOR AN ORDER AUTHORIZING THE IMPLEMENTATION AND CONTINUATION OF EMPLOYEE INCENTIVE COMPENSATION PLANS

I, Ben Schwartz, declare under penalty of perjury as follows:

1. I am a Senior Vice President of Quebecor World Inc. ("QWI")[1], and am responsible for all human resource activities for the Company.

2. In this capacity, I am generally familiar with the Debtors' day-to-day operations as it relates to employees, employee compensation, and employee benefits. I submit this declaration in support of the Debtors' Motion for Entry of an Order Authorizing the Implementation and Continuation of Employee Compensation Plans.

[1] QWI, together with the Debtors and all of QWI's debtor and non-debtor subsidiaries and affiliates are referred to herein as "QW World" or the "Company."

3. The Debtors' employees are a critical and necessary component of their printing business. Historically, in the ordinary course of its business, the Company implemented annual incentive plans that were designed to motivate and reward employees by giving them the opportunity to increase their compensation if the Company achieved or exceeded certain goals. These programs represent a material component of the employees' total compensation package.

4. The Company historically has maintained two annual management incentive plans for its management employees. The two plans are the Management Incentive Compensation Plan (the "MICP") and the Plant Based Incentive Plan (the "PBIP"). These plans are an integral component of how the Company rewards and encourages its important managerial employees. Under both of the plans, an employee must satisfy previously established performance criteria in order to qualify for an incentive award. The Company uses these plans to encourage strong operational and financial performance and to provide a total compensation program that is competitive within its industry.

5. In this regard, the Company has redesigned the MICP and the PBIP for 2008, and for the MICP only, the first half of 2009, to create a fair, objective and incentive-based compensation structure for key employees, which is competitive in the marketplace and takes into account the additional challenges of operating under the added requirements and challenges of chapter 11 and the Canadian Companies' Creditors Arrangement Act (the "CCAA"), and which aligns employee interests with those of the Company's stakeholders to encourage maximum effort and performance during this challenging restructuring process. The redesigned MICP was developed in conjunction with the Company's advisors at Towers Perrin, and is intended to drive employee performance during this critical time period through the emergence from bankruptcy. Towers Perrin's involvement is more fully set forth in the Declaration of Marc Ullman, which is being filed herewith.

6. After developing these plans, the Debtors shared the proposed terms with their major creditor constituencies, and, based on the feedback received from these constituencies, further modified the plans to address creditor input.

The Management Incentive Compensation Plan

7. For years the MICP has been a core component of total compensation for the Company's MICP eligible employees. In 2007, approximately 235 employees were MICP eligible.

8. The historical purpose and intent of the MICP program has been to: (1) stimulate the achievement of organizational objectives; (2) ensure that financial targets are achieved or exceeded; (3) maximize return to shareholders; and (4) provide an incentive to attract, retain and reward key employees. The incentive bonus has always been expressed as a percentage of base salary earned, and has been tied to the satisfaction of one or more performance criteria. The exact criteria have varied from year to year, depending on the goals of the Company for the particular year. In any given year, the criteria have included targets such as: (1) Earnings Before Interest and Taxes ("EBIT"); (2) Return on Capital Employed ("ROCE"); (3) Return on Average Shareholder Equity ("ROE"), (4) Cost of Capital; and (5) Earnings per Share ("EPS").

9. The 2008/2009 MICP has been simplified to focus solely on adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), measured over the 18 month loan period provided for under the Debtors' $1,000,000,000 Senior Secured Superpriority Debtor-In-Possession Agreement dated as of January 21, 2008 with the financial institution parties thereto. In this regard, EBITDA will be adjusted by excluding the performance of the Company's European operations (which are currently being sold), any costs related to restructuring activities, the enhanced MICP awards and other unusual transactions not measured

in the ordinary course of business. The employees who have typically been eligible to participate under the MICP will be eligible to participate in this redesigned MICP.

10. For all divisional participants, the performance metric of adjusted EBITDA will be broken down into two components: (1) 75% of the metric will be based on the employees' divisional EBITDA; and (2) 25% will be based on consolidated corporate EBITDA. With respect to corporate participants, the performance metric of adjusted EBITDA will be: (1) 75% of EBITDA of each division on a weighted basis; and (2) 25% of consolidated corporate EBITDA. For each employee, there will be a threshold level of EBITDA (corresponding to an award of one third of the maximum award), a target level (corresponding to an award of two-thirds of the maximum award) and a maximum level (corresponding to the maximum award).

11. There will be two measuring periods: (1) calendar year of 2008; and (2) the first six months of 2009. Awards earned for calendar year 2008 will be payable no later than March 31, 2009, and awards earned for the first half of 2009 will be payable no later than September 30, 2009.

12. The proposed MICP for 2008/2009 is intended to drive employee performance and align the interests of the employees to those of the Company and its stakeholders -- that is, to focus on meeting and exceeding EBITDA targets and creating value for stakeholders.

13. Along with the current employees typically eligible to participate in the MICP, the Company has determined that there are an additional 25 employees who, although not ordinarily eligible to participate in the MICP, are key contributors and important to drive the Company's performance during this critical time period tied to its reorganization efforts. The Company has included these 25 employees in the redesigned MICP; therefore, 250 employees will be eligible for incentive compensation under the MICP for 2008/2009.

14. Of these 250 employees, approximately 141 are employees of the Debtors, while the remaining employees, although MICP eligible, are not employees of the Debtors.

15. Of these 250 employees, 100 employees will be eligible for enhancements to their MICP award. These 100 employees (which include the additional 25 employees referenced in paragraph 13 above) have been identified as particularly critical to the successful emergence of the Debtors from these Chapter 11 Cases, and QWI from the Canadian Proceedings. The enhanced MICP, is designed to incentivize these 100 employees, who will largely influence the success of the restructuring efforts, to meet tailored performance objectives and to ensure that the Debtors meet their overall restructuring goals. If the Company achieves the EBITDA targets, these 100 employees will receive bonuses at higher levels of base pay than such employees were eligible for in 2007.

16. The total cost of the MICP, including the enhanced MICP, over the 18 month period will, of course, depend on the Company's performance during that period. The maximum cost for the 250 eligible employees, including the 100 eligible for the enhanced MICP award, is approximately $41.9 million, of which approximately $23.9 million is the maximum payable for the base plan, and $18.0 million is for the enhanced plan. If all employees meet at least the minimum requirement to be eligible for benefits for the entire measurement period, the plan will cost between approximately $14 million and approximately $41.9 million, depending on the actual EBITDA achieved, of which between approximately $6.3 million and approximately $18.9 million will be payable to employees of the Debtors.

17. As many of the employees who will participate in the MICP are employees of QWI, approval of the MICP will also be sought from the Canadian Court.

The Plant Based Incentive Plan

18. The PBIP is an integral part of total compensation for the Company's senior plant based management. The plan was designed to stimulate the achievement of organizational efforts and to reward outstanding performance at the plant level.

19. All printing plants (and/or divisions) in North America are included in the PBIP, with participants including the most senior individuals responsible for manufacturing at the plant/division. Although there are currently 340 employees eligible for incentive compensation under the PBIP (of which 303 are employees of the Debtors), such employees will only receive compensation if they meet the required performance indicators under the plan.

20. The PBIP program is based on performance indicators that allow for the assessment of the managers' contributions by using objectives set for such managers early each year (*i.e.*, January 2008). These performance indicators generally address the following main areas: (1) Capacity; (2) Productivity; (3) Quality; (4) Health and Safety; and (5) Budgeted EBITDA.

21. The Press, Bindery and Direct Marketing group each have slightly different component targets. For example, the Press Group has six components and three of the component targets must be achieved for any PBIP incentive to be paid, while the Direct Marketing Group has three components (productivity, health and safety, and EBITDA) and two of the component targets must be achieved for any PBIP incentive to be paid.

22. The PBIP program includes a target incentive award and a maximum incentive for each employee, which amounts represent a percentage of base salary earned for such employee in 2008. The target incentive levels vary from 15% to 30% of base salary, and the maximum incentive an employee can receive ranges from 25% to 50% of base salary. An employee's eligibility percentage is based on the level of such employees responsibility in the Company, and

with the eligible employees' salaries generally ranging from approximately $60,000 to $200,000, and with the large majority of the employees making between $70,000 to $120,000.

23. For 2008, if all 340 participants meet the target incentive award payout, the cost of the PBIP program to the Company will be approximately $5.8 million, with the cost of amounts payable to employees of the Debtors being approximately $5.2 million. If all of the 340 participants meet the maximum incentive target for which they are eligible, the total cost of the PBIP program to the Company will be approximately $9.6 million, with the cost on account of possible awards payable to employees of the Debtors being approximately $8.7 million.

Rationale for the Proposed Plans

24. The Debtors' emergence from chapter 11 protection and future success is dependant on their ability to meet challenging performance goals. There is no doubt that the performance of the Debtors' management and executives, and the other key employees who are eligible under the MICP and PBIP Plan (the Incentive Plans), is an extremely important factor in meeting and exceeding such performance goals.

25. The Debtors require the continued efforts and loyalty of their employees at this critical juncture in their Chapter 11 Cases, and must take proactive steps to ensure that sufficient incentives are in place to allow these employees to feel justly compensated, consistent with market standards, for the challenging and demanding tasks attendant to operating a company of this size and breadth while under the protection afforded by chapter 11. The commencement of these Chapter 11 Cases has predictably caused uncertainty and concern among the Debtors' approximately 20,000 employees, and thus made the job of senior management and other key advisory personnel that much more difficult, and it is important that these critical employees are incentivized to focus on (i) addressing those challenges, (ii) achieving strong earnings during the

chapter 11 proceedings, and (iii) facilitating the successful restructuring and emergence of the Debtors.

26. With careful consideration and analysis, the Incentive Plans are the product of the Company's sound business judgment, based on the advice from leading experts on employee compensation, and have been approved by the Compensation Committee of the Company's Board of Directors, and are clearly justified by the facts and circumstances of the Debtors' cases. These Plans have been carefully structured to balance the need to motivate and provide appropriate market-competitive compensation and incentivizing compensation to the Debtors' critical workforce, while at the same time ensuring that the estate receives an enhanced value from the contributions of these employees. The purpose of these Incentive Plans is to provide a system of incentive based compensation that will promote the maximization and preservation of enterprise value.

27. The Incentive Plans are intended to reward employees for performance tied directly to restructuring related goals for the purpose of enhancing EBITDA and creating value in the Debtors' estate, and do not provide compensation for mere continued employment. Payments under the Incentive Plans are being made principally for encouraging and motivating the eligible employees, and not to induce such employees to remain with the Company.

28. Employee morale, focus, and performance, much of which may have been adversely impacted by the chapter 11 filing, are critical to the ongoing success and reorganization of the Debtors. The value to the reorganization process added by these critical employees is one of the Debtors most valuable resources, and the importance of preserving and enhancing the value of this resource cannot be overemphasized.

29. The failure to grant the Debtors the relief sought with regard to these Incentive Plans would likely have a material adverse impact on both the day-to-day operations of the Debtors' businesses and, ultimately the success of their reorganization efforts.

30. The Debtors believe that if they are unable to pay their critical employees incentive compensation provided for under the MICP and PBIP, the dedication and loyalty of these employees will be jeopardized at a time when their support and motivation is most critical. Continuing and implementing the Incentive Plans has a sound business purpose -- preserving and maximizing the value of the Debtors' estates and motivating the key employees to perform at optimal levels. These employees are intimately familiar with the Debtors' businesses and the Debtors' success or failure at maximizing value for creditors hinges on these employees and their collaborative efforts during the reorganization process. Without these Incentive Plans, critical and necessary employees may lack the motivation to perform at their optimal levels, particularly when these same employees are being overwhelmed by the additional tasks and requirements that are inherent in any bankruptcy filing.

<u>Confidential Materials and Exercise of Business Judgment</u>

31. The details of the proposed Incentive Plans are set forth in two reports, one prepared by Towers Perrin for the MICP (the "Towers Perrin Report") and one prepared by the Company for the PBIP (the "PBIP Report"). The Debtors believe it is appropriate to file each of the Towers Perrin Report and the PBIP Report under seal, and to provide for limited service, because disclosure of their information would cause significant harm to the Debtors, and the Company, as well as the employees sought to be compensated herein, by disclosing highly confidential and proprietary information regarding these employees and their compensation. Disclosure of this confidential information would provide competitors with the necessary information to attempt to poach these critical employees. Furthermore, disclosure of this

information would be harmful to the employees themselves, who have a strong interest in having their names and compensation remain confidential.

32. The Debtors submit that the relief requested is within the sound exercise of their business judgment and good cause exists for the relief requested.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: June 22, 2008

___/s/ Ben Schwartz_____________________
Ben Schwartz