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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

Chapter 11

QUEBECOR WORLD (USA) INC. et al.

Case No. 08-10152-jmp

Debtors.

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**VERIFIED APPLICATION OF PEOPLE'S CAPITAL AND LEASING CORP.
FOR AN ORDER (i) TERMINATING, VACATING OR MODIFYING THE
AUTOMATIC STAY PURSUANT TO § 362(d) TO PERMIT PEOPLE'S CAPITAL
AND LEASING CORP. TO TAKE POSSESSION OF ITS COLLATERAL OR,
ALTERNATIVELY, (ii) DIRECTING PAYMENT OF ADEQUATE PROTECTION
PURSUANT TO § 361**

TO: HONORABLE JAMES M. PECK
UNITED STATES BANKRUPTCY JUDGE

People's Capital and Leasing Corp. ("People's"), by its attorneys, Moritt Hock Hamroff & Horowitz LLP, applies for an Order: (i) terminating, vacating or modifying the automatic stay pursuant to Section 362(d) to permit People's to take possession of the 2000 and 2001 Collateral (defined infra) or, alternatively, (ii) directing payment of adequate protection pursuant to Section 361 of the Bankruptcy Code.

THE BANKRUPTCY FILING

1. On January 21, 2008 (the "Filing Date"), Quebecor World (USA), Inc. and its subsidiary and affiliated entities (collectively, the "Debtors") filed for protection under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code").

2. The Debtors continue to operate their businesses as debtors-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108.

BACKGROUND

The Loan and Security Agreements

The 2000 Loan Agreement.

3. On or about October 5, 2000, People's entered into a Loan and Security Agreement, along with certain other related documents (collectively, the "2000 Loan Agreement") with Quebecor World Retail Printing Corporation, formally known as Retail Printing Corporation ("Retail Printing"), wherein People's agreed to lend Retail Printing \$6,565,000.00. (A copy of the 2000 Loan Agreement is annexed hereto as **Exhibit "A"**).

4. The 2000 Loan Agreement, as modified by the parties, provides that the loan was to be repaid in eighty-eight (88) consecutive monthly payments of \$81,716.70, with one final payment of \$44,874.96 due on or before February 15, 2008 (the "Final Payment").

5. In addition, the 2000 Loan Agreement is secured by certain equipment collateral that was purchased using the loan proceeds (the "2000 Collateral"), as set forth in a certain Schedule A annexed to the 2000 Loan Agreement. (The 2000 Collateral is identified in Schedule A to the 2000 Loan Agreement which is annexed hereto as **Exhibit "B"**).

6. The 2000 Loan Agreement is guaranteed by Quebecor World, Inc. (A copy of the Quebecor World, Inc. guaranty is annexed hereto as **Exhibit "C"**).

7. The 2000 Loan Agreement is cross-collateralized and cross-defaulted with any other obligations of the Retail Printing to People's. As set forth in Section 11 of the 2000 Loan Agreement:

Without in any way limiting the provisions of Section 3, as additional collateral security for [Retail Printing's] obligations hereunder, [Retail Printing] grants to [People's] a further security interest in all machinery, equipment, goods and other collateral covered by any other Loan and Security Agreement, note and security agreement, other agreement or

lease (collectively the "other agreements") between [Retail Printing] and [People's] whether such other agreements are now in existence or hereafter come into existence and [Retail Printing] assigns to [People's] as security for its obligations hereunder, all of its rights, title and interest in and to any surplus money to which [Retail Printing] may be entitled upon the sale of the machinery, equipment, goods and other collateral covered by such agreements. Anything above to the contrary notwithstanding, the benefit of the foregoing cross collateralization shall apply for the benefit of [People's] and its assignee holding this Agreement only to the extent that [People's] or such assignee is also the holder of such other agreements or one of more of them.

Any collateral pledged by the Retail Printing to secure any subsequent loans between Retail Printing and People's would also serve as additional collateral for Retail Printing's obligations under the 2000 Loan Agreement.

The 2001 Loan Agreement

8. On or about April 11, 2001, People's, as the lender, and Retail Printing and Mid-South Press Corporation ("Mid-South"), an affiliated entity or alter-ego of Retail Printing, entered into a Loan and Security Agreement (the "2001 Loan Agreement"), wherein People's agreed to lend Retail Printing and Mid-South \$4,357,910.06. (A copy of the 2001 Loan Agreement is annexed hereto as **Exhibit "D"**).

9. The 2001 Loan Agreement was secured by certain equipment collateral as set forth on Schedule A to the 2001 Loan Agreement (the "2001 Collateral"). (The 2001 Collateral is identified in Schedule A to the 2001 Loan Agreement which is annexed hereto as **Exhibit "E"**).

10. By virtue of the cross-collateral provisions contained in 2000 Loan Agreement (with an identical provision also contained in the 2001 Loan Agreement, the 2001 Collateral also secured Retail Printing's obligations to People's under the 2000 Loan Agreement.

11. As of the Filing Date, the Debtors' outstanding obligation to People's under the 2000 Loan Agreement is \$50,347.67, representing the final payment \$44,874.96, plus \$3,228.91

in interest through August 20, 2008, plus \$2,243.80 in late fees (with late fees and interest at the default rate continuing to accrue).¹

RELIEF SOUGHT

Adequate Protection

12. Pursuant to Section 351(1) of the Bankruptcy Code, a secured creditor is entitled to adequate protection payments "to the extent that the stay under section 362 of this title . . . results in a decrease in the value of such entity's interest in such property".

13. To be clear, People's has an interest in 2000 and 2001 Collateral and the value of that interest is depreciating with each passing month. People's requests that the Debtors either make the Final Payment, in which case People's will release its lean against the 2000 and 2001 Collateral, or, alternatively, the Debtors should make adequate protection payments in an amount to be determined by the Court as set forth in the 11 U.S.C. § 361.

Stay Relief

14. Based on the foregoing, this Court should modify the stay pursuant to 11 U.S.C. § 362(d)(1) to allow People's to repossess the 2000 and 2001 Collateral. Pursuant to Section 362(d)(1) of the Bankruptcy Code:

the Court shall grant relief from the stay provided under subsection (a) of this section, such as terminating, annulling, modifying, or conditioning such stay --

(1) for cause, including lack of adequate protection of an interest in property of such party in interest;

15. Cause exists to modify the automatic stay. Here, People's is not being adequately protected against the diminution in value of the 2000 and 2001 Collateral. Unless the Final Payment or regular monthly adequate protection payments in an amount to be determined by the

¹ The Debtors satisfied their obligations to People's under the 2001 Loan Agreement prior to the Filing Date of the Debtors' bankruptcy petitions. The 2001 Collateral continues to serve as collateral for the Debtors' obligation under the 2000 Loan Agreement in addition to the 2000 Collateral.

Court are made to Peoples, grounds exist for modifying the automatic stay to allow People's to pursue its rights against the 2001 and 2002 Collateral, including repossession and sale.

16. No prior request for the relief sought herein has been made in this Court.

CONCLUSION

For the foregoing reasons, People's respectfully requests that this Court enter an Order either: (i) awarding People's adequate protection; or (ii) terminating, vacating, or modifying the automatic stay pursuant to 11 U.S.C. §362(d) to permit People's to exercise all of its rights and remedies with respect to the 2000 and 2001 Collateral, including the repossession and sale thereof.

Dated: Garden City, New York
August 26, 2008

MORITT HOCK HAMROFF & HOROWITZ LLP
Attorneys for Peoples' Capital and Leasing Corp.

By: /s/ Stephen E. Turman
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VERIFICATION

PETER J. ESPOSITO, being duly sworn, opposes and says as follows:

I am a Vice-President of People's Capital and Leasing Corp. ("People's"). As such, I am fully familiar with the facts presented in this bankruptcy matter and am duly authorized to make this Verified Application on People's behalf. I have read the Verified Application prepared by People's counsel and state that the facts described therein are true. I have also reviewed the documents attached as Exhibits to the Verified Application and each exhibit is a true copy of the original document.

/s/ Peter J. Esposito
PETER J. ESPOSITO

Sworn to before me this
19th day of August, 2008,

/s/ Soo Walsh Sandeis
Notary Public No., 94116
State of Connecticut
Commission expires on 6/30/10