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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 DAVID MCCARTHY IN SUPPORT OF MOTION OF THE
DEBTORS PURSUANT TO 11 U.S.C. §§ 105(a), 363 AND 502 AND FEDERAL
RULE OF BANKRUPTCY PROCEDURE 9019 SEEKING APPROVAL OF A
SETTLEMENT AGREEMENT AMONG QUEBECOR WORLD (USA) INC. AND
QUEBECOR WORLD INC. AND JOSEPH S. CHA, KOROLARY NETWORKS
INC., D/B/A ANDREW CHA INTERNATIONAL INC. AND ROBERT
HARTMANN**

I, David McCarthy, declare under penalty of perjury as follows:

1. I am Vice President Human Resources and President of Quebecor World
(USA) Inc. (“QWUSA”), a corporation organized under the laws of the State of Delaware

and one of the above-captioned debtors and debtors in possession (collectively, the “Debtors”).

2. I submit this Declaration in support of the Debtors’ Motion Pursuant to 11 U.S.C. §§ 105(a), 363 and 502 and Federal Rule of Bankruptcy Procedure 9019 Seeking Approval of a Settlement Agreement among Quebecor World (USA) Inc. and Quebecor World Inc. and Joseph S. Cha, Korolary Networks Inc., d/b/a Andrew Cha International Inc. and Robert Hartmann (the “Motion”).

3. On or about May 23, 2007, Andrew Cha International, Inc. (“ACI”) d/b/a Colorscope and Korolary Networks, Inc. (collectively, the “Sellers”), Joseph S. Cha (“Cha”) and QWUSA entered into an Asset Purchase Agreement (the “APA”) pursuant to which QWUSA purchased certain business assets owned and/or operated by the Sellers for an initial payment of \$3.5 million and certain additional amounts payable over time, all as set forth in the APA, and combined such purchased assets with QWUSA’s Premedia business (the “Colorscope Purchase”).

4. In connection with the Colorscope Purchase, QWUSA entered into an employment agreement dated May 24, 2007 with Cha (the “Employment Agreement”), pursuant to which Cha agreed to serve as group president of QWUSA’s Premedia division. QWUSA terminated the Employment Agreement on January 10, 2008.

5. On April 23, 2008, QWUSA filed a complaint commencing an adversary proceeding in this Court, Adv. P. No. 08-01198 (the “Adversary Proceeding”) against Cha, Cha Management, LLC f/k/a Andrew Cha International Inc. (“Cha Management”), Robert

Hartmann (“Hartmann”) and Richard Waltman (“Waltman,” together with Cha, Cha Management and Hartmann, the “Respondents”).

6. In response, certain Respondents asserted in the Adversary Proceeding that QWUSA was not entitled to a temporary restraining order and preliminary injunction, and Cha asserted affirmative claims for damages arising out of the termination of his employment and for amounts allegedly due from QWUSA under the APA (the “Cha Claims”).

7. Following the commencement of the Adversary Proceeding, QWUSA and the Respondents entered into settlement discussions in an effort to reach a consensual resolution of the Adversary Proceeding and the Cha Claims.

8. The parties have agreed upon a settlement, the terms of which are set forth in a July 1, 2008 Settlement Agreement (the “Settlement Agreement”) and generally summarized in the Motion.

9. I believe that the Settlement Agreement is fair and reasonable under the circumstances and will resolve all of the presently contested issues between the Debtors on the one hand, and Cha, Hartmann, ACI and the Sellers on the other. The Adversary Proceeding involves complicated issues of fact and law. I understand from the Debtors’ counsel that litigating the Adversary Proceeding would impose substantial costs on all parties and the Debtors’ bankruptcy estates without any certainty that any party would obtain a favorable result on some or all of their claims.

10. I believe that the Settlement Agreement provides all parties with a fair and equitable resolution of their disputes. From the Debtors’ perspective, the Settlement

