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Hearing Date: January 6, 2011
at 10:00 a.m

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)
(Jointly Administered)
Reorganized Debtors.
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**MOTION TO COMPEL REORGANIZED DEBTOR TO
ESTABLISH CLASS 3 DISTRIBUTION RESERVE**

Riverside Claims, LLC (“Riverside”), by its attorneys, Herrick, Feinstein LLP, as and for its motion (the “Motion”) for entry of an order substantially in the form annexed hereto as Exhibit “A” (the “Proposed Order”) compelling the above-captioned confirmed debtors (collectively, the “Debtors”) to establish a Distribution Reserve pursuant to Section 8.10 of the *Modified Third Amended Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-Possession*, dated July 1, 2009 (the “Plan”),¹ respectfully represents as follows:

PRELIMINARY STATEMENT

1. The Effective Date of the Plan occurred nearly a year and a half ago. Since that time, distributions have been made to every Class of Claims under the Plan except Class 3

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

General Unsecured Claims. Section 4.3 of the Plan requires that distributions to holders of Allowed Class 3 Claims be made “on the Effective Date.”²

2. Counsel to the Debtors has advised Riverside’s counsel that the confirmed Debtor has not made any distributions to Class 3 Claims because it cannot determine the aggregate amount of Allowed Claims in that Class since the liquidating trustee under the Plan has commenced hundreds of avoidance actions that remain unresolved.³ However, the Plan itself contains the solution to the Debtor’s purported dilemma. Section 8.10 of the Plan contains an estimation mechanism which would allow the Debtor to make substantial, if not full, distributions to holders of Allowed Class 3 Claims. Under this mechanism, a Distribution Reserve would be established for Disputed Class 3 Claims, including contingent claims that might arise under Code Section 502(h), and those Claims would be estimated. Indeed, the estimation of Disputed Claims and the establishment of a Distribution Reserve for Disputed Claims are each *mandatory* under terms of the Plan. Moreover, Section 8.10(d) insulates the Debtor from additional liability in the event that the amount estimated for the Disputed Claims proves insufficient.

3. The relief sought by this Motion is necessary because, despite repeated requests, the Debtor has refused to either establish a Class 3 Distribution Reserve or to commit to establishing such a Distribution Reserve. Instead, the Debtor has advised Riverside that it *might*

² The Plan also contains a separately defined term, the “Distribution Date,” which is defined as “the date, selected by the Reorganized Debtors, upon which distributions to holders of Allowed Claims and Allowed Interests entitled to receive distributions under the Plan shall commence; provided, however, that the Distribution Date shall occur on or as soon as reasonably practicable after the Effective Date, *but in any event no later than thirty (30) days after the Effective Date.* (Article I(B)(77) of the Plan) (emphasis added).

³ Under the Plan, holders of Allowed Class 3 Claims are to receive New Unsecured Notes equal to 50% of their Allowed Claims except that if the aggregate amount of Allowed Class 3 Claims exceeds \$150 million, holders will receive New Unsecured Notes equal to their Pro Rata share of \$75 million. According to its Consolidated Financial Statements for the First Quarter Ended March 31, 2010, World Color Press Inc. (formerly Quebecor World Inc.) estimates that “the allowed amount of class 3 claims will be approximately \$86 million.”

make a small (i.e. approximately 15%) distribution sometime around February, 2011. Given the amount of time that has already passed without any distributions having been made to holders of Allowed Class 3 Claims, and the existence of the Distribution Reserve and estimation mechanism under the Plan, the Debtors' continued refusal to proceed with estimation and the creation of a reserve is unwarranted.

BACKGROUND

4. The Debtors filed their chapter 11 petitions on January 21, 2008. On or about July 2, 2009, the Court entered an order (the "Confirmation Order") confirming the Plan. The Effective Date of the Plan occurred on July 21, 2009.

5. In connection with the confirmed Plan, Quebecor World Inc. filed, on July 21, 2009, articles of reorganization to effect, among other things, a change in its name to "World Color Press Inc."

6. The Plan established seven separate classes of claims and interests, including Class 3 General Unsecured Claims against the Operating Debtors. Pursuant to Section 4.3 of the Plan, holders of Allowed Class 3 Claims were to receive distributions, on the Effective Date, of "a principal amount of New Unsecured Notes equal to 50% of such holder's Allowed Claim; provided, however, that if the aggregate Allowed Class 3 Claims exceed \$150 million, each holder of an Allowed Class 3 Claim shall receive such holder's Pro Rata portion of \$75 million in principal amount of New Unsecured Notes." (Plan, Section 4.3).

7. Despite the clear provisions of the Plan, no distributions were delivered to holders of Allowed Class 3 Claims on the Effective Date or at any time thereafter.

8. Section 8.10(b) of the Plan provides for the establishment of Distribution Reserves as follows:

(b) Distribution Reserve. The Debtors *shall establish* one or more Distribution Reserves of New Common Stock, New Preferred Stock, New Warrants, New Unsecured Notes and Cash for the purpose of effectuating distributions to holders of Disputed Claims pending the allowance or disallowance of such claims or interests in accordance with the Plan. The Debtors or the Disbursing Agent shall establish a reserve to hold the New Common Stock, New Preferred Stock, New Warrants, New Unsecured Notes and Cash that would otherwise be distributed to holders of Disputed Claims based on the amounts of such Claims or Interests estimated by the Bankruptcy Court or agreed to by the holder of such Claim and the Debtors or as otherwise provided in the Plan. (emphasis added).

9. Section 8.10(c) of the Plan provides for the estimation of claims for Distribution Reserves as follows:

(c) Estimation of Claims for Distribution Reserves. Other than with respect to the Private Notes Reserve (the amount of which shall be determined as set forth in the Plan), *to the extent that any Claims remain Disputed Claims as of the Effective Date, the Debtors or Reorganized Debtors shall seek an order from the Bankruptcy Court establishing the amounts to be withheld as part of the Distribution Reserve.* Without limiting the foregoing, the Debtors or the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any Disputed Claim, including any such Claim arising from the Debtors' or Reorganized Debtors' rejection of an executory contract, pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors have previously objected to such Claims, and the Bankruptcy Court shall retain jurisdiction to estimate any Disputed Claim at any time during litigation concerning any objection to any Disputed Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may, as determined by the Bankruptcy Court, constitute either (a) the Allowed amount of such Disputed Claim, (b) a maximum limitation on such Disputed Claim, or (c) in the event such Disputed Claim is estimated in connection with the estimation of other Claims within the same Class, a maximum limitation on the aggregate amount of Allowed Claims on account of such Disputed Claims so estimated; provided, however, that if the estimate constitutes the maximum limitation on a Disputed Claim, or on more than one such Claim within a Class of Claims, as applicable, the Debtors may elect to pursue supplemental proceedings to object to any ultimate allowance of any such Disputed Claim. All of the objection,

estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Disputed Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court. (emphasis added).

10. The Plan further contains a provision to insulate the Debtors from liability in case the Disputed Claims Reserve ultimately proves insufficient to make required distributions to Disputed Claims that later become Allowed. Section 8.10(d) of the Plan provides:

(d) No Recourse to Debtors or Reorganized Debtors. Any Disputed Claim that ultimately becomes an Allowed Claim shall be entitled to receive its applicable distribution under the Plan solely from the Distribution Reserve established on account of such Disputed Claim. In no event shall any holder of a Disputed Claim have any recourse with respect to distributions made, or to be made, under the Plan to holders of such Claims to any Debtor or Reorganized Debtor or QWI or Reorganized QWI on account of such Disputed Claim, regardless of whether such Disputed Claim shall ultimately become an Allowed Claim or regardless of whether sufficient Cash, New Common Stock, New Preferred Stock, New Warrants, New Unsecured Notes or other property remains available for distribution in the Distribution Reserve established on account of such Disputed Claim at the time such Claim becomes entitled to receive a distribution under the Plan.

11. Upon information and belief, the Debtor has set up one or more Distribution Reserves for other Classes of Claims but has never sought to establish a Distribution Reserve in connection with Class 3 Claims.

12. On or about July 2, 2010, Quad/Graphics, Inc. (“Quad/Graphics”) acquired World Color Press Inc. (the “Acquisition”). The as-yet unissued New Unsecured Notes to holders of Allowed Class 3 Claims were then “defeased” and “redeemed” by Quad/Graphics. This process is described in Note 11 to the financial statements contained in the Quad/Graphics, Inc. Form 10-Q filed on November 15, 2010,⁴ as follows:

⁴ A copy of the relevant portions of the November 15, 2010 Form 10-Q is annexed hereto as Exhibit “B”.

[As part of the Acquisition], the unsecured notes were defeased pursuant to the terms and conditions of the applicable unsecured notes indenture, and \$123.9 million, representing the maximum principal amount of all notes that could be issued (i.e. \$75 million), together with all interest that would accrue on such unsecured notes through the maturity date of July 15, 2013 and a 5% prepayment redemption premium, was deposited with the trustee of the unsecured notes indenture. Further, upon the Company's acquisition of World Color Press and the defeasance of the unsecured notes, the Company then elected to redeem the unsecured notes, and, to that end, provided the requisite thirty day notice to the trustee under the unsecured notes indenture. Upon the expiration of such thirty day notice period, the unsecured notes were redeemed, with the trustee under the unsecured notes indenture retaining approximately \$89.2 million on account of the principal amount of the then redeemed unsecured notes, together with accrued interest through the redemption date of August 2, 2010, and the 5% prepayment redemption premium, and the balance of approximately \$34.7 million was returned to the Company on said date.

13. No distributions to holders of Allowed Class 3 Claims resulted from the defeasance and redemption of the unissued New Unsecured Notes. Thus, approximately \$89.2 million is being held for distribution to holders of Allowed Class 3 Claims, but such funds are presumably earning a much lower rate of interest than the rate that was to be earned under the Plan by the New Unsecured Notes which were defeased and redeemed.

14. Before making this Motion, Riverside contacted the Debtors' counsel on numerous occasions, and sought the assistance of the Joint Claims Oversight Committee, in order to bring about the estimation of Disputed Class 3 Claims and the establishment of a Class 3 Claims Distribution Reserve as contemplated by the Plan. This Motion was not filed until it became apparent that the Debtors would not seek, and the Joint Claims Oversight Committee would not support, such estimation and establishment of a Class 3 Claims Distribution Reserve. Copies of correspondence to counsel to the Debtors and the Joint Claims Oversight Committee are attached hereto as Exhibit "C".

ARGUMENT

15. The Debtor has already defaulted on its obligations under the Plan to make distributions to holders of Allowed Class 3 Claims on the Effective Date. Its refusal to promptly seek to estimate the amount of Disputed Class 3 Claims and to establish a Distribution Reserve with respect to Disputed Class 3 Claims, is unjustified.

16. The establishment of a Distribution Reserve and estimation of the amount of Disputed Class 3 Claims would enable the Debtor to make substantial (if not full) distributions to holders of Allowed Class 3 Claims. Furthermore, the estimation of Disputed Claims and the establishment of Distribution Reserves are *required* under Section 8.10 of the Plan.

17. The estimation of Disputed Class 3 Claims and establishment of a Distribution Reserve would also insulate the Debtor from liability should Disputed Class 3 Claims be underestimated. Upon information and belief, most, if not all Disputed Class 3 Claims, are contingent and unliquidated claims which may arise pursuant to Section 502(h) of the Bankruptcy Code. The Litigation Trustee who is pursuing the avoidance actions which may give rise to future Section 502(h) claims has reported that, to date, he has settled hundreds of those actions. A copy of relevant portions of the Litigation Trustee's status report for the November 29, 2010 status conference [Docket No. 4293] is annexed hereto as Exhibit "D". Notably, we have been advised by Debtors' counsel that none of those settlements gave rise to any Section 502(h) claims.

18. It is, therefore, unquestionably in the best interest of all holders of Allowed Class 3 Claims and of the Debtor (now Quad/Graphics) to immediately seek to estimate the amount of Disputed Class 3 Claims and to establish a corresponding Distribution Reserve for Class 3 Claims so that meaningful distributions to holders of Allowed Class 3 Claims can--finally--take

place. Because the Reorganized Debtor has refused to commit to undertake that course of action, Riverside respectfully requests that the Court compel the Reorganized Debtor to do so.

WHEREFORE, Riverside respectfully requests that the Court enter the Proposed Order and for such other and further relief that this Court deems just and proper.

Dated: December 17, 2010
New York, New York

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