

# Exhibit B

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
Case No. 08-10152-jmp

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In the Matter of:

QUEBECOR WORLD (USA), INC.,

Debtors.

- - - - -x

United States Bankruptcy Court  
One Bowling Green  
New York, New York

November 2, 2010

10:32 AM

B E F O R E:  
HON. JAMES M. PECK  
U.S. BANKRUPTCY JUDGE

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HEARING re MOTION filed by the Texas Comptroller of Public  
Accounts to Determine the Debtors' Sales Tax Liabilities  
Pursuant to the Courts Procedures Order

HEARING re MOTION filed by the Arizona Department of Revenue to  
Determine the Debtors' Sales Tax Liabilities Pursuant to the  
Courts Procedures Order

Transcribed by: Ellen Kolman

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P R O C E E D I N G S

THE COURT: Quebecor.

MR. HURST: Appearances, Your Honor? Good morning, Your Honor. My name is Jay Hurst. I'm from the Texas Attorney General's office representing the Texas Comptroller of Public Accounts.

THE COURT: Okay. Good morning.

MS. THEIS: Good morning, Your Honor. April Theis on behalf of the Arizona Department of Revenue from the Arizona Attorney General's office.

THE COURT: Mr. Canning.

MR. CANNING: Good morning, Your Honor. Michael Canning from Arnold & Porter. I'm here with my colleague Charles Malloy representing the Debtors, Quebecor World and its affiliated debtor entities.

Your Honor, before the Court this morning are two claims, the claims of two states, Texas and Arizona, in respect of their possible sales tax liability of the debtors to each of these two states. If I could just take a minute to give a little bit of historical context of why we're here today.

As Your Honor may recall in the early stages of the Chapter 11 proceedings, the debtors quickly realized that certain of the debtors may have some potential sales tax liabilities to as many as five hundred states and local taxing authorities. And this was of meaningful concern to the debtors

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1 some point. I think it may be premature to say, and I don't  
2 think the debtors are not prepared to say that now is  
3 necessarily is that point. I do think maybe over the next  
4 couple of weeks if we try to between the parties or among the  
5 parties work out a schedule, we may dialogue as to when we  
6 think that might be appropriate, because I do think certainly  
7 before we ultimately come before Your Honor to try the case if  
8 we have to, that we should do that.

9 THE COURT: Okay. Those are my thoughts. I  
10 basically -- I'll hear from Texas and I'll hear from Arizona.  
11 But I'm sympathetic to the notion that the parties are going to  
12 need a little bit more time to develop a consensual set of  
13 procedures, but I'm not prejudging anything at this point.

14 What does Texas have to say other than that sounds  
15 like a good idea?

16 MR. HURST: Thank you, Your Honor. May it please the  
17 Court, I'll try not to repeat too much, but try to give our  
18 perspective on these proceedings.

19 This is the motion of the Texas Comptroller of Public  
20 Accounts to set a hearing to determine the sales tax  
21 liabilities of the debtors, pursuant to the Court's procedures  
22 order.

23 The amended procedures order was entered November 14,  
24 2008 and it was, of course, the debtor's own motion that led  
25 the Court to enter the procedures orders. That motion was

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1 filed October 17, 2008.

2 The gist of the debtor's motion was basically to  
3 admit that they had been participating and engaging business in  
4 certain jurisdictions, including Texas, without having properly  
5 registered to do business, without having filed or paid tax  
6 returns, and wanting to basically take advantage of the state's  
7 voluntary disclosure agreement program, in order to come clean,  
8 pay what they owe, and stay current going from the point  
9 forward. And that's a proposition that Texas has not rejected  
10 and does not reject today. Although exactly how it gets  
11 implemented, obviously is the subject of the motion procedures  
12 and the negotiations.

13 We did, Your Honor -- well, the motion asked the  
14 Court to implement procedures, which the Court did, and Texas  
15 has assiduously followed and pursued those procedures. We  
16 engaged in protractive negotiations with the debtors, allowing  
17 them full access to our auditors, they've allowed full access  
18 in conference calls to their auditors. There's been exchange  
19 of substantial information. And really the case has boiled  
20 down to a disagreement in terms of the interpretation of the  
21 data that's been exchanged.

22 In other words, we're not writing on a clean slate at  
23 this point, Your Honor. There have been a full good faith  
24 exchange of information at meetings in consultation between the  
25 parties. It's actually kind of a surprise to me that the case

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1 is not settled because of the good faith negotiations and the  
2 open exchange of information that the parties engaged in.

3 To crystallize for the Court the disagreement, the  
4 debtors offered to determine the amount of the sales tax they  
5 owed based on a three-month study, which we basically have  
6 accepted as being the Bible for the case. We have vetted that  
7 study, we have asked questions about the study, and in order to  
8 understand the numbers, to make sure that we can get in a  
9 reasonable ballpark, a reasonable range of settlement  
10 proposition.

11 THE COURT: Is there any dispute but that the period  
12 used for calculation of transactions and assumed liability is a  
13 representative period?

14 MR. HURST: We're not disputing that.

15 THE COURT: Okay. So it's just a question of -- I  
16 saw what the numbers are, the gross numbers are that you're  
17 many millions of dollars apart because of some disagreement as  
18 to what sales are or are not subject to taxation.

19 MR. HURST: It really boils down to being, although  
20 it's a large number, that simple of a concept. We noticed in  
21 evaluating the debtor's information as it came in, that they  
22 were claiming that out of a total of approximately thirty-seven  
23 million dollars worth of sales transactions, thirty-five  
24 million dollars of those were non-taxable. And we acknowledged  
25 that a publishing company like this would probably have a



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1 fairly high percent of non-taxable sales, but that was a little  
2 bit higher than we could understand.

3 And so we asked for additional information, and in  
4 fact, asked for a specific itemization of the sales  
5 transactions included in that thirty-seven million dollars.  
6 And it's been a discussion back and forth of those specific  
7 transactions that has led to the differences in the numbers.

8 We have quite liberally, or tried quite liberally to  
9 concede to the debtor that we will take this transaction or  
10 that transaction off the list, but our auditors are left with a  
11 number of transactions that there simply is not a good  
12 explanation for why it would not be taxable and that's the crux  
13 of the difference between the two parties. And that's the  
14 difference between the numbers that we reported to the Court in  
15 our motion.

16 So, you know, it really boils down to being, although  
17 there's some detail involved, not a very complicated issue, and  
18 something that we think after the time that everyone has spent  
19 to get to this point, is fairly ripe or easily presented to the  
20 Court to try.

21 You know, we have a right to have a hearing date and  
22 we came to the courthouse today to ask the Judge to give us a  
23 hearing date so we would have that as a back stop, without  
24 prejudice to any discovery that they want to do, without  
25 prejudice to any further negotiations. But at this point,

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1 given the exchange of data, I mean, they have our work product,  
2 they have our most recent expert report, they know exactly what  
3 we're going to say. And so it seemed to us that the easiest  
4 way to settle this case would be to have a hearing date. Well,  
5 it would actually involve these three steps.

6 First, to for example, January 14th, exchange direct  
7 testimony in declaration form and briefs and exhibits; fourteen  
8 days later exchange replies, set a hearing date sometime in  
9 February, and we'll all bring our witnesses for cross-  
10 examination or be -- you know, have an opportunity to discuss  
11 with the Court that says that point.

12 We did try to settle the case, Your Honor,  
13 notwithstanding the difference in the numbers. The settlement  
14 numbers were a lot closer than the numbers reported in the  
15 motion. We were a lot closer to their number than they were to  
16 us. But there was a gap that could not be bridged, so we're  
17 here to ask the Court to set a hearing.

18 THE COURT: Okay. The dates you've identified are  
19 very aggressive, and assume a simplicity in the issues to be  
20 presented and tried that I believe the debtor, without speaking  
21 for the debtor, would deny in light of my review of their  
22 papers suggestion that by virtue of failing to reach agreement  
23 under the voluntary disclosure procedures that had been in  
24 play, in effect, all issues are now in play relating to your  
25 entitlement to claim taxes against these debtors, in which case