

Hearing Date and Time: May 15, 2009 at 9:45 a.m.

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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., <i>et al.</i> ,)	Case No. 08-10152 (JMP)
)	(Jointly Administered)
Debtors.)	
_____)	Hon. James M. Peck

DEBTORS' CONSOLIDATED RESPONSE TO OBJECTIONS TO MOTION FOR ENTRY OF AN ORDER (A) APPROVING DISCLOSURE STATEMENT; (B) FIXING A VOTING RECORD DATE; (C) APPROVING SOLICITATION AND VOTING PROCEDURES WITH RESPECT TO JOINT PLAN OF REORGANIZATION OF QUEBECOR WORLD (USA) INC. AND CERTAIN AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION; (D) APPROVING FORM OF SOLICITATION PACKAGE, BALLOTS AND NOTICES; (E) SCHEDULING CERTAIN DATES IN CONNECTION THEREWITH; (F) APPROVING PROCEDURES FOR PROVIDING NOTICE OF ASSUMPTION AND REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND DETERMINATION OF CURE AMOUNTS IN CONNECTION THEREWITH; AND (G) EXTENDING EXCLUSIVE PERIOD TO FILE A PLAN AND SOLICIT ACCEPTANCES THEREOF

The above-captioned debtors and debtors-in-possession (collectively, the "Debtors") submit this consolidated response (the "Response") to the various objections to the Debtors' Motion for Entry of an Order (a) Approving Disclosure Statement; (b) Fixing a Voting Record Date; (c) Approving Solicitation and Voting Procedures with respect to Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-

Possession; (d) Approving Form of Solicitation Package, Ballots and Notices; (e) Scheduling Certain Dates in connection therewith; (f) Approving Procedures for Providing Notice of Assumption and Rejection of Executory Contracts and Unexpired Leases and Determination of Cure Amounts in connection therewith and (g) Extending Exclusive Period to File a Plan and Solicit Acceptances thereof (the “Motion”).

PRELIMINARY STATEMENT

1. The Debtors filed their Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-Possession on April 19, 2009 and their First Amended Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-Possession on May 5, 2009 (as subsequently amended, the “Plan”), and the Debtors filed their Disclosure Statement with respect to Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-Possession on April 19, 2009 and their First Amended Disclosure Statement with respect to Joint Plan of Reorganization of Quebecor World (USA) Inc. and Certain Affiliated Debtors and Debtors-in-Possession on May 5, 2009 (as subsequently amended, the “Disclosure Statement”).¹

2. On April 20, 2009, the Debtors filed the Motion seeking, *inter alia*, approval of the Disclosure Statement.

3. The Disclosure Statement that is presently before the Court is the product of several months of negotiations among the Debtors and their creditor constituents and incorporates numerous compromises and revisions that take into account the interests of each of the Debtors’ creditor constituencies and of other parties-in-interest in these Chapter 11 Cases.

¹ Capitalized terms not otherwise defined herein have the meanings given to them in the Plan and Disclosure Statement.

Moreover, the Disclosure Statement was initially filed on April 19, 2009, and all creditors and parties-in-interest have had ample opportunity to review the Disclosure Statement and related materials.

4. As of the date of this Response, four creditors (the “Objecting Parties”) have filed objections (the “Objections”) to approval of the Disclosure Statement. After receiving these Objections, the Debtors attempted to contact each of the Objecting Parties in an effort to consensually resolve the Objections prior to the hearing on the Disclosure Statement and spoke directly to two of the Objecting Parties. Moreover, the Debtors believe that each of these objections either (a) is satisfactorily addressed or otherwise moot in light of additional information that has, or will shortly be, provided by the Debtors or (b) does not raise a valid objection to the adequacy of information contained in the Disclosure Statement or otherwise state a basis for the Court to deny approval of the Disclosure Statement.

OVERVIEW OF THE OBJECTIONS TO THE DISCLOSURE STATEMENT

5. The following sets forth the four written Objections filed by the Objecting Parties as of the May 12, 2009 deadline to object to the Motion:

Objection	Party	Docket No.
Limited Objection by Riverside Claims LLC to First Amended Disclosure Statement (the “Riverside Objection”)	Riverside Claim, LLC (“Riverside”)	1637
Merced Irrigation District’s Objection to the Disclosure Statement (the “Merced Objection”)	Merced Irrigation District (“Merced”)	1646
Objections to First Amended Disclosure Statement (the “Teamsters Objection”)	Graphic Communications Conference of the International Brotherhood of Teamsters Supplemental Retirement and Disability Fund (“Teamsters”)	1647

Creditor’s Motion to Stay the Scheduled Disclosure Statement Hearing & Injunctive Relief (the “Heide Objection”)	Mr. Guy Heide (“Mr. Heide”)	1648
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6. In addition to the Objections, other parties in interest have raised certain issues and provided the Debtors with comments on the Disclosure Statement and the Plan. The Debtors have supplemented the Plan and Disclosure Statement with additional information and exhibits, as contemplated when the Plan and Disclosure Statement were initially filed, and have made further revisions to the Plan and Disclosure Statement as a result of their ongoing negotiations with major creditor constituencies and other parties in interest in these Chapter 11 Cases. In this regard, the Debtors will file revised versions of the Disclosure Statement and Plan (together with blacklines) in advance of the May 15, 2009 hearing on approval of the Disclosure Statement.

7. Many of these subsequent revisions to the Plan and Disclosure Statement address the matters raised in the Objections. With respect to the remaining issues raised by the Objecting Parties, the Disclosure Statement contains “adequate information” and satisfies the other requirements of section 1125 of the Bankruptcy Code and, accordingly, the Disclosure Statement should be approved and the Objections overruled.

REPLY TO OBJECTIONS

I. OBJECTIONS ADDRESSED BY PRESENT OR FORTHCOMING DISCLOSURE

8. As stated above, the Debtors believe the vast majority of the issues raised in the Objections are either already addressed in the Disclosure Statement and/or Plan will be resolved by the forthcoming revisions that will be made to the Plan and Disclosure Statement will address the matters raised.

9. In that regard, the Debtors have attempted to communicate with the Objecting Parties to both attempt to reach resolution on the Objections and to determine if further communication could help alleviate any concerns. The Debtors believe that through various communications with some of these Objecting Parties and the revisions made to the Plan and/or Disclosure Statement they have now fully addressed the following Objections:

Objection	Objecting Party	Debtors' Response
1. The Disclosure Statement does not provide the Aggregate Amount of Allowed Class 3 Claims.	<ul style="list-style-type: none"> • Riverside • Merced 	The Estimated Aggregate Allowed Amount of Class 3 Claims will be disclosed in the Second Amended Disclosure Statement, which will be filed prior to the May 15, 2009 hearing on the Disclosure Statement.
2. The Plan does not include the Terms of New Unsecured Notes.	<ul style="list-style-type: none"> • Riverside • Merced • Teamsters 	The Debtors are continuing ongoing negotiations with each of the Creditors' Committee, the Ad Hoc Group of Noteholders and the Syndicate Committee regarding the Terms of the New Unsecured Notes and will file such Terms on or before the Exhibit Filing Date. The Exhibit Filing Date is ten (10) days before the Voting Deadline.
3. The Disclosure Statement does not provide (a) an explanation regarding why the Liquidation Analysis "uses an ongoing business valuation for the Latin American Subsidiaries..."; (b) an explanation how the Convenience Class was determined; and (c) does not analyze certain potential recoveries from potential fraudulence conveyance actions.	<ul style="list-style-type: none"> • Riverside 	Counsel for the Debtors spoke to counsel for Riverside and believes each of these issues have now been resolved. In addition, the Debtors will include additional disclosure regarding certain of the issues raised by Riverside in the Second Amended Disclosure Statement, which will be filed prior to the May 15, 2009 hearing

4. The Disclosure Statement should elaborate on how the Debtors determined the estimated amount of Allowed Claims against the Operating Debtors.	<ul style="list-style-type: none"> • Teamsters 	Counsel for the Debtors spoke with Counsel for Teamsters and believes they have resolved the Teamsters' concern regarding this issue. In addition, the Debtors believe that they have provided adequate disclosure regarding the Debtors' determination of the estimated amount of Allowed Claims. In that regard, the Debtors included disclosure, among other things, in the Disclosure Statement regarding elimination of duplicate Claims and secondary liability Claims.
5. The Debtors fail to include Exhibits identifying the Executory Contracts that will be assumed or rejected.	<ul style="list-style-type: none"> • Teamsters 	The Plan provides that the Debtors will file the preliminary listing of Executory Contracts on or before the Exhibit Filing Date. The Exhibit Filing Date is ten (10) days before the Voting Deadline.

10. For the foregoing reasons, the Debtors believe the objections set forth in the above referenced chart have been satisfactorily resolved or rendered moot by the inclusion of additional information in the Plan and/or Disclosure Statement.

II. DEBTORS' RESPONSES TO ADDITIONAL OBJECTIONS

11. The Debtors believe that certain other objections to the Disclosure Statement do not, in fact, raise material issues with respect to the adequacy of information contained in the Disclosure Statement. The Debtors' responses to these objections are as follows:

A. Additional Riverside Objections

12. Disclosure Related to Other Avoidance Actions. Riverside takes issue with the statement in the Debtors' Liquidation Analysis that the Liquidation Analysis only considers potential recoveries from the "UCC Fraudulent Preference Action," as defined in the Liquidation Analysis, and does not consider potential recoveries from other avoidance actions in calculating the possible results of a liquidation of the Debtors' assets. The Debtors believe that the

Liquidation Analysis contains adequate information without engaging in a speculative attempt to project, estimate or quantify recoveries on any and all avoidance actions that might be brought in connection with the liquidation of the Debtors' assets. In the first instance, the Debtors believe that potential recoveries on "other possible fraudulent preference or conveyance actions"² are far too contingent to attempt to quantify for purposes of the Liquidation Analysis. As in many other complex chapter 11 cases, the Debtors are still in the process of reviewing potential claims and avoidance actions and have yet to complete this analysis. Moreover, as a practical matter, the Debtors believe that factoring in the potential recovery on additional avoidance actions would not materially change the amount of assets available for distribution to creditors and the conclusions reached in the Liquidation Analysis.

13. Disclosures Related to the Creditors' Committee. Riverside also makes certain requests for additional disclosures related to the Official Committee of Unsecured Creditors. Specifically, Riverside asserts that the Disclosure Statement should include disclosures with respect to the Creditors' Committee's view of the Plan. The Debtors have consulted with the Creditors' Committee and taken its views into account on virtually every aspect of the Disclosure Statement. The Debtors further note that the Creditors' Committee has not filed an objection to the Motion or to approval of the Disclosure Statement, and otherwise, presumes that the Creditors' Committee will speak for itself with respect to its position on the Plan and Disclosure Statement.

14. Riverside also suggests that the Disclosure Statement should disclose the composition of the Creditors' Committee and "how the interests of trade creditors were represented on the Committee." The membership of the Creditors' Committee is a matter of

² See Riverside Objection at ¶ E.

public record and the decision with respect to the appointment of the Creditors' Committee is a matter within the authority and discretion of the Office of the United States Trustee, not the Debtors. Thus, it is unclear what additional disclosure is necessary in this regard. Moreover, any description by the Debtors in the Disclosure Statement of the composition and inner workings of the Creditors' Committee would be speculative and, more importantly, is not necessary in order to provide creditors with "adequate information" with respect to the Plan.

B. Heide's Objections

15. The Heide Objection is styled as a motion to stay the hearing on the Disclosure Statement for 30 days. The Debtors submit that staying the hearing on the Disclosure Statement for 30 days would be extraordinarily prejudicial to the interests of the Debtors and all other creditors. Moreover, it is unnecessary to stay the hearing on the Disclosure Statement for any amount of time -- let alone 30 days -- in order to resolve Mr. Heide's objections, and, for this reason and the reasons set forth below, the Debtors respectfully request that the Court deny Mr. Heide's motion to stay the hearing on the Disclosure Statement.

16. Notice of Bar Date. Mr. Heide's first objection is that he did not receive adequate notice of the Bar Date for filing claims in these Chapter 11 Cases. The Debtors took substantial steps and incurred significant costs to provide notice of the commencement of these Chapter 11 Cases and of the Bar Date for filing claims to all interested parties, and believe that adequate notice was in fact provided to all creditors and parties-in-interest. The Debtors mailed in excess of 100,000 notice packages to creditors and other parties in interest in connection with the Bar Date, in addition to publishing notice of the Bar Date in the national editions of the *Wall Street Journal* and *New York Times*. The Debtors submit that they provided adequate notice of the Bar Date.

17. More importantly, notwithstanding Mr. Heide's objection with respect to notice, Mr. Heide concedes that he received notice of the Bar Date and filed a timely proof of claim, a copy of which is attached to the Heide Objection.³ In light of the fact that Mr. Heide filed a timely proof of claim, he was not prejudiced by any alleged defect with respect to notice of these Chapter 11 Cases, and his objection to insufficient notice of the Bar Date should be overruled.

18. Classification of Claim and Ability to Vote on Plan. Mr. Heide also objects to the Motion on grounds that he has not been provided notice as to the classification of his claim and has been denied the right to vote on the Plan. This objection is premature. Upon approval of the Disclosure Statement, Mr. Heide will receive a personalized Ballot that will indicate, among other things, the classification of Mr. Heide's claim under the Plan, the amount of such claim for voting purposes, and instructions for voting to accept or reject the Plan.

19. The Debtors appreciate the concerns raised by Mr. Heide and, to the extent that Mr. Heide has questions with respect to the balloting process and the solicitation of acceptances and rejections of the Plan, the Debtors and the Claims Agent will be available to answer such questions once the solicitation process begins. The Debtors do not, however, believe that the Heide Objection states sufficient grounds to stay the hearing on the Disclosure Statement or to deny approval of the Disclosure Statement, and respectfully request that the Heide Objection be overruled and/or denied, as applicable.

³ See Heide Obj. at ¶¶ 11-12. Mr. Heide indicates elsewhere in his objection that he had actual notice of these Chapter 11 Cases as early as February 29, 2008 based on communications with certain employees of the Debtors and/or QWI. See Heide Obj. at ¶ 6.

III. THE STANDARDS OF SECTION 1125 OF THE BANKRUPTCY CODE HAVE BEEN MET

20. A disclosure statement may be approved if it contains “adequate information.” 11 U.S.C. § 1125(b). Pursuant to section 1125(a)(1) of title 11 of the United States Code (the “Bankruptcy Code”):

“adequate information” means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information.

21. A disclosure statement must, as a whole, provide information that is “reasonably practicable” to permit an “informed judgment” by creditors and interest holders entitled to vote on the debtor’s plan of reorganization. See, e.g., BSL Operating Corp. v. 125 E. Taverns, Inc. (In re BSL Operating Corp.), 57 B.R. 945, 950 (Bankr. S.D.N.Y. 1986) (stating that “[s]ection 1125 might be described as a non-rigid ‘how-to-inform’ section ...A disclosure statement ...is evaluated only in terms of whether it provides sufficient information to permit enlightened voting by holders of claims or interests.”).

22. Court have broad discretion in determining whether a disclosure statement contains adequate information. See, e.g., Kirk v. Texaco, Inc., 82 B.R. 678, 682 (S.D.N.Y. 1988) (stating that “[t]he legislative history could hardly be more clear in granting broad discretion to bankruptcy judges under § 1125(a): ‘Precisely what constitutes adequate

information in any particular instance will develop on a case-by-case basis. Courts will take a practical approach as to what is necessary under the circumstances of each case ...” (quoting H.R. Rep. No. 95-595, at 408-09 (1977), as reprinted in 1978 U.S.C.C.A.N. 5787, 6365).

23. There is no question that the Disclosure Statement contains adequate information. Without exhibits, the Disclosure Statement is approximately 120 pages in length, and as noted in the Motion, the Disclosure Statement includes, among other things: (i) a detailed summary of the Plan, including the means for its implementation and the classification and treatment of claims and equity interests thereunder; (ii) the history of QWI and the Debtors, including certain key events leading to the commencement of the Chapter 11 Cases; (iii) the operation of the Debtors’ business and significant events during the Chapter 11 Cases; (iv) the prepetition capital structure and indebtedness of QWI and the Debtors; (v) the corporate structure of QWI and the Debtors; (vi) claims asserted against the Debtors’ estates and certain claims resolution procedures; (vii) certain risk factors to be considered in connection with the Plan; (viii) the contemplated administration of the Debtors’ estates following confirmation of the Plan; (ix) the applicability of federal and other securities laws to securities to be distributed under the Plan; (x) certain federal income tax consequences of the Plan; (xi) the Plan’s provisions governing distributions; (xii) a discussion of the legal standards applicable to approval of the Plan; (xiii) a discussion of alternatives to confirmation and consummation of the Plan, including a liquidation analysis; (xiv) an explanation of voting requirements under the Plan; and (xv) a disclaimer indicating that no statements or information concerning the Debtors and their assets are authorized other than those set forth in the Disclosure Statement.

24. In light of the extensive level of information contained in the Disclosure Statement, the Debtors submit that the Disclosure Statement contains “adequate information”

under section 1125 of the Bankruptcy Code. Accordingly, the Disclosure Statement should be approved and the Objections overruled.

Dated: May 14, 2009
New York, New York

Respectfully submitted,

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