

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 35- 27909)**

**Filings Under the Public Utility Holding Company Act of 1935, as amended ("Act")**

**November 9, 2004**

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by December 6, 2004, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After December 6, 2004, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

**Harbert Distressed Investment Master Fund, Ltd. (70-10259)**

Harbert Distressed Investment Master Fund, Ltd., c/o 555 Madison Avenue, 16<sup>th</sup> Floor, New York, NY 10022, on its own behalf and on behalf of funds and managed accounts (“Harbert” and “Applicant”), has filed an application (“Application”) requesting an exemption under section 3(a)(4) of the Act from all provisions of the Act except section 9(a)(2).

The Application is filed in connection with Harbert’s anticipation that funds and accounts managed by it will receive, in the aggregate, more than 10% of the voting securities of a public-utility company, the reorganized NorthWestern Corporation (“NorthWestern” and “Debtor”), pursuant to Debtor’s Second Amended and Restated Plan of Reorganization dated August 27, 2004 (“Plan of Reorganization”) under Chapter 11 of the United States Bankruptcy Code (“Chapter 11”), filed in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).<sup>1</sup>

Harbert Management Corporation (“HMC”), founded in 1945, is a privately held firm that specializes in non-traditional money management activities. HMC serves pension trusts, endowments and foundations, pension funds, banks, insurance companies, family offices, and high net worth individuals. HMC has sponsored numerous funds, including Harbert. Harbert’s investment team also manages a separate managed account, Alpha Sub US Fund VI, LLC (“Alpha”). HMC has a diversified portfolio of assets under management. Investments range across a wide variety of industries; diversification across asset classes is a fundamental goal.

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<sup>1</sup> *In re NorthWestern Corp.*, Case No. 03-12872 (CGC) (Bankr. D. Del.) (filed Sept. 14, 2003).

HMC Investments, Inc., a wholly owned subsidiary of HMC, is a registered broker/dealer and member NASD, SIPC. The Harbinger Group, Inc., an indirect wholly owned subsidiary of HMC, is an investment advisor registered with the Commission.

Applicant states that neither HMC nor any of the funds or accounts managed by it is currently a “public-utility company,” a “public-utility holding company,” or an “affiliate” of a public-utility company or public-utility holding company within the meaning of the Act.

As detailed in the Disclosure Statement dated August 27, 2004 (“Disclosure Statement”), filed in connection with the Plan of Reorganization, NorthWestern is a stand-alone public-utility company engaged in the generation, transmission and distribution of electricity and the distribution of natural gas to approximately 608,000 customers in Montana, South Dakota and Nebraska. NorthWestern is subject to the jurisdiction of the Federal Energy Regulatory Commission with respect to the issuance of securities and the setting of wholesale electric rates. Its Montana operations are subject to the jurisdiction of the Montana Public Service Commission and its South Dakota operations, to the jurisdiction of the South Dakota Public Utilities Commission.

On September 14, 2003, NorthWestern filed a petition for relief under Chapter 11. In the succeeding eleven months, NorthWestern, as debtor-in-possession, negotiated with creditors, state regulators, and other parties, a plan of reorganization that provides for the reorganization of the utility as a stand-alone company. In so doing, NorthWestern has divested nearly all of its interests in nonutility businesses. Under the Plan of Reorganization, Northwestern’s unsecured creditors will receive *pro rata* distributions of all of the common stock of a reorganized NorthWestern (subject only to dilution by

relatively small amounts of stock issued pursuant to a management incentive plan). NorthWestern will continue to operate as a public-utility company.

Applicant states that, as part of their investment strategies, Harbert and Alpha regularly attempt to identify undervalued securities of financially distressed companies. Both hold publicly traded Senior Notes of NorthWestern issued in 2002. Harbert acquired these securities in the ordinary course of its business on behalf of the managed funds and accounts. Harbert or its administered funds also own beneficially several issuances of NorthWestern's subordinated debt securities. These securities were acquired for investment purposes and continue to be held exclusively for such purposes.

Harbert was active in the reorganization proceedings and engaged in negotiations with NorthWestern, other creditor groups, and other parties to develop the Plan of Reorganization. Applicant states that the Plan of Reorganization has broad support. A hearing on confirmation was held on August 25, 2004 and concluded on October 6, 2004. The requested effective date is no later than November 1, 2004.

Under the Plan of Reorganization, the funds and accounts managed by Harbert expect to receive, in the aggregate, up to a maximum of approximately 26.5% of the common stock of reorganized NorthWestern, if Harbert and affiliates were to exercise all available warrants.<sup>2</sup> Applicant states that it is entitled to exemption under section 3(a)(4) because it will be "temporarily a holding company solely by reason of the acquisition of securities for purposes of liquidation or distribution in connection with a bona fide debt

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<sup>2</sup> Under the Plan of Reorganization, this percentage could be affected if certain unsecured creditors elect not to receive distributions of common stock of reorganized NorthWestern. This event would increase the percentage of the common stock distributed to the remaining unsecured creditors, including the Harbert funds and accounts.

previously contracted.” Harbert requests an exemption under section 3(a)(4) for a period of up to three years. Harbert plans to reduce its aggregate holdings to less than 10% of NorthWestern’s voting securities in a manner that will enable Harbert to maximize its return on the investment over the three-year period.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland  
Deputy Secretary

Action as set forth or recommended herein  
APPROVED pursuant to authority delegated by the  
Commission under Public Law 87-592.

For The Division of Investment Management

By: \_\_\_\_\_ Branch Chief

July 26, 2005