IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
BUTTE DIVISION

IN RE TOUCH AMERICA HOLDINGS, INC. ERISA LITIGATION	No. CV-02-106-BU-SEH
THIS DOCUMENT RELATES TO: ALL ACTIONS	

NOTICE OF PROPOSED SETTLEMENT OF ERISA CLASS ACTION

TO: All participants and beneficiaries of The NorthWestern Energy 401k Plan, f/k/a The Montana Power Company 401k Retirement Savings Plan, f/k/a The Montana Power Company and Subsidiaries Employee Retirement Savings Plan, f/k/a The Montana Power Company Deferred Savings and Employee Stock Ownership Plan (the "Plan") from the period of September 12, 1999 through November 1, 2001 (the "Class"). Excluded from the Class are Defendants, members of their immediate families, any officer, director, or Partner of any Defendant or any entity in which a Defendant has a controlling interest, and the heirs, successors, or assigns of any of the foregoing.

If you fall within this group of persons, you are a "Settlement Class Member."

PLEASE NOTE: As part of a global settlement, there are separately pending proposed settlements of related litigation on behalf of former shareholders of MPC stock. You may also be entitled to participate in one or more of those settlements, all of which are contingent upon one another. For further information, please consult the settlement website at www.gilardi.com, or contact the settlement administrator at 1-877-571-8669. This Notice concerns only the proposed ERISA Settlement on behalf of the Class of former Montana Power Company employees, as set forth above.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY

WHY SHOULD I READ THIS NOTICE?

This Notice is given pursuant to orders issued by the United States District Court for the District of Montana Butte Division (the "Court"). This Notice serves to inform you of the proposed settlement of this class action lawsuit (the "Settlement") and the hearing (the "Fairness Hearing") to be held by the Court to consider the fairness, reasonableness and adequacy of the Settlement as set forth in the Settlement Agreement among the Representative Plaintiffs and Montana Power Company Retirement Committee (Robert Gannon, Jerrold Pederson, Pamela Merrell, Ellen Senechal Marbut, and R.W. Cope), former Outside Directors of the Montana Power Company (Tucker Adams, Alan Cain, John Connors, R.D. Corette, Kay Foster, John Jester, Carl Lehrkind, Deborah McWhinney, and Noble Vosburg), and The Northern Trust Company ("Northern Trust") (collectively, the "Defendants"), and the Federal Insurance Company (the "Agreement") on file with the Court. This Notice is intended to inform you how this ERISA lawsuit and proposed Settlement may affect your rights and what steps you may take in relation to it. This Notice is not an expression of any opinion by the Court as to the merits of the claims or defenses asserted in the lawsuit or as to this Settlement.

WHAT IS THE MONETARY VALUE OF THE SETTLEMENT?

The Settlement, if approved, would result in the creation of a cash settlement fund in the amount of $4.90 million (the "Settlement Fund") the remainder of which will be available for distribution to Settlement Class Members following deduction for the costs of Notice and administration of the Settlement, the costs of an Independent Fiduciary to review the Settlement on behalf of the Plan and to preside over the allocation of the Settlement proceeds to Class members, Service Awards of $3,000 for each of the five Named Plaintiffs in recognition of the benefits each has generated for the Settlement Class by coming forward and devoting time and energy to the prosecution of this case, and for attorneys' fees and expenses as approved by the Court. The Parties currently anticipate that the cost of an Independent Fiduciary will be approximately $50,000, and the costs in issuing Notice and administering the Settlement will be approximately $79,000. In addition, the requested Service Awards will total $15,000, and Class Counsel's fee and expense request will total $1.4 million. Therefore, if the Court were to approve Plaintiffs' fees and expense request and request for Service Awards in full, there would be approximately $3,356,000 available for distribution to Class Members.

You should be aware that this Settlement is funded largely by all that remains of the only insurance policy covering Plaintiffs' claims against the Defendants but also includes contributions by Northern Trust and certain individual defendants.

HOW WILL THE NAMED PLAINTIFFS AND CLASS COUNSEL BE PAID?

On or before April 6, 2010, Class Counsel will file a motion for the award of attorneys' fees and expenses for Class Counsel. The motion will be considered at the Fairness hearing. Class Counsel will limit their application for an award of attorneys' fees and expenses to a total of $1.4 million.

Attorneys representing the Settlement Class Members began this case in 2002 and worked it through all phases of litigation for eight years, including through the bankruptcy of two corporate Defendants. Class Counsel and their firms reviewed millions of pages of documents, engaged in extensive legal motion practice defending against motions intended to dismiss the case, moved for and obtained Class certification, undertook extensive discovery including taking and defending more than 20 depositions, and prepared for and attended numerous hearings before the Court to argue on behalf of the Class. Class Counsel and other attorneys admitted by the Court and their paralegals and clerks have already worked over 8,000 hours on this case. Attorneys assisting them have worked over 1,000 hours providing the legal services necessary to this case. At their customary hourly billing rates ranging from $125 to $650, they have advanced over $4 million in legal services. Counsel have already advanced out of their own pockets more than $350,000 on costs for such matters as essential expert testimony, deposition transcripts, travel, legal research costs and other necessary expenses. Nonetheless, they will limit their application to a total of $1.4 million, including fees and expenses. This fee request of approximately $1 million represents a discount of approximately 75% from their customary billing rates.

The Named Plaintiffs will share in the allocation of money paid to the Plan on the same basis and to the same extent as all other members of the Settlement Class, except that, in addition, the Named Plaintiffs may each apply to the Court for compensation up to $3,000 in recognition of the benefits each has generated for the Settlement Class by coming forward and devoting time and knowledge to the prosecution of this case. Any compensation awarded to the Named Plaintiffs by the Court will be payable from the Settlement Fund.

WHAT IS THE PROPOSED PLAN OF ALLOCATION AND WHEN WILL I RECEIVE MY SHARE OF THE SETTLEMENT FUND?

If this Settlement is approved, the cost of copying and mailing this Notice, the cost of the Independent Fiduciary who must review the proposed Settlement, the cost of administering the Settlement, and the Service Awards and any fees and expenses awarded will be deducted from the $4.90 million Settlement Amount. The remainder of the fund (the "Net Settlement Fund") will be distributed to Class Members pursuant to the Plan of Allocation summarized below and attached at the end of this Notice.

The Net Settlement Fund will be paid to Settlement Class Members in proportion to the *average* number of shares of the Company Stock Fund they held in their Plan Accounts as of September 1, 1999 (roughly, the ***start*** of the Class Period), November 1, 2000 (roughly, the ***middle*** of the Class Period) and November 1, 2001 (roughly, the ***end*** of the Class Period). Class Counsel believe that this methodology will provide for a reasonably fair distribution, taking into account the fact that some Settlement Class Members were able to sell off some or all of their shares during the Class Period. As of the start of the Class Period, there were approximately 2,500 Participants in the Plan. Thus, assuming that the Court were to award Class Counsel's requested fees and expenses and the Service Awards, approximately $3.356 million would be distributed to Settlement Class Members. That means the *average* recovery would be approximately $1,340. Your share of the Net Settlement Fund will be based upon the ratio of your loss to the losses of other Plan participants. For example, if you suffered .005% of the total losses of all class members, then you will receive .005% of the Net Settlement Fund.

The amount of total losses of all class members was a hotly contested issue in this litigation. Plaintiffs' expert estimated that, assuming Plaintiffs are able to prove their claims, the total damages of the Class would range from approximately $90 million to approximately $250 million dollars, depending upon the Court's findings as to (i) what date the Plan's MPC stock should have begun to be sold; (ii) how much of the stock should have been sold and (iii) what alternative investment the proceeds should have been placed in. Legal challenges that could have significantly reduced this damages range were still pending when settlement was entered.

Defendants took the position that Plaintiffs could not establish liability. Defendants' expert estimated that, assuming Plaintiffs were able to prove their claims, their damages would be zero. According to Defendants' expert, as soon as Defendants began to sell off the Plans' MPC holdings and made the required announcement of the sales, the market would have reacted and the stock price would have dropped precipitously. Defendants' expert further opined that, in the event of a finding that Plaintiffs had sustained damages, their damages were substantially less than Plaintiffs' expert theorized.

Accordingly, the range of Plaintiffs' potential damages is from zero to $250 million dollars. The $4.9 million dollar recovery would be about 2% of the high-end of Plaintiffs' estimate; about 5.4% of the low-end of Plaintiffs' estimate; a significantly increasing percentage if damages were held to be between the estimates of the Parties; and, $4.9 million in excess of Defendants' estimate of $0. Those percentages would be reduced by any fees and expenses that might be awarded to Plaintiffs' counsel.

DO I NEED TO CONTACT CLASS COUNSEL IN ORDER TO PARTICIPATE IN ANY FUTURE DISTRIBUTION OF THE SETTLEMENT FUND?

No. If you have received this Notice, that means that your name and address are properly maintained in the ESOP's database. ***If you did not receive this Notice at your current address but believe you should have, or if your address changes, please advise the Administrator at the address listed below.***

REASONS FOR SETTLEMENT

Plaintiffs' Class Counsel believes that this Settlement is fair and reasonable to the Members of the Settlement Class. They have reached this conclusion for several reasons. *First*, the Settlement would recover virtually all that remains of the only insurance policy that covers Plaintiffs' claims against the Defendants in this litigation. That policy was initially for $10 million and more than $6 million has been spent to cover the defense costs of the case through settlement. If there were no Settlement at this time, that policy would continue to be used to pay the costs of defending the Defendants through trial, likely using up the remaining insurance proceeds. *Second,* The Northern Trust Company was dismissed from this case by Court Order but has contributed to this Settlement. *Third,* Class Counsel believe that the individual Defendants would have several strong defenses on the law and facts. These defenses could be raised by motion for summary judgment and again at trial. If accepted by the Court, these defenses would enable the individual Defendants to avoid all or nearly all of the damages at issue in this litigation. Despite their denial of liability, certain of the individual Defendants have contributed to this Settlement. *Fourth*, if Plaintiffs prevailed at a trial against one or more of the Defendants and also prevailed on the inevitable appeals, Plaintiffs would then have to bring a collection action against the Defendants. Some of the individual Defendants are also Defendants in other litigation arising out of the divestiture of MPC's energy assets and the subsequent bankruptcy of TouchAmerica and their personal finances and employment were also affected by these events. Under the circumstances, Class Counsel believe that it is unlikely Plaintiffs would be able to recover a significantly greater amount from the Defendants after trial, and the inevitable appeals, than the amount they will recover if the proposed Settlement is approved.

WHAT IS THIS LAWSUIT ABOUT?

A. The Allegations.

In this lawsuit, Plaintiffs allege that Defendants breached their fiduciary duties under the Employee Income Retirement Securities Act ("ERISA") by continuing to hold certain Plan assets in MPC stock, when, according to Plaintiffs, MPC stock was no longer a prudent investment. Plaintiffs further allege that Defendants' failure to diversify the Plan's investments harmed the Plan and the participants in the Plan because of the decline in value of MPC stock over the Class period. Finally, Plaintiffs allege that Defendants failed to sell MPC stock or terminate the ESOP when it was in the best interest of the plan participants to do so. Defendants deny Plaintiffs' allegations, have vigorously defended the litigation, and assert several affirmative defenses.

The Court has ruled that Plaintiffs and the Class have no claims against Northern Trust, and it dismissed Plaintiffs' claims against Northern Trust as a matter of law. However, the Court has not ruled as to whether the individual Defendants are liable to Plaintiffs or to the Class. This Notice is not intended to be an expression of any opinion by the Court with respect to the truth of the allegations in this lawsuit against the Defendants or the merits of the claims or defenses asserted by the Defendants. This Notice is solely to advise you of the pendency of the action and proposed Settlement thereof and your rights in connection with that Settlement.

B. Status of the Case and Important Dates.

This litigation originally consisted of a series of cases filed between September 2002 and November 2002. Shortly thereafter, the Court consolidated those cases and appointed lead counsel for Plaintiffs. Touch America Holdings, Inc. and NorthWestern Energy were dismissed after they filed for bankruptcy, leaving in the case only the individual Defendants and Northern Trust. On June 15, 2006, the Court granted in part and denied in part various motions to dismiss that the Defendants had filed, but did not dismiss any of the Defendants. On July 31, 2006, the Court certified a Class, as defined at the beginning of this Notice. Discovery in this case concluded on July 15, 2006. On October 31, 2006, the individual Defendants and Northern Trust filed motions for summary judgment asking the Court to rule in their favor on the claims in this case without conducting a trial. On July 10, 2007, the Court entered an Order granting Northern Trust's motion for summary judgment. Thus the Court ruled as a matter of law that Northern Trust did not breach any duty owed to the Plaintiffs in its role as directed trustee. However, the Court has not ruled on the summary judgment motions filed by the individual Defendants. The Court required the individual Defendants to withdraw their motions until it is determined whether the Settlement will be approved.

<u>WHO REPRESENTS THE SETTLEMENT CLASS?</u>

The following attorneys are Plaintiffs' Class Counsel:

ANDREW D. HUPPERT, P.C.
Andrew D. Huppert
225 West Broadway Street
Missoula, MT 59802
Telephone: 406/728-0011
Fax: 406/728-0877

BUXBAUM, DAUE & FITZPATRICK
Douglas A. Buxbaum
John M. Fitzpatrick
228 W. Main Street, Suite A
Missoula, MT 59802
Telephone: 406/327-8677
Fax: 406/829-9840

HAGENS BERMAN SOBOL SHAPIRO LLP
Steve W. Berman
Andrew M. Volk
1918 Eighth Avenue, Suite 3300
Seattle, WA 98101
Telephone: 206/623-7292
Fax: 206/623-0594

BRANSTETTER, STRANCH & JENNINGS, PLLC
James G. Stranch, III
227 Second Avenue, North
Fourth Floor
Nashville, TN 37201
Telephone: 615-254-8801
Fax: 615/255-5419

WHO ARE THE NAMED PLAINTIFFS AND CLASS REPRESENTATIVES:

The following individuals are the Named Plaintiffs and Class Representatives:

Warren Bellcour
Ross Buckingham
Kim Moran
Torlief Pederson
Charles Porter

If you have any questions, you may contact the following, toll-free number: 1-877-571-8669. You may obtain a copy of the Settlement Agreement by contacting the telephone number listed above, ***or*** you may download a copy from the Settlement website, www.gilardi.com. The Settlement website also contains other key litigation documents, as well as a list of Frequently Asked Questions and answers thereto.

<u>CAN I CHOOSE TO EXCLUDE MYSELF FROM THE CLASS?</u>

No. If you meet the description of a member of the Class, you are a member of the Class. There is no right to opt-out. You will be bound by the outcome of this litigation, whether favorable or unfavorable to the Class. If this Settlement is approved, you will be bound by it.

<u>CAN I OBJECT TO THE SETTLEMENT, THE PLAN OF ALLOCATION, THE REQUEST FOR SERVICE AWARDS FOR THE NAMED PLAINTIFFS. AND/OR THE REQUEST FOR ATTORNEYS' FEES AND EXPENSES?</u>

Yes. If you are a Settlement Class Member, you may object to the terms of the Settlement and urge that the Court not approve the Settlement. Whether or not you object to the terms of the Settlement, you may also object to the Plan of Allocation, the request for attorneys' fees and expenses, and/or the request for service awards for the Named Plaintiffs. In order for any objection to the terms of the Settlement, the Plan of Allocation, the request for attorneys' fees and expenses or the request for service awards for the Named Plaintiffs to be considered, you ***must*** file a written statement with the Court, Class Counsel and Settling Defendants' counsel at the addresses listed herein and it must be received by - April 30, 2010.

<u>WHAT HAPPENS IF I DO NOTHING AT ALL?</u>

The Proposed Settlement does not require you to do anything, and there is no penalty for doing nothing at all. If you are entitled to a Settlement payment, you will receive a payment as specified herein.

<u>WHAT ARE MY RIGHTS AND OBLIGATIONS UNDER THE SETTLEMENT?</u>

If you are a Settlement Class Member, you may receive the benefit of, and you will be bound by, the terms of the proposed Settlement described in this Notice, upon approval by the Court.

If You Change Your Address, Or If This Notice Was Not Mailed To Your Correct Address, You Should Immediately Send Notice In Writing Of Your Correct Address To The Settlement Administrator At:

Touch America ERISA Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P. O. Box 808061
Petaluma, CA 94975-8061

WHAT CLAIMS WILL BE RELEASED BY THE SETTLEMENT?

If the proposed Settlement is approved by the Court, the Court will enter a Judgment that will permanently dismiss this litigation against the Defendants. In addition, on the day the Judgment becomes effective, all Settlement Class Members, on behalf of themselves, their successors and assigns, shall be deemed to have fully, finally and forever released, relinquished, and discharged all claims (whether known or unknown) of any nature whatsoever that they had or may have against the Defendants or their insurer based on, arising out of, or related to their participation in the Plan and any shares of the Company Stock Fund they held in the Plan. At the same time, all Settlement Class Members shall be permanently barred and enjoined from instituting, commencing or prosecuting any such claim against the Defendants or their insurer. ***This Settlement Does Not Release Or Otherwise Compromise Any Claims By Any Persons In Any Currently Pending Litigation Against Certain Of The Settling Defendants, Including Any Claims In Connection With McGreevy et al v. Montana Power Company or the Securities Litigation Currently Pending In The United States District Court For The District Of Montana. Those claims are the subject of separately pending Settlements for which you may be eligible. For further information, please visit the Settlement website at www.gilardi.com*.**

THE FAIRNESS HEARING

A hearing (the "Fairness Hearing") will be held on May 20, 2010 at 8:30 a.m., and may continue beginning at 8:30 a.m. on May 21, 2010, if necessary, before the Honorable Sam Haddon, United States District Court Judge, at the United States District Court for the District of Montana, 400 North Main, Butte, MT 59701, for the purpose of determining (a) whether the proposed Settlement as set forth in the Agreement is fair, reasonable and adequate and should be approved by the Court; (b) whether the Proposed Plan of Allocation should be approved by the Court; (c) whether an Order of Final Judgment and Dismissal should be entered; (d) whether Class Counsel should be awarded attorneys' fees and expenses, and in what amount; and (e) whether the Named Plaintiffs should receive service awards, and in what amount.

Any Settlement Class Member may appear at the Fairness Hearing and be heard on any of the foregoing matters; provided, however, that no such person shall be heard unless that person's objection is made in writing and is filed, together with proof of membership in the Settlement Class and with copies of all other papers and briefs to be submitted by that person to the Court at the Fairness Hearing, with the Court no later than April 30, 2010, and showing due proof of service on Plaintiffs' Class counsel:

Andrew M. Volk
HAGENS BERMAN SOBOL SHAPIRO, LLP
1918 Eighth Ave., Suite 3300
Seattle, WA 98101

and upon the following counsel for the Defendants:

Nicole A. Diller
MORGAN LEWIS & BOCKIUS LLP
One Market, Spear Street Tower
San Francisco, CA 94105

Unless otherwise directed by the Court, any Settlement Class Member who does not make his, her or its objection in the manner provided shall be deemed to have waived all objections to this Settlement.

HOW DO I OBTAIN ADDITIONAL INFORMATION?

This Notice contains only a summary of the terms of the proposed Settlement. If you have any questions concerning the matters contained in this Notice, you may visit the Settlement Website at www.Gilardi.com, call the Settlement Administrator at 1-877-571-8669, or contact Plaintiffs' Class Counsel at the address provided above. DO NOT WRITE TO OR TELEPHONE THE COURT, DEFENDANTS, OR DEFENDANTS' ATTORNEYS FOR INFORMATION.

UNITED STATES DISTRICT COURT FOR
THE DISTRICT OF MONTANA

____
JUDGE SAM HADDON

PROPOSED PLAN OF ALLOCATION
FOR PROCEEDS OF SETTLEMENT IN
IN RE TOUCH AMERICA HOLDINGS, INC. ERISA LITIGATION

The *Net Settlement Amount*[1] will be the balance of the $4.90 million *Settlement Fund* after payment of (a) all costs and expenses reasonably and actually incurred in connection with providing *Class Notice* to the *Settlement Class*; (b) all taxes incurred on the *Settlement Fund's* income, in the event that any such are incurred; (c) the costs of the *Escrow Agent;* (d) the costs of the *Independent Fiduciary*; (e) any award of fees and expenses to *Class Counsel* and *Named Plaintiffs' Service Awards;* and (f) the costs of administering the *Settlement.*

Amount of Distribution

Each *Settlement Class* member (or his or her successor) will receive a recovery of his/her *pro rata* share of the *Net Settlement Amount* depending upon the *average* number of Company Stock Fund shares held in his/her *Plan* account as of the following three dates:

September 30, 1999, roughly at the beginning of the *Class Period*,[2]

December 31, 2000, roughly in the middle of the *Class Period*, and

September 30, 2001, roughly at the end of the *Class Period.*

In order to determine a given *Settlement Class* member's recovery under the *Settlement,* you first add up the total number of Company Stock Fund shares that the individual *Plan Participant* held in the Company Stock Fund on each of the three dates, and divide that number by three. The resulting Participant Share Average ("**PSA**") will be the average number of Company Stock Fund shares held by that *Plan Participant*.

To calculate the total per share value of the *Settlement* ("**V**"), you first total the Participant Share Average ("**PSA**") of all Participants to determine the Plan total ("**T**"). The total per share value of the *Settlement* is calculated as follows:

$$\frac{\text{Net Settlement Amount}}{\textbf{T}\text{ (total of all Participant Share Averages)}} = \textbf{V}\text{ (total per share value)}$$

The *Settlement Class* member's Individual Recovery will be calculated as follows:

PSA (Participant Share Average) x **V** (total per share value) = Individual Recovery

However, the minimum distribution under the *Settlement* will be $50, and any *Settlement Class* member who would receive a *de minimus* recovery of less than $50 will receive nothing from the *Settlement.* The sum total of all such *de minimus* recoveries will be added back into the *Net Settlement* fund, and will be distributed amongst those *Settlement Class* members with a recovery of $50 or greater in accordance with their *pro rata* share of the *Net Settlement Amount.*

Mechanism for Distribution

Under the direction of the *Independent Fiduciary*, a new plan document will be drafted and the *Plan* will be revived for the purpose of distributing the *Net Settlement Fund*. The *Independent Fiduciary* will ensure that the revived *Plan* complies with all the requirements of *ERISA* and the federal tax code in order that *Settlement Class* members may receive their share of the *Settlement* proceeds as qualified distributions if they so desire.

When and if the *Settlement* becomes *Final,* the *Net Settlement Amount* shall be placed in a trust account for the benefit of *Settlement Class* members. The *Administrator* will calculate each *Settlement Class* member's recovery under the *Settlement* consistent with the formula set forth in section A, above.

---

1 Italicized terms have the same meaning as set forth in the *Settlement Agreement*.

2 Because of the way the data is maintained in archive format by NorthWestern Energy, LLC, it is only available as of the end of each quarter.

The *Administrator* will then send each *Settlement Class* member an election form, asking them to choose to whether they wish to (i) roll over their *Settlement* proceeds into an IRA or other qualified retirement plan or (ii) receive a check. Together with the election form, *Settlement Class* members will receive a letter explaining their options and the tax consequences of their decision. They will also be advised that, if they make no election within 6 months of the date of the mailing of their election form, an IRA in their name will automatically be created. Three months after the first election form is sent, all *Settlement Class* members who have not responded will receive a second communication, with another election form, again asking them to make an election.

For all *Settlement Class* members who do not make an election within the 6 month period, their *Settlement* proceeds will be sent to Rollover Systems, Inc., which will open an IRA for each such *Settlement Class* member who has made no election. Rollover Systems will continue to attempt to contact such *Settlement Class* members.

Touch America ERISA Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P. O. Box 808061
Petaluma, CA 94975-8061

Important Legal Document.

TCHERISA