

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
TOUCH AMERICA HOLDINGS, INC.,) Case No. 03-11915 (KJC)
et al.,) (Substantively Consolidated)
)
Debtors.)

**ORDER PRELIMINARILY APPROVING
CLASSWIDE SETTLEMENT OF MATTSON CLAIM**

On July 9, 2008, Rebecca A. Mattson, Sliters, North Flathead Lake Yacht Club, J. Michael Dockstader, Ray J. Habel, Greg R. Habel, William G. Bowd, Paul Sullivan, Mary Sullivan, Randa J. McAlpin, Neil R. McAlpin, Pete C. Woll, Harry Woll, Lloyd Foster, George W. Ingham II, Benjamin W. Loudon, Kenneth D. Loudon, Michael O. Speckert, Steven Speckert, Susie Speckert, Hector Speckert, the named parties bringing a proof of claim (the "Mattson Claim") on behalf of a class comprised of the class members in a state court suit (the "Mattson Claimants"), filed a motion to certify a settlement class and for preliminary approval of that settlement, which settles the Mattson Claim. The settlement class is defined as all persons and entities (other than defendants and the Confederated Salish and Kootenai Tribe of the Flathead Reservation, Montana) that own real property with lake frontage on the shoreline of Flathead Lake in Flathead County and Lake County, Montana, and/or real property which contains a bank of the Flathead River located in Flathead County, Montana (the "Settlement Class"). The Court reviewed the materials filed in this matter, including the Motion for Certification of Settlement Class and Approval of Classwide Settlement, the Stipulation of Settlement and Agreed Order, and the proposed Class Notice. The Court hereby finds and it is hereby ordered:

1. The Mattson Claimants are named plaintiffs and class members in a lawsuit captioned *Mattson, et al., v. Montana Power Company, PP&L Montana, Touch America Holdings, Inc., NorthWestern Energy Company, and NorthWestern Corporation*, No. DV-00-548(A) (Montana 11th Judicial District Court, Flathead County) (the “Montana State Court Case”). They filed their lawsuit on November 8, 1999, alleging that defendant Montana Power Company (“Montana Power”) and its successors, including the Touch America Holdings, Inc. (“Touch America”), owned, operated and managed Kerr Dam, a hydroelectric dam located on Flathead Lake in Flathead and Lake Counties, Montana, in a manner that altered the natural water level of the lake and resulted in continuing erosion, property damage, and loss of shoreline on lakefront and riverfront properties owned by the Mattson Claimants.

2. The Mattson Claimants filed the “Mattson Claim” in the instant bankruptcy case on November 4, 2003. The Mattson Claimants asserted an unliquidated claim against Touch America for damages allegedly incurred by the Mattson Claimants as the result of Montana Power’s operation of Kerr Dam. The Mattson Claimants argued that Touch America is liable for these damages as successors to and assumers of certain of Montana Power’s liabilities under the Asset Purchase Agreement dated December 19, 1997.

3. The Mattson Claimants have reached an agreement with Brent C. Williams, as plan trustee (the “Plan Trustee”) of the Touch America Holdings, Inc. plan trust (the “Plan Trust”) to settle the Mattson Claim.

4. That agreement is memorialized in the Stipulation of Settlement.

5. This Court has jurisdiction and venue over the Mattson Claim and the Mattson Claimants pursuant to Federal Rules of Bankruptcy Procedure 9014(c) and 7023 and Federal

Rule of Civil Procedure 23. Under Rule 23, this Court's approval and entry of the Stipulation of Settlement is required.

6. The Mattson Claim is appropriate for class treatment in this Court. The Court finds that (1) the Settlement Class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the Settlement Class, (3) the claims or defenses of the representative parties are typical of the claims or defenses of the Settlement Class, and (4) the representative parties and their counsel will fairly and adequately protect the interests of the Settlement Class.

7. The Court further finds that the Mattson Claim should be certified under Fed. R. Civ. P. 23(b)(1)(A), in that the prosecution of separate actions by or against individual members of the Settlement Class would create a risk of inconsistent or varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for the party opposing the class.

8. The Court thus certifies the proposed class to settle the Mattson Claim and appoints the attorneys for the named parties as Settlement Class counsel.

9. The Settlement Class is identical to the class certified in the Montana State Court Case on March 27, 2001.

10. The Court finds that the proposed Stipulation of Settlement to be fair, reasonable and adequate under the circumstances.

11. The Court finds that the proposed Class Notice will provide adequate notice to the Settlement Class members, and orders that it be transmitted to the class members via U.S. Mail on or before July 2, 2008.

12. The Settlement Class counsel shall file a petition for fees and costs on or before July 21 2008 and make it available on their firm website.

13. A hearing to determine whether the Stipulation of Settlement and Agreed Order is fair and equitable and should be granted final approval and entered by this Court is set for Aug. 21 2008 at 1:30 PM (the "Final Approval Hearing").

14. Any member of the Settlement Class who desires to attend and/or be heard at the Final Approval Hearing may do so.

15. Any objections to the Stipulation of Settlement or the Petition for Fees and Costs shall be filed with this Court on or before Aug 14 2008 and shall be served on both class counsel and counsel for the Plan Trustee as provided in the Class Notice. Any objector who wants to be heard at the Final Approval Hearing shall file with the Court and serve on both the Settlement Class counsel and counsel for the Plan Trustee, a Notice of Intent to Appear at the Final Approval Hearing on or before Aug 14 2008.

DATED this 9th day of July, 2008

[Handwritten Signature]
[Handwritten Name]