

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 56079 / July 16, 2007

ACCOUNTING AND AUDITING ENFORCEMENT

Release No. 2637 / July 16, 2007

ADMINISTRATIVE PROCEEDING

File No. 3-12691

In the Matter of
Kurt D. Whitesel, CPA,
Respondent.

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**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO RULE
102(e) OF THE COMMISSION’S RULES OF
PRACTICE, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Kurt D. Whitesel (“Respondent” or “Whitesel”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.C. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

A. Whitesel, age 45 is and has been a certified public accountant holding an inactive license to practice in the State of Ohio. Whitesel served as vice-president, controller and treasurer of NorthWestern Corporation (“NorthWestern”) from approximately August 2001 until August 2003.

B. NorthWestern was, at all relevant times, a Delaware corporation with its principal place of business in Sioux Falls, South Dakota. NorthWestern operates a regulated utility business in South Dakota, Nebraska and Montana. During the period of conduct described herein, NorthWestern consolidated the financial results of two significant non-utility entities, Expanets, Inc. (“Expanets”) and Blue Dot Services, Inc. (“Blue Dot”). At all relevant times, NorthWestern’s common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and traded on the New York Stock Exchange.

C. On July 9, 2007 a final judgment was entered against Respondent, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13 thereunder, in the civil action entitled Securities and Exchange Commission v. Kurt D. Whitesel, Civil Action Number 07-4059 in the United States District Court for the District of South Dakota.

D. The Commission’s Complaint alleged, among other things, that during 2002, Respondent misled investors about the operating results and financial condition of NorthWestern and its operating segments. First, the Complaint alleged that Respondent failed to disclose serious problems with the functionality of Expanets’ new computer system, which materially impacted Expanets’ billing and collection functions. The Commission’s Complaint further alleged that Respondent knew or was reckless in not knowing that Expanets’ improperly accounted for accounts receivable and adjustments to customers’ bills, causing overstatements of NorthWestern’s reported income from continuing operations of 90% and 109% in the second and

third quarters of 2002, respectively. Second, the Commission's Complaint alleged that Respondent misled investors as to the nature of NorthWestern's and Expanets' reported income by failing to disclose the magnitude of Expanets' reserve reductions or its receipt of unusual non-compete payments. Third, the Commission's Complaint alleged that Respondent failed to disclose facts relating to other issues critical to NorthWestern's liquidity, including NorthWestern's transfer of large amounts of cash in continued support of Expanets and Blue Dot, and NorthWestern's inability to collect \$97 million it had publicly anticipated from the sale of certain utility assets. The Complaint further alleged that Respondent withheld material facts from NorthWestern's outside auditor regarding Expanets' improper accounting. Finally, the Commission's Complaint alleged that Respondent's false and misleading statements facilitated more than \$800 million in securities offerings by NorthWestern in September and October 2002, including an \$87.5 million equity offering that raised badly needed operating capital for the company.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Respondent is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms

of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision.

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris
Secretary