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Our reference
BCM.RZN.JNS 02 1383 7928

8 February 2007

BY FACSIMILE: 1900 999 279

Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Harbinger Capital Partners Master Fund I, Ltd and Harbinger Capital Partners Special Situations Fund, L.P.– Notice of initial substantial holder for Housewares International Limited (ASX:HWI)

We act for Harbinger Capital Partners Master Fund I, Ltd and Harbinger Capital Partners Special Situations Fund, L.P. (**Harbinger**).

In accordance with section 671B(1) of the *Corporations Act 2001* (Cth), on behalf of Harbert we enclose a notice of initial substantial holder in relation to Housewares International Limited.

Yours faithfully

Blake Dawson Waldron

Form 603

Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme: Housewares International Limited

ACN/ARSN: 086 933 431

1. Details of substantial holder (1)

Name: This notice is given by Harbinger Capital Partners Master Fund I, Ltd and Harbinger Capital Partners Special Situations Fund, L.P., on behalf of itself and its controller Harbert Management Corporation and each of the bodies corporate controlled by Harbert Management Corporation (**HMC Entities**) named in the list of 3 pages annexed to this notice and marked **A**.

ACN/ARSN (if applicable): N/A

The holder became a substantial holder on 06/02/2007

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	10,706,000	10,706,000	8.60%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Harbinger Capital Partners Master Fund I, Ltd	Registered holder in respect of 7,140,901 ordinary shares (see Annexure B) acquired on ASX and taken under section 608(3)(a) of the Corporations Act to have the relevant interest of Harbinger Capital Partners Special Situations GP L.L.C. in which its associate Harbert Management Corporation (or other of its associates) has voting power of greater than 20%	10,706,000 ordinary Shares
Harbinger Capital Partners Offshore Manager, LLC	Taken under sections 608(1)(b) and 608(1)(c) of the Corporations Act to have a relevant interest by reason of having control of the securities as investment manager of Harbinger Capital Partners Master Fund I, Ltd (See Annexure C in the Form 604 lodged with ASX on 11/8/2006); also taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which its associate Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary Shares
HMC Investors LLC	Taken under section 608(3)(b) of the Corporations Act to have a relevant interest by reason of having control of Harbinger Capital Partners Offshore Manager, LLC; also taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which its associate Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary Shares

Harbinger Capital Partners Special Situations GP, LLC as general partner of Harbinger Capital Partners Special Situations Fund, L.P.	Registered holder in respect of 3,565,099 ordinary shares (See Annexure B) acquired on ASX, and taken under sections 608(1)(b) and 608(1)(c) of the Corporations Act to have a relevant interest by reason of having control of the securities as general partner of Harbinger Capital Partners Special Situations Fund, L.P. Also taken under section 608(3)(a) of the Corporations Act to have the relevant interest of Harbinger Capital Partners Master Fund I, Ltd in which its associate, Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary shares
HMC-New York, Inc.	Taken under section 608(3)(b) of the Corporations Act to have a relevant interest by reason of having control of Harbinger Capital Partners Special Situations GP, LLC. Also taken under section 608(3)(a) of the Corporations Act to have the relevant interest of Harbinger Capital Partners Master Fund I, Ltd in which its associate, Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary shares
Harbert Management Corporation	Taken under section 608(3)(a) and 608(3)(b) of the Corporations Act to have a relevant interest by reason of having control of, and voting power of more than 20% in HMC Investors LLC (and its controlled bodies corporate) and HMC-New York, Inc (and its controlled bodies corporate) and Harbert Fund Advisers, Inc; also taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which it (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary shares
Harbert Fund Advisors, Inc.	Taken under sections 608(1)(b) and 608(1)(c) of the Corporations Act to have a relevant interest by reason of having control of the securities as investment adviser of Harbinger Capital Partners Master Fund I, Ltd (See Annexure D in the Form 604 lodged with ASX on 11/8/2006) and investment adviser of Harbinger Capital Partners Special Situations Fund, L.P (See Annexure E in the Form 604 lodged with ASX on 11/8/2006); also taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which its associate Harbert Management Corporation (or other of its	10,706,000 ordinary shares
Philip Falcone	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in Harbinger Capital Partners Special Situations GP, LLC and in Harbinger Capital Partners Offshore Manager, LLC.	10,706,000 ordinary shares
Raymond J Harbert	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in Harbert Management Corporation, Harbinger Capital Partners Offshore Manager LLC and Harbert Fund Advisors, Inc.	10,706,000 ordinary shares

Each of HMC Investors LLC's controlled body corporates named in the list of 3 pages annexed to this notice and marked "A"	Taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which its associate Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary shares
Each of HMC-New York, Inc 's controlled body corporates named in the list of 3 pages annexed to this notice and marked "A"	Taken under section 608(3)(a) of the Corporations Act to have the same relevant interest as any body corporate in which its associate Harbert Management Corporation (or other of its associates) has voting power of greater than 20%.	10,706,000 ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Harbinger Capital Partners Master Fund 1, Ltd	Harbinger Capital Partners Master Fund 1, Ltd	Harbinger Capital Partners Master Fund 1, Ltd	7,140,901 ordinary Shares
Harbinger Capital Partners Special Situations GP, LLC as general partner of Harbinger Capital Partners Special Situations Fund, L.P.	Harbinger Capital Partners Special Situations GP, LLC as general partner of Harbinger Capital Partners Special Situations Fund, L.P.	Harbinger Capital Partners Special Situations GP, LLC as general partner of Harbinger Capital Partners Special Situations Fund, L.P.	3,565,099 ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)	Class and number of securities
Harbinger Capital Partners Master Fund 1, Ltd	06/02/2007	See Annexure B	7,140,901 ordinary Shares
Harbinger Capital Partners Special Situations GP, LLC as general partner of Harbinger Capital Partners Special Situations Fund, L.P.	06/02/2007	See Annexure B	3,565,099 ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
N/A	N/A

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
HMC Entities	As set out in the list of 3 pages annexed to this notice and marked "A".
HMC Investors LLC	1 Riverchase Parkway South, Birmingham, Alabama 35244, United States of America
HMC-New York, Inc	16th Floor, 555 Madison Avenue, New York, New York 10022, United States of America
Harbert Management Corporation	1 Riverchase Parkway South, Birmingham, Alabama 35244, United States of America
Philip Falcone	16th Floor, 555 Madison Avenue, New York, New York 10022, United States of America
Raymond J Harbert	1 Riverchase Parkway South, Birmingham, Alabama 35244, United States of America

Signature

print name	Bruce Macdonald	capacity	Authorised Representative
sign here		date	8/2/2007

DIRECTIONS

(1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.

(2) See the definition of "associate" in section 9 of the Corporations Act 2001.

(3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.

(4) The voting shares of a company constitute one class unless divided into separate classes.

(5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.

(6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.

(7) Include details of:

(a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and

(b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.

(8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."

(9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure "A"

This is the Annexure of 3 pages marked "A" referred to in the form 603 Notice of initial substantial holder

Signed by me and dated 8 February 2007

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Bruce Macdonald - Authorised Representative

HMC Investors LLC

HMC Entities

Harbert Management Corporation controls Harbert Fund Advisers, Inc, HMC Investors, LLC (whose controlled entities are listed below) and HMC-New York, Inc (whose controlled entities are listed below):

Domicile	HMC Subsidiaries	% Owned/ Interest	Reg Office
HMC Investors LLC – controlled body corporates			
Cayman Islands	Harbinger Capital Partners Offshore Fund I, Ltd	Managing Member	1
Cayman Islands	Harbert Capital Structure and Convertible Arbitrage Offshore Fund, Ltd	Managing Member	1
Cayman Islands	Harbert Emerging Markets Offshore Fund, Ltd	Managing Member	1
Cayman Islands	Harbinger Capital Partners Master Fund I, Ltd	Managing Member	1
Cayman Islands	Harbert Capital Structure and Convertible Arbitrage Master Fund, Ltd	Managing Member	1
Cayman Islands	Harbert Emerging Markets Master Fund, Ltd	Managing Member	1
United States of America	Harbinger Capital Partners Offshore Manager, L.L.C.	Managing Member	2
United States of America	Harbert CSCAF Offshore Manager, L.L.C.	Managing Member	2
United States of America	HMC Emerging Markets Offshore Manager L.L.C.	Managing Member	2
United States of America	Harbert Merger Arbitrage and Event Driven Offshore Manager, L.L.C.	Managing Member	2
Cayman Islands	Harbert Merger Arbitrage and Event Driven Offshore Fund, Ltd	Managing Member	1
Cayman Islands	Harbert Merger Arbitrage and Event Driven Master Fund Ltd	Managing Member	1
HMC-New York, Inc - controlled body corporates			
United States of America	Harbinger Capital Partners Special Situations Fund, L.P.	Managing Member	3
United States of America	Harbinger Capital Partners Special Situations GP, L.L.C.	Managing Member	3
Cayman Islands	Harbinger Capital Partners Special Situations Offshore Fund LP	Managing Member	3
United States of America	Harbinger Capital Partners Special Situations Offshore GP, LLC	Managing Member	3
United States of America	Harbinger Capital Partners Fund I, L.P.	Managing Member	3
United States of America	Harbinger Capital Partners GP, L.L.C.	Managing Member	3

Domicile	HMC Subsidiaries	% Owned/ Interest	Reg Office
United States of America	Harbert Capital Structure and Convertible Arbitrage Fund, L.P.	**Managing Member**	**3**
United States of America	Harbert CSCAF GP, L.L.C.	**Managing Member**	**3**
United States of America	Harbert Emerging Markets Fund, L.P.	**Managing Member**	**3**
United States of America	HMC Emerging Markets Fund GP, L.L.C.	**Managing Member**	**3**
United States of America	Harbert Equity Market Neutral Fund, L.P.	**Managing Member**	**3**
United States of America	Harbert Merger Arbitrage and Event Driven Fund, L.P.	**Managing Member**	**3**
United States of America	Harbert Merger Arbitrage and Event Driven GP, L.L.C.	**Managing Member**	**3**

Registered Offices

1. c/o International Fund Services (Ireland) Limited, 3rd Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland

2. 1 Riverchase Parkway South, Birmingham, Alabama 35244 United States of America

3. 16th Floor, 555 Madison Avenue, New York, 10022, United States of America

Annexure "B"

This is the Annexure of 2 pages marked "B" referred to in the form 603 Notice of initial substantial holder

Signed by me and dated 8 February 2007

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Bruce Macdonald - Authorised Representative

HMC Investors LLC

Details of Consideration

Date	Transaction	Holder of relevant interest	Consideration given in relation to change	Class and number of securities affected	Person's votes affected
23/01/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$1,321,408.32	693,700 ordinary shares	693,700
29/01/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$1,455,300.00	660,000 ordinary shares	660,000
31/01/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$102,306.32	46,540 ordinary shares	46,540
1/02/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$16,567.57	7,365 ordinary shares	7,365
1/02/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$138,333.18	60,880 ordinary shares	60,880
2/02/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$2,688,574.52	1,135,186 ordinary shares	1,135,186
5/02/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$3,292,367.99	1,398,330 ordinary shares	1,398,330
6/2/2007	Acquisition	Harbinger Capital Partners Master Fund I, Ltd	A$7,375,275.25	3,138,900 ordinary shares	3,138,900
23/01/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$659,698.39	346,322 ordinary shares	346,322
29/01/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$697,000.00	340,000 ordinary shares	340,000
31/01/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$28,021.03	12,747 ordinary shares	12,747
1/02/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$8,271.41	3,677 ordinary shares	3,677

Date	Transaction	Holder of relevant interest	Consideration given in relation to change	Class and number of securities affected	Person's votes affected
1/02/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$69,057.52	30,392 ordinary shares	30,392
2/02/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$1,342,278.86	566,745 ordinary shares	566,745
5/02/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$1,643,714.12	698,116 ordinary shares	698,116
6/2/2007	Acquisition	Harbinger Capital Partners Special Situations Fund, L.P.	A$3,682,685	1,567,100 ordinary shares	1,567,100

Annexure "C"

This is the Annexure of 11 pages marked "C" referred to in the form 603 Notice of initial substantial holder

Signed by me and dated 8 February 2007

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Bruce Macdonald - Authorised Representative

HMC Investors LLC

COPY OF ORIGINAL

INVESTMENT MANAGEMENT AGREEMENT

AMENDED AND RESTATED AGREEMENT dated as of January 1, 2003 by and among HARBERT DISTRESSED INVESTMENT MASTER FUND, LTD., an exempted company organized under the laws of the Cayman Islands (the "Master Fund"), HARBERT DISTRESSED INVESTMENT OFFSHORE FUND, LTD., an exempted company organized under the laws of the Cayman Islands (the "Feeder Fund"), and HMC DISTRESSED INVESTMENT OFFSHORE MANAGER, L.L.C., a U.S. limited liability company with its principal place of business in the state of New York the ("Investment Manager").

WHEREAS, this Agreement supercedes the Investment Management Agreement dated June 30, 2002 between the Feeder Fund and the Investment Manager.

WHEREAS, the Master Fund, the Feeder Fund and the Investment Manager desire to enter into an agreement setting forth the terms on which the Investment Manager will perform certain services for the Fund; for purposes hereof, the Master Fund and the Feeder Fund shall be referred to collectively as the "Funds" or each individually as a "Fund" or by their defined terms.

NOW, THEREFORE, in consideration for the mutual promises herein contained, the parties agree as follows:

Section 1. Retention of the Investment Manager.

(a) Each Fund hereby retains the Investment Manager and the Investment Manager hereby agrees to act as investment manager of each Fund to invest and reinvest all of the capital of the Fund. In this regard, the Feeder Fund will have substantially all of its assets invested in the Master Fund and the Master Fund generally will make all portfolio investments on behalf of the Feeder Fund. All investment decisions for each Fund will be made by the Investment Manager. Each Fund has furnished to the Investment Manager a copy of its Memorandum and Articles of Association and the Feeder Fund has also furnished to the Investment Manager a copy of its Confidential Explanatory Memorandum for investors, and each Fund will from time to time furnish the Investment Manager with copies of any amendments thereto. Until such amendments are delivered to the Investment Manager, matters therein stated shall not be binding on the Investment Manager. All investments of each Fund shall at all times conform to and be in accordance with the requirements imposed by (i) the provisions of each Fund's Memorandum and Articles of Association, as amended form time to time and delivered to the Investment

Manager, and (ii) the provisions of the Feeder Fund's Confidential Explanatory Memorandum, as amended from time to time and delivered to the Investment Manager. As Investment manager for each Fund, the Investment Manager shall furnish continuous investment management to each Fund. The Investment Manager shall not be an employee of either Fund, and the Investment Manager shall have no authority to act for, represent, bind or obligate either Fund except as provided for herein.

(b) Such authority of the Investment Manager includes, without limitation, the authority to (i) purchase, hold, sell, sell short, cover and otherwise deal in securities of any sort and rights therein, on margin or otherwise; (ii) write, purchase, hold, sell and otherwise deal in put and call options of any sort and any combination thereof; (iii) purchase, hold sell and otherwise deal in commodities, commodity contracts, commodity futures, financial futures and options in respect thereof; provided, however, the Investment Manager will not do so until, to the extent required, it has registered with the United States Commodity Futures Trading Commission; (iv) purchase, hold, sell, and otherwise deal in currencies, forwards, swaps, partnership interests, interests in other investment companies and any other financial instruments which exist now or are hereafter created; (v) conduct margin accounts with brokers; open, maintain and close bank accounts and draw checks or other orders for the payment of moneys; pledge securities for loans, and in connection with any such pledge, to effect borrowings from brokers, banks and other financial institutions; and (vi) enter into, make and perform any other contracts, agreements or other undertakings it may deem advisable in connection with providing investment management services to the Funds, including but not limited to contracts, agreements or other undertakings with persons, firms or corporations with which the Investment Manager or any principal of the Investment Manager is affiliated.

(c) The Investment Manager shall endeavor to keep the capital of each Fund invested to such extent as it deems advisable from time to time, but it may, if it deems advisable, maintain any portion of the assets of each Fund in cash, cash-equivalents and short-term obligations. The investments and reinvestments made by the Investment Manager shall be based on such research and inquiries as the Investment Manager shall deem advisable. The investment and reinvestment of the capital of each Fund, including the purchase or sale of any securities or the borrowing of any funds or behalf of each Fund, either on a secured or unsecured basis, shall be exclusively within the control and discretion of the Investment Manager.

Section 2. Compensation of the Investment Manager.

For the Investment Manager's services hereunder, the Investment Manager shall be entitled to receive an annual incentive fee, calculated in accordance with the following definitions and subject to the following conditions:

(a) The "Incentive Fee" for any fiscal year is an amount, paid annually, by the Feeder Fund equal to twenty percent (20%) of the net profits (including net unrealized gains and losses), if any, during such year allocable to each Common Share, subject to a loss carryforward. Under a "loss carryforward" provision, if a Common Share has a loss chargeable to it during any fiscal year and during a subsequent fiscal year there is a profit allocable to the share, there will be no Incentive Fee payable with respect to the share until the amount of the loss previously allocated to the share has been recouped. The Feeder Fund, with the consent of the Investment Manager, may waive or reduce the Incentive Fee for certain shareholders that are employees or affiliates of the Investment Manager, relatives of such persons and for certain large or strategic investors.

The Incentive Fee shall be payable to the Investment Manager by the Feeder Fund within 30 days after the end of the fiscal year, unless the Investment Manager elects to defer receipt of the Incentive Fee as further described below. The amount of any Incentive Fee attributable to any Common Shares being redeemed will be payable to the Investment Manager following such redemption.

In the event that this Agreement is terminated pursuant to Section 8 hereof or shares are redeemed and the date of termination is not the end of a fiscal year, the Incentive Fee shall be computed and will be payable to the Investment Manager as though the termination or redemption date was the last day of the fiscal year.

(c) (i) If the Investment Manager (or an entity designated by the Investment Manager) elects to defer payment of all or part of the Incentive Fee, any such deferred amounts payable to the Investment Manager shall be treated (or an entity designated by the Investment Manager), and the amounts eventually payable at the end of such deferral periods shall be determined, as if such deferred amounts had been invested in the Feeder Fund (or in such "Alternative Investments" as to which the parties hereto may agree) on the first day of the fiscal year following the year the Incentive Fee was earned, as the case may be, and withdrawn from the Feeder Fund (or from such Alternative Investments) as of the last day of the deferral period. The deferred fees and any appreciation or depreciation thereon shall be paid promptly after the end of the deferral period.

(ii) Title to and beneficial ownership of the deferred amounts referred to above shall at all times remain with the Feeder Fund, and the Investment Manager (or an entity designated by the Investment Manager) shall not have any property interest whatsoever in any specified assets of the Feeder Fund until such deferred amounts are paid to it.

(iii) Any deferred amounts referred to above shall continue for all purposes to be part of the general funds of the Feeder Fund and no person other than the Feeder Fund shall by virtue of the provisions of this Agreement have any interest in such funds. To the extent that the Investment Manager acquires a right to receive payments from the Feeder Fund under this Agreement, such right shall be no greater than the right of any unsecured creditor of the Feeder Fund.

(iv) It is hereby agreed and understood that the deferred amounts referred to above may not be subject to seizure for the payment of any debts or judgments against the Investment Manager (or an entity designated by the Investment Manager) and the Investment Manager (or an entity designated by the Investment Manager) shall have no right to transfer, modify, anticipate, assign or encumber any of such deferred amounts, and none of the deferred amounts which may be due and owing to the Investment Manager (or an entity designated by the Investment Manager) shall be transferable by operation of law in the event that the Investment Manager becomes insolvent or bankrupt. Any purported seizure, transfer, modification, anticipation, assignment, encumbrance or transfer by operation of law shall be void.

(v) Any deferral election by the Investment Manager (or an entity designated by the Investment Manager) shall be made pursuant to an "Election to Defer" in a form substantially similar to Exhibit A hereto or in such other form as the Investment Manager and the Feeder Fund may agree.

(d) For purposes of this Section, net assets of the Funds shall be determined in accordance with each Fund's Articles of Association in effect on the date hereof.

(e) For purposes of computing the Incentive Fee, "net profit" (including both realized and unrealized gains) shall be computed on the accrual basis of accounting using U.S. generally accepted accounting principles as a guideline and in accordance with the principles applicable to the computation of net assets.

Section 3. Expenses. The Investment Manager (or an entity designated by the Investment Manager) will be responsible for and will pay or cause to be paid the following "overhead expenses" of the Funds: office rent; furniture and fixtures; stationery; secretarial/administrative services; salaries; entertainment expenses; employee insurance and payroll taxes. All other expenses will be paid by the Funds and will include: the Incentive Fee, legal, audit, tax and accounting (including outsourced accounting) fees and expenses; third party administrator fees and expenses; Director's fees and expenses; organizational expenses (including expenses of the initial offer and sale of Common Shares); investment expenses such as commissions, research fees and expenses; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; the Feeder Fund's pro rata share of the expenses of the Master Fund; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

Section 4. Reports to the Fund. The Investment Manager shall submit or cause to be submitted to the Funds such reports of the assets of the Funds and of the market value of such assets under its management as the Funds shall from time to time reasonably require. The Investment Manager shall not incur any individual liability or responsibility for any determination made, advice given or other action taken or omitted by it in good faith with respect to the determination of the value of the assets of the Funds under its management.

Section 5. Selection of Brokers and Custodians.

(a) The Investment Manager is authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In placing orders it is each Fund's policy to obtain the best price and execution for its transactions. Where best price and execution may be obtained from more than one dealer, the Investment Manager may purchase and sell securities through dealers who provide research, statistical and other information, although the Funds may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial, and economic studies and forecasts; financial publications; statistic and pricing services, as well as discussions with research personnel, along with hardware, software, databases and other technological, technical and telecommunication services, lines and equipment utilized in the investment management process (including improvements, updates, maintenance, modifications, repairs and replacements) as well as research-related travel. Research services obtained by the use of commissions arising from each Fund's portfolio transactions will only be used for the benefit of the Funds and such services will be limited to services which would otherwise constitute an expense borne by the Funds. In negotiating commission states, the Investment Manager will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the Funds may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. The Investment Manager may also consider the referral of investors, consistent with best execution.

(b) The Investment Manager shall also have the authority to change or add prime brokers and/or custodians of the assets of the Funds without further notice to the shareholders.

Section 6. Allocation. When the Investment Manager deems the purchase or sale of securities to be in the best interests of the Funds and of affiliates or other clients of the Investment Manager, it is the policy of the Investment Manager to allocate purchases and sales of such securities in a manner which the Investment Manager considers to be fair and equitable to all of its clients, including the Funds.

Section 7. Liability of the Investment Manager. The Funds shall indemnify and hold harmless the Investment Manager and its members, officers, affiliates and employees against any and all loss, liability and expense (including without limitation attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Investment Manager (or its members, officers, affiliates or employees) in connection with its performance of its duties to the Funds, provided, however, that nothing herein shall be deemed either to protect or to purport to protect such persons against any liability to which it otherwise would be subject by reason of willful misconduct, bad faith or gross negligence of such person in the performance of his duties, reckless disregard of its obligations and duties under this Agreement, violations of applicable law or where such indemnification would be a violation of applicable law. An Indemnified party will, upon request, be advanced amounts in connection with the Funds' indemnification obligation, provided, however, that if it is later determined that such party was not entitled to indemnification, then such party will promptly reimburse the Funds for all advanced amounts.

Section 8. Other Activities of the Investment Manager. The Investment Manager has investments of its own and is acting as investment manager for others. Further, the Investment Manager may become associated with other investment entities and engage in investment management for others. Except to the extent necessary to perform its obligations under this Agreement, the Investment Manager or its affiliates is not limited or restricted from engaging in or devoting time and attention to the management of any other business, whether of a similar or dissimilar nature, or rendering services of any kind to any other corporation, firm, individual or association. As a result, the Investment Manager and its affiliates and other clients may hold substantial positions in securities that are owned by the Funds. If the Investment Manager its respective affiliates and its other clients hold a substantial position in an issuer, liquidity and concentration considerations may limit the ability of the Investment Manager to add to the position on behalf of the Funds or other clients or to readily dispose of the position. Although the availability at acceptable prices of investments may from time to time be limited, it is the policy of the Investment Manager and its affiliates to allocate purchases and sales of such securities in a manner deemed fair and equitable to all clients, including the Funds. Investment may on occasion give advice or take action with respect to those accounts that differ from the advice given with respect to the Funds.

Section 9. Term. This Agreement shall continue until the close of business on December 31, 2032, except that either party may terminate the Agreement effective as of the close of business on the last day of any fiscal year by giving the other party no fewer than sixty (60) days' written notice.

Section 10. Notice. All notices shall be in writing and shall be deemed to have been duly given if delivered personally or if mailed by registered mail, postage prepaid, to the following respective addresses until a different address is specified in writing by a party to the other party:

To the Funds:

Harbert Distressed Investment Master Fund, Ltd.
c/o International Fund Services (Ireland) Limited
Third Floor, Bishop's Square
Redmond's Hill
Dublin 2, Ireland

Harbert Distressed Investment Offshore Fund, Ltd.
c/o International Fund Services (Ireland) Limited
Third Floor, Bishop's Square
Redmond's Hill
Dublin 2, Ireland

To the Investment Manager:

HMC Distressed Investment Offshore Manager, L.L.C.
555 Madison Avenue, Suite 2800
New York, New York 10022
U.S.A.

Section 11. Assignment. This Agreement shall not be assignable by either party hereto without the prior written consent of the other party; provided, however, that the assignment of this Agreement by the Investment Manager to an entity that controls, is controlled by or is under common control with the Investment Manager shall not require approval by the Funds.

Section 12. Sales Literature. The Funds shall not approve or authorize the use or distribution in connection with the sale of its securities of any literature or advertisement in which the Investment Manager is named or referred to unless such literature or advertisement shall first be submitted to the Investment Manager for its approval with respect to matters concerning the Investment Manager.

Section 13. Governing Law. This Agreement and all performances hereunder shall be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Harbert Distressed Investment Master Fund, Ltd.

By: Joel B. Piassick
Name: Joel B. Piassick
Title: Director

Harbert Distressed Investment Offshore Fund, Ltd.

By: Joel B. Piassick
Name: Joel B. Piassick
Title: Director

HMC Distressed Investment Offshore Manager, L.L.C.

By: David Boutwell
Name: DAVID BOUTWELL
Title: Vice President

03773.003 #289089

EXHIBIT A

HARBERT DISTRESSED INVESTMENT OFFSHORE FUND, LTD.
ELECTION TO DEFER PAYMENT
INCENTIVE FEE FOR FISCAL YEAR ENDING DECEMBER 31, 20__

Pursuant to the Investment Management Agreement, dated as of January ___, 2002 (the "Investment Management Agreement"), by and among Harbert Distressed Investment Master Fund, Ltd. (the "Master Fund"), Harbert Distressed Investment Offshore Fund, Ltd. (the "Fund") and HMC Distressed Investment Offshore Manager, L.L.C. ("MANAGER"), MANAGER hereby elects to defer the receipt of (A) ___% of the "Incentive Fee" (as defined in the Investment Management Agreement) (the "HMC Investors Share") which, absent deferral, would be payable to MANAGER for the fiscal year of the Fund ending December 31, 20___, in accordance with the following: payment of the HMC Investors Share shall be deferred until the earlier of (i) January 1, ____, (ii) the termination of the Investment Management Agreement, (iii) the dissolution of the Fund, or (iv) the last day of the calendar quarter immediately following the calendar quarter in which HMC Investors, L.L.C. ceases to be for any reason an active member of MANAGER; and (B) ____% of the Incentive Fee (the "Falcone Share") which, absent deferral, would be payable to MANAGER for the fiscal year of the Fund ending December 31, 20____, in accordance with the following: payment of the Falcone Share shall be deferred until the earlier of (i) January 1, ____, (ii) the termination of the Investment Management Agreement, (iii) the dissolution of the Fund, or (iv) the last day of the calendar quarter immediately following the calendar quarter in which Philip Falcone ceases to be for any reason an active member of MANAGER. A copy of this election shall be delivered to:

Harbert Distressed Investment Master Fund, Ltd.
c/o International Fund Services (Ireland) Limited
Third Floor, Bishop's Square
Redmond's Hill
Dublin 2, Ireland

and

Harbert Distressed Investment Offshore Fund, Ltd.
c/o International Fund Services (Ireland) Limited
Third Floor, Bishop's Square
Redmond's Hill
Dublin 2, Ireland

HMC DISTRESSED INVESTMENT OFFSHORE MANAGER, L.L.C.

By:______________________________
Name
Title

03773.003 3280682

Annexure "D"

This is the Annexure of 9 pages marked "D" referred to in the form 603 Notice of initial substantial holder

Signed by me and dated 8 February 2007

....

Bruce Macdonald - Authorised Representative

HMC Investors LLC

ORIGINAL

ADVISORY SERVICES AGREEMENT

This Investment Advisory Agreement as amended and restated as of January 1, 2003 is by and between The Harbinger Group, Inc., a corporation organized under the laws of the State of Alabama (the "Investment Adviser"), Harbert Distressed Investment Master Fund, an exempted company formed under the laws of the Cayman Islands (the "Master Fund"), and Harbert Distressed Investment Offshore Fund, Ltd., an exempted company formed under the laws of the Cayman Islands (the "Feeder Fund"). The Master Fund and the Feeder Fund shall be referred to collectively as the "Funds" or each individually as a "Fund" or by their defined terms.

WITNESSETH:

WHEREAS, each Fund desires that the Investment Adviser provide management services and advice to each Fund with respect to the investigation, acquisition and disposition of investments in distressed and high yield debt securities (the "Investments"), and the Investment Adviser desires to render such services to each Fund in consideration of an a management fee, as hereinafter specified, and subject to the terms of this Agreement; and

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the parties agree as follows:

1. Defined Terms. The defined terms used in this Agreement, shall, unless the context otherwise requires, have the meanings specified in this Section 1 or, if not so specified, shall have the meanings specified in the Feeder Fund's Confidential Exploratory Memorandum as amended from time to time.

"Adviser Party" means the Investment Adviser and the Investment Manager, and each of their officers, directors, members, managers, employees and shareholders, and each Person of which any of the same is a controlled Affiliate.

"Affiliate" shall mean with respect to any Person: (i) any Person directly or indirectly Controlling, Controlled by or under common Control with such Person, (ii) any officer, director, general partner, member of trustee of such Person, or (iii) any Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence.

"Articles of Association" shall mean that certain Articles of Association Agreement of each Fund, as amended from time to time.

"Confidential Exploratory Memorandum" shall mean the Confidential Exploratory Memorandum, as amended from time to time, of the Feeder Fund.

"Investment Manager" shall mean the Investment Manager of the Funds as set forth in the Articles of Association of each Fund.

"Management Fee" shall mean the expense of the Feeder Fund to reimburse the Investment Adviser for expenses incurred in investigating, selecting, acquiring and disposing of Investments, and otherwise providing the services set forth in Section 3 hereof.

"Net Asset Value" means the aggregate of the net asset value of all shares of the Fund;

"Person" shall mean any individual, partnership (whether general or limited), joint venture, limited liability company, corporation, trust, estate, association, government, nominee or other entity.

"Shareholder" shall mean the holder of any Share in the Feeder Fund.

2. Provision of Services by the Investment Adviser. (a) Subject always to the direction of the Investment Manager and the terms of this Agreement, the Investment Adviser shall, on behalf of each Fund, investigate potential Investments, assist each Fund in the consummation of the acquisition thereof, provide for the management of such Investments, and provide advice and assistance with respect to the disposition of Investments and such other management services related thereto as each Fund may reasonably request.

(b) Subject to the other provisions of this Agreement, services to be rendered by the Investment Adviser in connection with each Fund's investment program shall include:

(i) (A) overseeing the investments of each Fund; (B) advising each Fund in connection with selecting, acquiring, monitoring and divesting commitments for each Fund to make or dispose of Investments; (C) advising each Fund in connection with negotiating, consenting to, amending, modifying and/or terminating instruments and agreements with respect to Investments and the operations of each Fund; and (D) advising each Fund in connection with entering into option and/or other agreements to purchase or sell Investments or other assets by or on behalf of each Fund;

(ii) (A) consultation with regard to such escrow, investment and operating accounts as the Investment Adviser may deem advisable in connection with the Investments and other activities of each Fund; (B) recommending amounts to be held in such accounts as cash reserves as the Investment Adviser deems necessary or appropriate for working capital and to fund costs and expenses incurred by each Fund directly or indirectly with respect to its Investments; and (C) recommending such portion of each Fund's assets to be held in cash or short-term liquid investments shall be necessary to pay each Fund's expenses and obligations;

(iii) hiring such advisers, consultants and/or other professionals as may be reasonably required to conduct the business of each Fund;

(iv) advising with regard to liquidating all assets of each Fund in contemplation of the termination of each Fund as may be required by the Articles of Association; and

(v) taking such actions and executing such instruments and agreements as the Investment Adviser may deem advisable or appropriate in connection with the conduct of the affairs of each Fund or the transactions contemplated by the Articles of Association.

(c) To the extent permitted under applicable law and the Articles of Association, the Investment Adviser may hire any Person, including an Affiliate of the Investment Adviser or the Investment Manager, to provide the services in respect of the Investments and other assets of each Fund contemplated to be provided by the Investment Adviser hereunder and any other related services that it deems necessary in its discretion. Any Affiliate of the Investment Adviser or Investment Manager may receive additional compensation for such services, provided that the fee paid by each Fund for such services shall be disclosed to the Shareholders and shall be at rates customarily charged for similar services by Persons engaged in the same or substantially similar activities in the relevant geographic area, and the provisions of each such contract shall be at least as favorable to each Fund as the terms reasonably expected by the Investment Adviser to be available in an arm's-length transaction with an independent third party.

(d) Subject to any restrictions that may apply under ERISA or the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and except as otherwise expressly provided herein or in the Articles of Association, nothing herein shall limit the right of any Adviser Party to enter into business ventures or offer advice to business entities that compete, directly or indirectly, with the Funds. Without limiting the generality of the foregoing, each Fund acknowledges and agrees that the Investment Adviser is and may in the future become associated with other businesses, and, subject to the provisions of the Articles of Association, agrees that any Adviser Party may engage, directly or indirectly, in other business ventures of any nature or description, independently or with others, without regard to whether such business may be competitive with the business of the Funds. Neither the Funds nor any Shareholder shall have any rights by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom. Subject to the provisions of the Articles of Association, each Fund agrees that nothing in this Agreement shall limit the right of any Adviser Party to engage in business of any nature, or to render services of any kind to any other business venture of any nature.

3. Management Fee. As compensation for the services to be performed by the Investment Adviser, and as consideration therefor, the Investment Adviser will be paid a Management Fee for each calendar quarter in an amount, payable in advance, equal to 0.375% (1.5% per annum) of the net assets of the Feeder Fund on the first day of such quarter, adjusted for subscriptions and redemptions occurring during the

quarter. The Feeder Fund will pay the Management Fee in U.S. dollars promptly following the beginning of such quarter, unless the Investment Adviser elects to defer receipt of the Management Fee as further described below. The Management Fee will be deducted in computing the annual net profit or net loss of the Feeder Fund. In the event that the Investment Adviser is not acting as Investment Adviser for an entire quarter, the Management Fee payable by the Feeder Fund for such quarter will be prorated to reflect the portion of such quarter in which the Investment Adviser is acting as such under the Advisory Services Agreement. Notwithstanding the foregoing, the Feeder Fund, with the consent of the Investment Adviser, may waive or reduce the Management Fee with regard to certain Shareholders that are employees or affiliates of the Investment Manager, the Investment Adviser, relatives of such persons, and for certain large or strategic investors.

4. Expenses. The Investment Adviser shall be reimbursed in full upon demand for all costs or expenses that it incurs that are properly costs or expenses of the Feeder Fund pursuant to the Confidential Exploratory Memorandum.

5. Liability, Exculpation and Indemnification.

(a) Each Fund will indemnify and hold harmless the Investment Adviser (and its respective members, officers, affiliates and employees) against any and all loss, liability and expense (including without limitation attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Investment Adviser (or their respective members, officers, affiliates or employees) in connection with their performance of their duties to each Fund, provided, however, that there will be no indemnity for liabilities arising as a result of the willful misfeasance, bad faith or gross negligence of such person in the performance of his duties, reckless disregard of its obligations and duties under the respective agreements, violations of applicable law or where such indemnification would be a violation of applicable law. An indemnified party will, upon request, be advanced amounts in connection with each Fund's indemnification obligation, provided, however, that if it is later determined that such party was not entitled to indemnification, then such party will promptly reimburse each Fund for all advanced amounts.

(b) The provisions of this Section 5 shall survive the termination of this Agreement.

6. Term of Agreement; Removal of Investment Adviser. This Agreement will continue until the close of business on December 31, 2032, except that either the Master Fund, the Feeder Fund or the Investment Adviser may terminate this Agreement, effective at the close of business on the last day of any fiscal year by giving the other party not less than 60 days' written notice.

7. Representations and Warranties of the Investment Adviser. The Investment Adviser represents, warrants and covenants to each Fund that to its knowledge:

(a) The Investment Adviser is a duly formed and validly existing corporation in good standing under the laws of the State of Alabama with full corporate power and authority to conduct its business as contemplated in this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by the Investment Adviser and, upon due authorization, execution and delivery by each Fund, will constitute the valid and legally binding agreement of the Investment Adviser enforceable in accordance with its terms against the Investment Adviser.

(c) The execution and delivery of this Agreement by the Investment Adviser and the performance of its duties and obligations hereunder do not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness, or any lease or other agreement or understanding, or any license, permit, franchise or certificate to which the Investment Adviser is a party or by which it is bound or to which its properties are subject, require any authorization or approval under or pursuant to any of the foregoing or violate any statute, regulation, law, order, writ, injunction, judgment or decree to which the Investment Adviser is subject, which breach, default, failure to obtain authorization or violation would materially adversely affect the business or financial condition of the Investment Adviser or impair the Investment Adviser's ability to carry out its obligations under this Agreement.

(d) The Investment Adviser is not in default (nor has any event occurred that with notice, lapse of time, or both, would constitute a default) in the performance of any obligation, agreement or condition contained in this Agreement, any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness or any lease or other agreement or understanding, or any license, permit, franchise or certificate, to which it is a party or by which it is bound or to which the properties of it are subject, nor is it in violation of any statute, regulation, law, order, writ, injunction, judgment or decree to which it is subject, which default or violation would materially adversely affect the business or financial condition of the Investment Adviser or impair the Investment Adviser's ability to carry out its obligations under this Agreement.

(e) There is no litigation, investigation or other proceeding pending or, to the knowledge of the Investment Adviser, threatened against the Investment Adviser or any of its Affiliates that, if adversely determined, would materially adversely affect the business or financial condition of the Investment Adviser or impair the Investment Adviser's ability to carry out its obligations under this Agreement.

(f) No consent, approval or authorization of, or filing, registration or qualification with, any court or governmental authority on the part of the Investment Adviser is required for the execution and delivery of this Agreement by the Investment Adviser and the performance of its obligations and duties hereunder.

(g) The Investment Adviser is an investment adviser under the Investment Advisers Act of 1940, as amended, and has registered thereunder.

8. Representations and Warranties of the Fund. Each of the Master Fund, the Feeder Fund and the Investment Manager represents and warrants that to its knowledge:

(a) It is duly organized, validly existing and in good standing under the laws of the Cayman Islands and the State of Delaware, respectively, has the power and authority to conduct its business as contemplated hereunder, and has the power and authority to execute, deliver and perform its obligations under this Agreement.

(b) This Agreement constitutes its valid and binding obligation, subject to any bankruptcy, insolvency, receivership, moratorium or other similar laws generally affecting the enforcement of creditors' rights, and the application of general principles of equity, including principles of commercial reasonableness, good faith and fair dealing, regardless of whether such enforcement is sought in a proceeding at law or in equity.

(c) The representations and warranties of the Investment Manager, each Fund and the Shareholder in their respective Subscription Agreements shall inure to the benefit if the Investment Adviser and the Investment Adviser shall be entitled to rely thereon each time that such representations and warranties are deemed to be republished pursuant to the terms of those agreements.

9. Miscellaneous. (a) This Agreement may be amended, supplemented or waived at any time and from time to time by an instrument in writing signed by each party hereto, or their respective successors or assigns, or otherwise as provided herein.

(b) Notices that may or are required to be given hereunder by any party to another shall be in writing and deposited in the United States mail, delivered through a United States nationally recognized overnight delivery service, hand delivered or sent by confirmed facsimile transmission, telegram or tested telex in accordance with the instructions therefor appearing in the Subscription Agreement. In the case of the Investment Adviser, notices shall be sent to the Investment Adviser at the following address: The Harbinger Group, Inc., One Riverchase Parkway South, Birmingham, Alabama 35244, Attention: Michael Luce, facsimile number (205) 987-5505.

(c) This Agreement shall bind any successors or assigns of the parties hereto as herein provided.

(d) This Agreement may be executed through the use of separate signature pages and in any number of counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on all the parties, notwithstanding that all the parties are not signatories to the same counterpart.

(e) This Agreement is intended to create, and creates, a contractual relationship for services to be rendered by the Investment Adviser acting in the ordinary course of its business as an independent contractor and is not intended to create, and does not create, a partnership, joint venture or any like relationship among the parties hereto (or any other parties). The provisions of this Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflict of laws provisions thereof.

(f) The Investment Adviser may be reconstituted or reorganized from the corporate form to the limited liability company form or to the partnership form or other form of business entity or vice versa. No party to this Agreement may assign all or any part of its right, title and interest in and to this Agreement or its obligations and liabilities hereunder, without the prior written consent of the other parties hereto.

(g) There are no third party beneficiaries of this Agreement or any of the terms or provisions hereof or any of the rights, privileges, duties, liabilities or obligations created hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their representative thereunto duly authorized effective as of the day and year first above written.

HARBERT DISTRESSED INVESTMENT MASTER FUND, LTD.

By: ______________________
Name: Joel B. Piassick
Title: Director

HARBERT DISTRESSED INVESTMENT OFFSHORE FUND, LTD.

By: ______________________
Name: Joel B. Piassick
Title: Director

THE HARBINGER GROUP, INC.

By: ______________________
Name: Joel B. Piassick
Title: Vice President and General Counsel

Annexure "E"

This is the Annexure of 9 pages marked "E" referred to in the form 603 Notice of initial substantial holder

Signed by me and dated 8 February 2007

....

Bruce Macdonald - Authorised Representative

HMC Investors LLC

INVESTMENT ADVISORY AGREEMENT

between

HARBERT FUND ADVISORS, INC.

and

HARBINGER CAPITAL PARTNERS SPECIAL SITUATIONS FUND, L.P.

INVESTMENT ADVISORY AGREEMENT

This INVESTMENT ADVISORY AGREEMENT (the "***Agreement***") is entered into on June [__], 2006 by and between HARBERT FUND ADVISORS, INC., an Alabama corporation (the "***Investment Adviser***"), and HARBINGER CAPITAL PARTNERS SPECIAL SITUATIONS FUND, L.P., a Delaware limited partnership (the "***Partnership***").

WHEREAS, the Partnership desires that the Investment Adviser provide investment advisory services to the Partnership with respect to the investigation, acquisition and disposition of investments in accordance with the Investment Objective and Investment Program set forth in the Confidential Offering Memorandum, dated as of May 2006, as amended from time to time (the "***Confidential Offering Memorandum***") and the Amended and Restated Agreement of Limited Partnership, dated as of June [__], 2006, as amended from time to time (the "***Partnership Agreement***"), and the Investment Adviser desires to render such services to the Partnership in consideration of a management fee, as hereinafter specified, and subject to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the Partnership and the Investment Adviser agree as follows:

1. **Defined Terms.** The defined terms used in this Agreement, shall, unless the context otherwise requires, have the meanings specified in this Section 1 or, if not so specified, shall have the meanings specified in the Partnership Agreement.

"***Adviser Party***" shall mean the Investment Adviser, and its officers, directors, members, managers, employees and shareholders, and Affiliates.

"***Advisers Act***" shall mean the U.S. Investment Advisers Act of 1940, as amended from time to time.

"***Affiliate***" shall mean with respect to any Person: (i) any Person directly or indirectly Controlling, Controlled by or under common Control with such Person, (ii) any officer, director, general partner, manager, member or trustee of such Person, or (iii) any Person who is an officer, director, general partner, manager, member or trustee of any Person described in clauses (i) or (ii) of this sentence.

"***Control***", "***Controlling***", and "***Controlled***" shall mean the ability to direct the business or affairs of a Person.

2. **Provision of Services by the Investment Adviser.**

(a) Subject always to the direction of the General Partner and the terms of this Agreement, the Investment Adviser shall, on behalf of the Partnership, investigate potential investments, assist the Partnership in the consummation of the acquisition thereof, provide for the management of such investments, and provide advice and assistance with respect to the disposition of investments and such other management services related thereto as the Partnership may reasonably request.

(b) Such services to be rendered by the Investment Adviser in connection with the Partnership's investment program shall include:

(i) (A) overseeing the investments of the Partnership; (B) advising the Partnership in connection with selecting, acquiring, monitoring and divesting investments for the Partnership or commitments therefor; (C) advising the Partnership in connection with negotiating, consenting to, amending, modifying and/or terminating instruments and agreements with respect to investments and the operations of the Partnership; and (D) advising the Partnership in connection with entering into securities transactions by or on behalf of the Partnership; *provided*, that, notwithstanding anything herein to the contrary, the Investment Adviser shall not advise the Partnership with respect to the selection, acquisition, monitoring or disposition of any "commodity", as defined in the U.S. Commodity Exchange Act, as amended from time to time;

(ii) (A) consultation with regard to such escrow, investment and operating accounts as the Investment Adviser may deem advisable in connection with the investments and other activities of the Partnership; (B) recommending amounts to be held in such accounts as cash reserves as the Investment Adviser deems necessary or appropriate for working capital and to fund costs and expenses incurred by the Partnership directly or indirectly with respect to its investments; and (C) recommending such portion of the Partnership's assets to be held in cash or short-term liquid investments as shall be necessary to pay the Partnership's expenses and obligations;

(iii) hiring such advisers, consultants and/or other professionals as may be reasonably required to conduct the business of the Partnership;

(iv) advising with regard to liquidating all assets of the Partnership in contemplation of the termination of the Partnership as may be required by the Partnership Agreement; and

(v) taking such actions and executing such instruments and agreements as the Investment Adviser may deem advisable or appropriate in connection with the conduct of the affairs of the Partnership or the transactions contemplated by the Partnership Agreement.

(c) To the extent permitted under applicable Law and the Partnership Agreement, the Investment Adviser may hire any Person, including any Adviser Party, to provide the services in respect of the investments and other assets of the Partnership contemplated to be provided by the Investment Adviser hereunder and any other related services that it deems necessary in its discretion. Any Adviser Party may receive additional compensation for such services.

(d) Subject to any restrictions that may apply under the Advisers Act, and except as otherwise expressly provided herein or in the Partnership Agreement, nothing herein shall limit the right of any Adviser Party to enter into business ventures or offer advice to business entities that compete, directly or indirectly, with the Partnership. Without limiting the generality of the foregoing, the Partnership acknowledges and agrees that the Advisory Parties are and may in the future become associated with other businesses, and, subject to the provisions of the Partnership Agreement, agrees that any Adviser Party may engage, directly or indirectly, in other business ventures of any nature or description, independently or with others, without regard to whether such business may be competitive with the business of the Partnership. Neither the Partnership nor any Limited Partner shall have any rights by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom. Subject to the provisions of the Partnership Agreement, the Partnership agrees that nothing in this Agreement shall limit the right of any Adviser Party to engage in business of any nature, or to render services of any kind to any other business venture of any nature.

3. **Management Fee.** The Partnership shall pay the Investment Adviser the Management Fee, in the amounts and at the times provided in Section 2.07 of the Partnership Agreement. The Investment Adviser hereby represents that it is familiar with the Partnership Agreement and agrees to all arrangements stated therein regarding the Management Fee.

4. **Expenses.** The Investment Adviser shall be reimbursed in full upon demand for all costs or expenses that it incurs that are properly costs or expenses of the Partnership pursuant to Section 2.07 of the Partnership Agreement.

5. **Liability, Exculpation and Indemnification.**

(a) The Investment Adviser and its agents, shareholders, directors, officers, employees, controlling Persons and Affiliates (i) shall be and hereby are indemnified and held harmless by the Partnership in accordance with the terms of 2.06 of the Partnership Agreement and (ii) shall not be liable to the Partnership except as provided in section 2.05 of the Partnership Agreement.

(b) The provisions of this Section 5 shall survive the termination of this Agreement.

6. **Duration and Termination.** This Agreement shall become effective on the date hereof and shall remain in full force and effect until the earlier to occur of (i) the dissolution of the Partnership or (ii) such date as the Partnership and the Investment Adviser mutually agree. Any termination of this Agreement pursuant to this Section 6 shall be without penalty or other additional payment; *provided*, that (A) the Partnership shall pay the Management Fee referred to in Section 3 hereof pro-rated to the date of termination and (B) the Partnership shall honor any transactions entered into before the date of any such termination.

7. **Representations and Warranties of the Investment Adviser.** The Investment Adviser represents, warrants and covenants to the Partnership that, to its knowledge:

(a) The Investment Adviser is a duly formed and validly existing corporation in good standing under the laws of the State of Alabama with full corporate power and authority to conduct its business as contemplated in this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by the Investment Adviser and, upon due authorization, execution and delivery by the Partnership, will constitute the valid and legally binding agreement of the Investment Adviser enforceable in accordance with its terms against the Investment Adviser, subject to any bankruptcy, insolvency, receivership, moratorium or other similar laws generally affecting the enforcement of creditors' rights, and the application of general principles of equity, including principles of commercial reasonableness, good faith and fair dealing, regardless of whether such enforcement is sought in a proceeding at law or in equity.

(c) No consent, approval or authorization of, or filing, registration or qualification with, any court or governmental authority on the part of the Investment Adviser is required for the execution and delivery of this Agreement by the Investment Adviser and the performance of its obligations and duties hereunder.

(d) The Investment Adviser is an "investment adviser", as defined in the Advisers Act and has registered thereunder.

8. Representations and Warranties of the Partnership. The Partnership represents and warrants that, to its knowledge:

(a) It is duly organized, validly existing and in good standing under the laws of the state of Delaware, has the power and authority to conduct its business as contemplated hereunder, and has the power and authority to execute, deliver and perform its obligations under this Agreement.

(b) This Agreement has been duly authorized, executed and delivered by the Partnership and, upon due authorization, execution and delivery by the Investment Adviser, will constitute the valid and legally binding agreement of the Partnership enforceable in accordance with its terms against the Partnership, subject to any bankruptcy, insolvency, receivership, moratorium or other similar laws generally affecting the enforcement of creditors' rights, and the application of general principles of equity, including principles of commercial reasonableness, good faith and fair dealing, regardless of whether such enforcement is sought in a proceeding at law or in equity.

(c) No consent, approval or authorization of, or filing, registration or qualification with, any court or governmental authority on the part of the Partnership is required for the execution and delivery of this Agreement by the Partnership and the performance of its obligations and duties hereunder.

(d) The representations and warranties of the General Partner, the Partnership and the Limited Partners set forth in the Partnership Agreement and the Subscription Documents of each Limited Partner shall inure to the benefit of the Investment Adviser and the Investment Adviser shall be entitled to rely thereon each time that such representations and warranties are deemed to be republished pursuant to the terms of those agreements.

9. Miscellaneous.

(a) Independent Contractor Status. The Investment Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the General Partner from time to time, have no authority to act for or represent the Partnership in any way or otherwise be deemed an agent of the Partnership.

Nothing contained herein shall be deemed to constitute the parties hereto (or any of them) as members of any partnership, joint venture, association, syndicate or other entity. The parties further agree that any amounts paid to the Investment Adviser pursuant to this Agreement shall constitute payments for services rendered.

(b) Services Not Exclusive. The services of the Investment Adviser are not exclusive to the General Partner and the Partnership. Any Adviser Party may, to the extent not prohibited by the Partnership Agreement, render similar services to others and engage in additional activities so long as the Investment Adviser performs its obligations hereunder.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(d) Jurisdiction and Venue. Each of the parties hereto (i) irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the State of New York located in New York County, New York and of the United States District Court for the Southern District of New York with respect to all actions and proceedings arising out of or relating to this Agreement and the transactions contemplated hereby; (ii) agrees that all claims with respect to any such action or proceeding shall be heard and determined in such courts and agrees not to commence any action or proceeding relating to this Agreement or the transactions contemplated hereby except in such courts; (iii) irrevocably and unconditionally waives any objection to the laying of venue of any action or proceeding arising out of this Agreement or the transactions contemplated hereby and irrevocably and unconditionally waives the defense of an inconvenient forum; and (iv) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(e) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

(f) Successors and Assigns. This Agreement shall inure to the benefit of the parties hereto and any Indemnified Party, and shall be binding upon the parties hereto, and their respective successors, permitted assigns and, in the case of an individual Indemnified Party, heirs and legal representatives.

(g) Severability. Every term and provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such term or provision will be enforced to the maximum extent permitted by law and, in any event, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

(h) Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any prior agreement or understanding among them with respect to such subject matter.

(i) Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof or affect the interpretation thereof.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single agreement.

(k) Survival of Certain Provisions. The provisions of Sections 4, 5 and 9(c), (d), (e), (k) of this Agreement shall survive any termination or expiration of this Agreement and the dissolution, termination and winding up of the Partnership.

(l) Waiver. No waiver of the provisions of this Agreement shall be valid unless in writing and signed by the party to be bound. No failure or delay by any party in exercising any right or remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver on any subsequent occasion.

(m) Intent. This Agreement is intended to confirm the arrangements provided for in the Partnership Agreement for the services and duties of the Investment Adviser to the Partnership. Accordingly, the Partnership Agreement shall govern in the event of any conflict, ambiguity or inconsistency between this Agreement and the Partnership Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective representatives hereunto duly authorized as of the date first above written.

INVESTMENT ADVISER:

Harbert Fund Advisors, Inc.

By: [signature]
Name: William R. Lucas, Jr.
Title: Senior Vice President

PARTNERSHIP:

Harbinger Capital Partners Special Situations Fund, L.P.

By: Harbinger Capital Partners Special Situations GP, LLC, its general partner

By: HMC-New York, Inc., its Managing Member

By: [signature]
Name: William R. Lucas, Jr.
Title: Senior Vice President