

The “**Sales Representative Class**” includes all persons who were residents of the State of California as of June 24, 1998 and who, prior to that date, signed a version of the Sales Representative Agreement (“SRA”) with EPE which contains either of the following recitals: (a) “EPE has established contractual agreements for the provision of electric power generation to California consumers through Avista Advantage and Avista Energy, wholly owned subsidiaries of Washington Water Power”; or (b) “EPE has established contractual agreements for the provision of electric power generation to California consumers through Avista Advantage, a wholly owned subsidiary of Washington Water Power, both of Spokane, Washington.”

The purpose of this Notice is to inform you of the terms of the proposed settlement, the manner and extent to which the proposed settlement will affect your rights, the steps which you must take in order to participate in the settlement, and your right to formally object to the proposed settlement. This Notice is being sent to you because the records of EPE indicate that you may be a member of one or both classes.

THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE UNDERSTOOD AS, AN EXPRESSION OF ANY OPINION BY THE SUPERIOR COURT AS TO THE MERITS OF THE CLAIMS OR DEFENSES BY ANY OF THE PARTIES TO THE CLASS ACTION.

PARTIES TO THE CLASS ACTION

The plaintiffs who are pursuing this action on behalf of the members of the Manager Class and the Sales Representative Class are Michael R. Smith, Richard Girard and Richard Yamane (collectively, “Plaintiffs”). Michael R. Smith is a member of the Sales Representative Class and has been certified by the Los Angeles Superior Court to represent the interests of the Sales Representative Class in this action. Richard Girard and Richard Yamane are members of the Manager Class and have been certified by the Los Angeles Superior Court to represent the interests of the Manager Class in this action.

The defendants in this action are EPE, Tony Wayne, James Lezie, Jeff Gibson and Betsy Gibson (collectively, “Defendants”). Mr. Wayne, Mr. Lezie, Mr. Gibson and Mrs. Gibson (collectively, “the Individual Defendants”) are or were officers and/or directors of EPE. EPE is now known as Utilisource, a California corporation which is a wholly owned subsidiary of Ultisource Corporation (“UTLS”), a Florida corporation whose stock is publicly-traded.

SUMMARY OF THE CLASS ACTION

The complaint in this action was filed by Plaintiffs on June 24, 1998. Defendants filed their answer to the complaint on September 14, 1998, generally denying the allegations in the complaint and asserting various affirmative defenses to the claims alleged in the complaint. On January 12, 2000, the Superior Court certified this action to proceed as a class action, appointing Plaintiffs, as the class representatives, and their attorneys of record, A. Barry Cappello, Esq. and J. Paul Gignac, Esq. of Cappello & McCann LLP, as Class Counsel.

In their complaint, Plaintiffs allege that they were recruited to act as managers and/or sales representatives of EPE for the purpose of marketing to, and executing sales contracts with, electric power consumers in the State of California. Plaintiffs allege that they signed form contracts with EPE which included a standardized, common representation that EPE had established contractual agreements for the provision of electric power generation to California consumers through Avista Advantage and/or Avista Energy (together, "Avista"), wholly owned subsidiaries of Washington Water Power. Plaintiffs allege that, unbeknownst to them at the time, this representation was false.

Plaintiffs further allege that, prior to executing their contracts to act as a manager or sales representative of EPE, Defendants failed to disclose to, and concealed from, Plaintiffs the fact that EPE did not have established contractual agreements with Avista.

Plaintiffs allege that, in reliance upon the written representations which were made to them concerning the existence of an agreement between EPE, on the one hand, and Avista, on the other hand, for the provision of low-cost electric power to California consumers, Plaintiffs executed an SRA and became a sales representative for EPE or executed an SRMA and became a manager for EPE. Plaintiffs allege that, thereafter, they invested their time and money and performed substantial marketing efforts on EPE's behalf. Plaintiffs allege that, as a result of their sales activities, EPE executed numerous contracts with California consumers for the provision of electric power.

Plaintiffs further allege that, in or about late 1997, Plaintiffs discovered that EPE did not have a contract with Avista for the provision of low-cost electric power to California consumers. Plaintiffs allege that, once this fact became known, numerous customers canceled their contracts, and many potential customers refused to sign contracts.

Defendants allege that the claims asserted by Plaintiffs are unfounded, deny all allegations of wrongdoing, and deny any liability to Plaintiffs or any other class members. Specifically, Defendants maintain that the alleged

misrepresentation about which Plaintiffs complain was true, correct and reasonably made and that the claims which are asserted against Defendants are barred both by applicable law and by the express terms of the SRA and the SRMA.

THE PROPOSED SETTLEMENT

Class Counsel have conducted substantial pretrial investigation, legal research, motion practice and discovery, including taking depositions and reviewing documents produced by Defendants. Class Counsel have analyzed the facts, as well as the law, relevant to the merits of the claims asserted in the Class Action. Class Counsel also have reviewed internal financial information relating to the operation of Utilisource and all policies of insurance providing coverage for Defendants during the period of 1997 through 1999. Based upon this investigation, research, motion practice, discovery and analysis, Class Counsel have determined that, given the distressed financial condition of Utilisource, a settlement on the terms and conditions explained herein and embodied in the parties' written settlement agreement is in the best interests of the members of the Manager Class and the Sales Representative Class ("the Classes").

The proposed settlement was reached after extensive negotiations between Class Counsel, counsel for Defendants and the Individual Defendants themselves. Class Counsel recommend the proposed settlement based upon their determination that the proposed settlement may result in substantial future benefits being conferred upon the members of the Classes and that, given the distressed financial condition of Utilisource, it is not in the economic interest of the Classes to continue the litigation. In determining to recommend the proposed settlement, Class Counsel have considered, among other things, the following factors:

(1) Utilisource is a publicly-traded company which is in a position of severe financial distress. Its stock, which at one point traded at prices in excess of \$5 per share, is presently trading at less than 20 cents per share. The Individual Defendants, who operate the company, have not been paid their salaries for months. Absent an immediate settlement of this litigation, the Individual Defendants will be forced to place the company into bankruptcy, and the claims of the members of the Classes, as unsecured creditors in any bankruptcy proceeding, likely will be rendered worthless.

(2) Class Counsel have reviewed all policies providing insurance coverage for Defendants between 1997 and 1999 and have determined that there is no insurance coverage available for any of the claims asserted against Defendants in this action.

(3) A company called UnHatched.com, Inc., in coordination with National Capital Companies, Inc., a venture capital company, has offered to engage in a recapitalization of Utilisource by making a significant equity investment in Utilisource in exchange for a controlling interest in Utilisource. This offer is expressly contingent upon a settlement of the Class Action. There is, however, no guaranty that the recapitalization will be consummated.

(4) Utilisource has provided Class Counsel with projections for the operation of the company over the next twenty months which demonstrate that, with the anticipated investment by UnHatched.com, Inc. and the settlement of the Class Action, Utilisource should be able to return to the status of a profitable business.

(5) Assuming that Utilisource is able to return to its former status as a profitable business, there is a reasonable possibility that the securities received by class members from the proposed settlement will have significant value within eighteen to twenty-four months.

Defendants deny all wrongdoing of any kind whatsoever and deny any liability to Plaintiffs and the Classes. Without conceding any infirmity in the affirmative defenses which Defendants have asserted in the Class Action, Defendants consider it desirable to settle the Class Action on the terms set forth herein in order to avoid further expense, to permit the continued operation of the company, to limit their exposure for the payment of damages to the Classes, and to terminate all controversy surrounding the merits of the claims asserted in the Class Action.

Subject to final judicial approval, the significant terms of the proposed settlement are as follows:

1. Stock/Option Pool

Utilisource shall make available to the members of the Classes a “stock/option pool” consisting of a total of three million shares of Rule 144 restricted stock or options to purchase shares of common stock in Utilisource. The restrictions placed on the Rule 144 stock shall be the minimum permitted by law for such stock (e.g. the open market trading restrictions shall expire within one year of issuance). The exercise price on the options shall be set at 18 cents per share, the closing price of Utilisource’s stock on September 29, 2000, and the options shall be exercisable for a ten-year period of time beginning between three and fifteen months after the date on which the stock options are granted. The terms of the stock options shall be as specified in the Option Certificate.

2. Release of Claims

In consideration for the benefits to be received under the Settlement Agreement, each class member will release, remise and forever discharge the Defendants and each of their agents, employees, representatives,

administrators, attorneys, insurers, lenders, shareholders, officers, directors, divisions, affiliates, partnerships, partners, joint venturers, parent and/or subsidiary corporations, assigns, heirs and successors in interest, from any and all claims, demands and causes of action which have been brought or could have been brought arising out of, connected with or incidental to the subject matter set forth in the complaint in the Class Action.

3. Current Financial Statement

Attached to the Settlement Agreement and fully incorporated therein by reference is a financial statement for Utilisource. Defendants have warranted and represented that the information set forth on the financial statement is accurate as of July 31, 2000. Any material misstatement of information in the financial statement shall constitute grounds to rescind the Settlement Agreement.

4. Provision of Insurance Policies

Defendants have provided Class Counsel with copies of any and all insurance policies which provided coverage for Defendants during the time period of 1997 through 1999. Class Counsel have reviewed the policies provided and have determined that there is no reasonable possibility that insurance coverage exists for any of the acts or omissions alleged in the complaint.

5. Rights of Class Members Who Executed a SORA and/or a SRTA

During the pendency of this action, certain class members executed a Sales Organization Restructuring Agreement (“SORA”) and/or a Sales Representative Termination Agreement (“SRTA”). As to any class member who signed a SORA and/or a SRTA, such class member shall be given the option of: (1) rescinding the SORA and/or the SRTA and returning any options received or money paid to them under the SORA and/or the SRTA; or (2) keeping any options received or monies paid to them under the SORA and/or the SRTA and foregoing any right to participate in the settlement. By rescinding the SORA and/or the SRTA, a class member will restore himself, herself or itself to the same position as if the SORA or the SRTA never had been executed by the class member. Any class member who elects to rescind the SORA and/or the SRTA will be required to sign a release of all claims relating to the SORA and/or the SRTA. Upon the execution of such a release and the return of any options received and/or money paid, such class members shall be permitted to participate in the settlement. However, whether or not a class member elects to rescind the SORA and/or the SRTA, the class member still will be bound by the release of claims described in paragraph 2 above.

6. Termination of SRA's and SRMA's

Upon final approval of the settlement, each class member's SRA and/or SRMA is and shall be terminated by mutual agreement, and the parties to any such SRA and/or SRMA shall have no further rights, obligations or duties under any such SRA and/or SRMA.

7. Award of Securities in Lieu of Attorneys' Fees

Class Counsel shall make an application to the Court to be awarded a portion of the stock/option fund as compensation for, and in lieu of, the attorneys' fees expended by Class Counsel in connection with the Action. Class Counsel's application shall not exceed 33% of the stock/option fund.

8. Reimbursement of Expenses of Class Counsel

Defendants shall pay the sum of \$25,000 which, subject to Court approval, shall be used to reimburse Class Counsel for the litigation expenses incurred by Class Counsel to date in connection with this action as well as the anticipated expenses to be incurred in connection with the settlement. Class Counsel shall make an application to the Court to be reimbursed for the litigation expenses incurred by Class Counsel to date in connection with this action as well as the anticipated expenses to be incurred in concluding the settlement. Class Counsel's application shall not exceed \$25,000.

9. Incentive Awards for Class Representatives

Class Counsel shall make an application to the Court for the payment of a portion of the stock/option fund to each of the three Class Representatives as special incentive awards for pursuing this action on behalf of the Plaintiff Classes. The incentive awards sought shall not exceed 30,000 shares per class representative.

10. Plan of Allocation

After deduction from the stock/option fund of any amounts awarded by the Court to Class Counsel in lieu of attorneys' fees and/or to the Class Representatives for incentive awards, the balance of the stock/option fund shall be distributed to the members of the Classes according to the plan of allocation set forth below. The plan of allocation was jointly proposed by Class Counsel and counsel for Defendants and approved by the Court. Under the plan of allocation, each class member eligible to participate in the settlement shall have the right to choose to receive restricted stock, stock options or a combination thereof.

HOW TO PARTICIPATE IN THE SETTLEMENT

If you are a member of the Manager Class and/or the Sales Representative Class and wish to participate in the settlement, you should fill out the attached Class Member Election Form and return it in a stamped envelope addressed as follows:

Eastern Pacific Energy Class Action
2801 Ocean Park Boulevard
PMB # 277
Santa Monica, California 90405

By properly completing and returning the Class Member Election Form, you will ensure that: (1) you receive your pro rata share of the stock/option fund; and (2) you receive your choice of restricted stock, stock options or a combination thereof. If you fail to complete and return the Class Member Election Form, then: (1) you will only participate in the stock/option fund if you did not sign a SORA and/or a SRTA; and (2) you will receive your pro rata share of the stock/option fund in the form of stock options only.

The Class Member Election Form must be completed and returned in an envelope which is postmarked no later than December 15, 2000. Before completing and returning the Class Member Election Form, you may wish to consult a tax professional concerning the possible tax consequences to you of electing to receive restricted stock or stock options.

PLAN OF ALLOCATION FOR STOCK/OPTION FUND

The stock/option fund shall be allocated among the members of the Classes according to a weighted formula that takes into account the following four percentages:

(1) a percentage calculated by taking the number of signed contracts submitted by each individual class member and dividing that number by the total number of signed contracts submitted by all other class members participating in the settlement;

(2) a percentage calculated by taking the number of “continuing active” contracts (defined to include all signed and submitted contracts which were not canceled by the customer) procured by each individual class member and dividing that number by the total number of “continuing active” contracts procured by all other class members participating in the settlement;

(3) a percentage calculated by taking the number of kWh per month of electric power that the signed contracts submitted by each individual class member actually have consumed or, based on past usage, were projected

to consume (whichever is greater) and dividing that number by the total number of kWh per month of electric power that the signed contracts submitted by all other class members participating in the settlement actually have consumed or, based on past usage, were projected to consume; and

(4) a percentage calculated by taking the number of dollars per month that the signed contracts submitted by each individual class member actually have generated or, based on past usage, were projected to generate (whichever is greater) and dividing that number by the total number of dollars per month that the signed contracts submitted by all other class members participating in the settlement actually have generated or, based on past usage, were projected to generate.

These four percentages will then be added together and divided by four to yield a “composite pro rata percentage”. This composite pro rata percentage will be multiplied by the total amount of shares in the stock/option fund available for distribution in order to determine the number of shares of restricted stock or stock options that will be allocated to each participating class member.

EFFECT OF PROPOSED SETTLEMENT ON YOUR RIGHTS

If you are a member of the Manager Class and/or the Sales Representative Class and did not timely exercise your right to be excluded from the Classes in response to the Notice of Pendency of Class Action mailed to you on or about February 11, 2000, you will be bound by the terms of the proposed settlement upon its approval by the Court. As a part of the proposed settlement, you will be releasing any and all claims which you now have, or may in the future have, against Defendants which arise out of or relate to the subject matter of the Class Action. If the proposed settlement is approved by the Court, a judgment will be entered dismissing the Class Action with prejudice.

SETTLEMENT HEARING DATE

A settlement hearing will be held on December 14, 2000 at 10:00 a.m. in Department 59 of the Los Angeles Superior Court located at 111 North Hill Street, Los Angeles, California for the purpose of determining whether the proposed settlement should be approved by the Court as fair, reasonable and adequate (“the Settlement Hearing”). At the time of the Settlement Hearing, the Court also will hear the application by Class Counsel for an award of attorneys’ fees and expenses and the application for incentive awards to the Class Representatives. At the time of the Settlement Hearing, the Court will rule upon any objections to the proposed settlement as well as any other matters incidental to the proposed settlement which are properly before the Court.

RIGHT TO OBJECT TO THE PROPOSED SETTLEMENT

Any member of the Manager Class and/or the Sales Representative Class who wishes may object to the terms of the proposed settlement, the application for attorneys' fees and expenses, the application for incentive awards, the plan of allocation or any other aspect of the proposed settlement. No such objection will be considered by the Court unless: (1) set forth in writing; and (2) mailed via first-class mail postmarked no later than **December 4, 2000** to Class Counsel at the address identified below.

Any member of the Manager Class and/or the Sales Representative Class who wishes to appear before the Court at the time of the Settlement Hearing, whether in person or through counsel, must file with the Court no later than **December 4, 2000**, and serve by mail upon Class Counsel no later than **December 4, 2000**, a written notice of that class member's intent to appear at the Settlement Hearing.

All documents relating to a notice of intent to appear must be filed directly with the Clerk in Department 59 of the Los Angeles Superior Court located at 111 N. Hill Street, Los Angeles, California 90012-3117. Such documents shall be identified as filed in connection with the Class Action by including thereon the caption and case number appearing at the head of this Notice.

Copies of all documents relating to a notice of intent to appear, and the originals of all documents relating to an objection, must be served by mail upon Class Counsel identified below:

J. Paul Gignac, Esq.
Cappello & McCann LLP
831 State Street
Santa Barbara, California 93101

Attorneys for Plaintiffs and Class Counsel

ADDITIONAL COPIES OF THIS NOTICE

This Notice is being mailed to all individuals who, on the basis of the books and records maintained by Defendants, were identified as members of the Manager Class and/or the Sales Representative Class, who previously were provided with notice of the pendency of the Class Action, and who did not timely exercise their right to be excluded from the Class Action. However, there can be no assurance that the books and records of Defendants are necessarily complete or accurate in this regard. Therefore, **if you are a present or former EPE manager or sales representative, please inform any other EPE manager or sales representative with whom you have worked**

that he or she may obtain a copy of this Notice by sending a written request for a copy of the Notice to the following address:

Eastern Pacific Energy Class Action
2801 Ocean Park Boulevard
PMB # 277
Santa Monica, California 90405

Alternatively, any present or former EPE manager or sales representative may access a copy of this Notice over the Internet at the following web site:

<http://web.usxc.net/classaction/>

ADDITIONAL INFORMATION

The matters identified and described in this Notice do not purport to be comprehensive and should not be construed as such. Accordingly, members of the Manager Class and/or the Sales Representative Class who desire further information may wish to review the pleadings and other records on file with the Superior Court. The documents publicly filed in the Class Action, including the written Settlement Agreement, are available for inspection and copying during regular business hours at the Office of the Clerk, Los Angeles Superior Court, 111 N. Hill Street, Los Angeles, California 90012-3117.

Please do not telephone the Superior Court or the Office of the Clerk for information regarding this action.

Dated: November 3, 2000

Honorable Bruce Mitchell
Commissioner of the Los Angeles Superior Court

CLASS MEMBER ELECTION FORM

Please read the Notice carefully before filling out this form.

I have read the Notice and wish to make an election on behalf of myself or another person or entity for whom I am the legal representative (e.g. guardian or corporate officer) for purposes of participating in the proposed settlement in the case of *Smith, et al. v. Eastern Pacific Energy, Inc., et al.*, Los Angeles Superior Court Case No. BC 193285.

1. My name, address and telephone number are as follows:

Name: _____

Address: _____

Telephone: () _____

2. I am completing this form on behalf of:

Myself _____

(Please check one only)

Another Person _____

Or Entity _____

3. Answer the following only if completing this form on behalf of another person or entity:

I am completing this form on behalf of _____ in my capacity as
(name)

_____ of such person or entity.
(legal relationship)

4. I elect to receive my pro rata share of the stock/option fund in the form of:

Check one: _____ restricted stock

_____ stock options

_____ a combination of restricted stock and stock options

5. Answer the following only if you are electing to receive a combination of restricted stock and stock options:

I wish to receive my pro rata share as follows: _____% in restricted stock

_____ % in stock options

(The percentages which you specify must total 100%)

6. Answer the following only if you signed and returned a Sales Organization Restructuring Agreement (“SORA”):

Check one: I elect to rescind the SORA and to return any stock options previously issued to me so that I will be permitted to participate in the class action settlement. I have signed the attached SORA Release and enclose any stock options previously issued to me.

I do not wish to rescind the SORA. I understand that I will not be permitted to participate in the class action settlement.

7. Answer the following only if you signed and returned a Sales Representative Termination Agreement (“SRTA”):

Check one: I elect to rescind the SRTA and to return any money paid to me under the SRTA so that I will be permitted to participate in the class action settlement. I have signed the attached SRTA Release and enclose a check for \$200, the amount paid to me.

I do not wish to rescind the SRTA. I understand that I will not be permitted to participate in the class action settlement.

You must date and sign this form below in order for it to be effective.

Dated: _____

By: _____
(Signature)

PLEASE NOTE: A separate form must be completed for each person or entity wishing to make an election in connection with the proposed settlement.

The Class Member Election Form must be completed and returned in an envelope which is postmarked no later than December 15, 2000. Before completing and returning the Class Member Election Form, you may wish to consult a tax professional concerning the possible tax consequences to you of electing to receive restricted stock or stock options.

SORA RELEASE

To be signed only if you are electing to rescind the SORA.

In consideration for being permitted to participate in the class action settlement in the case of *Smith, et al. v. Eastern Pacific Energy, Inc., et al.*, Los Angeles Superior Court Case No. BC 193285, I hereby release, remise and forever discharge Eastern Pacific Energy, Utilisource, Utilisource Corporation, Tony Wayne, James Lezie, Jeff Gibson, Betsy Gibson and each of their agents, employees, representatives, administrators, attorneys, insurers, lenders, shareholders, officers, directors, divisions, affiliates, partnerships, partners, joint venturers, parent and/or subsidiary corporations, assigns, heirs and successors in interest and each of them, from any and all claims, demands and causes of action which have been brought or could have been brought arising out of, connected with or incidental to the Sales Organization Restructuring Agreement (“SORA”) including, but not limited to, any and all claims for violations of federal or state law arising out of, connected with or incidental to the SORA.

I have read and understand the following provision of *California Civil Code* Section 1542:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing this release, which if known by him must have materially affected his settlement with the debtor.”

Being aware of this code section, I hereby expressly waive and relinquish all rights and benefits which I may have thereunder as well as under any other statute or common law principle of similar effect.

I understand that the facts in respect of which I have executed this release hereafter may turn out to be other than or different from the facts now believed by me to be true. I accept and assume the risk of the facts now believed by me to be true. I further accept and assume the risk of the facts turning out to be different and agree that this release shall be and remain in all respects effective and not subject to termination or rescission by virtue of any such difference in facts.

Dated: _____, 2000

By _____

SRTA RELEASE

To be signed only if you are electing to rescind the SRTA.

In consideration for being permitted to participate in the class action settlement in the case of *Smith, et al. v. Eastern Pacific Energy, Inc., et al.*, Los Angeles Superior Court Case No. BC 193285, I hereby release, remise and forever discharge Eastern Pacific Energy, Utilisource, Utilisource Corporation, Tony Wayne, James Lezie, Jeff Gibson, Betsy Gibson and each of their agents, employees, representatives, administrators, attorneys, insurers, lenders, shareholders, officers, directors, divisions, affiliates, partnerships, partners, joint venturers, parent and/or subsidiary corporations, assigns, heirs and successors in interest and each of them, from any and all claims, demands and causes of action which have been brought or could have been brought arising out of, connected with or incidental to the Sales Representative Termination Agreement (“SRTA”) including, but not limited to, any and all claims for violations of federal or state law arising out of, connected with or incidental to the SRTA.

I have read and understand the following provision of *California Civil Code* Section 1542:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing this release, which if known by him must have materially affected his settlement with the debtor.”

Being aware of this code section, I hereby expressly waive and relinquish all rights and benefits which I may have thereunder as well as under any other statute or common law principle of similar effect.

I understand that the facts in respect of which I have executed this release hereafter may turn out to be other than or different from the facts now believed by me to be true. I accept and assume the risk of the facts now believed by me to be true. I further accept and assume the risk of the facts turning out to be different and agree that this release shall be and remain in all respects effective and not subject to termination or rescission by virtue of any such difference in facts.

Dated: _____, 2000

By _____