

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MASSACHUSETTS

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DISTRIBUTION CENTER

In re)	
)	
ESSENTIAL.COM, INC.)	Chapter 11
)	Case No. 01-15339-WCH
Debtor.)	
)	

**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
TO DEBTOR'S MOTION FOR AUTHORIZATION TO IMPLEMENT KEY
EMPLOYEE RETENTION PROGRAM AND FOR AUTHORITY TO REJECT
EMPLOYMENT AGREEMENTS NUC PRO TUNC**

Preliminary Statement

The Official Committee of Unsecured Creditors (the "Committee") of Essential.com, Inc. (the "Debtor"), hereby objects to the Motion of Debtor for an Order Authorizing the Implementation of a Key Employee Retention Program (the "KERP"). The Committee believes that the principal objective of any KERP, to retain key employees through a period of substantial uncertainty, will not be served in this case. Substantially all of the Debtor's assets will likely be sold within the next 72 hours, after which time no employees will be needed to preserve asset value for the estate. Moreover, the KERP proposed by the Debtor will consume approximately 30% of the proposed sale price for the company's assets – an inordinate amount of money relative to the amount creditors expect to recover in this case.

In further support the Committee provides as follows:

I. Background

1. On June 29, 2001, the Debtor filed a voluntary petition for relief under chapter 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Massachusetts (the "Petition Date").

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2. The Debtor continues to operate as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. On July 18, 2001, the United States Trustee appointed an Official Committee of Unsecured Creditors (the "Committee") consisting of three of the Debtor's unsecured creditors. The Committee's application to employ Gadsby Hannah LLP as counsel was filed on August 8, 2001, and is currently pending before this Court.

4. Prior to the Petition Date the Debtor was in the business of reselling telecommunications services, including long-distance and local telephone service and internet service. As of the Petition Date the Debtor had approximately 70,000 active subscribers in its customer base consisting predominately of households and small businesses. The Debtor's customer base constitutes its chief asset.

5. Motions dated July 26 and 27 (the "Sale Motion") the Debtors sought authority to sell substantially all of their assets for a total sale price of approximately \$925,000.

6. The Court has scheduled a hearing on the Sale Motion for August 9, 2001.

7. The Debtor currently employs thirty-eight (38) employees, including at least four senior executives. The Debtor has proposed in its Motion to implement the KERP, which would provide bonuses to these employees exceeding \$334,000.

II. The KERP Provides No Benefit to the Debtor's Estate

8. The Debtor has failed to demonstrate the necessity of, or business justification for, implementing the KERP, or any benefit to the estate and its creditors.

9. The Debtor claims that the KERP is necessary to retain employees, but delayed filing the Motion until more than five weeks after the Petition Date and less than

four days prior to a hearing on the Sale Motion. There is no evidence suggesting that after this lengthy and voluntary delay, employees would suddenly choose to leave the Debtor's employment absent a substantial bonus.

10. The ostensible purpose of the KERP will simply not be achieved in light of the imminent sale of substantially all of the Debtor's assets. While retention of certain employees might be necessary through consummation of the sale (or confirmation of a Chapter 11 Plan of Liquidation), the sale is scheduled to close as soon as August 10, 2001. By the time the Court can adjudicate the Motion, retention of those employees will become moot.

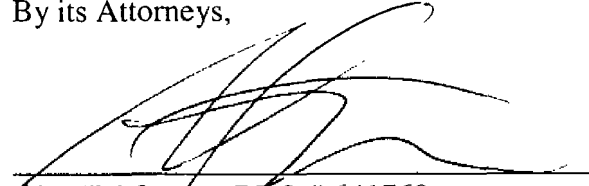
11. Moreover, the Debtor has failed to provide the Court or the Committee with any specific information regarding each employee, their duties, their proposed termination dates, and the reason why each such employee is critical to the completion of the sale process. Without this information, the Debtor has not and cannot demonstrate the reasonableness of its request, and has not satisfied its fiduciary obligation to creditors.

12. Finally, the total cost of the proposed KERP exceeds \$334,000, more than thirty percent (30%) of the proposed sale price of substantially all of the Debtor's assets.

WHEREFORE, the Committee respectfully requests that this Court deny the Motion, and grant such further relief as the Court deems reasonable and necessary.

Respectfully submitted,

OFFICIAL COMMITTEE OF
UNSECURED CREDITORS,
By its Attorneys,

A handwritten signature in black ink, appearing to be 'Alex F. Mattera', written over a horizontal line.

Alex F. Mattera, BBO # 641760
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Date: August 8, 2001