

The Court has not yet approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. [The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.]

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT**

In Re:

ETERNAL ENTERPRISE, INC.,

Case No. 14-20292

Debtor

Small Business Case under Chapter 11

**ETERNAL ENTERPRISE, INC. DISCLOSURE STATEMENT,
DATED FEBRUARY 8, 2017, PERTAINING TO PLAN
OF REORGANIZATION, DATED NOVEMBER 4, 2016**

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of Eternal Enterprise, Inc. (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Debtor’s Plan of Reorganization, dated November 4, 2016 (the “Plan”) filed with the Bankruptcy Court on November 4, 2016 [Doc #730]. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages [__ - __] of this Disclosure Statement. General unsecured creditors are classified in Class 4, and will receive a distribution of 100 % of their allowed claims, to be distributed in Cash¹ on the Effective Date of the Plan.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during its Chapter 11 Case;
- How the Plan proposes to treat Claims or Equity Interests of the type you hold (*i.e.*, what you are expected to receive on your Claim or Equity Interest if the Plan is confirmed);
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible and in the best interest of Creditors, and how the treatment of your Claim or Equity Interest under the Plan compares to what you would receive on your Claim or Equity Interest in liquidation, and
- The effect of confirmation of the Plan.

This Disclosure Statement is intended to be read with the Plan. You should read both the Plan and the Disclosure Statement. While the Disclosure Statement describes the Plan, it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Bankruptcy Court will consider whether to confirm the Plan.

¹ All terms that are capitalized but not defined shall have the meanings ascribed to them in Article II of the Plan, “Definitions”.

1. *Time and Place of the Hearing to [Finally Approve This Disclosure Statement and] Confirm the Plan*

The hearing at which the Court will determine whether to [finally approve this Disclosure Statement and] confirm the Plan will take place on [insert date], at [insert time], at the United States Bankruptcy Court for the District of Connecticut, Connecticut Financial Center, 157 Church Street, 18th Floor, New Haven, CT 06510.

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to **Shipkevich, PLLC, 65 Broadway, Suite 508, New York, NY 10006**. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by [insert date, 2017] or it will not be counted.

3. *Deadline for Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to [the adequacy of this Disclosure Statement or to] the confirmation of the Plan must be filed with the Court and served upon **Irene Costello, Esq., Shipkevich, PLLC, 65 Broadway, Suite 508, New York, NY 10006** so as to be received no later than _____ p.m. on [insert date, 2017].

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact **Irene Costello, Esq., Shipkevich, PLLC, 65 Broadway, Suite 508, New York, NY 10006**. Tele: (212) 252-3003

C. **Disclaimer**

The Bankruptcy Court has not yet approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Bankruptcy Court also has not yet determined whether the Plan meets the legal requirements for confirmation. The fact that the Bankruptcy Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Bankruptcy Court, or a recommendation that it be accepted. [The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.]

II. BACKGROUND

A. Description and History of the Debtor's Business

Eternal Enterprise, Inc. (the "Debtor") was initially started in 1997 for the purpose of managing and owning low income apartment buildings in Hartford, CT. Since its inception the Debtor has been a family business primarily operated by spouses, Vera Mladen and Dusan Mladen, and their son, Goran Mladen.

Since commencing its operations, the Debtor has learned that the city of Hartford has proven to be a difficult location in which to rent apartments, maintain a steady tenant occupancy and collect rents. The Debtor has worked extensively with the local Hartford Police Department to provide a good and safe living environment for its residents. For nearly the first decade of its existence, the Debtor managed to keep up with its bills.

Starting in late 2007, the Debtor's expenses began to rise. Property taxes, insurance, utilities and water bills were proving to be more expensive than what the properties were able to support. The Debtor made every effort to lower its taxes, water bills and utilities. In 2008, when the country's economy collapsed, many tenants lost their jobs, which created significant cash flow problems for the Debtor.

This situation has continued until the present today. In 2011, the Debtor took advantage of a government grant to have Thermal Solar Panels installed on one of its properties to reduce the cost of hot water. In 2013, the Debtor was put into receivership on one of its properties by the MDC (water department). In order to get out of receivership, the Debtor had to default on the mortgage and miss 3 months of payments to have enough funds to pay the MDC. The Debtor told its bank, Astoria Federal, that it was behind due to the MDC receivership and it made every effort to make payment arrangements to payback the 3 months of missed mortgage payments. Astoria Federal did not want to work with the Debtor and sent the Debtor a foreclosure notice. The Debtor had no other option but to file for Chapter 11 protection.

B. Insiders of the Debtor and their Compensation

The insiders of the Debtor and their roles are:

- Vera Mladen -- 100% shareholder of the Debtor and President;
- Dusan David Mladen – Vera Mladen's husband, the former owner of the Debtor, and current _____;
- Goran Mladen -- the son of Vera and Dusan David Mladen; and
- AD Property -- AD Property is an entity owned by the Mladens that has been contracted by the Debtor to perform work on the Debtor's properties

The insiders of the Debtor received the following compensation in the 2 years prior to the Filing Date:

- Vera Mladen received \$_____;
- Dusan David Mladen received \$_____;
- Goran Mladen received \$_____; and

- AD Property received \$ ____.

The insiders of the Debtor are receiving the following compensation during the pendency of the Bankruptcy Case:

- Vera Mladen is receiving \$XX [annually];
- David Mladen is receiving \$XX [annually];
- Goran Mladen is receiving \$XX [annually]; and
- AD Property is receiving \$XX [annually].

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the Filing Date, the officers, directors, managers or other persons in control of the Debtor (collectively the “Managers”) were:

- [List the Managers of the Debtor prior to the Petition Date].

The Managers of the Debtor during the Debtor’s Chapter 11 Case have been:

- [List.]

After the Effective Date of the Plan, the directors, officers, and managers of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the “Post Confirmation Managers”), will be: [List Post Confirmation Managers of the Debtor.] The responsibilities and compensation of these Post Confirmation Managers are described in section ___ of this Disclosure Statement.

D. Events Leading to Chapter 11 Filing

On _____, the Debtor defaulted under mortgage obligations it had to Astoria Federal Credit Union (“Astoria”). The Debtor attempted to cure the default by entering into a loan modification or deferment agreement with Astoria, but was unsuccessful. After the Debtor’s efforts failed, Astoria commenced a foreclosure action against the Debtor’s properties. As a result, the Debtor sought the protection of Chapter 11 of the Bankruptcy Code by filing its Chapter 11 Case on February 19, 2014 with the Bankruptcy Court. The Debtor filed its case to create some breathing space to reorganize its operations and obligations owed to Astoria and other creditors and to prevent the possible liquidation of its properties at a forced sale.

E. Significant Events During the Bankruptcy Case

- On February 19, 2014, the Debtor commenced its Chapter 11 Case by filing a voluntary petition under chapter 11 of the Code with the Bankruptcy Court. The case was assigned to the Honorable Ann M. Nevins, United States Bankruptcy Judge for the Bankruptcy Court.

- Since the Filing Date, the Debtor has been authorized to continue to operate and manage its business as a debtor and debtor-in-possession.
- On March 14, 2014, the Debtor received initial authorization from the Bankruptcy Court to use cash collateral on an interim basis. On a regular basis, the Debtor has received continuing permission to use cash collateral pursuant to order of the Bankruptcy Court. The most recent order granting the Debtor authority to use cash collateral was entered on January 11, 2017.
- On March 24, 2014, the Bankruptcy Court authorized the Debtor to retain Peter Ressler, as its attorney in its Chapter 11 Case.
- On April 23, 2014, the Bankruptcy Court authorized the Debtor to retain an accountant.
- During the Chapter 11 Case, the Debtor learned that Mr. Ressler had embezzled more than \$321,000 in cash from the Debtor's estate. The Debtor had paid these funds to Mr. Ressler to be held by him in a tax escrow account to pay certain of the Debtor's obligations. Contrary to the Bankruptcy Court's direction, Mr. Ressler failed to establish the appropriate account and did not deposit into that account the funds received from the Debtor.
- On March 21, 2016, Mr. Ressler withdrew and resigned from the bar of the Connecticut. He subsequently filed his own personal bankruptcy case.
- On June 23, 2016, the Bankruptcy Court authorized the Debtor to retain Shipkevich PLLC as the Debtor's new attorney for its Chapter 11 Case.
- On June 6, 2016, the Debtor's real property at 270 Laurel Street experienced a severe fire that caused significant damage. The Debtor filed an insurance claim and on June 28, 2016, the Bankruptcy Court authorized the Debtor to retain Vincent Vizzo of Vin Vizzo Adjusters, LLC as its insurance adjuster.
- During the Chapter 11 Case, Hartford Holdings, LLC, as successor in interest to Astoria Federal Credit Union an secured creditor, filed three adversary proceedings against principals of the Debtor. In each case, the defendants retained their own counsel.
 - o The first matter was commenced on July 14, 2015 by complaint against Vera Mladen and Dusan David Mladen and assigned case number 15-02034. On September 16, 2016, the Bankruptcy Court entered judgement in favor of Hartford on 2 counts in its complaint. The defendants appealed the judgment on September 30, 2016. That appeal is pending.
 - o The second matter was commenced on July 14, 2015 by complaint against Goran Mladen and was assigned case number 15-02035. On September 20, 2016, the Bankruptcy Court entered judgement in favor of Hartford on 1 counts in its complaint.
 - o The third matter was commenced filed on January 27, 2016 by complaint against Dusan Mladen and was assigned case number 16-02004. That case is still pending.

- The deadline for creditors to file proofs of claim expired on June 23, 2014.
- During this Chapter 11 Case, despite the setbacks suffered by the defalcation of substantial tax monies by its former counsel and the fire at one of its premises, the Debtor has taken steps to effectively market its properties to provide the greatest possible return to creditors through a sale of these properties. Nonetheless, the Debtor's efforts to improve cash flow have been hindered by the fire at 270 Laurel Street and the embezzlement of over \$200,000 in the Debtor's funds by Debtor's former counsel.

F. Projected Recovery of Avoidable Transfers

As the Debtor intends to pay all unsecured creditors in full, the Debtor does not intend to pursue preference, fraudulent conveyance or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B.

The Debtor's most recent financial statements [if any] issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case are set forth in Exhibit D.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places Claims and Equity Interests into various Classes and describes the treatment each Class will receive. The Plan also states whether each Class of Claims or Equity Interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of Claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, the Plan’s proposed treatment of their Claim under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following Claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor’s Chapter 11 Case which are allowed under section 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received by the Debtor within 20 days before the Filing Date. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor’s estimated administrative expenses, and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date		Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business within 20 Days Before the Petition Date		Paid in full on the Effective Date of the Plan, or according to the terms of the obligation if later.
Professional Fees, as approved by the Bankruptcy Court.		Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the Effective Date of the Plan.
Clerk’s Office Fees		Paid in full on the Effective Date of the Plan.
Other administrative expenses		Paid in full on the Effective Date of the Plan or according to separate written agreement.
Office of the U.S. Trustee Fees		Paid in full on the Effective Date of the Plan.
TOTAL		

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by section 507(a)(8) of the Code. Unless the holder of such a section 507(a)(8) priority tax claim agrees otherwise, the holder must receive the present value of such Claim, in regular installments paid over a period not exceeding 5 years from the Filing Date.

The following chart lists the Debtor’s estimated section 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Property Taxes, City of Hartford	\$403,882.57		Pmt interval = 48 Months [Monthly] payment = \$8,414.22 Begin date = Month 13 of End date Debtor’s plan Interest Rate % = Completion of Total Payout Amount Debtor’s plan = = \$ 403,882.57

C. **Classes of Claims and Equity Interests**

The following are the Classes of Claim set forth in the Plan, and the proposed treatment that each Class will receive under the Plan:

Class 1. *Administrative Claims -- Unimpaired*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will [be classified as a general unsecured claim].

This Class consists solely of the Claim of Disaster Restoration Services. The Claim of this creditor will be settled in full by receipt of proceeds from the insurance company under the auspices of Vin Vizzo, the public insurance adjuster that the Debtor retained pursuant to Bankruptcy Court order.

Class 2. *Secured Claim – MDC – Unimpaired*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under section 506 of

the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the resulting deficiency will be classified as a general unsecured claim.

<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
Class 2	<p><i>Secured claim of:</i> MDC</p> <p>Collateral description = Same properties described in the claim of Hartford Holdings, LLC (see next Class).</p> <p>Allowed Secured Amount = \$102,841.46</p> <p>Priority of lien = Second</p> <p>Principal owed = \$102,841.46</p> <p>Pre-pet. arrearage = \$ _____</p> <p>Total claim = \$102,841.46</p>	No	Unimpaired.	Hartford Holdings has indicated that it has made payment on this claim. To date the Debtor cannot confirm with any documentation that this liability has been satisfied or whether the obligation of the Debtor still exists. If Hartford Holding’s fails to provide proof then its own claim will be reduced by this amount. The allowed amount, exclusive of late charges and interest, will be paid 100% of their Allowed Claim on the Effective Date of the Plan.

Class 3. *Secured Claim – Hartford Holdings, LLC – Impaired*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under section 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the resulting deficiency will be classified as a general unsecured claim.

<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
3	<p><i>Secured claim of:</i> Hartford Holdings, LLC</p> <p>Collateral description = Real properties located at 21 Evergreen St, Hartford, CT; 56 Webster St, Hartford, CT; 117-145 South Marshall St. Hartford, CT; 154-160A Collins St. Hartford, CT; 243 and 255 Laurel St. Hartford, CT; 252 Laurel St. Hartford, CT; 270 Laurel St. Hartford, CT; and 360 Laurel St. Hartford, CT</p> <p>Allowed Secured Amount = \$8,546,592.17</p> <p>Priority of lien = First</p> <p>Principal owed = \$8,443,750.71 Pre-pet. arrearage = \$ _____</p> <p>Total claim = \$8,546,592.17</p>		Impaired.	<p>The Debtor will pay the secured amount to Hartford Holdings at a current market rate of 7.1% (the contract rate plus 1.5%) on a 30 year amortization with a five (5) year balloon payment, beginning on the Effective Date. The principal amount is expected to be \$8,443,750.71 as of March 31, 2017 (equal to 100% of the principal balance owed on all properties), the monthly payment amount under the Plan will be \$56,744.70 with a balloon payment at the end of five (5) years from refinancing of \$7,270,038.</p> <p>This claim shall be increased by the claim of MDC in the amount of \$102,841.46 with no added interest or penalty if it has been satisfied by Hartford Holdings. This treatment of the claim is all-inclusive, and there will be no amounts due</p>

				under any personal guarantee of any shortfalls, etc. and Hartford Holdings, LLC waives any such rights.
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Class 4. Priority Unsecured Claims -- Unimpaired

Certain priority claims that are referred to in sections 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of an Allowed Priority Claim receive Cash on the Effective Date of the Plan equal to the amount of the Allowed Priority Claim. However, a class of holders of such Claims may vote to accept different treatment.

The following chart lists claims under sections 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

Class #4	Description	Impairment	Treatment
Class 4	City of Hartford Priority unsecured claim pursuant to Section 507(a)(8)(B) Total amount of claim is \$ 403,882.57	Unimpaired	If this claim is not satisfied out of the Debtor's insurance proceeds, the Debtor intends to make 48 monthly payments of \$8,414.22 beginning in month 13 of the Debtor's Plan.
	State of Connecticut, Department of Revenue Services Priority unsecured claim pursuant to Section 507(a)(8) Total amount of claims is \$805.00	Unimpaired	To be paid in Cash on the Effective Date

5. *General Unsecured Claims - Unimpaired*

General unsecured claims are not secured by property of the estate and are not entitled to priority under section 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 5, which contains general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
Class 5		Not Impaired	Paid in full in Cash on Effective Date of the Plan or when due under contract or applicable nonbankruptcy law.

4. *Equity Interests*

Holders of Equity Interests are parties who hold an ownership interest (*i.e.*, Equity Interest) in the Debtor. In a corporation, entities holding preferred or common stock are Equity Interest holders. In a partnership, Equity Interest holders include both general and limited partners. In a limited liability company (“LLC”) such as the Debtor, Equity Interest holders are the members of the Debtor.

The following chart sets forth the Plan’s proposed treatment of the class[es] of equity interest holders:

Class #	Description	Impairment	Treatment
Not treated in the Plan.	Equity interests		

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the Debtor’s receipts from business operations. In addition, the Debtor will retain all rights to any claims against its

former counselor Peter Ressler and his firm, agents, or assignees. Any future insurance proceeds from the fire that the Debtor may receive after confirmation will go to the Debtor for the restoration of the 270 Laurel Street property.

2. *Post-confirmation Management and Operations*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Vera Mladen		Yes	Sole shareholder	\$46,800

E. Risk Factors

The proposed Plan has two primary risks that may impact the ability of the Debtor to comply with the Plan's terms and obligations:

1. The resolution of the Debtor's claim for recovery of insurance proceeds from the fire at the Debtor's property at 270 Laurel Street will impact the Debtor's ability to pay some of its claims on the Effective Date of the Plan.
2. The timing of the repairs at 270 Laurel will also be relevant in determining when the Debtor's cash flow will return to its pre-bankruptcy numbers.

F. Executory Contracts and Unexpired Leases

The Plan, in Schedule 5.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

All executory contracts of the Debtor that are not expressly rejected prior to the Confirmation Date, and for which no motions are pending for its rejection on the Confirmation Date, shall be deemed assumed. All executory contracts so assumed shall remain unaffected by the Plan. Schedule 5.1 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the proposed assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All other executory contracts and unexpired leases that are not listed in Schedule 5.1 will be rejected under the Plan. If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to confirmation of the Plan.

The Debtor recommends that you consult your adviser or attorney for more specific information about a particular contract or lease and the potential impact of the Debtor's decision to assume or reject a particular contract or lease.

The deadline for filing a proof of claim arising from the rejection of a lease or executory contract is not applicable in this case. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed as set forth by applicable order of the Bankruptcy Court.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/or Advisors.

The following are the anticipated tax consequences of the Plan: [List the following general consequences as a minimum: (1)Tax consequences to the Debtor of the Plan; (2)

General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.]

Because the Debtor expects Holders of Allowed Claims to receive a 100% distribution under this Plan, the Debtor does not anticipate any discharge, which should absolve creditors of any tax consequences.

IV. **CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in sections 1129(a) or (b) of the Code including the following primary requirements: (i) the Plan must be proposed in good faith; (ii) at least one impaired Class of Claims must accept the Plan, without counting votes of insiders; (iii) the Plan must distribute to each Creditor and Equity Interest holder at least as much as the Creditor or Equity Interest holder would receive in a chapter 7 liquidation case, unless the Creditor or Equity Interest holder votes to accept the Plan; and (iv) the Plan must be feasible. These requirements are not the only requirements listed in section 1129, and they are not the only requirements for confirmation.

A. **Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Certain parties in interest, however, are not entitled to vote to accept or reject the Plan. A Creditor or Equity Interest holder has a right to vote for or against the Plan only if that Creditor or Equity Interest holder has a Claim or Equity Interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that Classes Two (Secured Claim of MDC) and Five (Claims of City of Hartford) are impaired and that the holders of Claims in each of these Classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Classes One (Administrative Claims), Three (Secured Claim of Hartford Holdings, LLC) and Four (General Unsecured Claims) are unimpaired and therefore, that

holders of Claims in each of these Classes do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for creditors to file a proof of claim in this case was June 23, 2014.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in section 1124 of the Code, a Class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class.

3. *Who is Not Entitled to Vote*

The holders of the following five (5) types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "Allowed Claims" or "Allowed Equity Interests" (as discussed above), unless they have been "allowed" for voting purposes;
- holders of Allowed Claims or Allowed Equity Interests in unimpaired classes;

- holders of Allowed Priority Claims as permitted by sections 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim. There is no such creditor that meets this classification.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by cram down on non-accepting classes, as discussed later in Section [B.2.].

1. *Votes Necessary for a Class to Accept the Plan*

A Class of Claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by section 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a cram down plan. The Code allows the plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of section 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

For purposes of seeking confirmation under the cram down provision of the Code, should that alternative means of confirmation prove to be necessary, the Debtor reserves the right to modify or vary the treatment of the claims of the rejecting classes, so as to comply with the requirements of Section 1129(b).

You should consult your own attorney if a cramdown confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit E.

D. **Feasibility**

The Court must find that confirmation of the Debtor's Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. *Ability to Initially Fund Plan*

The Debtor believes it will have enough Cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. The Debtor will fund the Plan with the proceeds of the sale of one or more of its properties, or, in the alternative, with its operating profit and the proceeds of the refinancing the Debtor is attempting to procure for its properties.

Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as Exhibit F.

2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Debtor also must show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Debtor has provided projected financial information. Those projections are listed in Exhibit G.

The Debtor's financial projections show that will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$ _____. The final Plan payment is expected to be made on _____.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor.

On the Effective Date of the Plan, except as otherwise provided in the Plan or in the Confirmation Order, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in section 1141(d)(1)(A) of the Code. Discharge will include all claims and all debts which arose before the confirmation date and from any liability of a kind specified in 502(b)(7), 502(g), 502(h), or 502(i) of the Code, whether:

- (a) If a proof of the claim is filed or deemed filed under section 501 of the Code;
- (b) Such claim is allowed under section 502 of the Code; or
- (c) The holder of such Claim has accepted the Plan.

The Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in section 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in section 1141(d)(6)(B). After the Effective Date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

Pursuant to section 1141(b) of the Code, confirmation of the Plan vests all of the property of the estate in the Debtor. All accounts of the Debtor presently designated as Debtor in Possession accounts will be restored to the Debtor for use in accordance with this Plan.

Pursuant to section 1141(c) of the Code, upon confirmation of the Plan, the property dealt with by the Plan shall become free and clear of all liens and interests of creditors, and of equity security holders, except as otherwise provided for in the Plan or the confirmation order except, however, the State of Connecticut shall retain its lien until the secured claim is paid in full.

B. Modification of Plan

The Debtor, as the plan proponent, may modify the Plan at any time before confirmation of the Plan upon appropriate notice to parties or as may be directed by the Bankruptcy Court. However, the Bankruptcy Court may require a new disclosure statement and/or re-voting on the Plan.

The Debtor also may seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing. Such modifications may include, for example, remedying any defect or omission, or reconciling any inconsistencies in the Plan, or in an order of confirmation, in such manner as may be necessary to carry out and implement the

purposes and effect of the Plan, provided that the proposed modifications do not materially or adversely affect the interests of creditors.

C. Final Decree

Once the Debtor's estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Debtor, or such other party as the Court shall designate in the Confirmation Order, shall file a motion with the Bankruptcy Court to obtain a final decree to close the Chapter 11 Case. Alternatively, the Bankruptcy Court may enter such a final decree on its own motion.

VI. OTHER PLAN PROVISIONS

A. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction of these proceedings under the provisions of the Code and the Bankruptcy Rules to ensure that the intent and purpose of the plan is carried out and given effect. The Bankruptcy Court shall retain jurisdiction for the following purposes:

- a) To consider any modification of the Plan pursuant to Section 1127 of the Code and/or modification of the Plan after substantial consummation as defined in section 1101(2) of the Code.
- b) To classify, allow, or disallow claims and direct distributions of funds under the Plan, and to adjudicate all controversies concerning classification or allowance of any claim.
- c) To enforce performance of the Plan against the reorganized debtor.
- d) To hear and determine all controversies, suits and disputes as may arise regarding the interpretation or enforcement of the Plan.
- e) To hear and determine all claims arising from the rejection of executory contracts, and to consummate the rejection and termination thereof.

- f) To liquidate damages or estimate claims in connection with any disputed, contingent or unliquidated claim.
- g) To adjudicate all claims of an ownership interest in any property of the Debtor or of the estate, or any proceeds thereof.
- h) To hear and determine all controversies, suits and disputes as may arise between or among the holders of any class of claim, or between the holders of any class of claim and the Debtor.
- i) To hear and determine all applications for allowance for compensation and objections to claims.
- j) To hear and determine such matters and to enter such orders that are consistent with the Plan as the Court may deem necessary or desirable to carry out the provisions thereof.
- k) To hear and determine all pending applications, adversary proceedings, and contested matters, if any.
- l) To enter an order or final decree to conclude or terminate this Chapter 11 Case.

B. Other General Provisions

If any objection or opposition is made to the allowance of a claim or interest of any creditor, and such objection or opposition is pending on the date that payments or distributions are to be made, and until entry of a final order under which such claim becomes an allowed claim, then no payment or distribution shall be made to such creditor until a final order of the Bankruptcy Court determining the validity and amount of such claim or interest is entered, whereupon the payments and distributions to such creditor shall be made.

Nothing contained in the Plan shall prevent the reorganized company from taking such action as may be necessary to enforce any rights or prosecute any cause of action existing on behalf of the reorganized company, which may not have been heretofore enforced or prosecuted.

Pursuant to the reversion of property of the estate as provided in Article IX of the Plan, and after entry of a final non-appealable Confirmation Order, it shall not be necessary for counsel to the Debtor to apply to the Bankruptcy Court for compensation in connection with the pursuit of or objection to claims, modifying or amending the Plan or representing the Debtor in connection with any matter outlined in Article XII herein or in connection with any other post-Effective Date services rendered to the Debtor.

Dated: February 8, 2017

THE DEBTOR:
ETERNAL ENTERPRISE, INC.

VERA MLADEN
/s/VERA MLADEN

DEBTOR'S ATTORNEY:

/s/ Irene Costello
Irene Costello
Shipkevich, PLLC
65 Broadway, Suite 508
New York, NY

EXHIBITS

Exhibit A

Proposed Plan of Reorganization

Exhibit B

Identity and Value of Material Assets of Debtor

Exhibit C

Prepetition Financial Statements
(to be taken from those filed with the court)

Exhibit D

Most Recently Filed Postpetition Operating Report

Exhibit E

Liquidation Analysis

Exhibit F

Cash on hand as of the Effective Date of the Plan

Exhibit G

Projections of Cash Flow and Earnings for Post-Confirmation Period

Schedule 5.1

Executory Contract and Lease to be Assumed