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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
RIVERSIDE DIVISION**

[No Hearing Required]

1 HNO Green Fuels, Inc., the debtor and debtor in possession in the above-captioned
2 bankruptcy case (the "Debtor") on the one hand, and Carl Brundidge ("Mr. Brundidge"), Brundidge
3 & Stanger, P.C. ("Brundidge & Stanger") and C&R Enterprises, Co. ("C&R" together with Mr.
4 Brundidge, Brundidge & Stanger and the Debtor, the "Parties" and each a "Party"), by and through
5 their attorneys, hereby enter into this stipulation (the "Stipulation") based on the following facts:

6 **RECITALS**

7 1. On May 16, 2015 (the "Petition Date"), The Debtor filed a voluntary petition under
8 Chapter 11 of 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"). The Debtor is managing its
9 financial affairs and operating its business as a debtor in possession.

10 2. The Debtor asserts that it is the owner of nine (9) patents and has six (6) patents
11 pending (collectively, the "Patents"). The Patents are for the Hydrogen Supplemental System for
12 On-Demand Hydrogen Generation for Internal Combustion Engines. Patent applications submitted
13 include patents for the Method and Apparatus for Increasing Combustion Efficiency and Reducing
14 Particulate Matter Emissions in Jet Engines. For more information about the Debtor please see
15 www.hnogreenfuels.com. Mr. Brundidge, Brundidge & Stanger and C&R dispute the Debtor's
16 claim of ownership.

17 3. Prior to the Debtor's bankruptcy filing, Mr. Brundidge and Brundidge & Stanger
18 were the Debtor's patent attorneys. Mr. Brundidge is a former board member and was General
19 Counsel and Chief Legal Officer (CLO) to the Debtor.

20 4. Prior to the commencement of this Chapter 11 case, Brundidge & Stanger notified
21 the Debtor that it asserted a claim against the Debtor for approximately \$1.3 million for attorney's
22 fees for work performed in connection with the Patents and for other services. The Debtor has
23 disputed and continues to dispute Brundidge & Stanger's claims.

24 5. On March 14, 2014, Mr. Brundidge, on behalf of Brundidge & Stanger, sent a letter
25 to the Debtor re "Lien Security Interest and Foreclosure Notice," wherein Mr. Brundidge, on behalf
26 of Brundidge & Stanger, notified the Debtor that Brundidge & Stanger asserted a lien against the
27 Patents for the alleged unpaid attorney's fees and intended to conduct a foreclosure sale of the
28 Patents in 45 days from the date of the letter if the attorney's fees were not paid in full.

1 6. To the best of the Debtor's knowledge, the Debtor never executed any document
2 that purported to grant, convey, transfer or assign any lien, security interest or other interest in any
3 of the Debtor's property, including the Patents to Brundidge & Stanger or to Mr. Brundidge and
4 the Debtor does not believe that Brundidge & Stanger or Mr. Brundidge acquired any security
5 interest or lien under any applicable law.

6 7. Mr. Brundidge, Brundidge & Stanger and C&R assert as follows: (1) on May 6,
7 2015, Brundidge & Stanger conducted a foreclosure sale under a lien on the Patents (and became
8 the owner of the Patents); (2) on May 6, 2015, Brundidge & Stanger sent a notice of the foreclosure
9 and foreclosure assignment document to the United State Patent and Trademark Office ("USPTO")
10 evidencing the foreclosure and transfer of ownership in the Patents from the Debtor to Brundidge
11 & Stanger; (3) on May 6, 2015, the USPTO recorded the notice of foreclosure and foreclosure
12 assignment document; (4) on May 7, 2015 Brundidge & Stanger sent the Debtor a letter informing
13 the Debtor that the foreclosure was conducted and that ownership in the Patents was transferred
14 from the Debtor to Brundidge & Stanger based on the foreclosure; (5) on May 15, 2015, Brundidge
15 & Stanger transferred the Patents to C&R and sent an assignment of Patents to C&R to the USPTO
16 (evidencing the transfer of ownership in the Patents from Brundidge & Stanger to C&R); and (6)
17 on May 19, 2015, the USPTO recorded the assignment, having the effective date of May 15, 2015
18 (prepetition) that transferred the "Assignor's Interest" (namely Brundidge & Stanger's interest in
19 the Patents) to C&R. The Debtor disputes all of the foregoing factual and legal assertions and
20 further claims that any purported foreclosure of the Patents by Brundidge & Stanger and purported
21 transfer of ownership to C&R and purported recordings and filings with the USPTO were illegal
22 and unenforceable under applicable provisions of state and federal law and were and are of no force
23 or effect; and, that all ownership rights and interests in the Patents remain in the Debtor. Mr.
24 Brundidge, Brundidge & Stanger and C&R dispute the claims by the Debtor.

25 8. On May 18, 2015, and following the filing of the Debtor's Chapter 11 case, the
26 Debtor sent a letter to Mr. Brundidge, individually and as a representative of Brundidge & Stanger,
27 and informed Mr. Brundidge of the Debtor's bankruptcy filing which took place on May 16, 2015.
28 On May 21, 2015, Mr. Brundidge responded to the Debtor's May 18, 2015 letter and advised the

1 Debtor that Brundidge & Stanger had conducted a foreclosure sale on May 6, 2015. Brundidge
2 also advised the Debtor that it had recorded its ownership of the Patents with the USPTO.

3 9. Based upon the above-described events, the Debtor believes that the Patents remain
4 property of the Debtor's bankruptcy estate and that the Debtor has claims against Mr. Brundidge,
5 Brundidge & Stanger, and C&R under federal and state law regarding their conduct and actions
6 regarding the Patents, including, inter alia, breach of fiduciary duty, conversion, fraud, avoidance,
7 and recovery of fraudulent and preferential transfers, declaratory relief, and violation of UCC
8 Article 9. Mr. Brundidge, Brundidge & Stanger and C&R dispute Debtor's claims and assert that
9 Brundidge & Stanger has a substantial deficiency claim against the Debtor and that C&R owns the
10 Patents.

11 10. On June 10, 2015, the Debtor filed that certain *Motion for Order Pursuant To Rule*
12 *2004 of The Federal Rules of Bankruptcy Procedure for an Order Compelling Carl Brundidge,*
13 *Brundidge & Stanger, P.C., And C&R Enterprises, Co. To Produce Documents* (the "2004
14 Motion"), which was granted by Court in its order entered on June 16, 2015 (the "2004 Order").
15 Pursuant to the 2004 Order, Mr. Brundidge, Brundidge & Stanger and C&R are required to produce,
16 on July 1, 2015, certain documents, among others, related to the Patents, any transfer of the Patents
17 and any claim asserted by Brundidge and/or Brundidge & Stanger against the Debtor for attorney's
18 fees.

19 11. After the entry of the 2004 Order, J. Scott Bovitz of Bovitz and Spitzer, counsel for
20 Brundidge & Stanger, contacted counsel for the Debtor. The Parties then engaged in discussions,
21 which resulted in an agreement by the Parties to enter into a Stipulation to maintain the status quo
22 regarding the Patents pending Mr. Brundidge's, Brundidge & Stanger's, and C&R's production of
23 documents and other requested information and further discussions regarding the claims asserted
24 by Mr. Brundidge, Brundidge & Stanger, and C&R while preserving all parties rights, defenses and
25 remedies.

26 STIPULATION

27 NOW THEREFORE, the Parties hereby agree as follows:

28 1. The recitals above are incorporated by reference as if set forth at length herein.

1 2. During the duration of this Stipulation, Mr. Brundidge, Brundidge & Stanger, and
2 C&R shall not sell, convey, assign, transfer, borrow against, create or perfect any lien or
3 encumbrance against, lease, license or sub-license or permit the use of any rights or interests in the
4 Patents.

5 3. This Stipulation shall remain in effect until December 22, 2015, except that any
6 Party hereto may terminate this Stipulation upon 60 days written notice to the other Parties'
7 attorney. Notice to Mr. Brundidge, Brundidge & Stanger, and C&R may be provided by e-mail to
8 counsel for Brundidge & Stanger, J. Scott Bovitz, Bovitz & Spitzer (addressed to [bovitz@bovitz-](mailto:bovitz@bovitz-spitzer.com)
9 spitzer.com). Notice to the Debtor may be provided via email to Gary E. Klausner and Eve H.
10 Karasik of Levene Neale Bender Yoo and Brill, LLP (addressed to GEK @ LNBYN.com and
11 EHK@LNBYB.com).

12 4. This Stipulation shall be deemed effective immediately upon execution by each
13 party, notwithstanding the date of entry of any court order approving it.

14 5. This Court shall retain exclusive jurisdiction over the subject matter of this
15 Stipulation in order to resolve any dispute in connection with the rights and duties specified
16 hereunder.

17 6. This Stipulation may be executed in any number of counterparts, any and all of
18 which shall be deemed to be original.

19 7. Each person signing this Stipulation, as a representative of a named party, hereby
20 represents and warrants that he or she is authorized to so sign; and that the execution, formation,
21 and performance of this Stipulation by the parties is duly authorized, subject to Court approval, if
22 necessary.

23 8. The deadline for Mr. Brundidge, Brundidge & Stanger, and C&R to produce
24 documents in accordance with the 2004 Order shall be extended to July 31, 2015, provided,
25 however, Mr. Brundidge, Brundidge & Stanger, and C&R shall make a good faith effort to provide
26 the ordered documents in advance of such extended deadline. The parties reserve the right to agree
27 to other deadlines.

28 *[Signatures on following page]*

1 Dated: June __, 2015

HNO GREEN FUELS, INC.

2
3 By: 

Gary E. Klausner

Eve H. Karasik

Lindsey L. Smith

4 LEVENE, NEALE, BENDER,

5 YOO & BRILL L.L.P.

6 Proposed Attorneys for Chapter 11 Debtor and
7 Debtor in Possession

8 Dated: June 25, 2015

CARL BRUNDIDGE

9
10 By: 

11
12 Dated: June 25, 2015

C&R ENTERPRISES, CO.

13
14 By: 

15 Carl Brundidge

16 Principal of C&R Enterprises, Co.

17 Dated: June 25, 2015

BRUNDIDGE & STANGER, P.C.

18
19
20 By: 

21 Carl Brundidge

22 Partner of Brundidge & Stanger P.C.
23
24
25
26
27
28

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document **STIPULATION BY AND BETWEEN THE DEBTOR, CARL BRUNDIDGE, BRUNDIDGE & STRANGER, P.C., AND C&R ENTERPRISES, CO. TO MAINTAIN STATUS QUO** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **June 30, 2015**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Everett L Green everett.l.green@usdoj.gov
- Eve H Karasik ehk@lnbyb.com
- Gary E Klausner gek@lnbyb.com
- Lindsey L Smith lls@lnbyb.com, lls@ecf.inforuptcy.com
- United States Trustee (RS) ustpreion16.rs.ecf@usdoj.gov

2. SERVED BY UNITED STATES MAIL: On **June 30, 2015**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

J. Scott Bovitz, Esq.
Bovitz & Spitzer
1100 Wilshire Boulevard, Suite 2403
Los Angeles, California

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **June 30, 2015**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served via Overnight Mail:

Hon. Mark D. Houle
United States Bankruptcy Court
Central District of California
3420 Twelfth Street, Suite 365
Riverside, CA 92501-3819

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

June 30, 2015

Lisa Masse

/s/ Lisa Masse

Date

Type Name

Signature