

# MANDELBROT LAW FIRM

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September 15, 2015

## BY E-MAIL ONLY

Gregg McHugh  
DII Industries, LLC Asbestos PI Trust  
P.O. Box 821628  
Dallas, TX 75382

## RE: Response to your letter of September 9, 2015 and other communication

Dear Mr. McHugh,

I am writing to respond to your communication of September 9, 2015 and to confirm our telephone call of September 14, 2014. I am also writing to respond to your bad faith, fraudulent and misguided e-mail of September 14, 2014 designed to mislead others and to extort money from my office.

First off, I think we would both like to resolve the issues related to the misguided, delayed and bad faith audit of the Mandelbrot Law Firm. After negotiating following the conclusion of the audit, it appears that the only dispute remaining is the cost of the audit. As you've stated, and I agree, Section 5.8 of the TDP controls the audit and this dispute relating to payment for an audit.<sup>1</sup>

Section 5.8 clearly states that "...in the event that an audit reveals fraudulent information has been provided to the Asbestos PI Trust, the Asbestos PI Trust may penalize...including, but not limited to, requiring *the source of the fraudulent information* to pay for the costs of the audit...". As is abundantly clear from all communications, writings, summary of audit, my response and all documents (over 200,000) submitted, there has **never been fraudulent information** supplied by the Mandelbrot Law Firm or me personally at any time. As I had to explain to you (although you, in turn, preferred to libel), fraud takes "intent" and "deprivation" – neither of which is even remotely present here.

It should be clearly noted that for the first time yesterday, seemingly every other word out of your mouth was 'fraud'. It is obvious you are now attempting to falsely and maliciously defame my office as an effort to strengthen your potential position with regards to payment. Your audit, summary of audit and my response clearly showed there was no fraud (as do your own e-mails). I will politely ask you to cease and desist from any further such conduct and will ensure that a Rule 11 Motion for Sanctions will be filed against you personally should the defamation continue.

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<sup>1</sup> On September 14, 2015, you also wrote that you believe Section 5.8 also authorizes you to suspend my office and not pay claims during the course of an audit. This was clearly and knowingly fraud and a misrepresentation of material facts by you. Section 5.8 does not authorize you to suspend payments during the course of an audit. This is just another example of you basically "lying" and making up rules to benefit the Trust's position in this dispute.

You've now threatened Court intervention to resolve this dispute. This would only serve to misappropriate more Trust Funds. So where do we go from here? I'm made a reasonable proposal to pay back ½ of the audit costs at \$1,000 per month. This was rejected. To be very clear (and something you very well know), under the TDP Section 5.8, I owe nothing for the audit since there was no fraudulent information provided to the Trust. However, I am trying to move forward.

I've also reviewed the "Time Sheet" you've sent related to the audit. Even assuming accuracy (there are clearly inflated hours associated), even under this 'breakdown', I would owe nothing. Section 5.8 (if fraud, which there wasn't) requires "costs" to be paid to the Trust under certain circumstances. These are entirely distinct and separate from attorney fees. This list of \$56,477.50 which you say is owed is clearly "fees" and not "costs". It appears that there are **no costs** related to the audit and any attempt to modify it at this point would clearly be qualify as "bad faith" under the By-Laws.<sup>2</sup> Consequently, even under your fraudulent theory (that my office committed fraud), no monies are due.

In an effort to move forward and because it appears you've misappropriated over \$56,000 from beneficiaries, I would like these monies paid back to the Trust. As indicated, I will make payments of \$1,000 per month beginning in January 2016 should the audit immediately close and the Trust begin processing and paying claims. The Trust's threats regarding litigation and payment "due dates" were drafted in bad faith to harass claims, delay claims and to harm Mandelbrot.

Sincerely,  
/s/ Michael Mandelbrot

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<sup>2</sup> For the ease of reviewers, I provided all documents on a thumb drive and/or in digital format. As a result, no copy costs or others should accrue.