

JENKINS & CARTER

ATTORNEYS AT LAW

NATHAN M. JENKINS
JERRY C. CARTER

VICKIE L. PERRY
Certified Legal Assistant

301 HAMMILL LANE, RENO, NEVADA 89511-1004
TELEPHONE (775) 829-7800
FAX (775) 829-0511

RESPONSE TO SYDNEY MORNING HERALD ARTICLES

MXI Corp

MXI Corp (MXI) is a Nevada corporation in good standing. MXI is in its fourth year of business. MXI has never filed for bankruptcy protection. MXI has never been sued by any creditor. MXI is debt free. MXI develops and sells chocolate products. MXI ships over 10,000 cases of chocolate products from its warehouse every week to distributors who have purchased the products for resale or personal consumption.

Brooks financial Reorganization complete before MXI started

MXI did not come into existence until April 2005, over a year after Jeanette and Martin Brooks successfully completed their financial Reorganization in March 2004. As provided in their court approved Plan of Reorganization in March 2004, the Brooks were discharged from liability for claims existing prior to the filing of their Chapter 11 Reorganization. Consequently, when Xocai was developed and launched, the Brooks were not facing \$US36 million in claims from creditors as reported by the Sydney Morning Herald. The creditors had previously agreed to claims having a value in total of approximately \$US6 million. To pay them, in March 2004 the Bankruptcy Court placed certain assets of the Brooks in the hands of a liquidating trustee to be administered and liquidated to pay the creditors approved claims. Consequently, the Brooks' financial Reorganization was resolved by court order, and a trust to pay creditors was funded, a year before MXI even came into existence and well before the launch of Xocai.

All tax claims were settled and paid in full through the Plan of Reorganization.

There is no pending litigation against the Brooks in their Chapter 11 Reorganization. I have personally confirmed this fact with the attorney for the liquidating trustee.

Prior to publication of articles in The Sydney Morning Herald, both its editor and its reporter Deborah Jopson received written offers from myself and a solicitor in Sydney to assist them in understanding the Brooks Reorganization proceedings. Our offers were refused with the result that the Sydney Morning Herald got it wrong.

Pure De-Lite

Pure De-Lite was never in bankruptcy. Certain creditors of the Brooks obtained an ex-parte order appointing a receiver for Pure De-Lite upon the allegation that Pure De-Lite was the alter-ego of the Brooks. This appointment of a receiver was overturned. All the money that was garnished from Pure De-Lite was returned to Pure De-Lite. Pure De-Lite went on to do approximately \$300 million in total retail sales. Pure De-Lite stopped selling its products because the retail market for low-carb chocolate declined sharply after the death of Dr. Robert Atkins, public advocate of the low-carb diet. Subsequently, most retail outlets discontinued selling low-carb products.

The Pure De-Lite products did not contain sugar. In 2002-2003, the United States Food & Drug Administration (FDA) issued an industry wide letter to all manufacturers of low-carb products notifying them that because there was no FDA definition of "low-carb," all product packaging had to be revised to remove the phrase "low-carb." Furthermore, the FDA required that sugar alcohol be classified as a carbohydrate and included in the carbohydrate value. Pure De-Lite promptly complied.

Personal telephone call to office of NSW Fair Trading Minister

I personally telephoned the office of the NSW Fair Trading Minister, Linda Burney. After checking, her staff informed me that no complaint has been filed against MXI with the Office of Fair Trading. I asked to speak to the chief of staff and I asked her if the Office of Fair Trading was investigating MXI. She told me that she did not know, but would check and call me the next day. She has never called me.

NSW Fair Trading website definition of multi-level marketing company

The Office of Fair Trading defines the difference between a pyramid scheme and Multi-Level Marketing as follows:

While pyramid sales schemes make profits from large joining fees from new recruits to the scheme and there is generally little or no selling involved, multi-level marketing schemes actually make their money from the sale of products and or services that have an intrinsic value. Genuine multi-level marketing schemes depend upon consumer sales for their survival and are a form of direct marketing.

Generally, the entry fees for most multi-level marketing firms are fairly low and may involve the purchase of a sales kit sold at cost. Multi-level schemes that do not fall within the definition of a pyramid selling scheme are usually considered legitimate.

If you want salespeople to sell your product why not give it to them on a "sale or return" basis where it can be returned to you if it doesn't sell. This demonstrates some faith in your product and doesn't penalise salespeople for supporting you.

MXI has one of the most liberal sale or return policies in the industry. MXI has such faith in its chocolate products it gives all distributors a 60 day right of return for any reason. MXI is an exemplary multi-level marketing company and is clearly not a pyramid scheme.

Jon Taylor

A so-called expert, Jon Taylor, is quoted in the Sydney Morning Herald. In 1994 Mr. Taylor began participating in a multi-level marketing company and was still losing money after a year. He quit and now attempts to make a living as a self appointed critic of all multi-level marketing companies. He refers to himself as President of the Consumer Awareness Institute, but it appears he mostly just runs a dubious website out of his modest home in Bountiful, Utah. He has sought for years to be retained as an expert by the United States Federal Trade Commission and has been repeatedly ignored because he believes all multi-level marketing companies are pyramid schemes. Mr. Taylor is on record with the US FTC claiming that no multi-level marketing company is a legitimate business, nor does any direct selling. He is also on record claiming that 99.9% of all participants in all multi-level marketing companies are losing money. His general comments quoted in the Sydney Morning Herald are from his canned speech about all multi-level marketing companies.

Nutritional Facts and ORAC Values

MXI has and continues to have its products routinely tested by independent third parties. The Nutritional Facts printed on MXI Corp products are based upon the results of analysis performed by independent testing organizations. The Nutritional Facts for the solid chocolate products (Nuggets, Power Squares, and Omega Squares) are provided by CANTEST, Canada's leading analytical laboratory. The Nutritional Facts for other MXI Corp products (Activ, Protein bar, and Powerhouse cookies) are provided by Miller Laboratories, a chemistry and microbiology testing laboratory in Ogden, Utah. The Nutritional Facts reported to MXI Corp by these independent laboratories for each respective product are printed on every package of that product. The total ORAC values of MXI Corp products are likewise determined by independent testing and analysis performed and reported to MXI Corp by Brunswick Laboratories, a leader in antioxidant science located in Massachusetts. Due to the extensive testing performed pursuant to Brunswick Laboratories patented ORAC, many MXI Corp products participate in Brunswick Laboratories more rigorous Certified Program and are authorized to carry the seal of Brunswick Lab Certified ORAC testing.

I would point out that no superlative wording such as "highest" or "world's best" are used in the statement of Nutritional Facts or total ORAC values for any MXI Corp products. The

ingredients and their values appearing on MXI product labels are the findings of independent testing laboratories.

MXI Compensation Plan

No MXI distributor is required to purchase any quantity of chocolate products to be an MXI distributor. MXI distributors determine their own profit on all chocolate products they sell. Because the profit margin is determined by each MXI distributor, MXI is not privy to the amount of profit made by each MXI distributor. MXI distributors also earn commissions on products sold by distributors they recruit, train, and support. Currently, MXI pays out approximately \$2.5 million in commissions to distributors every month.

XPowerBuilder.com

The XPowerBuilder.com power line system was not created by MXI and is being investigated by MXI. MXI does not endorse XPowerBuilder. MXI distributors are neither required nor encouraged to use XPowerBuilder.com.

Phoenix International

Phoenix International never declared bankruptcy. The Brooks performed a voluntary recall of the Phoenix fiber cookie over 17 years ago. The voluntary recall was not due to labeling problems which were easily corrected. The voluntary recall was due to unsubstantiated health claims made in writing by a top distributor of Phoenix. In a meeting with the regional director of the FDA in San Francisco, Martin Brooks was told that there were two issues. First, the labeling information that had been supplied to Phoenix by the creator of the cookie was inaccurate. Mr. Brooks was told this was the easy problem, Phoenix just needed to get the product tested and make the necessary changes on the label. However, Mr. Brooks was informed that the second issue was a serious problem. Because a Phoenix distributor had created his own brochures with anecdotal health claims, one of which dealt with diabetes, the FDA requested that Phoenix recall the fiber cookie and rename the product to disassociate it from the improper health claims. The Brooks made the principled decision to voluntarily recall that product. Thereafter, Phoenix International continued to operate for almost three years selling product and paying commissions to its distributors.

The original claims in the nine lawsuits against the Brooks and Phoenix were brought by a contingency attorney, Kevin Mirch. Kevin Mirch has now been disbarred by the State Bar of Nevada and has been indicted on federal criminal charges for insurance fraud, theft, and subornation of perjury. The total amount of claims Mirch spuriously alleged was \$50 million. The Brooks fought these claims for over two years and finally settled for a total of \$600,000. The fraud aspect of the settlement was agreed to so that the Brooks could not discharge it in bankruptcy. This judgment was fully paid in the Brooks' Chapter 11 Reorganization.

APPI Judgment

The truth about the \$3.4 million judgment is: (1) it was a default judgment entered when the Brooks were absent, (2) the case was never tried upon the merits, and (3) the judgment was never appealed or upheld on appeal. When Jeanette and Martin Brooks later challenged the default judgment, the court summarily reduced it by over a million dollars. The court then began to consider whether the plaintiff APPI and/or its attorney (now disbarred Kevin Mirch, who is presently facing federal criminal charges for insurance fraud, theft, and subornation of perjury) had defrauded the court in obtaining the default judgment in the first place. While the Brooks legal challenge to the judgment was pending in federal court, they were forced to file for reorganization because of aggressive collection measures on the default judgment. These collection efforts were conducted by an attorney who had been disbarred for embezzlement and was acting as APPI's collection agent. During the reorganization proceedings the case was settled. The settlement was paid in full.

Nathan M. Jenkins, Esq.