

Illinois Secretary of State
Order of Prohibition

- 2 -

Notice of Hearing at least 45 days before the first date set for any hearing under the Act. Proper notice is given by depositing a Notice of Hearing with the United States Postal Service (the "U.S.P.S."), by certified or registered mail, return receipt requested; by the personal service of the Notice of Hearing to the last known address of the respondent; or by the indexing of the Notice of Hearing with the Secretary of State.

2. The evidence provided in the Department's Group Exhibit 1 shows that, on June 17, 2005, the Department deposited the Notice with FedEx for overnight delivery to Respondent Lewis's last known address (which address is a Florida address, discovered by the Department, according to the testimony of Jason Chronopoulos, through relevant inquiry and investigation); and that Respondent Lewis signed for the package containing the Notice on June 20, 2005.

As Respondent Lewis personally signed for the package containing the Notice at his last known address on June 20, 2005, and as the Department deposited the Notice with the U.S.P.S. for delivery upon Respondent Lewis via certified mail (according to the testimony of Jason Chronopoulos) on June 16, 2005, the Department gave Respondent the Notice no later than June 20, 2005, the date on which the Notice was personally served upon Respondent Lewis. The Notice marks as the first date set for hearing the date of August 11, 2005, a date occurring over forty-five (45) days after Respondent was given, and signed for, the Notice. Because personal delivery of the Notice occurred via the delivery of same upon Respondent Lewis by the agent or employee of FedEx, because Respondent Lewis is the Registered Agent and the President of Hip Hop Marketing Group, Inc., according to Group Exhibit 2, and because Respondent Lewis is named both individually and as an agent of Respondent HHMG in the Notice and the File, the service of the Notice of the first date set for hearing on the File upon Respondents by the Department was proper.

3. The parties to the File then requested that hearing on the File be continued from August 11, 2005 to September 29, 2005. Pursuant to the Order of Continuance dated August 5, 2005, this request was granted; and hearing on the File was, thus, continued to September 29, 2005. A second, and final, continuance of the hearing date on the File from September 29, 2005 to February 23, 2006 was requested by and granted to the parties, according to the Order of Continuance dated September 29, 2005. (See Department Group Exhibit 1.)

On October 5, 2005, the Department deposited the September 29th (2005) Order of Continuance with the U.S.P.S. for delivery via certified U.S.P.S. Mail, with a request for a return receipt from the addressee, to Respondent's last known address. Hence, on the same, September 29th (2005), date, the final Order of Continuance on the File was given to Respondent. Further, according to Department Group Exhibit 1, on October 12, 2005, Respondent Lewis himself executed the return receipt associated with the Department's delivery of the Order of Continuance to him, thus directly acknowledging his receipt of said Order.

Illinois Secretary of State
Order of Prohibition

- 3 -

The date of October 12, 2005 is a date occurring more than forty-five (45) days before the then-scheduled (and final) hearing date of February 23, 2006. Therefore, Respondent Lewis, individually and d/b/a or as agent of HHMG, was given more than forty-five (45) days' notice of the then-scheduled hearing date (which date is also the actual hearing date). Hence, Respondents were given proper notice of their opportunity to be heard on the File.

4. Respondents failed or refused to appear at the hearing; and did not provide for counsel to assist or appear on behalf of same.

The Department offered exhibits, identified above, each of which was received and admitted into evidence, a proper record of all proceedings having been made and preserved as required. To prove the authenticity of the documentation, Jason Chronopoulos offered his sworn testimony, which testimony also became part of the evidence brought forth by the Department.

5. At all material and relevant times as stated in the Notice, Respondent HHMG had not been registered with the Secretary of State pursuant to the Act.

6. The Department's allegations against Respondents, as stated in the Notice, were supported and proven via the evidence that the Department introduced, and that was entered by the Hearing Officer, at the hearing, the evidence proving the following facts:

- (1) Respondent Hip Hop Marketing Group Inc. ("HHMG," or "Respondent HHMG") was a business registered in the State of Illinois that was involuntarily dissolved on March 1, 2005; and that was located at 5515 North California Avenue, in Chicago, Illinois (60625).
- (2) HHMG's Illinois corporate filing listed Respondent Kenneth Lewis ("Respondent Lewis") as its agent; and had identified as its mailing address the real estate or premises commonly known or described as 5515 North California Avenue, Chicago, Illinois 60625; at all material and relevant times, as stated in the Notice, Respondent HHMG operated from this address as to the acts described in the Notice.
- (3) At all material and relevant times, as stated in the Notice, and as to any and all acts of Respondents described, in the Notice, Respondent Lewis had also been the President and Chief Executive Officer of HHMG and had held himself out as HHMG's President and Chief Executive Officer.
- (4) HHMG maintained a corporate bank account with Charter One Bank in Chicago, Illinois, the account number assigned to this account having been known as 08710027032, which account Respondent Lewis opened on November 12, 2002, and which account Respondent Lewis closed in September 2004.

Illinois Secretary of State
Order of Prohibition

- 4 -

- (5) On Sunday, March 16, 2003, HHMG advertised to the public a business opportunity in Newsday's Business Opportunities Section (the "Advertisement"). The Advertisement read:
- "DID YOU MISS OUT ON REDBULL? BEVERAGE DISTRIBUTORSHIP As seen on MTV. First time offered. Fastest Growing Beverage Product in the USA."
- (6) On or about March 19, 2003, at least one person (the "Purchaser") responded to the Advertisement by telephone; the Purchaser having been later contacted by HHMG.
- (7) The Purchaser then requested and received an informational packet (the "Informational Packet") about HHMG and the business opportunity it was offering. In the Informational Packet HHMG advertised itself as "the exclusive North American Distributor for Xtrem Energy Drink of Spain," and offered investors to become local distributors of Xtrem Energy Drink ("Xtrem"), a re-energizing sports drink, using a consignment sales system.
- (8) The Informational Packet offered investment programs/packages with costs ranging from \$20,000.00 to \$108,000.00, depending on the amount of Xtrem purchased and entitled "Investment Program I, II and III" (the "Business Opportunity").
- (9) HHMG, in its Informational Packet, promised that the Business Opportunity would include exclusive distributorship rights of Xtrem in the purchaser's territory. HHMG's Informational Packet stated that:
- a. "We will find you the best possible locations for Xtrem energy drink."
 - b. "We will begin training the day the search begins for high traffic retail stores."
 - c. "Non-Compete Territory."
 - d. "Own A Business: That will have little or no competition."
 - e. "Q. Do I have a protected territory? A. Yes, you do have a protected territory."
 - f. "Q. How are my outlets chosen? A. You can work with us for any preferences that you may have for your initial accounts. You will be introduced to your retail outlet owners or managers by us and agreement will be signed." [sic]

Illinois Secretary of State
Order of Prohibition

- 5 -

- (10) HHMG advertised that HHMG and its employees had considerable experience in distributing merchandise and promised to provide a marketing plan to purchasers of the Business Opportunity. In particular, HHMG, in its Informational Packet, stated that:
 - a. "Hip Hop Marketing Group, Ken Lewis, offers 40 years experience in the marketing and merchandising field, leads a team of experts in store selection, advertising, marketing and inventory control. Together their talents combined [sic] to give you all the guidance and support you need for a successful operation."
 - b. "The associates at HHMG have over 40 years experience distributing products and merchandise through, mini-marts, convenient stores, liquor stores, etc." [sic]
 - c. "[Y]ou will need our training on how to establish your accounts and how to service them."
 - d. "We provide all the tools needed to successfully begin a new venture."
 - e. "We will supply you with cold box suction cup shelves, cold box gravity feed racks and floor ice barrels."
 - f. "We will supply you with baseball caps, T-shirts, Pens, Lighters...and FREE cases of products for promotional events."
 - g. "We will advertise on local TV and radio."
 - h. "We plan to be a sponsor on a NASCAR Truck and racing boat."
 - i. "Don't worry! We will begin training the day the search begins for high traffic retail stores. On going support is a phone call away for expert guidance on promotions, merchandising, marketing techniques and inventory control."
- (11) In early April, 2003, HHMG contacted Purchaser to offer her the exclusive distributorship rights for Long Island in New York.
- (12) On April 8, 2003, Purchaser contracted with HHMG for its "Investment Program II" of the Business Opportunity at a price of \$34,990.00 plus an additional \$600.00 shipping fee (The "Contract").
- (13) Investment Program II of the Business Opportunity provided, among other things, that HHMG would provide 336 cases of Xtrem Energy Drink,

Illinois Secretary of State
Order of Prohibition

- 6 -

training and site locations, promotional literature and advertising materials, racks and display cases.

- (14) The contract for the Business Opportunity, Investment Program II, also provided that Purchaser would get exclusive distribution rights to 150 stores on Long Island, in the State of New York, and that HHMG would advertise the product on a local level.
- (15) The Purchaser paid for the Business Opportunity offered by HHMG with a check for \$35,590.00 made out to HHMG; and the check was deposited into HHMG's Charter One Bank Account in Chicago.
- (16) The Contract did not set forth:
 - a. the name and address of HHMG's agent in Illinois authorized to receive service of process; or
 - b. the delivery date of the product, or where the product was to be delivered.
- (17) Respondent HHMG, contrary to its assertion in its Informational Packet, was not the "exclusive North American Distributor for Xtrem Energy Drink of Spain," as evidenced by the April 29, 2003 letter to Respondent Lewis from the real exclusive North American distributor, Xtrem Beverage Company, through its attorney, Richard M. Gregg; which letter states, in pertinent part:
 - a. "[Your company's profile] lists itself as exclusive distributor of Xtreme.[sic] This, of course, is not the case. Therefore, remove this entire part from your profile."
 - b. Regarding HHMG's internet placement: "On the AOL search engine, your company comes up first when the name Xtreme [sic] energy drink is entered. This is unacceptable as this gives the impression that you are the U.S. distributor. Therefore, the website must be closed down."
 - c. Regarding HHMG's sale of exclusive territories: "You have sold exclusive territories to your customers, and then violated them. This has caused serious problems. Therefore all exclusive territories previously sold by you must be approved by Xtreme [sic] and cannot overlap. Further, all new exclusive territories must be approved by Xtreme [sic] before they are granted."
- (18) Indeed, Respondent Lewis' continued misuse of Xtrem Energy Drink and Xtrem Beverage Company's name to further his fraudulent enterprise

Illinois Secretary of State
Order of Prohibition

- 7 -

resulted in the issuance of a Cease and Desist Letter to or against Respondents Lewis and HHMG by Xtrem Beverage Company, through its attorney, Richard M. Gregg. This letter, in turn, states, in pertinent part:

- a. "Please be notified that Hip Hop Marketing Group, Inc., as of the date referenced above, may no longer sell Xtreme [sic] Energy Drink, sell Xtreme [sic] business packages to new parties, or represent to outside parties as having anything to do with said drink or Xtreme [sic] Beverage Company N.A."
- b. "This action has been bought on by Hip Hop's actions which has [sic] damaged both the relationship between Xtreme [sic] and the Spanish manufacturer, and the harm to the brand name itself in the United States market."

- (19) On March 21, 2005, the Illinois Securities Department issued a subpoena to Respondent Lewis in connection with the Department's investigation of the activities referenced above.
 - (20) On March 28, 2005, Respondent Lewis was served with the subpoena at his home, located at 129 Sarona Cir., Royal Palm Beach, Florida.
 - (21) The subpoena was sent via certified mail, tracking number 334143012 1404 03, the receipt for which subpoena was signed/executed by Respondent Lewis; and on the same March 28, 2005, Respondent Lewis contacted the Illinois Securities Department regarding his receipt of the subpoena.
 - (22) Respondent Lewis' response to the subpoena was due on April 22, 2005.
 - (23) Respondent Lewis failed to provide any of the information or documents requested in the subpoena and instead sent irrelevant documents purported to be sent from his attorney to Complainant.
7. Because Respondent Lewis was properly given or served the Notice, and, thus, given proper notice of the opportunity of Respondents to be heard on the File, according to the requirements of the Rules and Regulations, personal jurisdiction over Respondents exists.

Further, even if notice of hearing on the File was not properly given to Respondents, because both of the named Respondents on the File failed to file an answer, special appearance, or other responsive pleading, any contention that improper notice (if any) is to be deemed as having occurred or as having been given shall be deemed waived, according to Section 130.1102(d) of the Rules and Regulations.

Illinois Secretary of State
Order of Prohibition

- 8 -

8. At the hearing, the Department made an oral motion that the Hearing Officer enter a finding of default against Respondents pursuant to Sections 130.1104 and 130.1109 of the Rules and Regulations (14 Ill. Adm. Code 130, Subpart K), the case being that neither of Respondents had filed an answer in response to the Notice. Under Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130), within 30 days after the service of the notice of hearing thereupon, respondents are required to file an answer as to or against the Notice. An answer shall be in writing, shall be signed by the respondent or the respondent's representative, and shall contain a specific response to each allegation in the notice of hearing, and shall set forth affirmative defenses, if any. The response shall either admit or deny each allegation, or shall state that the respondent has insufficient information to admit or deny the allegation. Every allegation not explicitly denied is admitted, unless the respondent states in his or her answer that he has no knowledge thereof sufficient to form a belief, and attaches an affidavit of the truth of the want of knowledge, or unless the respondent has had no opportunity to deny. A failure to file an answer within the prescribed time shall be construed an admission of the allegations as stated in the Notice of Hearing and waives respondents' rights to a hearing.

Further, a failure to appear by a respondent at the time and place set for hearing by the Department shall be deemed a waiver of the right of a respondent to present evidence, argue, object, cross-examine witnesses, or otherwise participate at the hearing.

The evidence shows that neither of Respondents filed an answer in response to the Notice. Hence, at the hearing, the Department brought forth their oral motion for default based on Sections 130.1104 and 130.1109 of the Rules and Regulations, stating, in effect, that, because every allegation in the Notice not explicitly denied is admitted, Respondents are deemed to have admitted to the allegations therein; and that this failure by Respondents to timely file an answer is also to operate as a waiver of Respondents' right to a hearing.

As Respondents failed to file an answer or other documentation in response to the Notice, every allegation in the Notice not explicitly denied is to be deemed as admitted by Respondents. Further, Respondents' failure to timely file an answer or other documentation in response to the Notice operates to effect a waiver of Respondents' right to a hearing. [Section 130.1109 of the Rules and Regulations]

Lastly, Respondents' failure to appear at the time and place set for hearing by the Department is to be deemed a waiver of Respondents' right to present evidence, argue, object, cross-examine witnesses, or otherwise participate at the hearing.

Therefore, the Recommendation of the Hearing Officer shall be that Respondents are to be deemed as having admitted to each and every allegation in the Notice; as having waived their right to a hearing; and that Respondents further waived their right to present evidence to disprove, deny, oppose, or otherwise object to the

Illinois Secretary of State
Order of Prohibition

- 9 -

evidence introduced by the Department at the hearing. Accordingly, the testimony and other evidence so introduced, presented, and, ultimately, entered stands uncontested. Hence, the Department's Motion for a finding of Default against Respondents pursuant to Section 130.1104 and 130.1109 of the Rules and Regulations is granted.

WHEREAS, the substance of the Conclusions of Law made by the Hearing Officer are correct and are hereby adopted as the Conclusions of Law of the Secretary of State:

1. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
2. The Act (815 ILCS 602/5-1 *et seq.*) regulates the registration, offering, and sale of business opportunities in the State of Illinois.
3. It is unlawful for any person to offer or to sell any business opportunity in the State of Illinois unless the business opportunity is registered under the Act or is exempt under Section 5-10 of the Act. [815 ILCS 602/5-25.]

The Act provides, in pertinent part, that a business opportunity is a contract between a seller and a purchaser wherein it is agreed that the seller "shall provide the purchaser any product, equipment, supplies or services enabling the purchaser to start a business when the purchaser is required to make a payment to the seller...and the seller represents directly or indirectly, orally or in writing, any of the following, that:

- a. "The seller...will provide or assist the purchaser in finding locations for the use or operation of vending machines, racks, display cases or other similar devices, on premises neither owned nor leased by the...seller;
- b. the seller...will provide or assist the purchaser in finding outlets or accounts for the purchaser's products or services;
- c. the seller...guarantees that the purchaser will derive income from the business which exceeds the price paid by the purchaser; or
- d. the seller will provide a marketing plan..."

[815ILCS 602/5-5.10(a)(1), (a)(2), (a)(4), and (a)(6).]

The facts as stated in sub-paragraphs 5 through 15 (5-15) of paragraph 6 of the Findings of Fact hereinabove comprise actions that involve a business opportunity as that term is defined under Sections 5-5.10(a)(1), (a)(2), and (a)(6), independently and respectively, of the Act.

Illinois Secretary of State
Order of Prohibition

- 10 -

Section 5-80(a) of the Act states, in pertinent part, that “the provisions of th[e] [Act] concerning [the] sales and offers to sell apply to persons who sell or offer to sell when...[a]n offer to sell is made in this State.” [815 ILCS 602/5-80(a)(1)]

Section 5-80(b) of the Act also states, in pertinent part, that, “[f]or the purpose[s] of this Section, an offer to sell is made in this State...when: [t]he offer originates from this State[.]”

The facts as stated in sub-paragraphs 2, 3, 5, 7, 11 and 12 of paragraph 6 of the Findings of Fact comprise actions involving the offer and sale by Respondents of a business opportunity under the Act (the “Business Opportunity,” or the “Contract”).

Because Respondents did not register the Business Opportunity with the State of Illinois, and [because the Respondents made no claim of exemption under the Act,] Respondents violated Section 5-25 of the Act.

4. Section 5-40(b) of the Act states, in pertinent part, that “Contracts or agreements shall set forth...(2)...the name and address of the seller’s agent in this State authorized to receive service of process...(4) [t]he delivery date...of the product, equipment, or supplies the seller is to deliver to the purchaser to enable the purchaser to start his or her business...and (5) [w]hether the product, equipment, or supplies are to be delivered to the purchaser’s home or business address or are to be placed or caused to be placed by the seller at locations owned or managed by persons other than the purchaser.” 815 ILCS 602/5-40(b).

Because the Contract failed to set forth, first, the name and address of Respondent HHMG’s agent in the State of Illinois authorized to receive service of process; second, the delivery date of the product; and, third, where the product was to be delivered, Respondents violated Section 5-40(b)(2), (4), and (5) of the Act.

5. Section 5-95(a) of the Act states that “[i]t is unlawful for any person in connection with the offer or sale of any business opportunity in this State...(1) [t]o employ any device, scheme or artifice to defraud; (2) [t]o make any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) [t]o engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.” 815 ILCS 602/5-95(a).

Respondent HHMG, contrary to its assertion in its Informational Packet, was not the “exclusive North American Distributor for Xtrem Energy Drink of Spain,” as evidenced by the April 29, 2003 letter to Respondent Lewis from the real exclusive North American distributor, Xtrem Beverage Company, through its attorney, Richard M. Gregg; which letter states, in pertinent part:

Illinois Secretary of State
Order of Prohibition

- 11 -

- a. “[Your company’s profile] lists itself as exclusive distributor of Xtreme.[sic] This, of course, is not the case. Therefore, remove this entire part from your profile.”
- b. Regarding HHMG’s internet placement: “On the AOL search engine, your company comes up first when the name Xtreme [sic] energy drink is entered. This is unacceptable as this gives the impression that you are the U.S. distributor. Therefore, the website must be closed down.”
- c. Regarding HHMG’s sale of exclusive territories: “You have sold exclusive territories to your customers, and then violated them. This has caused serious problems. Therefore all exclusive territories previously sold by you must be approved by Xtreme [sic] and cannot overlap. Further, all new exclusive territories must be approved by Xtreme [sic] before they are granted.”

Indeed, Respondent Lewis’ continued misuse of Xtrem Energy Drink and Xtrem Beverage Company’s name to further his fraudulent enterprise resulted in the issuance of a Cease and Desist Letter to or against Respondents Lewis and HHMG by Xtrem Beverage Company, through its attorney, Richard M. Gregg. This letter, in turn, states, in pertinent part:

- a. “Please be notified that Hip Hop Marketing Group, Inc., as of the date referenced above, may no longer sell Xtreme [sic] Energy Drink, sell Xtreme [sic] business packages to new parties, or represent to outside parties as having anything to do with said drink or Xtreme [sic] Beverage Company N.A.”
- b. “This action has been bought on by Hip Hop’s actions which has [sic] damaged both the relationship between Xtreme [sic] and the Spanish manufacturer, and the harm to the brand name itself in the United States market.”

The activities described in sub-paragraphs 7, 17, and 18 of paragraph 6 of the Findings of Fact constitute violations of Sections 5-95(a)(2) and (a)(3) of the Act.

6. It is unlawful for any person, in connection with the offer or sale of any business opportunity in this State, to publish, circulate, or use any advertising which contains an untrue statement of a material fact[.] [815 ILCS 602/5-110]

The facts as stated in sub-paragraphs 7, 17, and 18 of paragraph 6 of the Findings of Fact comprise actions that constitute a violation of Section 5-110 of the Act. [815 ILCS 605/5-110]

7. Section 5-95(b)(2) of the Act states, in pertinent part, that “[n]o person shall, either directly or indirectly...fail to file with the Secretary of State any

Illinois Secretary of State
Order of Prohibition

- 12 -

application, report, document, or answer required to be filed under the provisions of this Act or any rule made by the Secretary of State pursuant to this Act[.]” [815 ILCS 602/5-95(b)(2)]

Section 5-60(b) of the Act provides that, “[f]or the purpose of any investigation or proceeding under this Law, the Secretary of State or his designee may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence[,] and require, by subpoena or other lawful means provided by this Act or the rules adopted by the Secretary of State, the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the Secretary of State deems relevant or material to the inquiry.” [815 ILCS 602/5-60(b)]

The facts as stated sub-paragraphs 19 through 23 (19-23) of paragraph 6 of the Findings of Fact state or set forth activities that constitute a violation of Section 5-95(b)(2) of the Act.

9. Under and by virtue of the foregoing, an Order may be entered wherein Respondents shall be prohibited from offering, advising as to the sale of, or selling business opportunities in the State of Illinois, fined in the maximum amount (of \$10,000.00 for each violation) pursuant to Section 5-65(4) of the Act, and charged as costs of the investigation all reasonable expenses, including attorneys’ fees and witness fees, the amount(s) or charge(s) being due and payable within ten (10) days of the entry of the order.

Illinois Secretary of State
Order of Prohibition
- 13 -

WHEREAS, the Hearing Officer has recommended that the Secretary of State should prohibit Respondents from offering, advising as to the sale of, or selling business opportunities in the State of Illinois.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED:

1. That Kenneth Lewis, his successors or assigns, are **PROHIBITED** from offering, advising in the sale of, or selling Business Opportunities in the State of Illinois, pursuant to Section 5-65 of the Act; and
2. Hip Hop Marketing Group, Inc. its directors, officers, successors or assigns, are **PROHIBITED** from offering, advising in the sale of, or selling Business Opportunities in the State of Illinois, pursuant to Section 5-65 of the Act.

ENTERED: This 30TH day of November, 2006.

A handwritten signature in black ink that reads "Jesse White" followed by a stylized flourish.

JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 5-115 of the Act. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 3 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, 735 ILCS 5/3-101 et seq. and the Rules and Regulations of the Illinois Securities Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.