

1 4. Mr. Margarita’s distributorship entitles the franchisee to an exclusive, complete step-by-
2 step, Business Operations Manual. Mitchum describes the contents of his Business Operations
3 Manual as “included on our copyrighted disks: . . . a full turnkey package!”

4 [The manual] will come in the form of a computer disk which will
5 include our trademarked logos and images, your own website which
6 includes all the hosting fees and domain fees paid by us, rental
7 agreements, legal forms, invoices, checklists, letter heads (sic), templates,
8 banners, maintenance logs, marketing tips, flyers, preprinted ads,
9 business cards, web pages, guide lines (sic) and tips, posters, postcards,
10 graphics, signs and dozens of other ads and other types of input from
11 other MR. MARGARITA’S (sic) that have been in the business and
12 know the ins and outs. OUR TEAM WILL HELP GUIDE YOU TO
13 YOUR SUCCESS.

14 5. Mitchum represents that “[t]his business can be very easy to operate . . . takes very little
15 working capital and you need No prior experience.” Mitchum further represents that “[w]e will also
16 be available to provide you with additional equipment, supplies, mixes, and information as needed as
17 you (sic) business expands”.

18 6. Mitchum offers several different distributorships. Mitchum states “OPTION 1 –
19 SUGGESTED START UP ITEMS FOR \$45,950” includes the following: 10 Frozen Drink Machines,
20 10 Rubbermaid Carts, 10 mixing buckets, 40 Cases of MR. MARGARITA MIX, 10 Twelve gauge
21 cords (sic), 10 Cases of Salt with Salt Rimmers and “MR. MARGARITA WEBSITE WITH DOMAIN
22 & HOSTING!!!”

23 7. Mitchum’s distributorships “OPTION 2 . . . for \$23,950 and “OPTION 3 . . . for \$17,950”
24 are similar to OPTION 1 described above but differ in the quantity of the start up items provided.

25 8. Mitchum’s offer and sale of Mr. Margarita distributorships constitute a franchise under the
26 Franchise Investment Law.

27 9. There is no record of Mitchum, Mr. Margarita or Mr. Margarita LP filing with the
28 Department of Corporations to register as a franchise pursuant to Corporations Code section 31110.

 10. Mitchum, Mr. Margarita and Mr. Margarita LP do not satisfy the requirements for an
exemption from the registration requirements and are not registered with the California Attorney
General’s office as a seller assisted marketing plan.

