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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,
Plaintiff,

v.

NORM REEVES, INC., also d/b/a
Norm Reeves Honda Superstore
Cerritos, a California corporation;
CERRITOS FORD, INC., also d/b/a
Norm Reeves Ford Superstore
Cerritos, Norm Reeves Lincoln, and
Norm Reeves Hyundai Superstore, a
California corporation; CERRITOS
INFINITI, INC., also d/b/a Cerritos
Infiniti, a California corporation;
COASTAL AUTO SALES, INC., also
d/b/a Norm Reeves Honda Superstore
Huntington Beach, a California
corporation; CONANT
AUTOMOTIVE RESOURCES, LLC,
also d/b/a Conant Auto Retail Group
and the CAR Group, a California
limited liability company; CONANT
AUTO RETAIL, SAN DIEGO, INC.,
also d/b/a Toyota San Diego and
Scion San Diego, a California
corporation; IRVINE AUTO RETAIL

Case No. 8:17-cv-01942-JLS-DFM

**STIPULATED SETTLEMENT
AND CONSENT ORDER**

1 I, INC., also d/b/a Norm Reeves
2 Honda Irvine, a California
3 corporation; IRVINE AUTO RETAIL
4 II, INC., also d/b/a Norm Reeves
5 Volkswagen, a California corporation;
6 IRVINE AUTO RETAIL III, INC.,
7 also d/b/a Norm Reeves Buick GMC,
8 a California corporation; PARKWAY
9 PREMIUM MOTORCARS, INC.,
10 also d/b/a Norm Reeves Acura of
11 Mission Viejo, a California
12 corporation; PORT CHARLOTTE
13 AUTO RETAIL, INC., also d/b/a Port
14 Charlotte Honda and Port Charlotte
15 Volkswagen, a Florida corporation;
16 and WEST COVINA AUTO
17 RETAIL, INC., also d/b/a Norm
18 Reeves Honda Superstore West
19 Covina, a California corporation,

20 Defendants.

21 Plaintiff, the Federal Trade Commission (“Commission” or “FTC”), filed its
22 Complaint for Civil Penalties and Other Relief (“Complaint”), for a permanent
23 injunction, civil penalties, and other relief in this matter, pursuant to Sections 5(*l*),
24 16(a), and 19 of the Federal Trade Commission Act, 15 U.S.C. §§ 45(*l*), 56(a), and
25 57b, as amended; the Truth In Lending Act (“TILA”), 15 U.S.C. §§ 1601-1667, as
26 amended; and its implementing Regulation Z, 12 C.F.R. Part 226, as amended; the
27 Consumer Leasing Act (“CLA”), 15 U.S.C. §§1667-1667f, as amended; and its
28 implementing Regulation M, 12 C.F.R. Part 213, as amended. Defendants have
waived service of the summons and the Complaint. The Commission and
Defendants stipulate to the entry of this Stipulated Settlement and Consent Order
 (“Order”) to resolve all matters in dispute in this action between them.

1 any accompanying text or other visual elements so that it is
2 easily noticed, read, and understood.

- 3 3. An audible disclosure, including by telephone or streaming
4 video, must be delivered in a volume, speed, and cadence
5 sufficient for ordinary consumers to easily hear and understand
6 it.
- 7 4. In any communication using an interactive electronic medium,
8 such as the Internet or software, the disclosure must be
9 unavoidable.
- 10 5. The disclosure must use diction and syntax understandable to
11 ordinary consumers and must appear in each language in which
12 the representation that requires the disclosure appears.
- 13 6. The disclosure must comply with these requirements in each
14 medium through which it is received, including all electronic
15 devices.
- 16 7. The disclosure must not be contradicted or mitigated by, or
17 inconsistent with, anything else in the communication.
- 18 8. When the representation or sales practice targets a specific
19 audience, such as children, the elderly, or the terminally ill,
20 “ordinary consumers” includes reasonable members of that
21 group.

22 C. “Consumer credit” shall mean credit offered or extended to a
23 consumer primarily for personal, family, or household purposes, as set forth in
24 Section 226.2(a)(12) of Regulation Z, 12 C.F.R. § 226.2(a)(12), as amended.

25 D. “Consumer lease” shall mean a contract in the form of a bailment or
26 lease for the use of personal property by a natural person primarily for personal,
27 family, or household purposes, for a period exceeding four months and for a total
28 contractual obligation not exceeding the applicable threshold amount, whether or

1 not the lessee has the option to purchase or otherwise become the owner of the
2 property at the expiration of the lease, as set forth in Section 213.2 of Regulation
3 M, 12 C.F.R. § 213.2, as amended.

4 E. “Corporate Defendants” shall mean Norm Reeves, Inc., also d/b/a
5 Norm Reeves Honda Superstore Cerritos; Cerritos Ford, Inc., also d/b/a Norm
6 Reeves Ford Superstore Cerritos, Norm Reeves Lincoln, and Norm Reeves
7 Hyundai Superstore; Cerritos Infiniti, Inc., also d/b/a Cerritos Infiniti; Coastal Auto
8 Sales, Inc., also d/b/a Norm Reeves Honda Superstore Huntington Beach; Conant
9 Automotive Resources, LLC, also d/b/a the Conant Auto Retail Group and the
10 CAR Group; Conant Auto Retail, San Diego, Inc., also d/b/a Toyota San Diego
11 and Scion San Diego; Irvine Auto Retail I, Inc., also d/b/a Norm Reeves Honda
12 Irvine; Irvine Auto Retail II, Inc., also d/b/a Norm Reeves Volkswagen; Irvine
13 Auto Retail III, Inc., also d/b/a Norm Reeves Buick GMC; Parkway Premium
14 Motorcars, Inc., also d/b/a Norm Reeves Acura of Mission Viejo; Port Charlotte
15 Auto Retail, Inc., also d/b/a Port Charlotte Honda and Port Charlotte Volkswagen;
16 West Covina Auto Retail, Inc., also d/b/a Norm Reeves Honda Superstore West
17 Covina; and their successors and assigns.

18 F. “Defendants” shall mean all of the Corporate Defendants,
19 individually, collectively, or in any combination.

20 G. “Lease inception” shall mean prior to or at consummation of the lease
21 or by delivery, if delivery occurs after consummation.

22 H. “Manager” shall mean any and all persons with supervisory authority,
23 including the ability to hire and fire personnel.

24 I. “Material” shall mean likely to affect a person’s choice of, or conduct
25 regarding, goods or services.

26 J. “Motor vehicle” or “vehicle” shall mean:

- 27 a. Any self-propelled vehicle designed for transporting persons or
28 property on a street, highway, or other road;

- b. Recreational boats and marine equipment;
- c. Motorcycles;
- d. Motor homes, recreational vehicle trailers, and slide-in campers;
and
- e. Other vehicles that are titled and sold through dealers.

I. PROHIBITION AGAINST MISREPRESENTATIONS

IT IS HEREBY ORDERED that Defendants, Defendants' officers, agents, employees, and attorneys, and all other persons in active concert or participation with them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with any advertisement for the purchase, financing, or lease of motor vehicles are permanently restrained and enjoined from, expressly or by implication:

- A. Misrepresenting the cost of leasing a vehicle, including but not limited to, the total amount due at lease inception, the down payment, amount down, acquisition fee, capitalized cost reduction, any other amount required to be paid at lease inception, and the amounts of all monthly or other periodic payments;
- B. Misrepresenting the cost of purchasing a vehicle with financing, including but not limited to, the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, and the repayment obligation over the full term of the loan, including any balloon payment; or
- C. Misrepresenting any other material fact about the price, sale, financing, or leasing of any vehicle.

II. CONSUMER LEASING ACT

IT IS FURTHER ORDERED that Defendants, Defendants' officers, agents, employees and attorneys, and all other persons in active concert and participation with any of them, who receive actual notice of this Order, whether acting directly

1 or indirectly, in connection with any advertisement for any consumer lease, are
2 permanently restrained and enjoined from, expressly or by implication:

3 A. Stating the amount of any payment or that any or no initial payment is
4 required at lease inception, without disclosing clearly and conspicuously
5 the following terms:

- 6 1. That the transaction advertised is a lease;
- 7 2. The total amount due at lease signing or delivery;
- 8 3. Whether or not a security deposit is required;
- 9 4. The number, amounts, and timing of scheduled payments; and
- 10 5. That an extra charge may be imposed at the end of the lease term in a
11 lease in which the liability of the consumer at the end of the lease term
12 is based on the anticipated residual value of the vehicle; or

13 B. Failing to comply in any respect with Regulation M, 12 C.F.R. Part 213,
14 as amended, and the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f, as
15 amended.

16 **III. TRUTH IN LENDING ACT**

17 IT IS FURTHER ORDERED that Defendants, Defendants' officers, agents,
18 employees and attorneys, and all other persons in active concert and participation
19 with any of them, who receive actual notice of this Order, whether acting directly
20 or indirectly, in connection with any advertisement for any extension of consumer
21 credit, are permanently restrained and enjoined from, expressly or by implication:

22 A. Stating the amount or percentage of any down payment, the number of
23 payments or period of repayment, the amount of any payment, or the
24 amount of any finance charge, without disclosing clearly and
25 conspicuously all of the following terms:

- 26 1. The amount or percentage of the down payment;
- 27 2. The terms of repayment; and

1 3. The annual percentage rate, using the term “annual percentage rate” or
2 the abbreviation “APR.” If the annual percentage rate may be
3 increased after consummation of the credit transaction, that fact must
4 also be disclosed;

5 B. Stating a rate of finance charge without stating the rate as an “annual
6 percentage rate” or using the abbreviation “APR”; or

7 C. Failing to comply in any respect with Regulation Z, 12 C.F.R. Part 226,
8 as amended, and the Truth in Lending Act, 15 U.S.C. §§ 1601-1667, as
9 amended.

10 **IV. MONETARY JUDGMENT FOR CIVIL PENALTY**

11 IT IS FURTHER ORDERED that:

12 A. Judgment in the amount of One Million Four Hundred Thousand Dollars
13 (\$1,400,000) is entered in favor of the Commission against Defendants,
14 jointly and severally, as a civil penalty.

15 B. Defendants are ordered to pay to the Commission, One Million Four
16 Hundred Thousand Dollars (\$1,400,000), which, as Defendants stipulate,
17 their undersigned counsel currently holds. This money will be used for
18 no purpose other than payment to the Commission. Such payment must
19 be made within 7 days of entry of this Order by electronic fund transfer
20 in accordance with instructions provided by a representative of the
21 Commission.

22 C. Defendants relinquish dominion and all legal and equitable right, title,
23 and interest in all assets transferred pursuant to this Order and may not
24 seek the return of any assets.

25 D. Defendants acknowledge that their Taxpayer Identification Numbers
26 (Social Security Numbers or Employer Identification Numbers), which
27 Defendants must submit to the Commission, may be used for collecting
28 and reporting on any delinquent amount arising out of this Order, in

1 accordance with 31 U.S.C. §7701.

2 **V. ORDER ACKNOWLEDGMENTS**

3 IT IS FURTHER ORDERED that Defendants obtain acknowledgments of
4 receipt of this Order:

5 A. Each Defendant, individually or jointly, within 30 days of entry of this
6 Order, must submit to the Commission an acknowledgment of receipt of
7 this Order sworn under penalty of perjury.

8 B. For 20 years after entry of this Order, each Defendant must deliver a
9 copy of this Order to: (1) all principals, officers, directors, and
10 dealership managers; (2) all managerial employees, agents, and
11 representatives who participate in conduct related to the subject matter of
12 the Order, including advertising, financing, leasing, and sales; and (3)
13 any business entity resulting from any change in structure as set forth in
14 the Part titled Compliance Reporting. Delivery must occur within 14
15 days of entry of this Order for current personnel. For all others, delivery
16 must occur before they assume their responsibilities.

17 C. From each individual or entity to which a Defendant delivered a copy of
18 this Order that Defendant must obtain, within 30 days, a signed and dated
19 acknowledgment of receipt of this Order.

20 **VI. COMPLIANCE REPORTING**

21 IT IS FURTHER ORDERED that Defendants make timely submissions to
22 the Commission:

23 A. One year after entry of this Order, each Defendant, individually or
24 jointly, must submit a compliance report, sworn under penalty of perjury.
25 Each Defendant must: (a) identify the primary physical, postal, and
26 email address and telephone number, as designated points of contact,
27 which representatives of the Commission may use to communicate with
28 Defendant; (b) identify all of that Defendant's businesses by all of their

1 names, telephone numbers, and physical, postal, email, and Internet
2 addresses; (c) describe the activities of each business, including the
3 goods and services offered, the means of advertising, marketing, and
4 sales, and the involvement of any other Defendant; (d) describe in detail
5 whether and how that Defendant is in compliance with each Section of
6 this Order; and (e) provide a copy of each acknowledgement of this
7 Order obtained pursuant to this Order, unless previously submitted to the
8 Commission.

9 B. For 20 years after entry of this Order, each Defendant must submit a
10 compliance notice, sworn under penalty of perjury, within 30 days of any
11 change in the following: (a) any designated point of contact; or (b) the
12 structure of any Corporate Defendant or any entity that such Defendant
13 controls directly or indirectly that may affect compliance obligations
14 arising under this Order, including: creation, merger, sale, or dissolution
15 of the entity or any subsidiary, parent, or affiliate that engages in any acts
16 or practices subject to this Order.

17 C. Each Defendant must submit to the Commission notice of the filing of
18 any bankruptcy petition, insolvency proceeding, or similar proceeding by
19 or against such Defendant within 14 days of its filing.

20 D. Any submission to the Commission required by this Order to be sworn
21 under penalty of perjury must be true and accurate and comply with 28
22 U.S.C. § 1746, such as by concluding: “I declare under penalty of
23 perjury under the laws of the United States of America that the foregoing
24 is true and correct. Executed on: _____” and supplying the date,
25 signatory’s full name, title (if applicable), and signature.

26 E. Unless otherwise directed by a Commission representative in writing, all
27 submissions to the Commission pursuant to this Order must be emailed to
28 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal

1 Service) to: Associate Director for Enforcement, Bureau of Consumer
2 Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW,
3 Washington, DC 20580. The subject line must begin: Norm Reeves,
4 Inc., et al., Matter No. C-4436.

5 **VII. RECORDKEEPING**

6 IT IS FURTHER ORDERED that Defendants must create certain records for
7 20 years after entry of this Order, and retain each such record for 5 years.

8 Specifically, Defendants must maintain the following records:

- 9 A. Accounting records showing the revenues from all goods or services
10 sold, all costs incurred in generating those revenues, and the resulting net
11 profit or loss. The Defendants' business records shall be maintained such
12 that Defendants can determine the revenues from consumer credit
13 transactions alone, and the revenues from consumer lease transactions
14 alone, should such information be requested;
- 15 B. Personnel records showing, for each person providing services, whether
16 as an employee or otherwise, that person's: name, addresses, and
17 telephone numbers; job title or position; dates of service; and, if
18 applicable, the reason for termination;
- 19 C. Complaints and refund requests regarding or related to the terms,
20 conditions, requirements for, or any other material fact about the price,
21 sale, financing, or leasing of a vehicle, whether received directly or
22 indirectly, such as through a third party, and any response;
- 23 D. Records sufficient to identify all (1) internal personnel and external
24 entities and managerial personnel, including account managers, involved
25 in advertisement creation, review, and publication, (2) lenders of
26 consumer credit doing business with each Defendant, and (3) lessors of
27 consumer leases doing business with each Defendant;
- 28 E. Each unique advertisement or other promotional material. Each

1 advertisement or other promotional material presented through
2 interactive electronic mediums, including the internet or mobile devices,
3 must be maintained in a manner that shows how consumers would
4 interact with the advertisement or other promotional material;

5 F. All materials that were relied upon in developing and disseminating any
6 representation referenced in Part VII(E) above;

7 G. All tests, reports, studies, surveys, calculations, or other evidence in any
8 Defendant's possession or control that contradict, qualify, or call into
9 question any representation referenced in Part VII(E) above, or the basis
10 relied upon for the representation, including complaints and other
11 communications with consumers or with governmental or consumer
12 protection organizations; and

13 H. All other records necessary to demonstrate full compliance with each
14 provision of this Order, including all submissions to the Commission.

15 **VIII. COMPLIANCE MONITORING**

16 IT IS FURTHER ORDERED that, for the purpose of monitoring
17 Defendants' compliance with this Order, including any failure to transfer any
18 assets as required by this Order:

19 A. Within 14 days of receipt of a written request from a representative of the
20 Commission, each Defendant must: submit additional compliance
21 reports or other requested information, which must be sworn under
22 penalty of perjury; appear for depositions; and produce documents for
23 inspection and copying. The Commission is also authorized to obtain
24 discovery, without further leave of court, using any of the procedures
25 prescribed by Federal Rules of Civil Procedure 29, 30 (including
26 telephonic depositions), 31, 33, 34, 36, 45, and 69, provided that
27 Defendants, after attempting to resolve a dispute without court action and
28 for good cause shown, may file a motion with this Court seeking an order

1 for one or more of the protections set forth in Rule 26(c).

2 B. For matters concerning this Order, the Commission is authorized to
3 communicate directly with each Defendant. Defendant must permit
4 representatives of the Commission to interview any employee or other
5 person affiliated with any Defendant who has agreed to such an
6 interview. The person interviewed may have counsel present.

7 C. The Commission may use all other lawful means, including posing
8 through its representatives as consumers, suppliers, or other individuals
9 or entities, to Defendants or any individual or entity affiliated with
10 Defendants, without the necessity of identification or prior notice.
11 Nothing in this Order limits the Commission's lawful use of compulsory
12 process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49,
13 57b-1.

14 **IX. RETENTION OF JURISDICTION**

15 IT IS FURTHER ORDERED that this Court retains jurisdiction of this
16 matter for purposes of construction, modification, and enforcement of this Order.

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18 Dated: November 13, 2017



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20
21 THE HON. JOSEPHINE L. STATON
22 UNITED STATES DISTRICT JUDGE
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