

# **ATTACHMENT A**

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24 and Specially Appearing as Attorneys  
25 for the Individual Defendants  
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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

<p>FEDERAL TRADE COMMISSION, Plaintiff,</p> <p style="text-align: center;">v.</p> <p>UNIVERSAL CITY NISSAN, INC., et al.</p> <p style="text-align: right;">Defendants.</p>	<p>Case no 2:16-cv-07329-CAS(AJWx) <i>Honorable Christina A. Snyder</i></p> <p><b>(PROPOSED) STIPULATED PRELIMINARY INJUNCTION ORDER</b></p> <p>Date: November 14, 2016 Time: 10:00 a.m. Courtroom: 5, 312 N. Spring St.</p>
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THIS MATTER comes before the Court upon the stipulation of Plaintiff, the Federal Trade Commission (“Commission” or “FTC”) and Defendants Covina MJL, LLC, also d/b/a Sage Covina Chevrolet; Glendale Nissan/Infiniti, Inc., also d/b/a Glendale Infiniti and d/b/a Glendale Nissan; Sage Downtown, Inc., also d/b/a Kia Of Downtown Los Angeles; Sage Holding Company, Inc.; Sage Management Co., Inc.; Sage North Hollywood, LLC, also d/b/a Sage Pre-Owned; Sage Vermont, LLC, also d/b/a Sage Hyundai; Universal City Nissan, Inc., also d/b/a Universal Nissan; Valencia Holding Co., LLC, also d/b/a Mercedes-Benz Of Valencia; West Covina Auto Group, LLC, also d/b/a West Covina Toyota and d/b/a West Covina Toyota/Scion; West Covina Nissan, Inc.; Joseph Schrage, a/k/a Joseph Sage; Leonard Schrage, a/k/a Leonard Sage, and Michael Schrage, a/k/a Michael Sage (collectively, “Defendants”) for the entry of a stipulated preliminary injunction order (“Order”) to resolve the Commission’s Motion for a Preliminary Injunction (“Motion”) seeking preliminary relief in connection with the acts and practices alleged in the Complaint relating to Counts I-II and IV-XI.



1           A.    “**Advertisement**” means a commercial message in any medium that  
2 directly or indirectly promotes a consumer transaction.

3           B.    “**Clearly and conspicuously**” means that a required disclosure is  
4 difficult to miss (i.e., easily noticeable) and easily understandable by ordinary  
5 consumers, including in all of the following ways:

- 6                   1. In any communication that is solely visual or solely audible, the  
7 disclosure must be made through the same means through which  
8 the communication is presented. In any communication made  
9 through both visual and audible means, such as a television  
10 advertisement, the disclosure must be made visually or audibly,  
11 except that for purposes of Section II, any such disclosure must be  
12 presented simultaneously in both the visual and audible portions of  
13 the communication even if the representation requiring the  
14 disclosure is made in only one means.
- 15                   2. A visual disclosure, by its size, contrast, location, the length of  
16 time it appears, and other characteristics, must stand out from any  
17 accompanying text or other visual elements so that it is easily  
18 noticed, read, and understood.
- 19                   3. An audible disclosure, including by telephone or streaming video,  
20 must be delivered in a volume, speed, and cadence sufficient for  
21 ordinary consumers to easily hear and understand it.
- 22                   4. In any communication using an interactive electronic medium,  
23 such as the Internet or software, the disclosure must be  
24 unavoidable.
- 25                   5. The disclosure must use diction and syntax understandable to  
26 ordinary consumers and must appear in each language in which the  
27 representation that requires the disclosure appears.

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1           6. The disclosure must comply with these requirements in each  
2           medium through which it is received, including all electronic  
3           devices.

4           7. The disclosure must not be contradicted or mitigated by, or  
5           inconsistent with, anything else in the communication.

6           C.    “**Consumer credit**” means credit offered or extended to a consumer  
7           primarily for personal, family, or household purposes, as set forth in Section  
8           226.2(a)(12) of Regulation Z, 12 C.F.R. § 226.2(a)(12), as amended.

9           D.    “**Consumer lease**” means a contract in the form of a bailment or lease  
10          for the use of personal property by a natural person primarily for personal, family,  
11          or household purposes, for a period exceeding four months and for a total  
12          contractual obligation not exceeding the applicable threshold amount, whether or  
13          not the lessee has the option to purchase or otherwise become the owner of the  
14          property at the expiration of the lease, as set forth in Section 213.2 of Regulation  
15          M, 12 C.F.R. § 213.2, as amended.

16          E.    “**Defendants**” means all of the Individual and Corporate Defendants,  
17          individually, collectively, or in any combination.

18           1. “**Corporate Defendants**” means Covina MJL, LLC, also d/b/a Sage  
19           Covina Chevrolet; Glendale Nissan/Infiniti, Inc., also d/b/a Glendale  
20           Infiniti and d/b/a Glendale Nissan; Sage Downtown, Inc., also d/b/a  
21           Kia Of Downtown Los Angeles; Sage Holding Company, Inc.; Sage  
22           Management Co., Inc.; Sage North Hollywood, LLC, also d/b/a Sage  
23           Pre-Owned; Sage Vermont, LLC, also d/b/a Sage Hyundai; Universal  
24           City Nissan, Inc., also d/b/a Universal Nissan; Valencia Holding Co.,  
25           LLC, also d/b/a Mercedes-Benz Of Valencia; West Covina Auto  
26           Group, LLC, also d/b/a West Covina Toyota and d/b/a West Covina  
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1 Toyota/Scion; West Covina Nissan, Inc.; and their successors and  
2 assigns.

- 3 2. **“Individual Defendants”** means Joseph Schrage, a/k/a Joseph Sage;  
4 Leonard Schrage, a/k/a Leonard Sage, and Michael Schrage, a/k/a  
5 Michael Sage.

6 F. **“Document”** and **“Electronically Stored Information”** are  
7 synonymous in meaning and equal in scope to the usage of the terms in Rule 34(a)  
8 of the Federal Rules of Civil Procedure and include but are not limited to:

- 9 1. The original or a true copy of any written, typed, printed,  
10 electronically stored, transcribed, taped, recorded, filmed, punched, or  
11 graphic matter or other data compilations of any kind, including, but  
12 not limited to, letters, email or other correspondence, messages,  
13 memoranda, interoffice communications, notes, reports, summaries,  
14 manuals, magnetic tapes or discs, tabulations, books, records, checks,  
15 invoices, work papers, journals, ledgers, statements, returns, reports,  
16 schedules, or files; and  
17 2. Any electronically stored information stored on any server,  
18 Blackberrys or any type of mobile device, flash drives, personal  
19 digital assistants (“PDAs”), desktop personal computers and  
20 workstations, laptops, notebooks, and other portable computers, or  
21 other electronic storage media, whether assigned to individuals or in  
22 pools of computers available for shared use, or personally owned but  
23 used for work-related purposes; backup disks and tapes, archive disks  
24 and tapes, and other forms of offline storage, whether stored onsite  
25 with the computer used to generate them, stored offsite in another  
26 company facility, or stored, hosted, or otherwise maintained offsite by  
27 a third-party; and computers and related offline storage used by  
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1 Defendants or Defendants’ participating associates, which may  
2 include persons who are not employees of the company or who do not  
3 work on company premises.

4 G. “**Lease inception**” means prior to or at consummation of the lease or  
5 by delivery, if delivery occurs after consummation.

6 H. “**Motor Vehicle**” means as follows:

- 7 1. Any self-propelled vehicle designed for transporting persons or  
8 property on a street, highway, or other road;
- 9 2. Recreational boats and marine equipment;
- 10 3. Motorcycles;
- 11 4. Motor homes, recreational vehicle trailers, and slide-in campers; and
- 12 5. Other vehicles that are titled and sold through dealers.

13 **ORDER**

14 **I. REPRESENTATIONS RELATING TO THE**  
15 **SALE, FINANCING, OR LEASING OF VEHICLES**

16 **IT IS ORDERED** that Defendants, Defendants’ officers, agents, employees,  
17 and those persons or entities in active concert or participation with any of them,  
18 who receive actual notice of this Order, whether acting directly or indirectly, in  
19 connection with the advertising, marketing, offering for sale or lease, sale or lease,  
20 or servicing of motor vehicles, are preliminarily restrained and enjoined from  
21 misrepresenting, expressly or by implication:

22 A. The cost of:

- 23 1. Purchasing a vehicle with financing, including but not limited to: the  
24 amount or percentage of the down payment; the number of payments  
25 or period of repayment; the amount of any payment, and the  
26 repayment obligations over the full term of the loan, including any  
27 balloon payment; or



1           2. Leasing a vehicle, including but not limited to: the total amount due at  
2           lease inception, the down payment, amount down, acquisition fee,  
3           capitalized cost reduction, any other amount required to be paid at  
4           lease inception, and the amounts of all monthly or other periodic  
5           payments.

6           B. The existence, amount, or availability of any discount, rebate, bonus,  
7           incentive, or price;

8           C. That Defendants will pay all or any portion of any loan or lease  
9           balance remaining on a trade-in vehicle, or whether the consumer will be  
10          responsible for paying all or any portion of any remaining loan or lease balance;

11          D. Any restriction, limitation, or condition applicable to the finance or  
12          purchase of vehicles for the advertised terms, including whether such terms are  
13          lease or credit offers; or

14          E. Any aspect of any opinion, belief, finding, or experience of any  
15          person, including, but not limited to, that any such opinions, beliefs, findings, or  
16          experiences are independent or objective.

17                                    **II. REQUIRED DISCLOSURES**

18           **IT IS FURTHER ORDERED** that Defendants, Defendants' officers,  
19           agents, employees, and those persons or entities in active concert or participation  
20           with any of them, who receive actual notice of this Order, whether acting directly  
21           or indirectly, in connection with the advertising, marketing, offering for sale or  
22           lease, sale or lease, or servicing of motor vehicles, are preliminarily restrained and  
23           enjoined from making any representation, expressly or by implication, about:

24           A. A discount, rebate, bonus, incentive, or price unless the representation  
25           is not otherwise misleading and the representation clearly and conspicuously  
26           discloses any material qualifications or restrictions, including but not limited to  
27           qualifications or restrictions on: (i) a consumer's ability to obtain the discount,  
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1 rebate, bonus, incentive, or price and (ii) the vehicles available at the discount,  
2 rebate, bonus incentive, or price;

3 B. A refund, cancellation, exchange, or repurchase policy unless the  
4 representation is not otherwise misleading and the representation clearly and  
5 conspicuously discloses any material qualifications or restrictions on the  
6 consumer's ability to request or obtain a refund, cancellation, exchange, or  
7 repurchase and the manner and timing of a refund, cancellation, exchange, or  
8 repurchase; or

9 C. An opinion, belief, finding, or experience of any person unless the  
10 opinion, belief, finding, or experience is not misleading and the representation  
11 clearly and conspicuously discloses any material connection between such person  
12 and Defendants. For purposes of this provision, material connection shall mean  
13 any relationship that materially affects the weight and credibility of any  
14 endorsement and that would not be reasonably expected by consumers.

### 15 **III. TRUTH IN LENDING ACT**

16 **IT IS FURTHER ORDERED** that Defendants, Defendants' officers,  
17 agents, employees, and those persons or entities in active concert or participation  
18 with any of them, who receive actual notice of this Order, whether acting directly  
19 or indirectly, in connection with any advertisement for any extension of consumer  
20 credit, are preliminarily restrained and enjoined from:

21 A. Stating, expressly or by implication:

22 1. 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 a. The amount or percentage of the down payment;  
27 b. The terms of repayment; and  
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1 c. The annual percentage rate, using the term “annual percentage  
2 rate” or the abbreviation “APR.” If the annual percentage rate  
3 may be increased after consummation of the credit transaction,  
4 that fact must also be disclosed; or

5 2. A rate of finance charge without stating the rate as an “annual  
6 percentage rate” or the abbreviation “APR,” using that term; or

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

#### 10 **IV. CONSUMER LEASING ACT**

11 **IT IS FURTHER ORDERED** that Defendants, Defendants’ officers,  
12 agents, employees, and those persons or entities in active concert or participation  
13 with any of them, who receive actual notice of this Order, whether acting directly  
14 or indirectly, in connection with any advertisement for any consumer lease, are  
15 preliminarily restrained and enjoined from:

16 A. Stating, expressly or by implication, the amount of any payment or  
17 that any or no initial payment is required at lease inception without disclosing  
18 clearly and conspicuously the following terms:

- 19 1. That the transaction advertised is a lease;
- 20 2. The total amount due at lease signing or delivery;
- 21 3. Whether or not a security deposit is required;
- 22 4. The number, amounts, and timing of scheduled payments; and
- 23 5. That an extra charge may be imposed at the end of the lease term in a  
24 lease in which the liability of the consumer at the end of the lease term  
25 is based on the anticipated residual value of the vehicle; or

26 B. Failing to comply in any respect with Regulation M, 12 C.F.R. Part  
27 213, as amended, and the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f, as  
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1 amended.

2 **V. TEMPORARY REMOVAL OF DECEPTIVE REVIEWS**

3 **IT IS FURTHER ORDERED** that Defendants, Defendants’ officers,  
4 agents, employees, and those persons or entities in active concert or participation  
5 with any of them, who receive actual notice of this Order, including any person  
6 hosting or otherwise controlling any Internet content, server, or website that  
7 contains any existing reviews or testimonials that do not comply with Sections I.E  
8 and II.C (hereinafter “Deceptive Reviews”), immediately upon service of the Order  
9 upon them, shall:

10 A. Immediately take any necessary steps to ensure that any Deceptive  
11 Reviews on any website, blog, or social media service are no longer  
12 viewable or accessible to the public using the Internet;

13 B. Preserve any: (1) Internet content, servers, or websites that contain  
14 Deceptive Reviews, by preserving such content, servers, or websites in the  
15 format in which they were maintained as of the date of entry of this Order,  
16 and (2) electronically stored information related to Deceptive Reviews; and

17 C. Within ten (10) days following this Order, notify in writing counsel  
18 for the FTC of any Deceptive Reviews subject to Section V.A-B.

19 Section V shall not be construed to require any action beyond any person or  
20 entity’s present ability, provided that each person or entity has taken all reasonable  
21 steps within its power to insure compliance with this Section.

22 **VI. PRESERVATION OF RECORDS**

23 **IT IS FURTHER ORDERED** that Defendants, Defendants’ officers,  
24 agents, employees, attorneys, and those persons or entities in active concert or  
25 participation with any of them, who receive actual notice of this Order, whether  
26 acting directly or indirectly, are hereby preliminarily restrained and enjoined from  
27 destroying, erasing, mutilating, concealing, altering, transferring, or otherwise  
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1 disposing of, in any manner, directly or indirectly, any documents, including, but  
2 not limited to electronically stored information, voicemail, or text messages on  
3 personal devices or e-mail accounts, that relate to the business practices,  
4 advertising or marketing, or business or finances, of Defendants, or an entity  
5 directly or indirectly under the control of Defendants.

6 **VII. NOTICE OF FINANCIAL TRANSACTIONS, NEW ENTITIES, AND**  
7 **LITIGATION**

8 **IT IS FURTHER ORDERED** that Defendants shall provide counsel for the  
9 Commission with notice of the following while this Order is in effect:

10 A. Any transfer by any Corporate Defendants of any money or tangible  
11 or intangible assets or any expenditure with a value of over \$100,000 from the date  
12 of entry of this Order at least five (5) business days prior to such transfer or  
13 expenditure. Such notice shall include: (1) the name of the recipient; (2) the  
14 recipient's address and telephone number; and (3) a detailed description of the  
15 purpose of such transfer or expenditure. This provision shall not apply to (i) any  
16 bona-fide, arms-length motor vehicle transaction of the Defendants or (ii) any  
17 expenditure incurred in the normal course of business by Corporate Defendants,  
18 such as payroll or tax obligations;

19 B. Any new business entity, whether newly formed or previously  
20 inactive, including any partnership, limited partnership, joint venture, sole  
21 proprietorship, or corporation, directly or indirectly, created, operated, or  
22 controlled by any Defendant at least five (5) business days prior to any such action.  
23 Such notice shall include: (1) the name of the business entity; (2) the address and  
24 telephone number of the business entity; (3) the names of the business entity's  
25 officers, directors, principals, and managers; and (4) a detailed description of the  
26 business entity's intended activities; and

27 C. The commencement, prosecution, stay, continuation, cessation,  
28 conclusion, or enforcement of any suit, legal proceeding, or judgment for, against,

1 on behalf of, in, or in the name of, any Defendant that is related to the subject  
2 matter of this action, material to the business or financial condition of any  
3 Defendant, or otherwise involves any potential claim, judgment, monetary award,  
4 penalty, or sanction greater than \$100,000 at least five (5) business days after the  
5 occurrence of any such action.

6 **VIII. DISTRIBUTION OF ORDER BY DEFENDANTS**

7 **IT IS FURTHER ORDERED** that immediately after service of this Order,  
8 Defendants shall provide a copy of this Order to each of their agents, employees,  
9 officers, subsidiaries, affiliates, attorneys, independent contractors, representatives,  
10 franchisees, and all persons in active concert or participation with Defendants, who  
11 participate in or have any responsibilities relating to the subject matter of this  
12 action. Within ten (10) days following this Order, Defendants shall provide the  
13 Commission with an affidavit identifying the names, titles, addresses, and  
14 telephone numbers of the persons that Defendants have served with a copy of this  
15 Order in compliance with this provision.

16 **IX. SERVICE OF THIS ORDER**

17 **IT IS FURTHER ORDERED** that copies of this Order may be served by  
18 facsimile, email, personal or overnight delivery, or by U.S. Mail, by agents and  
19 employees of the FTC or by private process server upon any person or entity that  
20 may be subject to any provision of this Order.

21 **X. CORRESPONDENCE**

22 **IT IS FURTHER ORDERED** that, for purposes of this Order, because  
23 mail addressed to the FTC is subject to delay due to heightened security  
24 screenings, all affidavits, correspondence, notice, and service on the Commission  
25 shall be sent via email or overnight courier such as FedEx or UPS addressed to:  
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1 Thomas J. Widor  
2 Federal Trade Commission  
3 600 Pennsylvania Ave., NW  
4 Mail Stop: CC-10232  
5 Washington, DC 20580

6 **XI. RETENTION OF JURISDICTION**

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

9 **XII. PENDING PRELIMINARY INJUNCTION MOTION AND HEARING**

10 **IT IS FURTHER ORDERED** that the Commission's Motion is withdrawn  
11 without prejudice and the Preliminary Injunction hearing set for November 14,  
12 2016 at 10:00 am is hereby **VACATED**.

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14 **SO ORDERED THIS** \_\_ day of \_\_\_\_\_, **2016**.

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20 THE HON. CHRISTINA SNYDER  
21 UNITED STATES DISTRICT COURT  
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