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16 **UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

<p>17 FEDERAL TRADE COMMISSION, 18 19 Plaintiff, 20 v. 21 UNIVERSAL CITY NISSAN, INC., et al. 22 Defendants.</p>	<p>Case no 2:16-cv-07329-CAS(AJWx) <i>Honorable Christina A. Snyder</i></p> <p>EXHIBIT IN SUPPORT OF FEDERAL TRADE COMMISSION'S MOTION FOR PRELIMINARY INJUNCTION</p> <p>Date: November 14, 2016 Time: 10:00 a.m. Courtroom: 5, 312 N. Spring St.</p>
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PX 1

**DECLARATION OF
FTC INVESTIGATOR
JOSEPH D. WEBER, JR.**

DECLARATION OF FTC INVESTIGATOR

JOSEPH D. WEBER, JR.

PURSUANT TO 28 U.S.C. § 1746

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DECLARATION OF FTC INVESTIGATOR

JOSEPH D. WEBER, JR.

PURSUANT TO 28 U.S.C. § 1746

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5 I, Joseph D. Weber, Jr., hereby state that I have personal knowledge of the facts set
6 forth below. If called as a witness, I could and would testify competently as
7 follows:

8 1. I am a citizen of the United States and am over the age of eighteen (18)
9 years old. I am employed as an Investigator with the Federal Trade Commission
10 (“FTC”) in the Division of Financial Practices. My office address is 600
11 Pennsylvania Avenue, N.W., CC-10232, Washington, D.C. 20580.

12 2. I earned a Bachelor of Arts degree in Spanish Language and Literature in
13 May 2013, and I have been employed with the FTC since August 2013. I have
14 been a Certified Fraud Examiner (“CFE”) since October 2014. The CFE is a
15 certification awarded by the Association of Certified Fraud Examiners. To become
16 a CFE, I had to pass an exam that tested four subject areas: (1) fraud prevention
17 and deterrence; (2) fraudulent financial transactions; (3) fraud investigations; and
18 (4) legal elements of fraud.

19 3. My responsibilities for the FTC include investigating suspected violations of
20 consumer protection laws, including the Federal Trade Commission Act, the Truth
21 In Lending Act, and the Consumer Lending Act. In the normal course of carrying
22 out my investigative responsibilities, I regularly use Internet search engines,
23 electronic databases, spreadsheet software, and other software-based investigative
24 and organizational tools. I also am the custodian of records that the FTC collects in
25 the course of the investigations to which I am assigned. I maintain all such records
26 in my custody and control.

27 4. As part of my duties, I was assigned to the FTC’s investigation of the
28 entities Universal City Nissan, Inc.; Sage Downtown, Inc., d/b/a Kia of Downtown

1 Los Angeles; Glendale Nissan/Infiniti, Inc., d/b/a Glendale Infiniti and d/b/a
2 Glendale Nissan; Valencia Holding Co., LLC, d/b/a Mercedes-Benz of Valencia;
3 West Covina Auto Group, LLC, d/b/a West Covina Toyota and West Covina
4 Toyota/Scion; West Covina Nissan, LLC, d/b/a West Covina Nissan; Covina MJL,
5 LLC, d/b/a Sage Covina Chevrolet; Sage North Hollywood, LLC, d/b/a Sage Pre-
6 Owned; Sage Vermont, LLC, d/b/a Sage Hyundai; Sage Holding Company, Inc.;
7 Sage Management Company, Inc. (collectively, the “Corporate Defendants”); and
8 the individuals Joseph Schrage, a/k/a Joseph Sage; Leonard Schrage, a/k/a
9 Leonard Sage, and Michael Schrage, a/k/a Michael Sage (collectively, the
10 “Individual Defendants”). The Corporate and Individual Defendants are
11 collectively referred to herein as “Defendants.”

12 5. During the investigation, the FTC obtained documents and information from
13 a number of private and public sources through compulsory process and other
14 means. The documents and information include, but are not limited to, corporate
15 records of Corporate Defendants, filings with the State of California, Defendants’
16 advertising materials, consumer complaints and reviews, and court records. The
17 records the FTC obtained are described below and many are attached to this
18 Declaration.

19
20 **Corporate Records**

21 6. During the investigation, the FTC obtained corporate records pertaining to
22 the named Defendants in this action, including articles of incorporation and other
23 documents from various public sources.

24 7. From the California Secretary of State, the FTC obtained certified records
25 relating to Covina MJL, LLC. True and correct copies of documents the FTC
26 obtained are attached as **Att. A.**

27 8. From the California Secretary of State website, the FTC obtained records
28 relating to the entities listed below. True and correct copies of documents the FTC

1 obtained are attached as follows:

- 2 a. Covina MJL, LLC – **Att. B**
- 3 b. Glendale Nissan/Infiniti, Inc. – **Att. C**
- 4 c. Sage Downtown, Inc. – **Att. D**
- 5 d. Sage Holding Company – **Att. E**
- 6 e. Sage Management Co., Inc. – **Att. F**
- 7 f. Sage North Hollywood, LLC – **Att. G**
- 8 g. Sage Vermont, LLC – **Att. H**
- 9 h. Universal City Nissan, Inc. – **Att. I**
- 10 i. Valencia Holding Company, LLC – **Att. J**
- 11 j. West Covina Auto Group, LLC – **Att. K**
- 12 k. West Covina Nissan, LLC – **Att. L**

13 9. From these records, I observed the following information:

- 14 a. Covina MJL, LLC was formed in California on November 5, 2013,
15 and maintains its address at 635 S. Citrus Ave., Covina, CA 91723.
16 The company's agent for service of process is Vicki Taylor and the
17 Agent Address is 3550 Cahuenga Blvd. West, Los Angeles, CA
18 90068.
- 19 b. Glendale Nissan/Infiniti, Inc. was formed in California on August 25,
20 1995, and maintains its address at 812 S. Brand Blvd., Glendale, CA
21 91204. The company's agent for service of process is Vicki Taylor
22 and the Agent Address is 3550 Cahuenga Blvd. West, Los Angeles,
23 CA 90068.
- 24 c. Sage Downtown, Inc. was formed in California on July 22, 2011, and
25 maintains its address at 3550 Cahuenga Blvd. West, Los Angeles, CA
26 90068. The company's agent for service of process is Vicki Taylor
27 and the Agent Address is 3550 Cahuenga Blvd. West, Los Angeles,
28 CA 90068.

- 1 d. Sage Holding Company was formed in California on May 7, 1970,
2 and maintains its address at 3550 Cahuenga Blvd. West, Los Angeles,
3 CA 90068. The company's agent for service of process is Vicki
4 Taylor and the Agent Address is 3550 Cahuenga Blvd. West, Los
5 Angeles, CA 90068.
- 6 e. Sage Management Co., Inc. was formed in California on August 12,
7 2011, and maintains its address at 3550 Cahuenga Blvd. West, Los
8 Angeles, CA 90068. The company's agent for service of process is
9 Aleksandra Stefanovska and the Agent Address is 3550 Cahuenga
10 Blvd. West, Los Angeles, CA 90068.
- 11 f. Sage North Hollywood, LLC, was formed in California on May 30,
12 2014, and maintains its address at 3550 Cahuenga Blvd. West, Los
13 Angeles, CA 90068. The company's agent for service of process is
14 Vicki Taylor and the Agent Address is 3550 Cahuenga Blvd. West,
15 Los Angeles, CA 90068.
- 16 g. Sage Vermont, LLC, was formed in California on January 12, 2016,
17 and maintains its address at 3550 Cahuenga Blvd. West, Los Angeles,
18 CA 90068. The company's agent for service of process is Vicki
19 Taylor and the Agent Address is 3550 Cahuenga Blvd. West, Los
20 Angeles, CA 90068.
- 21 h. Universal City Nissan, Inc. was formed in California on February 1,
22 1984, and maintains its address at 3550 Cahuenga Blvd. West, Los
23 Angeles, CA 90068. The company's agent for service of process is
24 Vicki Taylor and the Agent Address is 3550 Cahuenga Blvd. West,
25 Los Angeles, CA 90068.
- 26 i. Valencia Holding Company, LLC, was formed in California on June
27 24, 2005, and maintains its address at 12244 Valencia Blvd., Santa
28 Clarita, CA 91355. The company's agent for service of process is

1 Vicki Taylor and the Agent Address is 3550 Cahuenga Blvd. West,
2 Los Angeles, CA 90068.

3 j. West Covina Auto Group, LLC, was formed in California on
4 December 10, 2007, and maintains its address at 3550 Cahuenga
5 Blvd. West, Los Angeles, CA 90068. The company's agent for service
6 of process is Vicki Taylor and the Agent Address is 3550 Cahuenga
7 Blvd. West, Los Angeles, CA 90068.

8 k. West Covina Nissan, LLC, was formed in California on May 27,
9 2005, and maintains its address at 205 N. Citrus St., West Covina, CA
10 91791. The company's agent for service of process is Vicki Taylor
11 and the Agent Address is 3550 Cahuenga Blvd. West, Los Angeles,
12 CA 90068.

13
14 **Civil Investigative Demand**

15 10. During this investigation, the FTC issued a Civil Investigative Demand
16 ("CID") to Defendants dated November 15, 2013, requiring production of
17 specified documents and written interrogatory responses. I serve as the custodian
18 of records for the CID responses. A true and correct copy of the CID is available
19 upon request.

20 11. Instruction E of the CID specified that Defendants "should suspend any
21 routine procedures for document destruction and take other measures to prevent the
22 destruction of documents that are in any way relevant to this investigation during
23 its pendency, irrespective of whether you believe such documents are protected
24 from discovery by privilege or otherwise. *See* 15 U.S.C. § 50; *see also* 18 U.S.C.
25 §§ 1505, 1519."

26 12. Instruction C of the CID specified "the applicable time period for the request
27 shall be from July 1, 2011 through the date of full and complete compliance with
28 this CID."

1 13. CID Interrogatory Request No. 2 required identification of any “subsidiary
2 or entity wholly or partially-owned by the Company, and any other entity related to
3 the Company, including unincorporated divisions, joint ventures, operations under
4 assumed names, and affiliates of the Company.”

5 14. The CID defined Company to include “any car dealership operated by or
6 affiliated with Sage Auto Group.”

7 15. The CID also required a summary of consumer complaints and inquiries
8 pursuant to Interrogatory Request No. 8 and production of material relating to
9 consumer complaints and inquiries pursuant to Request for Production No. 2.

10 16. In response to the FTC’s CID, Defendants provided an initial response on
11 December 12, 2013. Defendants provided a supplemental response, including
12 supplemental interrogatory responses, on May 5, 2014. A true and correct copy of
13 the May 5, 2014, supplementary response is attached hereto as **Att. M**.

14 17. Defendants’ interrogatory responses state that the following:

15 a. Sage Holding Company and Sage Management Company are equally
16 owned by MC Schrage Family Trust, LT Schrage Family Trust, and
17 Joseph Schrage Revocable Trust. The Individual Defendants act as
18 Sage Management Company’s Directors. *See Att. M*.

19 b. Sage Holding Company is the sole shareholder of Universal City
20 Nissan, Glendale Nissan/Infiniti, Inc., and a 51% member of West
21 Covina Auto Group. The Individual Defendants act as Sage Holding
22 Company’s Directors. *Id.*

23 c. Sage Downtown, Inc. is owned by MC Schrage Family Trust (666.67
24 shares) and LT Schrage Family Trust (333.33 shares). The Individual
25 Defendants act as Sage Downtown Inc.’s Directors. *Id.*

26 d. Valencia Holding Company, LLC is owned by the Michael Schrage
27 Trust (51%), the Leonard Schrage Trust (20%), and the Joseph
28 Schrage Trust (29%). Defendant Michael Schrage also acts as its

1 Manager. *Id.*

2 e. Michael Schrage is the President, Joseph Schrage is the Vice
3 President, and Leonard Schrage is the Secretary/Treasurer of Sage
4 Downtown, Valencia Holding, Sage Holding and Sage Management.
5 *Id.*

6 18. Defendants subsequently supplemented their response on November 11,
7 2014, and informed the FTC that the West Covina Toyota dealership was subject
8 to an asset sale to a third party and the closing of the dealership occurred on July
9 28, 2014. A true and correct copy of this document is available upon request.
10 Although Defendants made subsequent productions pursuant to the CID, they
11 never supplemented responses to disclose the existence of Sage Covina Chevrolet,
12 Sage Pre-Owned, or Sage Hyundai.

13 19. Defendants subsequently supplemented their response on April 23, 2015,
14 producing, among other things, copies of the Certifications of Records of
15 Regularly Conducted Activity Pursuant to 28 U.S.C. § 1746 for each of the
16 Corporate Defendants, signed by the Individual Defendants. True and correct
17 copies of the April 23, 2015, production cover letter and Certifications are attached
18 as **Att. N.**

19 20. During the course of the investigation, Defendants produced electronically
20 stored information, including e-mails from certain custodians.

21 21. Upon review of this material, FTC staff found that copies of e-mails that
22 should be in the possession of multiple custodians had not been produced. The
23 production also included only four e-mails prior to 2014 and, based on a review of
24 the metadata, included at least 26 responsive e-mails dated after the issuance of the
25 CID that should have been subject to Instruction E but were produced from deleted
26 folders.

27 22. The FTC sent a letter dated September 4, 2015, requesting, among other
28 issues, that Defendants explain these discrepancies and their compliance with the

1 CID. A true and correct copy of the September 4, 2015, letter is attached hereto as
2 **Att. O.**

3 23. In a letter dated September 18, 2015, Defendants responded that e-mails
4 should remain indefinitely “unless they are affirmatively deleted by a user” and
5 represented that they would confirm with each of the individual custodians. A true
6 and correct copy of the September 18, 2015, letter is attached hereto as **Att. P.** I
7 am not aware that Defendants ever provided such confirmation.

8 24. Defendants also represented that they do not maintain their own e-mail
9 servers and that therefore “Sage is not involved in the preservation of emails on
10 any email servers.” *See Att. P.*

11 25. During the investigation, on February 1, 2016, FTC staff provided a copy of
12 the draft complaint to Defendants’ counsel.

13
14 **Advertisements**

15 26. In response to the CID, Defendants produced some advertisements but also
16 represented that “not all advertisements” for the relevant time period “are
17 maintained in a designated file and/or maintained in any computer data base [sic].”
18 *See Att. M.* Advertisements produced by Defendants are marked with a “SAGE”
19 Bates stamp at the bottom.

20 27. FTC staff also conducted Internet searches for advertising related to
21 Defendants. These searches included Defendants’ websites, YouTube, Vimeo, and
22 other specialized websites that monitor advertising and marketing material.
23 Through these searches, FTC staff located numerous advertisements associated
24 with Defendants and their dealerships. I used various software applications to
25 preserve copies of websites and advertisements in their various original formats.

26 28. A number of advertisements obtained during the investigation contain
27 prominent claims that vehicles are available for specific payment amounts,
28 including specific monthly payments and specific initial or down payment

1 amounts.

2 29. In some of these advertisements, the fine print reveals that the prominently
3 advertised monthly payment amount is limited to the first six months and increases
4 substantially thereafter, or that consumers must pay substantially more than the
5 prominently advertised initial payment amount. Furthermore, the monthly payment
6 rate increase or extra initial payment amounts are not disclosed anywhere except
7 the fine print. True and correct copies of a selection of these advertisements are
8 attached hereto as follows:

Description	Attachment
Kia of Downtown LA 4 th of July Advertisement	Att. Q
Universal City Nissan Advertisement	Att. R
West Covina Nissan Advertisement	Att. S
West Covina Toyota Advertisement	Att. T
Mercedes-Benz of Valencia Advertisement	Att. U
Glendale Nissan Spanish Radio Advertisement Transcript	Att. V
English Transcript of <i>Att. V</i>	Att. W
Kia of Downtown Grand Opening Advertisement	Att. X
Universal City Nissan, 2012 Nissan Versa Advertisement, English and Spanish versions	Att. Y
West Covina Nissan Advertisement	Att. Z
West Covina Toyota Advertisement	Att. AA
Spanish-language Video Advertisement for Kia of Downtown LA and West Covina Nissan	Att. AB
English Transcript of <i>Att. AB</i>	Att. AC
Screenshots of <i>Att. AB</i>	Att. AD

26
27 30. A number of the advertisements obtained during the investigation contain
28 prominent claims that vehicles are available at specific payment terms, including

1 monthly payment amounts, down payment amounts, and financing rates. In some
 2 of these advertisements, the prominent text includes a Manufacturer’s Suggested
 3 Retail Price or a description of the offer as the “you pay” price. In many of these
 4 advertisements, the prominent text does not disclose whether the offer is for the
 5 purchase or lease of a vehicle. It is only in the fine print where the advertisements
 6 state that the prominently advertised terms are components of lease offers and not
 7 credit offers. True and correct copies of a selection of these advertisements are
 8 attached hereto as follows:

Description	Attachment
Glendale Nissan Video Advertisement – Bamboozle Autos	Att. AE
Universal City Nissan Advertisement	Att. AF
West Covina Nissan Advertisement	Att. AG
Kia of Downtown Advertisement	Att. AH
West Covina Toyota Advertisement	Att. AI
Glendale Nissan Spanish Radio Advertisement Transcript	Att. V
English Transcript of <i>Att. V</i>	Att. W
Universal City Nissan Advertisement	Att. AK
West Covina Nissan Advertisement	Att. AL
Kia of Downtown Grand Opening Advertisement	Att. X
West Covina Toyota Advertisement	Att. AM

21
 22 31. A number of the advertisements obtained during the investigation contain
 23 prominent claims that vehicles are available at specific payment terms, including
 24 monthly payment amounts, down payment amounts, and financing rates. In some
 25 of these advertisements, the fine print reveals that the prominently advertised
 26 payment terms apply only to certain groups of consumers, including recent college
 27 graduates, consumers with credit scores above 700, military veterans, or consumers
 28 who recently purchased or already own a certain make or model of vehicle. In

1 some of these advertisements, the fine print reveals that a consumer must belong to
 2 several or all of these limiting groups to obtain the prominently advertised terms.
 3 True and correct copies of a selection of these advertisements are attached hereto
 4 as follows:

Description	Attachment
West Covina Nissan Advertisement	Att. AN
Universal City Nissan Memorial Day Sales Event Advertisement	Att. AO
Glendale Nissan Memorial Day Sales Event Advertisement	Att. AP
Glendale Nissan Autumn Sales Event Advertisement	Att. AQ
Kia of Downtown LA 4 th of July Advertisement	Att. Q
Sage Covina Chevrolet – LA Times Advertisement, 1/14/2016	Att. AR
West Covina Toyota Advertisement	Att. AA
Mercedes-Benz of Valencia Advertisement	Att. U
West Covina Nissan Advertisement	Att. AS
Spanish-language Video Advertisement for Universal City Nissan	Att. AT
English Transcript of <i>Att. AT</i>	Att. AU
Spanish-language Video Advertisement for Universal City Nissan and Sage Covina Chevrolet	Att. AV
English Transcript of <i>Att. AV</i>	Att. AW
Screenshots of <i>Att. AV</i> , with translated terms	Att. AX
Spanish-language Video Advertisement for Kia of Downtown LA and West Covina Nissan	Att. AB
English Transcript of <i>Att. AB</i>	Att. AC
Screenshots of <i>Att. AB</i>	Att. AD

25
 26 32. In many of the screenshots at *Att. AX* and *Att. AD*, the on-screen fine print
 27 reveals that the prominent terms are only available with a large down payment that
 28 exceeds \$10,000 or more than 70% of the total vehicle price. These examples are

1 described below:

- 2 a. A 2009 Hyundai Genesis advertised for \$82 per month. The fine print
3 reveals a price of \$15,990 and a down payment of \$12,000. *See Att.*
4 *AX.*
- 5 b. A 2013 Chevy Equinox advertised for \$99 per month. The fine print
6 reveals a price of \$18,995 and a down payment \$13,626. *See Att. AX.*
- 7 c. A 2013 Nissan Frontier advertised for \$99 per month. The fine print
8 reveals a price of \$17,995 and a down payment of \$12,530. *See Att.*
9 *AX.*
- 10 d. A 2015 Nissan Frontier advertised for \$139 per month. The fine print
11 reveals a price of \$22,900 and a down payment of \$15,990. *See Att.*
12 *AD.*

13 33. A number of the advertisements obtained during the investigation contain
14 prominent claims that Defendants help consumers regardless of bad credit,
15 bankruptcy, repossession, or foreclosure. In some of these advertisements, the fine
16 print reveals that the prominently advertised terms apply only to consumers with
17 high credit scores. True and correct copies of a selection of these advertisements
18 are attached hereto as follows:

Description	Attachment
West Covina Nissan Advertisement	Att. AY
West Covina Toyota/Scion Advertisement	Att. AZ
Kia of Downtown LA Advertisement	Att. BA
Universal City Nissan	Att. BB
Mercedes-Benz of Valencia Advertisement	Att. BC
Glendale Nissan Advertisement	Att. BD
West Covina Nissan Advertisement	Att. BE

1	Spanish-language Video Advertisement for Sage Covina Chevrolet	Att. BF
2	English Transcript of <i>Att. BF</i>	Att. BG
3	Screenshots of <i>Att. BF</i>	Att. BH
4	Spanish-language Video Advertisement for Universal City Nissan	Att. AT
5	English Transcript of <i>Att. AT</i>	Att. AU
6	Spanish-language Video Advertisement for Universal City Nissan	
7	and Sage Covina Chevrolet	Att. AV
8	English Transcript of <i>Att. AV</i>	Att. AW

9
 10 34. The Spanish-language Video Advertisement at *Att. AV*, at 0:13 – 0:40
 11 contains the following voiceover:

- 12 a. “...[R]emember that we are going to say yes to you from the moment
 13 you arrive. Don’t have a license? Don’t have credit? Are you worried
 14 about the down payment on your car? Don’t worry!
 15 Come right now and take advantage of these great offers, like our
 16 weekend triple zero deal: zero down, zero percent interest for
 17 seventy-two months and zero for your first monthly payment. This is
 18 only found at the number one Nissan dealer in the world. Universal
 19 City Nissan. Visit us today.” Att. AW.

20 35. During this voiceover, the on-screen print prominently claims that vehicles
 21 are available for zero down payment, zero percent APR for 72 months, and zero
 22 first monthly payment. *See Att. AV*, at 0:28. However, the fine print reveals that the
 23 prominently advertised payment terms apply only to consumers who qualify for
 24 tier 1A credit. *Id.*

25 36. The Spanish-language Video Advertisement at *See Att. AT*, at 0:11 – 0:24
 26 contains the following voiceover:

- 27 a. “And since your job is your credit, you can get a brand-new car like
 28 this 2014 Nissan Altima that gives you up to thirty-eight miles per

1 gallon for just ninety-nine dollars a month. Stop by and find my friend
 2 Martín El Guapo. He will work with you so you can get a brand-new
 3 car.” Att. AU.

4 37. During this voiceover, the on-screen print prominently advertises a 2014
 5 Nissan Altima for \$99 per month. *See Att. AT, at 0:13 – 0:18.* However, the fine
 6 print, which only appears in English, reveals that a consumer “[m]ust have 740
 7 credit score and 5-year credit history” in order to qualify for the offer, in addition
 8 to being a college graduate. *Id.*

9 38. A number of the advertisements obtained during the investigation contain
 10 prominent claims that Defendants will pay off a consumer’s trade-in vehicle even
 11 if the consumer owes money on the trade-in vehicle loan or lease. In some of these
 12 advertisements, the fine print states that negative equity may or will be added to
 13 the new loan or lease balance. True and correct copies of a selection of these
 14 advertisements are attached hereto as follows:

Description	Attachment
Universal City Nissan Advertisement	Att. BI
Universal City Nissan Advertisement	Att. BJ
Universal City Nissan Advertisement	Att. BK
Universal City Nissan Advertisement	Att. BL
Universal City Nissan Advertisement	Att. BM
Universal City Nissan Advertisement	Att. BN
Universal City Nissan Advertisement	Att. BO
Universal City Nissan Advertisement	Att. BP
Universal City Nissan Advertisement	Att. BQ

25
 26 39. A number of the advertisements obtained during the investigation contain
 27 prominent claims that vehicles are available at specific payment terms in a non-
 28 English language. In some of these advertisements, the fine print for these

1 prominently advertised terms appears in English. True and correct copies of a
 2 selection of these advertisements are attached hereto as follows:

Description	Attachment
Spanish-language Video Advertisement for Universal City Nissan	Att. AT
English Transcript of <i>Att. AT</i>	Att. AU
Khmer-language Video Advertisement for West Covina Toyota	Att. BR
English Transcript of <i>Att. BU</i>	Att. BS
Khmer-language Video Advertisement for West Covina Toyota	Att. BT
English Transcript of <i>Att. BW</i>	Att. BU
Chinese-language Video Advertisement for West Covina Toyota	Att. BV
English Transcript of <i>Att. BY</i>	Att. BW
Spanish-language Video Advertisement for Universal City Nissan	Att. BX
English Transcript of <i>Att. CA</i>	Att. BY

14
 15 40. A number of the advertisements obtained during the investigation present
 16 terms for financing the purchase of a vehicle. Some of these advertisements
 17 include terms such as the amount of a down payment, or the period of repayment.
 18 Some of these advertisements do not disclose one or more of the following: (a) the
 19 amount or percentage of the down payment; or (b) the “annual percentage rate,”
 20 using that term. True and correct copies of a selection of these advertisements are
 21 attached hereto as follows:

Description	Attachment
Kia of Downtown LA Advertisement	Att. BZ
Glendale Nissan Advertisement	Att. CA
Universal City Nissan Advertisement	Att. BK
Glendale Nissan Advertisement	Att. BD
Mercedes-Benz of Valencia Advertisement	Att. U

1 41. A number of the advertisements obtained during the investigation present
 2 terms for leasing a vehicle. Some of these advertisements include terms such as the
 3 amount of a payment. Some of these advertisements do not disclose one or more of
 4 the following: (a) whether or not a security deposit is required; or (b) with respect to
 5 a lease in which the liability of the consumer at the end of the lease term is based on
 6 the anticipated residual value of the property, that an extra charge may be imposed
 7 at the end of the lease term. Additionally, some of these advertisements contain the
 8 word “lease” only in the fine print, including some instances where the word does
 9 not appear until the second line of the fine print. True and correct copies of a
 10 selection of these advertisements are attached hereto as follows:

Description	Attachment
Mercedes-Benz of Valencia Winter Event Advertisement	Att. CB
Kia of Downtown LA 4 th of July Advertisement	Att. Q
Universal City Nissan Memorial Day Sales Event Advertisement	Att. AO
Kia of Downtown LA Advertisement	Att. BZ
West Covina Nissan Advertisement	Att. AG
Mercedes-Benz of Valencia Advertisement	Att. U

18
 19 42. Additionally, based on my Spanish language training, I translated the on-
 20 screen terms and fine print in the screenshots of the Spanish-language Video
 21 Advertisement for Kia of Downtown LA attached at Atts. AD and AX. The
 22 translation is true, accurate, and correct to the best of my knowledge and ability.

23 43. FTC staff also located an article about Defendants’ advertising campaigns.
 24 The article discussed mobile marketing and quoted Individual Defendant Michael
 25 Sage discussing Defendant Universal City Nissan’s use of text messaging to
 26 advertise to consumers. A true and correct copy of the article is attached at **Att.**
 27 **CC.**
 28

1 45. Since the FTC filed the complaint on September 29, 2016, FTC staff
2 assigned to this case received an e-mail from a consumer who indicates that
3 Defendants have continued to engage in advertising similar to what I observed in
4 *Att. AX* and *Att. AD*. A true and correct copy of the e-mail is attached at **Att. AJ**.

5 46. The e-mail includes images of what appear to be television advertisements
6 for Kia of Downtown Los Angeles and Sage Hyundai. The consumer stated that
7 the advertisement/s aired the weekend of October 1-2, 2016. In the photographs,
8 the on-screen fine print reveals that the prominent payment terms are only
9 available with a large down payment of nearly ten thousand dollars.

10 47. The first photograph in the email contains prominent terms that advertise
11 three vehicles for \$98 per month. The second photograph in the email appears to be
12 an enlargement of the fine print that appears in the first photograph. The original
13 text and an English translation of this print are as follows:

- 14 a. “2015 NISSAN ALTIMA Stock#LK18886. VIN#264720. Precio
15 \$14,995. Pago mensual \$98 más impuesto y cargos de registro.
16 Compra a 72 meses con 1.99% APR. Enganche \$9,995. Oferta valida
17 con crédito aprobado. Una oferta a este precio. Llame o visite al
18 concesionario para todos los detalles de oferta.”
- 19 b. 2015 NISSAN ALTIMA Stock#LK18886. VIN#264720. Price
20 \$14,995. Monthly payment \$98 plus tax and registration charges.
21 Purchase at 1.99% APR for 72 months. Down payment \$9,995. Offer
22 valid with approved credit. One offer at this price. Call or visit the
23 dealership for all offer details.

24
25 **Online Reviews**

26 48. During this investigation, FTC staff conducted Internet searches for
27 consumer reviews and complaints relating to Defendants, including several social
28 media sites and Defendants’ websites.

Yelp

1
2 49. FTC staff reviewed and captured copies of consumer reviews of the
3 Defendants’ dealerships posted on Yelp.com.

4 50. Among the searches performed on Yelp, FTC staff searched for reviews
5 referencing Defendants’ advertising, by searching for the term “advertise.” True
6 and correct copies of reviews mentioning advertising for Covina Chevrolet,
7 Glendale Infiniti, Glendale Nissan, Kia of Downtown Los Angeles, Universal City
8 Nissan, and West Covina Nissan are attached hereto, respectively as **Att. CD, Att.**
9 **CE, Att. CF, Att. CG, Att. CH, and Att. CI.**

10 51. In addition, FTC staff reviewed and captured publicly available profile pages
11 for Yelp users that posted reviews of Defendants. True and correct copies of
12 selected Yelp profiles and reviews are attached as follows:

- 13 a. Ali K. – **Att. CJ.** Ali K. reviewed Glendale Infiniti on July 3, 2013.
14 His review indicates that he has “checked in” at Glendale Infiniti 13
15 times.
- 16 b. Anwar S. – **Att. CK.** Anwar S.’s profile includes reviews of West
17 Covina Nissan dated September 22, 2016, and Sage Hyundai and
18 Glendale Nissan dated September 21, 2016.
- 19 c. EL_Muncher G. – **Att. CL.** EL_Muncher G. reviewed Universal City
20 Nissan on December 30, 2015, and October 8, 2015. His most recent
21 review indicates that he has “checked in” at Universal City Nissan
22 152 times. El_Muncher G.’s profile picture depicts him wearing a
23 badge with the name Alexander.
- 24 d. German F. – **Att. CM.** German F.’s profile picture includes an
25 updated review of Universal City Nissan dated March 17, 2016.
- 26 e. Jomari S. – **Att. CN.** Jomari S.’s profile includes a review of Glendale
27 Infiniti dated September 28, 2013.
- 28 f. Maysah “Maya” F. – **Att. CO** (selected pages). Maysah F.’s profile

1 includes the following:

- 2 i. A review of Glendale Nissan dated September 22, 2016;
- 3 ii. A review of Sage Hyundai dated April 28, 2016; and
- 4 iii. A review of Kia of Downtown Los Angeles dated December
- 5 28, 2013, and updated July 21, 2015. Her most recent review of
- 6 Kia of Downtown Los Angeles indicates that she has “checked
- 7 in” 7 times.

8 g. Emil M. – **Att. CP**. Emil M.’s profile includes a review of West

9 Covina Nissan on March 3, 2015. Emil M. also reviewed Universal

10 City Nissan on August 14, 2015.

11 h. Fauzia G. – **Att. CQ**. Fauzia G.’s profile includes a review of West

12 Covina Nissan on February 27, 2015.

13 i. Syed U. – **Att. CR**. Syed U.’s profile includes a review of West

14 Covina Nissan on February 27, 2015.

15 j. Victor V. – **Att. CS** (selected pages). Victor V.’s profile includes the

16 following:

- 17 i. A review of Glendale Nissan on June 27, 2016, showing 9
- 18 check-ins;
- 19 ii. A review of Sage Pre-Owned on October 21, 2015, showing 3
- 20 check-ins;
- 21 iii. A review of Universal City Nissan on July 13, 2015, showing
- 22 127 check-ins; and
- 23 iv. A review of Kia of Downtown Los Angeles, updated most
- 24 recently on January 17, 2015, showing 32 check-ins.

25 52. Around April 13, 2016, while monitoring the website for new reviews, I

26 observed that Yelp had posted a consumer alert for Defendant Universal City

27 Nissan, explaining that “[a] number of positive reviews for this business originated

28 from the same IP address. . . . [and] we wanted to call this to your attention

1 because someone may be trying to artificially inflate the rating for this business.” I
2 captured a screenshot of the consumer alert, and a true and correct copy of which is
3 attached at **Att. CT**.

4 53. In response to an FTC request for reviews associated with this consumer
5 alert, Yelp produced copies of several reviews originating from the IP address
6 45.59.219.132, along with a declaration certifying to the authenticity of the
7 records by its custodian of records. True and correct copies of Yelp’s response and
8 the declaration are attached at **Att. CU**.

9 54. In response to the CID, Defendants produced electronically stored
10 information, including materials relating to Yelp reviews. True and correct copies
11 of two such communications involving Individual Defendant Joe Schrage are
12 attached hereto, as **Att. CV** and **Att. CW**. The e-mails indicate that at least one of
13 Defendants’ employees used a Gmail account to conduct business.

14 55. I also accessed Yelp’s Terms of Service. The Terms of Service state, in part,
15 that “You alone are responsible for Your Content, and once published, it cannot
16 always be withdrawn,” and that Yelp “reserve[s] the right to remove, screen, edit,
17 or reinstate User Content from time to time at our sole discretion for any reason or
18 no reason, and without notice to you.” A true and correct copy of Yelp’s Terms of
19 Service page is attached at **Att. CX**.

20 Facebook

21 56. FTC staff reviewed and captured copies Defendants’ commercial Facebook
22 pages posted on Facebook.com and the consumer reviews included therein. True
23 and correct copies of some of the Facebook pages for Defendants are attached as
24 follows:

- 25 a. Sage Covina Chevrolet – **Att. CY**.
- 26 b. Sage Hyundai Reviews – **Att. CZ**
- 27 c. Sage Hyundai Customer Reviews – **Att. DA**.
- 28 d. Sage Pre-Owned North Hollywood – **Att. DB**.

1 57. FTC staff reviewed the Facebook page for Reviews Reputation. A true and
2 correct copy of the Facebook page for Reviews Reputation is attached as **Att. DC**.
3 Review Reputation’s Facebook page indicates that it provides “online reviews,
4 branding and reputation management.”

5 58. In addition, FTC staff reviewed and captured publicly available profile pages
6 and pictures for some of the individuals that posted reviews of Defendants on
7 Facebook. In some cases, the individual’s Facebook profile indicated his or her
8 place of employment. True and correct copies of selected Facebook profiles and
9 pictures are attached as follows:

- 10 a. Alexander Garcia – **Att. DD**. Mr. Garcia’s profile indicates that he
11 works for Defendant Universal City Nissan. Mr. Garcia’s Facebook
12 page also included the following:
 - 13 i. A photograph of his Universal City Nissan business card which
14 lists what appears to be a personal Gmail address and cell
15 phone number; and
 - 16 ii. A photograph which appears to match the Yelp profile photo
17 for EL_Muncher G. described above in paragraph 51c. True
18 and correct copies of the photographs are attached as **Att. DE**
19 and **Att. DF**, respectively
- 20 b. Anthony Lara – **Att. DG**. Mr. Lara’s profile indicates that he has
21 worked for Kia of Downtown Los Angeles from May 2015, to the
22 present.
- 23 c. Anwar Saleh – **Att. DH**. Mr. Saleh’s profile indicates that he has been
24 a sales manager for Kia of Downtown Los Angeles from 2014, to the
25 present.
- 26 d. Bassem Balaa – **Att. DI**. Mr. Balaa’s profile indicates that he has been
27 a desk manager for Kia of Downtown Los Angeles from January 20,
28 2014, to the present.

- 1 e. Chevy Guy – **Att. DJ**. Mr. Guy’s profile indicates that he works for
2 Covina Chevrolet.
- 3 f. Emil Mkrtyan – **Att. DK**. Mr. Mkrtyan’s profile includes contact
4 information for Defendant Universal City Nissan.
- 5 g. Mike Sage Schrage – **Att. DL**. Mr. Schrage’s profile indicates that he
6 has been VP, Director of Operations for Universal City Nissan, Sage
7 Automotive Group from June 1980, to the present.
- 8 h. Tony Ly – **Att. DM**. Mr. Ly’s profile indicates that he is the Director
9 of Client and Partnership for Reviews Reputation.
- 10 i. Victor Villalobos – **Att. DN**. Mr. Villalobos’s profile indicates that he
11 is or was a desk manager for Glendale Nissan, a sales manager for
12 Universal City Nissan, and a sales manager for Kia of Downtown Los
13 Angeles.

14 59. Based only on a review of publicly available information as of October 3,
15 2016, at least six of the seven reviews appearing on the Sage Pre-Owned Facebook
16 page appear to be by employees or agents of Defendants.

17 60. Based only on a review of publicly available information as of October 3,
18 2016, at least five of the eight, five-star reviews of Sage Hyundai appear to be by
19 employees or agents of Defendants.

20 61. Based only on a review of publicly available information, at least 12 of the
21 65 five-star reviews of Kia of Downtown Los Angeles as of October 3, 2016
22 appear to be by employees or agents of Defendants.

23 62. In addition, one employee, Syed Ullah, posted public photos of his family,
24 and FTC staff captured true and correct copies of some of them. By comparing the
25 family photos and other publicly available information on Facebook, it appears that
26 Mr. Ullah’s wife is the same person as depicted in Fauzia G’s Yelp review. For
27 privacy reasons, the photographs are not attached hereto but are available upon
28 request.

1 63. I also accessed Facebook’s Terms of Service. A true and correct copy of
2 Facebook’s Terms of Service page is attached at **Att. DO**.

3 **Google**

4 64. FTC staff’s investigation also revealed that Google included consumer
5 reviews of Defendants. True and correct copies of selected Google reviews found
6 for some of the Defendants are attached as follows:

7 a. Universal City Nissan – **Att. DP**.

8 b. Sage Hyundai – **Att. DQ**.

9 65. FTC staff also accessed Google’s Terms of Service and Review Policy. True
10 and correct copies of Google’s Terms of Service and Review Policy are attached,
11 respectively, at **Att. DR** and **Att. DS**.

12 **Defendants’ Websites**

13 66. As part of the investigation, FTC staff found that Defendants’ websites have
14 included reviews from the third party websites described above. For example, the
15 landing page for Defendant Kia of Downtown’s website, www.kiaofdtla.com,
16 includes a “Review” link that opens a pop-up window of “consumer” reviews
17 collected from ten different online websites. A true and correct copy of portions of
18 Kia of Downtown’s website are attached at **Att. DT**. A true and correct copy of
19 portions of Universal City Nissan’s website is attached at **Att. DU**.

20 67. Additionally, FTC staff captured Defendants’ webpages that identified
21 employees or staff. True and correct copies of these pages for Defendants Glendale
22 Infiniti and Kia of Downtown are attached, respectively, as **Att. DV** and **Att. DW**.

23
24 **Digital Air Strike**

25 68. In response to the CID, Defendants produced some communications
26 between Defendants and Digital Air Strike.

27 69. According to its website, digitalairstrike.com, Digital Air Strike is a
28 company offering social media and reputation management services. Digital Air

1 Strike also has conducted an annual survey called “Automotive Social Media
2 Trends Study.” Digital Air Strike’s 2015 survey found that 50 percent of those
3 surveyed “ranked review sites as the most influential dealership selection tool[.]”
4 The press release is available at
5 [http://digitalairstrike.com/digital-air-strike-releases-2015-social-media-trends-](http://digitalairstrike.com/digital-air-strike-releases-2015-social-media-trends-study-for-the-automotive-industry)
6 [study-for-the-automotive-industry](http://digitalairstrike.com/digital-air-strike-releases-2015-social-media-trends-study-for-the-automotive-industry), and a true and correct copy of the press release
7 is attached hereto, as **Att. DX**.

8
9 70. A review of the documents produced by Defendants shows that Digital Air
10 Strike has notified Defendants, including Individual Defendants, about consumer
11 reviews. Additionally, in some cases, Defendants’ employees have forwarded these
12 communications to one or more Individual Defendants. True and correct copies of
13 four such communications are attached hereto, as **Atts. DY-EB**.

14 71. Michael Schrage, for example, was copied on a response to a consumer who
15 responded to a Digital Strike survey that Universal City Nissan charged over
16 \$1,500 more than the advertised price. *See Att. DY; see also Att. DZ* (review
17 referencing mailed advertisements offering to purchase used vehicles).

18 72. In another communication, Michael and Leonard Schrage received
19 notification from Digital Strike of negative reviews for Mercedes-Benz of
20 Valencia. *See Att. EA*. Michael Schrage forwarded the communication to Joseph
21 Schrage. *Id.* The e-mail also indicates that Defendants and their employees or
22 agents used personal e-mail addresses to conduct business, such as Me.com, an
23 email service provided by Apple.

24 73. Additionally, Digital Air Strike escalated a Facebook review regarding
25 possible unauthorized add-ons and yo-yo practices to Michael Schrage and two
26 Universal City Nissan employees, stating, “Due to the content in this review I felt
27 it was best to notify you before responding. Please let me know how you would
28 like to proceed.” *See Att. EB*.

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LinkedIn

74. I conducted internet searches for some of the individuals identified in the reviews described above. A number of the search results included links to LinkedIn profiles. True and correct copies of selected LinkedIn profiles are attached as follows:

- a. Syed Ullah – **Att. EC.** Mr. Ullah’s profile indicates that he has been the General Sales Manager for Sage Covina Chevrolet with experience in F&I (“finance and insurance”) training and compliance. He also has been director of e-commerce and finance director for Sage Auto Group since June 2011.
- b. Alexander Garcia – **Att. ED.** Mr. Garcia’s profile indicates that he has been an Internet Sales Manager for Universal City Nissan since October 2013.
- c. Emil Mkrtchyan – **Att. EE.** Mr. Mkrtchyan’s profile indicates that he has responsibility for F&I and Sales for Universal City Nissan and previously served as the Internet Sales manager for West Covina Nissan.
- d. German Flores – **Att. EF.** Mr. Flores’ profile indicates that he is a Desk Manager at Universal City Nissan. Mr. Flores has also been the Desk Manager for Sage Covina Chevrolet and the Internet Director at Glendale Nissan.
- e. Tony Ly – **Att. EG.** Mr. Ly’s profile indicates that he is Director of Client-Partnership Services at ReviewsReputation.

Consumer Sentinel Complaints

75. The FTC maintains a consumer complaint database, known as the Consumer Sentinel Network (“Sentinel”). The database contains complaints that consumers

1 file directly with the FTC and complaints that other law enforcement authorities
2 and consumer protection organizations receive and forward to the FTC. Given the
3 vast number of complaints from numerous sources, Sentinel complaints are purged
4 from the database five years after submittal.

5 76. Based on the FTC's experience, some consumers may not be aware that the
6 conduct they have experienced violates the FTC Act, or other consumer protection
7 laws. Additionally, some consumers may not know where to complain or may
8 complain directly to the business or another source. For those reasons, the total
9 number of consumer complaints the FTC receives understate the extent to which
10 the practices violate the law.

11 77. FTC staff reviewed Sentinel complaints and identified consumers that filed
12 complaints concerning the practices alleged in the FTC's complaint, including
13 Defendants' advertising, sales, and financing practices. The complaints involving
14 Defendants advertising include the following:

- 15 a. Romelia F. filed a complaint stating that West Covina Nissan mailed
16 her a "special offer in which they promise to paid full amount if you
17 Trade-in & Early Lease Termination" but West Covina did not do so
18 because it added the negative equity to the loan.
- 19 b. Stefanie W. filed a complaint stating Universal City Nissan was
20 advertising \$55 down and \$55 monthly car payments but Universal
21 City Nissan demanded a \$7,000 down payment.

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1 c. An anonymous consumer filed a complaint on April 14, 2013
2 about a West Covina Toyota commercial on Channel USA
3 advertising \$88 down and \$88 per month to lease a Toyota Siena
4 but the payments were much higher.

5 **Lawsuits**

6 78. In response to the CID, Defendants produced electronically stored
7 information, including materials relating to lawsuits involving Defendants. True
8 and correct copies of two such communications and attachments involving
9 Individual Defendants are attached hereto, as **Atts. EH–EI**.

10 79. During the investigation, FTC staff separately identified additional lawsuits
11 involving Defendants.

12 80. FTC staff obtained documents from *Hernandez v. West Covina Nissan, LLC*,
13 Case No. BC562734 (L.A. Ca. Sup. Ct. filed Nov. 4, 2014). In that action, I found
14 that plaintiff filed a motion for sanctions based on allegations of document
15 destruction and spoliation. On July 19, 2016, the court granted plaintiff’s motion,
16 “find[ing] this instance of evidence spoliation to be sufficiently serious to justify
17 the imposition of the entire amount sought in sanctions.” As a result the court also
18 precluded Defendant West Covina Nissan from proffering any evidence contrary to
19 Plaintiff’s evidence. A true and correct copy of the court’s order is attached hereto
20 as **Att. EJ**.

21 81. The FTC also obtained documents from *Schrage v. Schrage, et. al.*, Case
22 No. BC579623 (L.A. Ca. Sup. Ct. filed Apr. 23, 2015). Defendant Leonard
23 Schrage filed the lawsuit against Defendants Michael and Joseph Schrage seeking
24 to dissolve and unwind the various dealership entities because of alleged
25 mismanagement and self-dealing by his two brothers. During the course of
26 litigation, the state court found that the Defendants acted as a common enterprise
27 and issued an injunction, requiring a court-appointed independent examiner, after
28 finding “self-dealing, including misappropriating \$1.7 million” from the enterprise

1 to fund a private Lotus dealership. True and correct copies of the court’s order and
2 preliminary injunction are attached respectively as **Att. GH** and **Att. EK**.

3 Additionally, true and correct copies of declarations relating to the proceedings are
4 attached hereto as follows:

- 5 a. Declaration of Leonard Schrage in Support of Motion for
6 Appointment of Receiver (Aug. 18, 2015) – **Att. EL**.
- 7 b. Supplemental Declaration of Lacinda Cooper in Support of
8 Opposition to *Ex Parte* Application to (1) Continue Hearing on
9 Motion for Receivership, and (2) Seal Documents (Aug. 21, 2015) –
10 **Att. EM**.
- 11 c. Declaration of Joseph Schrage in Opposition to Plaintiff Leonard
12 Schrage’s Motion to Appoint Receiver (Oct. 22, 2015) without
13 exhibits – **Att. EN**.
- 14 d. Declaration of Michael Schrage in Opposition to Plaintiff Leonard
15 Schrage’s Motion to Appoint Receiver (Oct. 22, 2015) without
16 exhibits – **Att. EO**.
- 17 e. Declaration of Leonard Schrage in Support of *Ex Parte* Application
18 for an Order to Show Cause Re: Preliminary Injunction Barring
19 Defendants Michael and Joseph Schrage from Management (Aug. 10,
20 2016) with selected exhibits – **Att. EP**.

21 Any exhibits to the declarations not presently provided are available upon request.

22 82. Defendant Leonard Schrage filed an opposition to Defendant Michael and
23 Joseph Schrage’s *Ex Parte* Application for Stay of All Proceedings in the *Schrage*
24 litigation. The opposition states, “Over the past several weeks, Leonard has learned
25 (as has the Examiner appointed by Judge Chalfant) that Michael and Joseph have
26 secretly opened several new entities under the ‘Sage’ banner and have transferred
27 Company funds there in plain violation of Judge Chalfant’s injunction...” A true
28 and correct copy of the opposition is attached hereto at **Att. EQ**.

1 83. A court-appointed independent examiner in the *Schrage* litigation issued an
2 April 6, 2016, report indicating that certain Defendants, including Michael and
3 Joseph Schrage, continue to commingle or divert corporate funds for improper
4 purposes in violation of an injunction. The examiner also found that one Defendant
5 made false statements and fabricated documents to disguise the nature of certain
6 transactions. As a result, the court-appointed independent examiner has filed an *ex*
7 *parte* application with the state court. True and correct copies of the application,
8 the supporting declaration of the examiner, and the court order granting the
9 application are attached hereto as **Atts. ER-ET**.

10 84. Furthermore, the FTC obtained a copy of a lawsuit filed by Nissan North
11 America (“NNA”) against Defendant West Covina Nissan on August 9, 2016. In
12 its complaint, NNA alleges that, since at least January 1, 2013, West Covina
13 Nissan engaged in a “massive scheme to defraud” NNA “out of millions of dollars
14 by submitting fraudulent warranty and repair claims. . .” that “were invented out
15 of whole cloth simply as a way of obtaining money from NNA unlawfully.” A
16 true and correct copy of NNA’s complaint without the exhibits is attached hereto
17 as **Att. EU**. The exhibits are available upon request.

18
19 **City of Los Angeles Attorney**

20 85. In response to the FTC’s CID, Defendants produced a letter from the City of
21 Los Angeles City Attorney dated November 20, 2013. The letter was sent to
22 Defendants Leonard Schrage and Universal City Nissan notifying them that the
23 City Attorney had observed certain types of advertisements involving rebates,
24 discounts, and sales prices that it deemed to be misleading and unlawful. A true
25 and correct copy of the City of Los Angeles letter by in response to the CID is
26 attached hereto as **Att. EV**.

27 **FTC Actions**

28 86. The FTC has been pursuing auto dealers for deceptive and unfair conduct for

1 decades. Since 2011, the FTC has brought more than 25 cases.

2 87. In 2012, the FTC brought five actions against dealers that advertised they
3 would pay off a consumer’s trade-in no matter what they owed on the trade.

4 88. In 2013, the FTC brought actions against dealers that advertised vehicles and
5 discounts and rebates that were not generally available to typical consumers.

6 89. In 2014, the FTC participated in Operation Steer Clear – “a coast-to-coast
7 law enforcement sweep focusing on deceptive TV, newspaper, and online claims
8 about auto sales, financing, and leasing.” True and correct copies of the press
9 releases about Operation Steer Clear are attached as **Att. GE** (FTC Announces
10 Sweep Against 10 Auto Dealers (Jan. 9, 2014)), and **Att. GF** (FTC Approves Final
11 Consent Orders in Deceptive Auto Dealers’ Ad Cases (May 6, 2014)).

12 90. In 2015, the FTC brought six cases as part of the Operation Ruse Control
13 Sweep – 252 law-enforcement actions by the FTC’s federal, state, and international
14 partners. A true and correct copy of the press release about Operation Ruse Control
15 is attached as **Att. GG** (FTC, Multiple Law Enforcement Partners Announce
16 Crackdown on Deception, Fraud in Auto Sales, Financing and Leasing (Mar. 26,
17 2015)).

18 91. True and correct copies of the complaints and consent orders for several of
19 the FTC actions as well as the allegations involved in each action are detailed and
20 attached in the tables below:

21 a. Deceptive Ads Regarding Low Down Payments and Low Monthly
22 Payments

Case Name	Date	Allegations involved	Atts.
In re Infiniti of Clarendon Hills, Inc.	5/6/2014	advertising that consumers could pay \$0 up-front to lease a vehicle when, in fact, the advertised amounts excluded substantial fees and other amounts	EW-EX

1	In re New	5/6/2014	TILA and CLA violations for failing to	EY-EZ
2	World Auto		disclose or to disclose clearly and	
3	Imports, Inc.		conspicuously required credit information	
4	In re Nissan of	5/6/2014	advertising that consumers could finance a	FA-FB
5	South Atlanta,		purchase with low monthly payments	
6	LLC		when, in fact, the payments were temporary	
7			and would increase, and consumers would	
8			owe much higher amounts	
9	In re Norm	5/6/2014	advertising that consumers could pay \$0	FC-FD
10	Reeves, Inc.		up-front to lease a vehicle when, in fact, the	
11			advertised amounts excluded substantial	
12			fees and other amounts	
13	In re	5/6/2014	advertising that consumers could finance a	FE-FF
14	Paramount Kia		purchase with low monthly payments when,	
15	of Hickory,		in fact, the payments were temporary	
16	Inc.		“teasers” and consumers would owe much	
17			higher amounts	
18	In re TXVT	2/13/2015	advertising enticing prices, lease or finance	FG-FH
19	Ltd. P’ship		terms, and promotions that the dealership	
20			attempted to disclaim using small text in print	
21			and video advertisements	
22	In re City	5/29/2015	advertising that consumers could pay \$0 up-	FI-FJ
23	Nissan, Inc.		front to lease a vehicle when, in fact, the	
24			advertised amounts excluded substantial fees	
25			and other amounts	

b. Offers for Purchase that are Actually Lease Offers

Case Name	Date	Allegations involved	Atts.
In re Collins Buick	5/10/1993	advertising payment amounts or other payment terms but failing to disclose that the transaction advertised was a lease	FK
In re Dunphy Nissan, Inc.	2/11/2000	advertising down and monthly payment amounts in main advertisement text but not referring to "lease" until fine print	FM-FN
In re Northeast Auto Outlet, Inc.	2/11/2000	advertising monthly payment amounts in main advertisement text but not referring to "lease" until fine print	FO-FP
In re TC Dealership, LLP	10/20/2015	advertising monthly payment amount and "50% off" in main advertisement text but not referring to "lease" until fine print	FQ-FR
In re JS Autoworld, Inc.	10/20/2015	advertising down and monthly payment amounts in main advertisement text but not referring to "lease" until fine print	FS-FT

c. Offers Not Generally Available to Consumers

Case Name	Date	Allegations involved	Atts.
In re Timonium Chrysler, Inc.	2/11/2014	advertisements touting “dealer discounts” and “internet prices” that failed to disclose adequately that consumers would need to qualify for a series of smaller rebates not generally available to them and that, in many instances, even if a consumer qualified for all the rebates, the cost of the vehicle was still greater than the advertised price	FU-FV
In re Ganley Ford West, Inc.	2/11/2014	advertisements that failed to disclose that advertised discounts generally only applied to more expensive versions of advertised vehicles	FW-FX
In re Jim Burke Auto., Inc.	5/29/2015	advertising discounts and prices that failed to disclose adequately that consumers would need to qualify for a series of rebates not generally available to them	FY-FZ
In re TT of Longwood, Inc.	7/10/2015	advertising discounts and prices that failed to disclose adequately that consumers would need to qualify for a series of rebates not generally available to them	GA-GB

d. Paying Off Negative Equity that is Actually Rolled into the Amount
Financed for the New Vehicle

Case Name	Date	Allegations involved	Atts.
In re Billion Auto, Inc., et al.	12/12/2014	Representations when consumer trades in used vehicle, dealer pays off loan balance and consumer has no remaining obligation for loan.	GC-GD
In re Ramey Motors, Inc.	5/11/2012	Representations when consumer trades in used vehicle, dealer pays off loan balance and consumer has no remaining obligation for loan.	GI-GJ
In re Frank Meyers AutoMaxx, LLC	5/11/2012	Representations when consumer trades in used vehicle, dealer pays off loan balance and consumer has no remaining obligation for loan.	GK-GL

e. Violations of the Truth in Lending Act and the Consumer Leasing Act

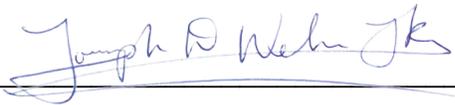
Case Name	Date	Allegations involved	Atts.
In re New World Auto Imports, Inc.	5/6/2014	TILA and CLA violations for failing to disclose or to disclose clearly and conspicuously required credit information	EY-EZ
In re Infiniti of Clarendon Hills, Inc.	5/6/2014	advertising that consumers could pay \$0 up-front to lease a vehicle when, in fact, the advertised amounts excluded substantial fees and other amounts	EW-EX

1 **Redaction of Information**

2 92. Personal identifying information, such as photographs, phone numbers,
3 social security numbers, and account numbers have been redacted from the
4 Attachments to this declaration.

5
6 Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the statements
7 made in this declaration are true and correct.

8 Executed in Washington, D.C., on October 6, 2016.

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11 Joseph D. Weber, Jr.
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