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9 SAN FRANCISCO FEDERAL CREDIT UNION

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **FOR THE COUNTY OF SAN FRANCISCO**

12 SAN FRANCISCO FEDERAL CREDIT)
13 UNION)
14 Plaintiff,)
15 vs.)
16 SAN FRANCISCO MUNICIPAL)
TRANSPORTATION AGENCY and DOES)
17 1 to 10)
18 Defendant.)
19

Case No. **CGC-18-565325**

SAN FRANCISCO FEDERAL CREDIT UNION'S COMPLAINT AGAINST THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

JURY TRIAL DEMANDED

20 Comes now Plaintiff San Francisco Federal Credit Union ("Credit Union" or "Lender") for
21 its Complaint hereby alleges as follows:

22 **I. INTRODUCTION**

23 1. In 2009, the City and County of San Francisco ("City" or "San Francisco") was
24 facing a massive budget shortfall, and Mayor Gavin Newsom realized that San Francisco could
25 tap into a substantial source of new revenues by selling transferable taxi medallions to individual
26 taxi drivers. Each medallion represented the right to operate a single taxi in San Francisco.

27 2. Taxi medallions had previously been issued for free, but were rendered non-
28 transferable by Proposition K, which passed in 1978. However, like most municipalities, San

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San Francisco County Superior Court

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1 Francisco limited the number of medallions to ensure that an adequate amount of business was
2 available to support safe, well-trained drivers and consistency of quality, both in the vehicles used
3 and their drivers. Under Proposition K, taxi medallions were not transferable and for this reason,
4 it was nearly impossible for a taxi driver to obtain a taxi medallion, with a wait list in 2009 of over
5 3,000 taxi drivers. It could take fifteen or more years for a taxi driver to obtain a medallion, as a
6 medallion only became available upon its revocation or the death or incapacity of an existing
7 medallion holder. Before Proposition K, taxi medallions were available from the City for a
8 nominal fee and could be freely sold or transferred.

9 3. As luck would have it for Mayor Newsom, also in 2009, the San Francisco
10 Municipal Transportation Agency (“SFMTA”), a department of San Francisco, gained regulatory
11 and enforcement authority over taxis operating in San Francisco. This enabled the SFMTA to
12 ignore Proposition K and instead regulate taxis as the SFMTA saw fit. The SFMTA is responsible
13 for the management of all ground transportation in the City including taxis and public transit. The
14 publicly stated mission of the SFMTA’s Taxi Services Division is to promote “a vibrant taxi
15 industry through intelligent regulation, enforcement and partnership.”

16 4. So, beginning in 2010 – for the first time in over thirty years – San Francisco
17 decided to monetize medallions by selling taxi medallions to the City’s taxi drivers. Unlike the
18 taxi medallion market before Proposition K was passed in 1978, this time around, taxi drivers
19 were not being charged a “nominal fee” for the medallions. Rather, to satisfy the City’s need for
20 substantial new revenues, the SFMTA set the purchase price at \$250,000 for a single medallion.
21 The City knew that selling medallions at \$250,000 each to a waiting list of more than 3,000 taxi
22 drivers would surely raise significant new revenues for San Francisco.

23 5. To validate and support the \$250,000 purchase price and create a “market” for these
24 newly created assets, the SFMTA provided that each such medallion would be transferable in the
25 future to other taxi drivers, subject in every case to the provisions and requirements of the San
26 Francisco Transportation Code.

27 6. The regulations of the SFMTA, including the provisions of Article 1100 entitled
28 “Regulation of Motor Vehicles for Hire” of Division II of the San Francisco Transportation Code

1 (the "Transportation Code"), delineate how taxis operate in San Francisco. Section 1116 of the
2 Transportation Code contains the principal provisions governing the Taxi Medallion Transfer
3 Program (the "Program"), including provisions which authorized financing by federally insured
4 lender(s) for taxi drivers who desired to purchase the medallions with the SFMTA regulating,
5 directing, and controlling all elements of the Program.

6 7. Most of the City's taxi drivers lived under moderate circumstances in or around San
7 Francisco where they had families and raised and schooled their children. The City knew that its
8 taxi drivers would not be able to afford \$250,000 for a medallion. In search of a solution, the
9 SFMTA approached numerous federally insured financial institutions to inquire whether they
10 would be willing to partner with the City by financing taxi drivers' purchases of these medallions.
11 After many fruitless cold calls, the Credit Union, a member-owned, not-for-profit, federally-
12 chartered and insured credit union whose membership consists of those living, working, going to
13 school, or worshipping in San Francisco, eventually stepped up to the plate.

14 8. However, the Credit Union was initially cautious and uncertain about taking on the
15 risks involved in making taxi medallion loans given the high price of the medallion, concerns over
16 the sustainability of this new market for taxi medallions, and the difficulty of confirming taxi
17 driver income, which at the time was largely a cash-based business.

18 9. Looming over the City's medallion sales plan was 2009's general lending climate:
19 During the Great Recession, no one wanted to lend anyone any money. To combat this, the City
20 needed to provide significant assurances to the Credit Union. As an initial measure, the SFMTA
21 provided the Credit Union with taxi driver income data that was not publicly available previously.
22 This allowed the Credit Union to better ascertain the true credit worthiness and earning power of
23 the taxi drivers.

24 10. This was not nearly enough so, critically, the SFMTA agreed that it would facilitate
25 an active market for the transferable medallions and guarantee the Credit Union a price floor of
26 \$250,000. The SFMTA committed to "use diligent and good faith efforts to retransfer each
27 foreclosed Medallion as soon as reasonably possible." The SFMTA also committed to "take any
28 action that may be necessary" to retransfer foreclosed medallions. And, to document the \$250,000

1 price floor, the SFMTA promised the Credit Union it would not decrease the medallion purchase
2 price below \$250,000 as long as the Credit Union held any outstanding medallion loans to taxi
3 drivers to finance their medallion purchase.

4 11. The SFMTA also provided that no lender could finance taxi medallion purchases
5 unless they were designated a "Qualified Lender" by the SFMTA and that only a Qualified Lender
6 could take and perfect a security interest in transferable medallions to secure the obligations of the
7 medallion purchaser in the event of defaults under the loan agreement. The Transportation Code
8 expressly defined what constituted a "Qualified Lender" and under the Transportation Code all
9 lenders approved by the SFMTA as "Qualified Lenders" were intended to be primary beneficiaries
10 of all rights and benefits thereunder.

11 12. Additionally, a key metric provided by the SFMTA in its contracts with the Credit
12 Union and Section 1116(d) of the Transportation Code, and upon which the Credit Union relied, is
13 the concept that if the Program collapsed, failed or if the SFMTA otherwise ceased retransferring
14 transferable medallions, upon request by any of the medallion holders, the SFMTA agreed to
15 repurchase the medallion(s) for the amount originally paid after satisfying the Credit Union's loan
16 and then reissuing to the medallion owner at no charge a non-transferable medallion. When
17 implemented, this strategy was intended by the parties to operate as an "exit mechanism" as it
18 would largely return the San Francisco taxi medallion regulatory format to a condition similar to
19 that which existed before the City, through the SFMTA, created its revenue-generating scheme to
20 sell transferable taxi medallions commencing in August 2010.

21 13. As long as the SFMTA maintained a viable retransfer market for transferable
22 medallions, the Credit Union was willing to bear the credit risk associated with each of the
23 individual medallion loans it made based on the understanding and agreement with the SFMTA
24 that it would protect the \$250,000 medallion purchase price as long as any medallion loan was
25 outstanding and that upon foreclosure of any medallion secured loan, the SFMTA would
26 diligently and in good faith "take any action that may be necessary" to retransfer the foreclosed
27 medallion to a new purchaser for the benefit of the Credit Union. The covenants by the SFMTA
28 to diligently and in good faith take any action necessary to retransfer a foreclosed medallion were

1 so important to the Credit Union that the SFMTA agreed that these promises would survive
2 termination of the Lender Agreements that it entered into with the Credit Union.

3 14. Satisfied that the SFMTA would make good on these promises, duties and
4 commitments, the Credit Union entered into a public-private partnership with the SFMTA and
5 became a Qualified Lender for the financing of taxi medallions under the SFMTA's new "Taxi
6 Medallion Transfer Program." As a result, the Credit Union, and its member taxi drivers, were
7 and are completely reliant on the SFMTA to satisfy its duties and obligations under its contracts
8 with the SFMTA and pursuant to the Transportation Code.

9 15. The above assurances were adopted by the SFMTA through revisions to Section
10 1116 of the Transportation Code and reduced to writing in the Credit Union's contracts with the
11 SFMTA dated August 4, 2010 ("2010 Lender Agreement") and January 10, 2013 ("2013 Lender
12 Agreement" and collectively, the "Lender Agreements"). Attached to this complaint and
13 incorporated herein by reference as Exhibit A is a true and correct copy of the 2010 Lender
14 Agreement. Attached to this complaint and incorporated herein by reference as Exhibit B is a true
15 and correct copy of the 2013 Lender Agreement.

16 16. The SFMTA approved two lenders as Qualified Lenders, including the Credit
17 Union, however, the second lender only made a few medallion loans and it failed in 2015. All of
18 the other loans made for taxi medallion purchases under the SFMTA's Program were made by the
19 Credit Union, and all of the taxi drivers who obtained financing through the Credit Union were, or
20 are, members of the Credit Union. Taxi drivers who financed their medallions through the Credit
21 Union pledged the medallion as collateral, pursuant to the provisions in the Transportation Code,
22 to secure their repayment obligations under their loans.

23 17. Relying on its rights under the Transportation Code and the SFMTA's duties and
24 obligations therein, the Credit Union underwrote and then financed the purchase and retransfer of
25 over 700 Transferable Medallions for its taxi driver members which for many was a dream come
26 true since the medallions enabled them to start their own small businesses in San Francisco. This
27 represented over \$125 million in taxi medallion loans.

28 18. As a result of the Credit Union's financing of so many of the medallion purchases,

1 the City of San Francisco has been able to realize significant financial gains from the Program,
2 receiving net revenues of approximately \$64 million to date.

3 19. Purchasing a taxi medallion was initially an attractive investment for a taxi driver.
4 In 2012, the average income per ten-hour shift earned by a San Francisco medallion owner was
5 about \$275 and the medallion owner could also routinely hire a driver who paid the medallion
6 owner an average of \$105 to \$120 per shift to drive the taxi for a second ten-hour shift, for an
7 average daily income of approximately \$380 to \$395 per day. It wasn't unusual in 2012-2013 for
8 a medallion owner, as a full-time taxi operator, to drive six ten-hour shifts each week and hire out
9 the taxi to another driver six more times each week for ten-hour shifts, which meant the medallion
10 owner could often average \$9,500 per month. Some medallion owners operated their businesses
11 in an alternative manner whereby they would lease their medallion to a local cab company for
12 approximately \$2,500 per month in exchange for the cab company supplying and maintaining a
13 taxi which the medallion owner then drove five to six times weekly during ten-hour shifts. Under
14 this approach, the medallion owner could earn a cumulative average income exceeding \$8,000 per
15 month.

16 20. This was true even while new "ridesharing" companies like Uber and Lyft began to
17 gain traction in the San Francisco transportation market. Because the SFMTA's mission is to
18 maintain a vibrant taxi industry, taxi drivers and the Credit Union believed that the SFMTA would
19 act proactively, consistent with its mission, to operate the taxi medallion program, promote the
20 taxi medallion market and protect the value of the transferable medallions that it sold, which
21 should have included all of the regulatory and enforcement tools available to it under applicable
22 law.

23 21. By 2016, however, ridesharing companies like Uber and Lyft and their drivers, who
24 could sign up merely by downloading an app, had far fewer regulatory constraints and
25 substantially lower operating costs than medallion-owning taxi drivers, had grown significantly in
26 San Francisco, taking rides and fares away from taxi drivers and putting significant downward
27 pressure on taxi medallion holders' income. By 2016, the average income that a taxi driver could
28 earn had declined precipitously to about \$180 per day and it became nearly impossible to find a

1 second driver to drive the medallion owner's taxi on a second shift, so the earnings potential from
2 this secondary source dried up. In 2016, the earnings potential even for the hardest working
3 medallion owners driving six ten-hours shifts per week had declined precipitously to under \$4,500
4 per month, but this was hit or miss, and some days were much worse. Many medallion-owning
5 drivers gave up driving taxis and took other jobs. The local cab companies were only willing to
6 pay the medallion owner \$400 - \$500 per month for use of the medallion and some days a taxi
7 driver was lucky to earn \$50 during a ten-hour shift after expenses.

8 22. Notwithstanding its mission, duties and obligations, the SFMTA hadn't taken
9 enough proactive or meaningful steps to protect the taxi medallion program and promote the taxi
10 medallion market. Consequently, by the spring of 2016, interest in purchasing taxi medallions had
11 severely waned and by the summer of 2016, there appeared to be no further interest in purchasing
12 medallions. The SFMTA has not issued or sold any medallions since mid-2016, it has stopped
13 allowing taxi drivers to surrender their medallions and ceased retransferring medallions. The
14 market for transferable taxi medallions – which is the very market that the SFMTA created and
15 was responsible for maintaining – had completely collapsed.

16 23. Due to the SFMTA's failure to use the tools available to it to protect the taxi
17 industry or take any meaningful actions to maintain a viable market for transferable taxi
18 medallions, none of the remaining medallion owners can transfer or assign their medallions and
19 the Credit Union has not been able to retransfer almost all of the medallions that it has been
20 required to foreclose upon.

21 24. During all of 2016, the SFMTA repeatedly promised the Credit Union that it would
22 take steps to reinvigorate the taxi industry. The Credit Union relied on these promises. The
23 SFMTA's promises were supposed to bear fruit by making needed reforms – such as approving
24 reforms to the Transportation Code, undertaking an aggressive medallion marketing campaign and
25 commissioning an outside expert study of the taxi industry and medallion market – at a SFMTA
26 board meeting set for November 15, 2016. However, these oft-promised enhancements never
27 were heard at the board meeting. The SFMTA said they instead would be heard at the next board
28 meeting. They weren't heard then nor were they heard at the board meeting after that either

1 despite repeated assurances that they would. Eventually, during this time, the Credit Union
2 realized that despite what it was repeatedly promised, the SFMTA was not going to enhance or
3 reinvigorate the medallion market. Instead, the SFMTA had let it collapse – the SFMTA was not
4 going to be transferring any more medallions nor did the SFMTA even attempt to try – but
5 without admitting that it had collapsed, failed or died, which would have compelled it by statute to
6 return the millions of dollars it had received. The SFMTA had constructively terminated the
7 Program.

8 25. Many taxi medallion holders who historically were able to earn a satisfactory
9 livelihood by driving and operating a taxi have not been able to keep up with their taxi medallion
10 loan payments. Numerous borrowers either walked away from operating their taxi business or
11 defaulted on their loan payments, which has forced the Credit Union to foreclose on at least 99
12 medallions, to date, and the Credit Union has suffered millions of dollars in losses.

13 26. Even though it constructively terminated the Program, the SFMTA has failed to
14 retransfer or repurchase the Credit Union’s foreclosed medallions and it has refused to purchase
15 any of the transferable medallions from medallion owners and the Credit Union as it is
16 mandatorily required to do pursuant to the Transportation Code and the Lender Agreements.
17 Every time the SFMTA fails to retransfer or repurchase one of the Credit Union’s newly
18 foreclosed medallions it violates the Transportation Code and breaches the Lender Agreements
19 anew.

20 27. Despite the SFMTA’s mission and commitment to its citizens to maintain a “vibrant
21 taxi industry” through “intelligent regulation, enforcement and partnership,” the SFMTA has
22 failed to take meaningful steps or actions to maintain the vibrancy of the San Francisco taxi
23 industry.

24 28. Indeed, the SFMTA has failed to satisfy its commitment to protect the taxi driver
25 medallion owners and the Credit Union via the exit mechanism that the Credit Union bargained
26 for under its contracts with the SFMTA and pursuant to the Transportation Code. As a result of
27 the Program, the SFMTA has benefitted greatly through its receipt of net revenues of \$64 million
28 but now the SFMTA has failed to satisfy its duties and obligations under its contracts with the

1 Credit Union because if it did, it would be required to repurchase the transferable medallions it
2 issued since the Program's inception. Instead, it is has elected to stick its head in the sand while
3 the Credit Union and hard-working taxi driver medallion owners are saddled with all the burdens.

4 29. The Credit Union has suffered millions of dollars in damages due to the SFMTA's
5 breaches of the Lender Agreements; breaches of its duty of good faith and fair dealing; breaches
6 of its mandatory duties under the Transportation Code; breaches of its fiduciary duties to the
7 Credit Union; and misrepresentations.

8 30. Accordingly, on November 1, 2017, the Credit Union filed a claim against the
9 SFMTA pursuant to the California Government Claims Act, Government Code Section 900, *et*
10 *seq.* Attached to this complaint and incorporated herein by reference as Exhibit C is a true and
11 correct copy of the November 1, 2017 claim. The SFMTA denied the Credit Union's claim only
12 21 days later, on November 22, 2017. Attached to this complaint and incorporated herein by
13 reference as Exhibit D is a true and correct copy of the SFMTA's denial of the claim. Twenty-one
14 days is not nearly enough time to adequately investigate a years-long claim involving millions of
15 dollars. As such, the Credit Union brings the instant action to enforce its rights under the
16 Transportation Code and the Lender Agreements.

17 II. THE PARTIES

18 31. Plaintiff Credit Union is a federally-chartered and insured not-for-profit member-
19 owned credit union, headquartered in San Francisco, California with 45,000 members who live,
20 work, go to school, or worship in San Francisco.

21 32. The Credit Union is a "Qualified Lender" as defined in the Transportation Code
22 section 1116(m)(3), and as such, is a party to the Lender Agreements.

23 33. Defendant SFMTA, a department of the City and County of San Francisco, was
24 created in 1999 through the passage of Proposition E, which consolidated several separate San
25 Francisco city agencies into the SFMTA. In 2007, San Francisco voters passed Proposition A,
26 which gave the San Francisco Board of Supervisors the option of transferring the powers of the
27 former Taxi Commission to the SFMTA, which the Board of Supervisors exercised. On March 1,
28 2009, the Taxi Commission ceased to exist and the SFMTA became the exclusive regulatory

1 agency with jurisdiction over the San Francisco taxi industry.

2 34. The SFMTA is governed by a seven-member board ("SFMTA Board"), appointed
3 by the Mayor for fixed, staggered terms, and subject to confirmation by San Francisco's Board of
4 Supervisors.

5 35. Edward Reiskin is the Director of Transportation of the SFMTA, having been
6 named to this position in July 2011, and in this capacity, Mr. Reiskin is responsible for overseeing
7 the San Francisco taxi industry, taxi services and the SFMTA's taxi medallion transfer program.
8 Mr. Reiskin reports to the SFMTA Board.

9 36. The true names and capacities of the Defendants named herein as DOES 1 through
10 10, inclusive, whether individual, corporate, associate, or otherwise are unknown to Plaintiff and
11 included herein by fictitious names pursuant to California Code of Civil Procedure Section 474.
12 Plaintiff will amend this Complaint to show their true names and capacities when they have been
13 determined.

14 37. Each of the Defendants herein are, and at all relevant times were, the agent,
15 employee, or representative of the remaining Defendants and were, unless specifically alleged
16 otherwise, acting within the course and scope of such relationship at the time of the events alleged
17 herein.

18 III. FACTUAL BACKGROUND

19 A. BACKGROUND OF THE TAXI MEDALLION TRANSFER PROGRAM

20 38. In California, for many years, taxis have been regulated by local cities and counties,
21 whereas charter-party carriers ("TCPs"), which include limousines and black cars, are regulated
22 by the California Public Utilities Commission ("CPUC").

23 39. Before June 30, 1978, San Francisco taxi medallions were freely transferable among
24 individuals and corporations.

25 40. In 1978, the people of San Francisco passed Proposition K, which, among other
26 things, prohibited taxi medallion holders from transferring their medallions and required that only
27 individual working taxi drivers, not corporations or other organizations, could hold medallions.
28 The number of outstanding taxi medallions was restricted to a fixed number under applicable

1 regulations governing the San Francisco taxi industry.

2 41. Proposition K established a “waiting list” for receiving a non-transferable medallion
3 when an existing medallion holding driver either died, retired, became incapacitated or a license
4 was revoked. These medallions were issued without payment of monetary consideration by the
5 individual taxi driver and were non-transferable but remained outstanding as long as the holder
6 continued to operate a taxi.

7 42. A taxi medallion was not a valuable “asset” in the commonly understood sense
8 because it could not be transferred and sold nor could it be gifted, inherited or pledged as
9 collateral for a loan. Taxi medallions belonged to the taxi regulator (SFMTA and its predecessors)
10 and were non-transferable. They could not be sold under any circumstance.

11 43. When a driver retired, became disabled, died, or had their license revoked, the
12 medallion became void and reverted back to the SFMTA, which then reissued the non-transferable
13 medallion to the individual at the top of the medallion waiting list. In many cases, a San
14 Francisco taxi driver might wait fifteen or more years before their name rose to the top of the
15 waiting list. By 2009, there were over 3,000 individuals on the waiting list.

16 44. Proposition A, which passed in November 2007, expanded the role of the SFMTA in
17 making taxi-related regulations if the Board of Supervisors exercised its option to merge the Taxi
18 Commission into the SFMTA.

19 45. Indeed, the Board of Supervisors exercised its option and the SFMTA was granted
20 regulatory jurisdiction over the San Francisco taxi industry as of March 1, 2009. This effectively
21 nullified the taxi medallion transfer restrictions that had been placed on the taxi industry by
22 Proposition K.

23 46. In 2009, the City of San Francisco was facing a massive budget shortfall. To solve
24 the budget shortfall, San Francisco’s Mayor, Gavin Newsom, proposed selling transferable taxi
25 medallions to generate a significant new source of revenue.

26 47. The Mayor’s office understood that if it created a “market” for transferable
27 medallions like other cities such as New York, it could essentially turn a non-money making
28 regulatory system into a money-making machine.

1 48. In a meeting with the Mayor's office in 2009, the then-SFMTA Director of Taxis
2 and Accessible Services, Christiane Hayashi, was directed to "sell medallions" because selling
3 taxi medallions could help solve the budget deficit. San Francisco was simply interested in the
4 revenue that would be generated by the sale of the medallions without regard to how the program
5 was structured.

6 49. Historically, local regulation of the taxi industry in San Francisco focused on
7 assuring that taxi service was safe, reliable, affordable, environmentally sustainable through
8 reduction of greenhouse gas emission and nondiscriminatory. The importance of taxi service in an
9 urban environment such as San Francisco is indispensable because taxis provide service to those
10 who most need service: those who cannot afford personal vehicles, those who need a supplement
11 or alternative to fixed-route public transit because of mobility impairments and those who need
12 transportation at times of day or in areas with little or no fixed-route transit service available. Fare
13 regulations guaranteed that taxi service is accessible to all at rates that balance the public's need
14 for transportation with the taxi driver's need for a reasonable rate of return.

15 50. Prior to creating the Taxi Medallion Transfer Program, while the old system had
16 room for improvement, it satisfied the public policy principles of safety, reliability and
17 affordability and a medallion holder could live and support a family in San Francisco.

18 51. Because the number of medallions was restricted by the City of San Francisco, the
19 SFMTA believed that a transferable medallion was an attractive investment for a taxi driver and
20 that owning a medallion provided a viable means for a taxi driver to own their own small business
21 and earn a respectable living to support their families.

22 52. Due to the pent-up demand created by the "waiting list" approach under Proposition
23 K, with little more than some changes to the Transportation Code, under explicit directions from
24 the Mayor's office, the SFMTA created an expensive asset out of thin air, based on a revised
25 regulatory system premised on transforming the older non-transferable medallions that had little
26 value into transferable assets in the form of taxi medallions.

27 53. Indeed, the SFMTA recognized that individual taxi drivers would not have the
28 financial means to purchase these expensive new assets -- transferable ownership of licenses to

1 operate taxis in San Francisco (often referred to as taxi medallions) – unless an institutional lender
2 or lenders would partner with the SFMTA to finance such medallion purchases.

3 54. To solve this problem, the SFMTA sought out financial institutions to partner with it
4 in a pilot program that would provide financing for the purchase of transferable taxi medallions in
5 San Francisco (“Pilot Program”), which are known as, and referred to herein, as Transferable
6 Medallions.

7 55. After many weeks, it became clear to the SFMTA that no commercial banks would
8 be willing to finance medallion purchases for individual blue-collar workers with limited savings
9 and assets. Due to the unique cooperative nature of a credit union, the City turned to the Credit
10 Union, whose members already included taxi drivers, to partner with it to finance the purchase of
11 the new taxi medallions. By making a series of significant promises, commitments and
12 assurances, the SFMTA finally induced the Credit Union to participate in the Taxi Medallion
13 Transfer Program.

14 56. On February 26, 2010, the SFMTA Board adopted a resolution authorizing the Pilot
15 Program, authorizing the Director of Transportation of the SFMTA to establish a purchase price
16 for the Transferable Medallions and ratifying the decision to close the medallion wait list. The
17 purchase price was set at \$250,000.

18 57. The Pilot Program was initially designed to accelerate the process of allowing those
19 taxi drivers who had attained the age of 70 or were permanently disabled to retire from the taxi
20 industry by surrendering their non-transferable taxi medallions to the SFMTA in order for the
21 SFMTA to then issue a new Transferable Medallion to an existing San Francisco taxi driver on the
22 SFMTA waiting list. Upon the sale of the Transferable Medallion, the retiring driver received a
23 surrender payment from the SFMTA of \$200,000. The SFMTA Board later modified the Pilot
24 Program to allow individuals over the age of 65 to surrender their taxi medallions, subject to the
25 SFMTA’s approval.

26 58. Authority to drive a taxi in San Francisco derives from the receipt of a taxi driver’s
27 permit, commonly known as an “A-card.” The purchase of a Transferable Medallion under the
28 Program is limited to taxi drivers holding A-card permits and who meet certain requirements,

1 including having been a full-time San Francisco taxi driver during the twelve-month period
2 immediately preceding his or her submission of a Transferable Medallion application to the
3 SFMTA, in accordance with Transportation Code Section 1104.

4 59. To facilitate the SFMTA's Pilot Program (and the permanent Program which
5 commenced in 2013), and because the SFMTA provided significant promises, commitments and
6 assurances which included an "exit mechanism" whereby the SFMTA agreed it would repurchase
7 the newly created medallions if the Program collapsed, failed or if the SFMTA otherwise ceased
8 retransferring Transferable Medallions, the Credit Union agreed to enter into a public-private
9 arrangement with the SFMTA.

10 60. The Credit Union entered into a public-private partnership with the SFMTA,
11 agreeing to become a Qualified Lender to finance the purchase by individual San Francisco taxi
12 drivers of these new Transferable Medallions for \$250,000, pursuant to the 2010 Lender
13 Agreement, the principal terms of which are memorialized in Exhibit A. As described below, the
14 Credit Union later entered into a second contract for the SFMTA's permanent Program, attached
15 hereto as Exhibit B.

16 61. Under the Lender Agreements, the Credit Union was named a "Qualified Lender" to
17 finance the purchase and retransfer of Transferable Medallions to taxi drivers, pursuant to
18 Transportation Code section 1116(m)(3). The Pilot Program went into effect on the date of the
19 2010 Lender Agreement.

20 62. In deciding to become a Qualified Lender, in addition the SFMTA's assurances, the
21 Credit Union relied principally on information provided by the SFMTA, including, but not limited
22 to, the SFMTA's estimates of taxi driver income. Because the taxi business at this time was cash-
23 based, the SFMTA's estimates of taxi driver income were critical to the Credit Union's decision to
24 finance taxi medallions and the SFMTA's data was used to support the financing terms it offered
25 its members.

26 63. To induce the Credit Union to enter into the Lender Agreements, the SFMTA agreed
27 that it would maintain an active market for transferable medallions and guarantee a price floor of
28 \$250,000. The SFMTA committed to "use diligent and good faith efforts to re-transfer each

1 foreclosed Medallion as soon as reasonably possible.” The SFMTA also committed to “take any
2 action that may be necessary” to retransfer foreclosed medallions. These commitments contained
3 within the Transportation Code and as set forth in Section 5 of the Lender Agreements, were so
4 important to the Credit Union that the SFMTA agreed that they would survive termination of the
5 Lender Agreements. The SFMTA also assured the Credit Union it would not set the medallion
6 purchase price below \$250,000, which is the highest medallion price paid by a medallion holder to
7 whom the Credit Union made a still-outstanding loan.

8 64. Also as a critical inducement and condition to entering into the 2010 Lender
9 Agreement (and subsequently the 2013 Lender Agreement) and making loans to individual taxi
10 drivers, the Credit Union bargained for assurances from the SFMTA that if the SFMTA ever
11 terminated the Program or the Program collapsed, failed or if the SFMTA otherwise ceased
12 retransferring Transferable Medallions, the SFMTA would have a mandatory obligation to
13 repurchase the Transferable Medallions and satisfy the outstanding amounts due under the
14 member taxi drivers’ loan agreements with the Credit Union.

15 65. This was essentially an exit strategy for the benefit of the SFMTA, the Credit Union,
16 and Transferable Medallion purchasers, respectively, which was premised on the SFMTA
17 satisfying its obligations to act diligently, in good faith and otherwise to satisfy its duties and
18 obligations which arose under its contracts with the Credit Union and the Transportation Code.
19 The exit, if implemented, required the SFMTA to re-purchase the Transferable Medallions and re-
20 issue them as non-transferable medallions, but free of charge. Doing so would essentially bring
21 the taxi medallion system back to the way it operated when Proposition K was in effect:
22 medallions would be free but non-transferable.

23 66. The SFMTA made this commitment through the provisions in Transportation Code
24 Section 1116(d)(3) and incorporating a substantially similar provision into Section 6 of the Lender
25 Agreements. Section 6 of the 2013 Lender Agreement specifically provides as follows:

26 SFMTA acknowledges that, in the event that the SFMTA decides that some or all
27 Medallion Holders may no longer transfer their transferable Medallions in accordance
28 with Section 1116(d) of the San Francisco Transportation Code, SFMTA shall, at the
request of the Medallion Holder and upon ten days’ advance notice to a Qualified
Lender who has a security interest in the Medallion, purchase, at the Medallion Transfer

1 Price paid by the Medallion Holder, a Transferable Medallion that is no longer
2 transferable or assignable. At the request of a Qualified Lender who has complied with
3 the requirements of Section 1116(n) of this Article, the SFMTA shall deduct from the
4 payment made to any Medallion Holder under San Francisco Transportation Code
5 Section 1116(d)(3) an amount sufficient to satisfy any outstanding balance on a loan
6 made by the Qualified Lender and secured by an interest in the Medallion, and shall
7 immediately remit that amount to the Qualified Lender.

8 Section 6 of the 2010 Lender Agreement contains similar language providing the same assurances,
9 instead referencing the applicable section Code in effect at the time, which were akin to Section
10 1116(d) of the current Transportation Code. This provision was so important to the Credit Union
11 that the SFMTA agreed that it would survive the termination of the Lender Agreements.

12 67. Additionally, Section 1116(d)(2) of the Transportation Code provides: "In all
13 instances in which Retransfer of a Medallion is allowed under this Section, the SFMTA may elect
14 to purchase the Medallion from the Medallion Holder instead of allowing the Medallion Holder to
15 Retransfer the Medallion," and Section 1116(d)(3) provides that:

16 If the SFMTA chooses at any time to prohibit the future Retransfer of Transferable
17 Medallions, it shall, at the request of a Medallion Holder who holds a Transferable
18 Medallion, and upon 10 days' notice to a Qualified Lender who has a security interest
19 in the Transferable Medallion, purchase the Medallion at the Medallion Transfer Price
20 paid by the Medallion Holder. At the request of a Qualified Lender who has complied
21 with the requirements of Section 1116(l) of this Article, the SFMTA will deduct from
22 the payment made to any Medallion Holder under this Section 1116(d)(3) an amount
23 sufficient to satisfy any outstanding balance on a loan made by the Qualified Lender
24 and secured by an interest in the Medallion, and shall immediately remit that amount
25 to the Qualified Lender. Upon receipt of this amount, the Qualified Lender shall comply
26 with Section 1116(k)(3) and release its security interest in the Medallion. Upon
27 purchase of the Medallion under this Section 1116(d)(3), the SFMTA shall reissue the
28 Medallion to the Medallion Holder. The reissued Medallion shall not be a Transferable
Medallion, and the Medallion Holder will be subject to all the provisions of this Article,
including Section 1105(a)(4), which provides that permits issued under this Article are
not transferable or assignable.

29 68. In a 2010 speech before the International Association of Transportation Regulators,
30 Christiane Hayashi, Director of Taxis and Accessible Services stated of this commitment to the
31 Credit Union:¹

32 One of the things that convinced the lender under this climate was that the SFMTA
33 Board needed to make the contractual assurance that if they ever terminated this
34 program and altered the transferable nature of the particular medallions that had

35 ¹ 2010 Conference – Session 5 – Christiane Hayashi – Taxi Medallion Sales Pilot Program – Part
2, <https://www.youtube.com/watch?v=nqvbeQAAZ64> (last visited March 19, 2018).

1 become transferable then they would have to purchase those medallions back. That
2 only means that if the transferable medallions are made non-transferable that we have
3 to repurchase those transferable medallions and that's another reason to go with a
4 limited program...But again to make the lenders feel very secure in order to make the
5 Board very, very aware of what it was getting into we went back to the Board in August
6 and said "Okay, we want you to fully understand that we are going to have to buy these
7 back if you ever change your mind." So with that, the lenders were sold and we were
8 in business.

9
10 69. In addition to the SFMTA's assurances that it would repurchase the Transferable
11 Medallions in the event that it terminated the Program or the medallions became non-transferable
12 or non-assignable, the Credit Union requested assurances that the SFMTA would not act to reduce
13 the value of the Transferable Medallions, through by example, decreasing the price of a
14 Transferable Medallion.

15
16 70. Accordingly, the SFMTA provided this assurance through the Transportation Code
17 Section 1116(j)(3) and Lender Agreement Section 4(a), which provide that the SFMTA cannot sell
18 a medallion for less than the Medallion Transfer price (\$250,000) as long as medallion loans made
19 by a Qualified Lender to medallion purchasers remain outstanding.

20
21 71. The SFMTA specifically crafted all of these Transportation Code regulations so that
22 "Qualified Lenders" would be primary beneficiaries of all rights and benefits of the regulations.
23 Absent these regulatory guarantees, "the lenders" would not have been "sold" on the Program and
24 the SFMTA would not have been "in business". The relationship between the SFMTA and the
25 Credit Union is akin to a joint enterprise; the SFMTA would not have been able to implement the
26 Program without the Credit Union becoming a Qualified Lender, and the Credit Union could not
27 have financed Transferable Medallion loans without the SFMTA's explicit duties, commitments
28 and obligations as set forth in the Lender Agreements and Transportation Code.

29
30 72. Under the Pilot Program, commencing in August 2010 and continuing through May
31 15, 2013, the Credit Union received and underwrote individual loan applications from taxi drivers
32 whose names were on the SFMTA waiting list and after validating the credit quality and earning
33 potential of the individual applicants, the Credit Union ultimately agreed to lend to individual taxi
34 driver borrowers a significant portion of the purchase price for 260 Transferable Medallions, all of
35 which were issued by the SFMTA for a fixed price of \$250,000. Upon the consummation of each

1 of these sale transactions, the retiring taxi driver who had surrendered a non-transferable
2 medallion was paid a surrender fee by the SFMTA of \$200,000.

3 73. For each medallion surrendered by a taxi driver and re-issued by the SFMTA to a
4 San Francisco taxi driver as a Transferable Medallion pursuant to the Pilot Program, the
5 surrendering taxi driver was required to pay the SFMTA a retransfer fee of twenty percent of the
6 medallion price, or \$50,000, which was deposited into the SFMTA's accounts as follows: \$37,500,
7 or fifteen percent, was deposited in the SFMTA General Fund, and \$12,500, or five percent, was
8 deposited into the Driver Fund.

9 74. Because the Pilot Program was so successful, on August 16, 2012, the SFMTA
10 Board approved a resolution adopting amendments to the Transportation Code to implement a
11 permanent taxi medallion transfer program (together with the Pilot Program, the "Taxi Medallion
12 Transfer Program" or "Program").

13 75. The SFMTA and Credit Union entered into the 2013 Lender Agreement to
14 implement the permanent Taxi Medallion Transfer Program.

15 76. To further increase its revenues from issuing and selling Transferable Medallions, in
16 late 2012, after the Pilot Program had ended, but before the permanent Program commenced, the
17 SFMTA increased the medallion purchase price to \$300,000, but no Transferable Medallions were
18 sold at this price because the Credit Union refused to underwrite taxi medallion loans at the
19 increased price.

20 77. Additionally, because the SFMTA had provided the Credit Union with the
21 contractual guarantee that the SFMTA would not lower the Transferable Medallion price below
22 the price of any Transferable Medallions still subject to an outstanding medallion loan, if the
23 SFMTA had later decided to lower the Transferable Medallion price below \$300,000, it would
24 first have to re-purchase any medallions that had been sold at the former – higher – price, if such
25 loans from a Qualified Lender were still outstanding. Therefore, if the Credit Union had actually
26 financed any Transferable Medallion loans at the \$300,000 price, the SFMTA would have had to
27 repurchase those medallions (if any such loans at that price were still outstanding) before lowering
28 the price again. To avoid the possibility of facing this problem, in April 2013 (before any loans

1 were made under the permanent Program), the SFMTA returned the Transferable Medallion
2 purchase price to \$250,000.

3 78. Under the permanent Program, which commenced on or about May 16, 2013, the
4 SFMTA both issued new Transferable Medallions and re-transferred surrendered medallions.

5 79. In or around the first quarter of 2013, the SFMTA presented the Credit Union with a
6 "Managing Taxi Supply" study by Hara Associates Inc., which the City commissioned and paid
7 for. This study supported the City's desire to earn millions of dollars in additional revenues by
8 selling hundreds of new taxi medallions in 2013 and 2014.

9 80. Certainly, issuing and selling new medallions (as the Hara Associates Inc. study
10 concluded), rather than re-transferring existing medallions, was preferable for the SFMTA; the
11 SFMTA earned the full \$250,000 per medallion for each new medallion sold, as opposed to re-
12 transferring a surrendered medallion, on which the SFMTA would have to pay a \$200,000
13 surrender fee to the surrendering medallion holder.

14 81. The SFMTA shared the Hara Associates Inc. study with the Credit Union to
15 encourage the Credit Union to continue to lend as a Qualified Lender under the permanent Taxi
16 Medallion Transfer Program.

17 82. There are two interrelated transactions that occurred when an old non-transferable
18 medallion was surrendered and a new taxi transferable medallion was issued and sold under the
19 Program, both elements of which were directed, managed and controlled by the SFMTA.

20 83. The first transaction consisted of the medallion surrender, whereby an elderly or
21 disabled medallion holder surrendered their non-transferable medallion to the SFMTA. The
22 medallion holder signed a surrender agreement with the SFMTA that set forth, among other
23 things, the price (\$200,000) that would be paid to the medallion holder in exchange for the
24 surrendered medallion. The SFMTA then provided instructions to the Credit Union to pay the
25 surrender payment to the medallion holder from an SFMTA settlement account held at the Credit
26 Union, and the Credit Union issued the surrender payment to the medallion holder per the
27 SFMTA's instructions.

28 84. The second transaction was the issue and transfer of a medallion as a Transferable

1 Medallion to the new purchaser. To initiate this transaction, the SFMTA identified potential
2 transferees (initially from the SFMTA waiting list and then from a list of A-card permit holders)
3 and mailed them letters notifying them that there is a medallion available for purchase. Interested
4 transferees completed the SFMTA qualification process, and the SFMTA thereafter chose the
5 transferee who was eligible to purchase the surrendered medallion in accordance with its rules and
6 criteria. The potential transferee would then either purchase the medallion with their own funds or
7 apply to the Credit Union for a medallion loan to finance the medallion purchase from the
8 SFMTA. This also may have included a second down payment assistance loan, which was fully
9 collateralized by funds held on deposit in the SFMTA's account with the Credit Union.

10 85. If the potential transferee was approved for financing through the Credit Union, the
11 Credit Union notified the SFMTA of the loan approval. The SFMTA matched the medallion
12 transferee to the medallion, executed a Medallion Transfer Agreement with the transferee, advised
13 the Credit Union of the medallion match, and authorized the Credit Union to complete the loan
14 transaction. Once the Credit Union funded the loan, it made a deposit to the SFMTA Settlement
15 Account at the Credit Union and the SFMTA transferred the medallion to the new medallion
16 holder.

17 86. The Credit Union offered taxi drivers who are or become members of the Credit
18 Union the ability to purchase Transferable Medallions with a variety of financing programs,
19 including three- and five-year balloon loans amortized over 15, 20, 25, or 30 years and a range of
20 terms from three to twelve years for fully amortizing fixed rate loans.

21 87. The Credit Union also offered down payment assistance loans, which were provided
22 to medallion purchasers who did not have the cash available for the \$50,000 required down
23 payment, representing 20% of the purchase price. Each of these Credit Union loans were
24 underwritten with an emphasis on the borrower's creditworthiness and projected analysis of the
25 medallion holder's cash flow and debt service coverage.

26 88. Because the SFMTA did not have the resources to independently screen each
27 prospective purchaser of a Transferable Medallion, the SFMTA relied in part on the Credit Union
28 to undertake its enforcement responsibilities, specifically by performing the SFMTA's applicant

1 screening duties through the Credit Union's credit check and underwriting processes.

2 89. The Credit Union's loan agreements with its taxi driver member borrowers provide
3 that the Credit Union may take a security interest in the medallion and that the Credit Union may
4 foreclose on the medallion upon default by the borrower.

5 90. The SFMTA began issuing medallions under the permanent Program in or around
6 May 16, 2013. As with the Pilot Program, the SFMTA Board set the price of each Medallion at
7 \$250,000 to "ensure that San Francisco taxi medallions retain their value and market demand."

8 91. The SFMTA offered a 50% discount on the Medallion price to the first two hundred
9 eligible buyers on the medallion waiting list, some of which had been on the wait list for almost
10 twenty years expecting a no-cost medallion under Proposition K. A total of 147 Medallions were
11 sold by the SFMTA at the discounted price of \$125,000 and the Credit Union provided the
12 financing for most of these purchases by individual taxi drivers.

13 92. In December 2014, specifically to increase "the value of the medallion asset" to the
14 taxi drivers, the SFMTA Board adopted a proposal to reduce the medallion retransfer fee from
15 20% of the \$250,000 Transferable Medallion price to 5% of the \$250,000 Transferable Medallion
16 Price. The taxi medallion holder retransferring their medallion was responsible for paying the
17 retransfer fee. The SFMTA thereafter received \$12,500 from each Transferable Medallion
18 retransfer, which was deposited into the SFMTA's General Fund.

19 93. Since its inception, the SFMTA has netted approximately \$64 million from the Taxi
20 Medallion Transfer Program. This represents: (i) \$50,000 for each of approximately 431
21 surrendered medallions (which were re-sold as Transferable Medallions for \$250,000 but for
22 which the SFMTA paid the surrendering medallion holders \$200,000); (ii) \$250,000 for each of
23 64 newly issued medallions under the permanent Program; (iii) \$125,000 for each of 147 newly
24 issued medallions under the permanent Program sold at the 50% discounted medallion price; (iv)
25 \$12,500 in transfer fees paid by taxi drivers to the SFMTA for each retransfer of approximately
26 274 Transferable Medallions; and (v) the SFMTA's net equity on foreclosed and revoked
27 medallions.

28 ///

1 **B. RISE OF THE “RIDESHARING” COMPANIES**

2 94. Despite the early success of the Pilot Program, alternatives to licensed taxi service –
3 which were not operating under the same, or even a similar, regulatory scheme as taxis – began
4 popping up in San Francisco. In 2010, Uber began offering transportation services in San
5 Francisco through commercially licensed drivers in licensed TCP luxury sedan vehicles, initially
6 using the name “UberCab.” In contrast to taxis, which can accept street hails, TCPs must pre-
7 arrange pick-ups and cannot accept street hails. UberCab’s TCP vehicles used a smart phone
8 application to pre-arrange pick-ups, even if only a few minutes before the pick-up.

9 95. As early as September 2010, taxi drivers were voicing their concerns to the SFMTA
10 in Taxi Advisory Council meetings and Taxi Town Hall meetings about the competition they were
11 facing from UberCab and their perception that UberCab was operating illegally.

12 96. Seemingly in response to the taxi drivers’ concerns, on October 20, 2010, the
13 SFMTA issued a cease and desist order against Uber, then operating as UberCab, on the grounds
14 that by including “Cab” in its name, it indicated that it was a taxicab company or affiliated with a
15 taxicab company, and as such, was under the SFMTA’s jurisdiction and was therefore operating
16 without the appropriate licenses, permits and approvals from the SFMTA. “UberCab” simply
17 dropped the word “Cab” from its name, and the SFMTA never enforced its cease and desist order
18 or imposed any fines after that.

19 97. In January 2011, San Francisco Mayor Gavin Newsom resigned to assume the
20 position of Lieutenant Governor of California. On January 11, 2011, Ed Lee was appointed by the
21 San Francisco Board of Supervisors as Mayor to serve out Mayor Gavin Newsom’s remaining
22 term, which expired in January 2012. Ed Lee thereafter won the November 2011 Mayoral
23 election and was again sworn into office as Mayor of San Francisco in January 2012.

24 98. Shortly after being sworn into office, Mayor Ed Lee publicly announced his
25 favorable views of the “sharing” economy.

26 99. On March 27, 2012, Mayor Ed Lee and Board of Supervisors President David Chiu
27 announced that they were forming a “Sharing Economy Working Group,” the purpose of which
28 was to “take a comprehensive look at the economic benefits, innovative companies and emerging

1 policy issues around the growing ‘sharing economy’.”²

2 100. In connection with this announcement, Mayor Lee stated: “As the birthplace of this
3 new, more sustainable ‘sharing economy,’ San Francisco must be at the forefront of nurturing its
4 growth, modernizing our laws, and confronting emerging policy issues and concerns.”³

5 101. In July 2012, Uber joined San Francisco’s “sharing” economy with UberX, referring
6 to it as “ridesharing.” UberX used a smart phone application to allow members of the public – not
7 licensed taxi drivers – to provide transportation in their own personal vehicles, rather than in
8 licensed taxis or TCPs. In fact, UberX’s website makes clear that it prohibits taxis from signing
9 up for the service.⁴

10 102. In August 2012, Lyft also launched in San Francisco with a similar ridesharing
11 smart phone application, which also allows members of the public – not licensed taxi drivers – to
12 provide transportation in their own personal vehicles, rather than in licensed taxis or TCPs.

13 103. Shortly after these ridesharing companies’ smart phone applications launched, in
14 December 2012, the CPUC issued an Order Instituting Rulemaking on Regulations Relating to
15 Passenger Carriers, Ridesharing, and New Online-Enabled Transportation Services (“Order
16 Instituting Rulemaking”), seeking comments on how its existing jurisdiction over TCPs should be
17 applied to ridesharing businesses like Uber and Lyft.

18 104. On January 30, 2013, the CPUC entered into an agreement with Zimride, the
19 operators of the Lyft smart phone application, permitting Lyft to operate while its ridesharing
20 rulemaking was underway.

21 105. Following the CPUC’s agreement with Zimride, on January 31, 2013, Steven Stapp,
22 then President and CEO of the Credit Union, wrote an email to Rebecca Lytle, then Vice President
23 of Lending at the Credit Union, stating that the Credit Union “will need to meet with Ed [Reiskin]
24 – we can’t fund taxi loans if [the SFMTA] are going to let the business erode away.”

25 106. A few days later, on or about February 8, 2013, Steven Stapp and Rebecca Lytle met

26 ² *San Francisco Announces Sharing Economy Working Group* (March 27, 2012),
27 <https://www.shareable.net/blog/san-francisco-announces-sharing-economy-working-group>.

28 ³ *Id.*

⁴ *See Uber Driver Vehicle Requirements*, <https://www.uber.com/drive/san-francisco/vehicle-requirements/> (last visited March 17, 2018).

1 with Edward Reiskin and Gillian Gillett, Director of Transportation Policy, City and County of
2 San Francisco.

3 107. Mr. Reiskin assured Mr. Stapp and Ms. Lytle that the Taxi Medallion Transfer
4 Program was important to the SFMTA and that it was doing everything it could to maintain a
5 vibrant Taxi Medallion Transfer Program. Mr. Reiskin and Ms. Gillett, however, failed to inform
6 Mr. Stapp or Ms. Lytle that the City of San Francisco did not support bringing Uber and Lyft
7 within the SFMTA's regulatory or enforcement jurisdiction.

8 108. Numerous interested stakeholders submitted several rounds of comments on the
9 CPUC's Order Instituting Rulemaking. In an April 3, 2013 statement, on behalf of the SFMTA,
10 Mr. Reiskin recognized that unregulated ridesharing services like Uber and Lyft threatened "the
11 viability of [San Francisco's] taxicab industry," and that "[t]he demise of the taxicab industry in
12 San Francisco would eliminate the City's ability to provide reliable, affordable, point-to-point, on-
13 demand motor vehicle transportation to all of its residents and visitors, including seniors and
14 people with disabilities, without discrimination. It would also undermine the City's efforts to
15 meet its goals for reducing traffic congestion and greenhouse gas emissions."⁵

16 109. Mr. Reiskin acknowledged that "[t]he competition generated by unlimited numbers
17 of unregulated personal vehicles offered through any number of smart phone platforms poses a
18 serious threat to the continued viability of the San Francisco taxi industry."

19 110. The SFMTA took the position in its filings with the CPUC that if the CPUC declines
20 to regulate the ridesharing companies specifically as TCPs, then they should be considered taxicab
21 services, therefore subject to local San Francisco jurisdiction and regulation. Indeed, this was
22 contrary to the City's actual position: the City did not support bringing Uber or Lyft within the
23 SFMTA's regulatory or enforcement jurisdiction.

24 111. Upon information and belief, around this time, in conversations with the CPUC and
25 SFMTA, representatives of Mayor Ed Lee's office indicated the City's preference not to regulate
26 Uber and Lyft but rather to abdicate all regulation of the new ridesharing companies to the CPUC.

27 ⁵ *Workshop Statement of San Francisco Metropolitan Transportation Authority and San*
28 *Francisco International Airport* (filed April 3, 2013),
http://sfeda.org/CPUC/SFMTA_workshop_statement.pdf.

1 112. Just days before the CPUC circulated its draft rules for final comments and
2 notwithstanding the SFMTA’s obligations to maintain a vibrant taxi industry, Mayor Lee declared
3 that Saturday, July 13, 2013 would be “Lyft Day” in San Francisco in honor of the company. The
4 proclamation read: “Lyft and ridesharing support the City of San Francisco’s commitment to
5 innovation and sustainability and promote transportation alternatives to individual private car
6 ownership.”⁶

7 113. On July 30, 2013, the CPUC released a Proposed Decision Adopting Rules and
8 Regulations to Protect Public Safety While Allowing New Entrants to the Transportation Industry
9 (the “Proposed Decision”), which classified the ridesharing companies as “Transportation
10 Network Companies” (“TNCs”), subjecting TNCs to CPUC jurisdiction and establishing
11 requirements relating to licensing, criminal background checks for drivers, driver training
12 programs, a zero-tolerance policy on drugs and alcohol, and insurance policies. By doing so, the
13 CPUC created a new and separate category of TCPs, subject to different – and inadequate –
14 regulation than traditional TCPs or taxicabs.

15 114. On August 2, 2013, Christiane Hayashi, Deputy Director of Taxis and Accessible
16 Services for the SFMTA, who reported to Director Edward Reiskin, forwarded the CPUC’s
17 Proposed Decision to a listserv of stakeholders in the San Francisco taxi industry, which included
18 the Credit Union’s Vice President of Lending, Rebecca Lytle. In her email, Ms. Hayashi wrote:

19 [SFMTA] will be advocating before the CPUC and the state legislature that local
20 agencies be able to maintain control over the numbers of vehicles, since we have
21 responsibility to manage congestion and reduce greenhouse gas emissions, and an
22 uncontrolled number of for hire vehicles on the street interferes with that ability. Note
23 that in essence this recommendation presents the same issues we have had with the
24 CPUC before anyone ever heard the word “ridesharing.” That is, the CPUC’s
25 permitting process allows an unlimited number of TCP vehicles onto our streets, and
there is no effective CPUC presence to enforce their own permit requirements. These
will be the themes of our work going forward. We are joined by a lot of strong
stakeholders such as the Taxi Limousine Paratransit Association, the Taxi and
Paratransit Association of California, the City of Los Angeles and the International
Association of Transportation Regulators.

26 115. Also, in or around August 2013, Steven Stapp and Rebecca Lytle of the Credit
27

28 ⁶ See *Lyft Day in San Francisco* (July 15, 2013), <https://blog.lyft.com/posts/2013/7/15/lyft-day-in-san-francisco>.

1 Union again met with Mr. Reiskin to discuss their concerns about the impact of the CPUC's
2 Proposed Decision on the San Francisco taxi industry and Transferable Medallion market and to
3 ensure that the TNCs would be properly regulated using the same or similar standards applicable
4 to the San Francisco taxi industry.

5 116. At the meeting, Mr. Reiskin represented to Mr. Stapp and Ms. Lytle that the Taxi
6 Medallion Transfer Program was important to the SFMTA, that the SFMTA was receptive to the
7 Credit Union's concerns, and that it was actively working to maintain the value of the
8 Transferable Medallions and a viable Taxi Medallion Transfer Program. Mr. Reiskin again failed
9 to inform Mr. Stapp or Ms. Lytle that the City did not support bringing Uber and Lyft within the
10 SFMTA's regulatory or enforcement jurisdiction.

11 117. Steven Stapp followed up with a letter to Edward Reiskin on September 3, 2013,
12 memorializing their discussion at the August 2013 meeting; specifically, confirming that the
13 SFMTA was committed, as Mr. Reiskin and Ms. Toran stated at their meeting, to "maintaining the
14 value and viability of the Medallion Sales Program."

15 118. As Mr. Stapp did at the August meeting, he again called upon the SFMTA and City
16 leaders to "ensure that the TNC industry is properly regulated, using the same standards that the
17 taxi industry must abide by to protect the public interest...[and] to re-examine existing taxi
18 regulations as it pertains to fare setting, credit card processing, medallion value, ownership, and
19 the number of available medallions. It does not serve the public interest to have one industry
20 severely regulated while another similar industry is not."

21 119. On September 13, 2013, the CPUC finalized its rulemaking, establishing rules and
22 regulations for TNCs, which were significantly more lenient than the requirements and constraints
23 applicable to taxi drivers. In its rulemaking, the CPUC did not indicate an intent to preempt local
24 regulation of TNCs.

25 120. Due to the increase in the number of TNCs in San Francisco, it started to become
26 difficult for medallion holders to find secondary drivers to whom they could lease their medallions
27 for additional shifts, which had been a key source of income for medallion holders. The SFMTA
28 responded in late 2013 by appearing to take steps to attract new drivers to drive San Francisco

1 taxi by waiving the \$155.50 new taxi driver permit application fee. In April 2014, the SFMTA
2 waived the color scheme and dispatch service permit renewal fees for the 2014-2015 fiscal year.

3 121. As the number of TNCs on the streets of San Francisco continued to rapidly
4 increase, the number of safety-related incidents also grew, including the death of a small child
5 who was killed by a car being driven by an Uber driver.

6 122. To urge the City, through the SFMTA, to take meaningful action and exercise
7 jurisdiction over the TNCs, the Credit Union sent a letter to San Francisco City Attorney Dennis
8 Herrera.

9 123. In the letter, dated March 12, 2014, the Credit Union asserted that “the City not only
10 has the jurisdiction to regulate TNCs, but has the obligation to do so” and that because the CPUC
11 did not indicate an intent to preempt local regulation of TNCs, local regulation is not preempted.
12 The letter specifically noted, in part, that because the City concluded in its April 3, 2013
13 submission to the CPUC that TNCs provide “what is essentially taxi service in San Francisco,” the
14 City has already concluded that the TNCs are taxicabs and therefore it has authority to exercise
15 regulatory authority over TNCs.

16 124. The City Attorney’s office, which serves as the legal counsel to San Francisco, did
17 not respond to the Credit Union’s letter, did not undertake any efforts to subject the TNCs to the
18 City’s regulatory or enforcement jurisdiction, and did not take any action to encourage the
19 SFMTA to regulate the TNCs. The City Attorney’s Office failed to inform the Credit Union that
20 the City did not support bringing Uber and Lyft within the SFMTA’s regulatory or enforcement
21 jurisdiction and would not exercise its right to adopt and enforce reasonable permit requirements,
22 fees, rules and regulations over TNCs as permitted under the California Public Utility Code.

23 125. During her tenure as the Director of Taxis and Accessible Services, Christiane
24 Hayashi recognized the safety, enforcement and regulatory issues resulting from the massive
25 influx of TNCs on San Francisco streets and repeatedly requested the City Attorney’s office to
26 provide her with guidance that she had regulatory and/or enforcement authority over the TNCs,
27 but she was repeatedly ignored by the City Attorney’s office and Mayor’s office. Ms. Hayashi
28 made similar requests to Gillian Gillett, which requests were also disregarded or rejected. Neither

1 Ms. Hayashi, Mr. Reiskin or other officials informed the Credit Union of the City's actual
2 position, which was that the City had no interest in regulating the TNCs.

3 126. Indeed, by May 2014, the Mayor's office knew that continued unrestrained
4 competition from the TNCs would cause the San Francisco taxi industry to collapse, but they did
5 little to protect the industry nor did they or the SFMTA disclose this information to the Credit
6 Union even while the SFMTA continued to approve additional sales of Transferable Medallions
7 and the Credit Union continued to finance taxi medallion loans to its members.

8 127. On or around July 8, 2014, Steven Stapp and Rebecca Lytle met with Edward
9 Reiskin and Ms. Hayashi's successor, the new Director of Taxis and Accessible Services Division,
10 Kate Toran.

11 128. Mr. Reiskin and Ms. Toran assured Mr. Stapp and Ms. Lytle that the Taxi Medallion
12 Transfer Program was important to the SFMTA and that it was doing everything it could to
13 maintain a viable Taxi Medallion Transfer Program. Using the 2013 Hara Associates Inc. report
14 to support issuing and selling new Transferable Medallions, during this time, the SFMTA
15 encouraged the Credit Union to continue to lend under the Program. However, Mr. Reiskin and
16 Ms. Toran failed to inform Mr. Stapp or Ms. Lytle that the City did not support bringing Uber and
17 Lyft within the SFMTA's regulatory or enforcement jurisdiction.

18 129. After the meeting, Mr. Stapp sent another letter to the SFMTA, dated August 22,
19 2014, stating that pursuant to the Credit Union's "unique public-private partnership" with the
20 SFMTA, the Credit Union will provide funding for the purchase of Transferrable Medallions up to
21 a maximum cap of 700 medallions, but would re-evaluate participation in the Taxi Medallion
22 Program upon reaching 700 medallions. As of the date of the letter, the Credit Union had already
23 funded the purchase of about 575 Transferrable Medallions.

24 130. Despite Mr. Reiskin's reassurances that the Program was important to the SFMTA
25 and that it was doing everything it could to maintain a viable taxi industry and Taxi Medallion
26 Transfer Program, Mr. Reiskin knew that the Mayor's office did not want the SFMTA to step in
27 and begin to regulate the TNCs, even though it had the right to do so under California law.

28 131. Throughout 2014, the SFMTA exhibited some awareness that the TNCs had

1 competitive advantages over San Francisco taxi drivers but its efforts to maintain the vibrancy of
2 the taxi industry and the value of the Transferable Medallions were often inconsistent or conflicted
3 with its stated mission. As an illustration, to address the fact that individuals could easily e-hail
4 one of thousands of Uber and Lyft drivers by using a smart phone application, rather than develop
5 and promote a single centralized smart phone taxi app (and centralized dispatch service)
6 connecting all San Francisco taxis with customers for a small fee, the SFMTA amended the
7 Transportation Code to permit individual taxi companies to offer their own “e-hail” apps (such as
8 Flywheel and Yo) and to collect a “cut” or fee from taxi drivers for each e-hail accepted by a
9 driver.

10 132. Upon information and belief, Flywheel’s cut is 13% of the fare. This was better than
11 nothing, but it was inefficient because customers couldn’t e-hail all San Francisco taxis on the
12 road at any given time (like the TNCs) but rather only those taxi cabs linked to a particular taxi
13 company smart phone application. To make matters worse, during the fiscal year from July 1,
14 2013 to June 30, 2014, the SFMTA also issued and sold 141 new taxi medallions for \$19,875,000,
15 further diluting the earnings power of existing medallion owners.

16 133. Rebecca Lytle again met with Kate Toran around the end of October 2014 to express
17 the Credit Union’s concerns about the SFMTA’s failure to maintain the value of the Transferable
18 Medallion in the face of the San Francisco International Airport’s decision in the fall of 2014 to
19 allow TNCs to pick up and drop off passengers there. Ms. Toran again assured Ms. Lytle that the
20 SFMTA was doing everything it could to maintain the value of the medallions and the viability of
21 the Taxi Medallion Transfer Program, including by bringing a resolution before the SFMTA
22 Board to reduce the medallion retransfer fee, which was paid by the taxi driver retransferring their
23 medallion, to \$12,500, which represented 5% of the \$250,000 Transferable Medallion price.

24 134. Shortly thereafter, in December 2014 the SFMTA reduced the medallion retransfer
25 fee to \$12,500, which represented 5% of the \$250,000 Transferable Medallion price.

26 135. The SFMTA continued to sew patches on the Taxi Medallion Transfer Program
27 through 2015, without making any meaningful changes to maintain the viability of the taxi
28 medallion transfer market. Although wholly insufficient, these patches were just enough to lure

1 the Credit Union into financing additional taxi medallion loans to its members and to believe that
2 the SFMTA was actually paying attention to the viability of the Program.

3 136. For example, in March 2015, the SFMTA adopted minor amendments to the
4 Transportation Code to attempt to increase the taxi driver pool by lowering the minimum age from
5 24 to 21 and allowing taxi driver applicants to have held a valid driver's license anywhere in the
6 United States, rather than just in California, for one year immediately prior to their application for
7 a taxi driver permit. The SFMTA also began requiring dispatch services to affiliate with an e-hail
8 application provider approved by the Director of Transportation and requiring taxi drivers to log in
9 to the e-hail application with which the dispatch service was affiliated.

10 137. Additionally, recognizing the cost burden and financial hardship faced by
11 Transferable Medallion holders due in part from the influx of competition from TNCs, in May
12 2015, the SFMTA began waiving the annual medallion renewal fees paid to the SFMTA by
13 medallion holders.

14 138. However, as the SFMTA was aware, these patches simply weren't enough. The
15 SFMTA was solely focused on raking in revenues on the backs of the Credit Union and its taxi
16 drivers' members. Had the Credit Union been informed during this time that the SFMTA didn't
17 intend to take any meaningful actions to maintain a viable taxi industry or the value of the
18 Transferrable Medallions and had no intention to exercise its rights under California law to adopt
19 reasonable regulations applicable to TNCs, the Credit Union would not have continued its robust
20 lending activities under the Program.

21 C. THE COLLAPSE OF THE TAXI MEDALLION MARKET

22 139. The number of TNC vehicles in San Francisco continued to rapidly grow, and by
23 April 2016, the San Francisco Treasurer's office estimated that there were approximately 37,000
24 Uber and Lyft drivers operating in San Francisco.⁷

25 140. Consequently, annual earnings for San Francisco taxi drivers, which is tracked by
26 the Credit Union, in part to fulfill its regulatory obligations as a Qualified Lender and federally

27
28 ⁷ SFGate, *SF to require Lyft, Uber drivers to obtain business licenses* (April 15, 2016),
<https://www.sfgate.com/bayarea/article/SF-to-require-Lyft-Uber-drivers-to-obtain-7250137.php>.

1 insured financial institution, declined every year between 2013 and 2016. Many Transferable
2 Medallion holders began struggling to make their loan payments due to the large decrease in taxi
3 ridership and transfer of riders and earnings to the under-regulated TNCs which were swarming
4 the City.

5 141. In 2012, the average per ten-hour shift earned by a San Francisco medallion owner
6 was about \$275 plus the medallion owner could routinely hire a driver to use the taxi who paid the
7 medallion owner an average of \$105 to \$120 per ten-hour shift.

8 142. With the ability to earn a cumulative daily average of approximately \$380 to \$395
9 and the SFMTA actively promoting the sale of Transferable Medallions to its taxi drivers who had
10 long been on its waiting list, many were induced to purchase the medallions by utilizing financing
11 from the Credit Union. Once the transaction was consummated, with monthly earnings averaging
12 \$8,000 to \$9,500, it was easy for the medallion owner to cover the monthly loan payment, which
13 usually averaged about \$1,000 to \$1,200 per month.

14 143. From the time the permanent Taxi Medallion Transfer Program began in May 2013
15 through June 30, 2015 (the end of the SFMTA's fiscal year), the SFMTA sold over 400
16 Transferable Medallions to taxi drivers.

17 144. By 2016, the average income that a taxi driver could earn had declined precipitously
18 to about \$180 per day and it became very difficult or impossible to find a second driver to drive
19 the medallion owner's taxi on a second shift, so the earnings potential from this secondary source
20 dried up. After covering their recurring operating expenses such as insurance, gas, routine
21 maintenance, replacing tires, airport fees and the like and making their monthly loan payment,
22 many medallion owners were operating at a net loss.

23 145. The taxi medallion purchasers became trapped between rapidly declining earnings
24 and their fixed operating costs – what had begun as a dream investment to own and operate their
25 own small taxi business had turned into a financial quagmire.

26 146. Beginning in the second half of 2016, the Credit Union began to receive letters from
27 borrowers on its taxi medallion loans requesting loan modifications. Upon information and belief,
28 these were form letters that were handed out to taxi medallion holders, many of whom signed the

1 letter and mailed it to the Credit Union.

2 147. The Credit Union treated each of these letters as legitimate requests for loan
3 modifications and reached out to each borrower individually to determine whether they needed a
4 loan modification. In addition to sending the letters to the Credit Union, numerous borrowers,
5 who, until that point had been current on their loans, simply stopped making their monthly loan
6 payments.

7 148. Upon information and belief, these taxi medallion borrowers were angry at the
8 SFMTA for inducing them to purchase the medallions and not doing enough to support the taxi
9 industry or the value of their medallions, not exercising enforcement or regulatory jurisdiction
10 over the TNCs, and not meaningfully addressing the regulatory disparity between the taxi industry
11 and the TNCs.

12 149. Commencing in the fall of 2016, some medallion holders began turning in their
13 Transferable Medallions to the SFMTA's taxi window. The Credit Union repeatedly directed the
14 SFMTA not to accept the surrender of these medallions at the taxi window, so that the Credit
15 Union could instead deal directly with the borrowers in accordance with its loan agreements with
16 such borrowers, including by foreclosing on the medallion if necessary.

17 150. Pursuant to the Transportation Code Sections 1116(a)-(b), medallions were only
18 eligible for surrender at the taxi window where a driver had a bona fide disability or was at least
19 sixty years old, and such surrenders could be made in exchange for a surrender payment of
20 \$200,000. Transferable Medallions were not eligible for surrender unless the medallion holder
21 met these requirements.

22 151. The SFMTA nonetheless continued to accept medallion surrenders at its taxi
23 window. At least eight Transferable Medallions, which were not eligible for surrender under the
24 Transportation Code, were accepted by the SFMTA for surrender directly at their taxi window.

25 152. The Credit Union's ability to potentially restructure the loans or otherwise work
26 with these borrowers was eliminated, and the Credit Union ultimately was forced to foreclose on
27 these medallions.

28 153. The Credit Union took security interests in the medallions it financed pursuant to

1 Section 5 of the Lender Agreement and its financing agreements with the borrowers. Upon default
2 by a medallion holder, the Credit Union had the right, to protect its legitimate interest, to foreclose
3 on a Medallion and “[a]fter foreclosure, possess the Foreclosed Medallion as an owner of the
4 Medallion with full right, title, and interest thereto, except that Lender shall not be permitted to
5 operate the Medallion.”

6 154. Pursuant to Section 5 of the Lender Agreements, the SFMTA and Credit Union are
7 required to use “diligent and good faith efforts to re-transfer each foreclosed Medallion as soon as
8 reasonably possible.” The SFMTA also specifically “agree[d] to take any action that may be
9 necessary to effectuate” their covenants under Section 5 of the Lender Agreement.

10 155. During 2016, those seeking to retransfer their medallions were instead placed on a
11 “Re-transfer Wait List” created by the SFMTA. As of November 2016, there were approximately
12 375 Medallion holders on the “Re-transfer Wait List.” The Transportation Code did not authorize
13 the creation of a “Re-transfer Wait List”.

14 156. Additionally, during 2016, instead of permitting eligible Medallion holders to
15 surrender their medallions pursuant to Sections 1116(a) and (b) of the pre-January 2017 version of
16 the Transportation Code – which would require the SFMTA to pay each Medallion holder
17 \$200,000 upon surrender – the SFMTA created a “Surrender Wait List.” The Transportation Code
18 did not authorize the creation of a “Surrender Wait List”.

19 157. As of November 2016, there were approximately 485 Medallion Holders on the
20 “Surrender Wait List.” Sections 1116(a) and (b) permitted Medallion holders with a bona fide
21 disability or who had reached the age of 60 to surrender their medallions in exchange for a
22 “Medallion Surrender Payment” in the amount of \$200,000. The Medallion Surrender Payment
23 was not conditioned upon completion of a transfer of the Medallion, as it is today, due to an
24 amendment to the Transportation Code that the SFMTA initiated in January 2017.

25 158. Each time the Credit Union forecloses on a Transferable Medallion, it provides the
26 SFMTA with the required notice in advance of foreclosure, as required by Section 1116(l)(1) of
27 the Transportation Code (which was previously Section 1116(m)(1), as amended by the SFMTA
28 Board in January 2017).

1 159. Throughout 2016, the SFMTA promised the Credit Union that it was in the process
2 of making changes to the Transportation Code to, among other things, improve the market for
3 Transferable Medallions and would bring such changes before the SFMTA Board for adoption at
4 its November 15, 2016 meeting.

5 160. The changes that the SFMTA assured the Credit Union that it would make in
6 November 2016 were intended to revive the Transferable Medallion market so that the SFMTA
7 could re-start its medallion retransfer activities, by, among other things, removing the restrictions
8 on the taxi medallion buyer pool and eliminating the full-time driving requirement, thereby
9 opening up the Transferable Medallion market to a broader range of buyers. The SFMTA also
10 promised that it would engage in an aggressive campaign to revive interest in the Taxi Medallion
11 Transfer Program.

12 161. The Credit Union reasonably believed that the SFMTA would satisfy its duties and
13 obligations and work collaboratively with the Credit Union to make the necessary changes to the
14 Transportation Code or take other actions to revive the market for Transferable Medallions, taking
15 the Credit Union's and taxi drivers' interests into account.

16 162. On October 6, 2016, as had been the practice with previous changes to the
17 Transportation Code's provisions governing the Taxi Medallion Transfer Program, Kate Toran
18 sent Rebecca Lytle a draft of the SFMTA's proposed Transportation Code Amendments intended
19 to revive the Transferable Medallion market.

20 163. Kate Toran stated that the amendments, including those pertaining to the Taxi
21 Medallion Transfer Program, would be presented for adoption at the November 15, 2016 SFMTA
22 Board meeting. Also consistent with previous practice, Ms. Toran asked for the Credit Union's
23 comments on the proposed amendments.

24 164. Rebecca Lytle responded by email to Ms. Toran on October 14, 2016 with the Credit
25 Union's proposed comments and recommendations for the amendments.

26 165. Kate Toran and Rebecca Lytle had a telephone conference on or about October 18,
27 2016 to discuss the Credit Union's proposed comments and recommendations. Ms. Toran again
28 represented that the SFMTA would submit Transportation Code amendments for adoption at the

1 November 15, 2016 SFMTA Board meeting.

2 166. In the past, when Ms. Toran or her predecessor, Christiane Hayashi, represented that
3 proposed amendments to the Transportation Code would be presented for adoption at a specific
4 SFMTA Board meeting, they were typically presented at that specific SFMTA Board meeting and
5 adopted.

6 167. On or about November 3, 2016, Rebecca Lytle and the Credit Union's outside
7 counsel, Dan Loritz, and public affairs specialist, Alex Clemens, met with the following SFMTA
8 or other City representatives: Edward Reiskin, Kate Toran, Sonali Bose, San Francisco Director of
9 Finance, Stephanie Stewart, Deputy City Attorney, and another individual.

10 168. At this meeting, the Credit Union presented its concerns about the state of the
11 Transferable Medallion market, which now form the basis of its positions underlying the claims
12 set forth herein, and which were based on the assurances and promises that the SFMTA had
13 provided to induce the Credit Union to become a Qualified Lender and enter into the Lender
14 Agreements in the first place. These promises were that the SFMTA would: maintain the value of
15 the Transferable Medallions; would maintain a vibrant market for Transferable Medallions; make
16 good faith and diligent efforts to retransfer Transferable Medallions upon foreclosure; "take any
17 action that may be necessary to" retransfer foreclosed Transferable Medallions; and that in the
18 event that the Program collapsed or failed or the Transferable Medallions otherwise became non-
19 transferable, the SFMTA would re-purchase the Transferable Medallions.

20 169. The Credit Union specifically requested that pursuant to Transportation Code
21 Section 1116(d), the SFMTA buy back the Transferable Medallions, for the unpaid loan balance
22 remaining due to the Credit Union for each of those eight surrendered medallions that were
23 improperly accepted for surrender by the SFMTA.

24 170. Additionally, the Credit Union demanded that the SFMTA stop accepting Credit
25 Union-financed medallion surrenders at the taxi window, instead allowing the Credit Union to
26 handle the medallion pursuant to the medallion holder's loan agreement with the Credit Union.

27 171. At this meeting, the SFMTA promised the Credit Union that it would present for
28 adoption by the SFMTA Board the proposed changes to the Transportation Code at the December

1 6, 2016 Board meeting – rather than at the November 15, 2016 Board meeting, as originally
2 stated.

3 172. The SFMTA also promised that it would engage in an aggressive campaign aimed at
4 reinvigorating the taxi industry and taxi medallion buyer pool.

5 173. The SFMTA told the Credit Union that it expected that it would take three to four
6 months for the Transferable Medallion market to be revived. Once the Transferable Medallion
7 market was revived in three to four months, the Credit Union expected that the SFMTA would
8 begin retransferring Transferable Medallions under the Program and pursuant to its obligations in
9 the Transportation Code as well as under the Lender Agreements.

10 174. The Credit Union relied on the SFMTA’s representations that its proposed changes
11 to the Taxi Medallion Transfer Program would be presented to the SFMTA Board meeting on
12 November 15, 2016 or December 6, 2016 and that it would otherwise take steps, through an
13 aggressive marketing campaign, to reinvigorate the San Francisco Transferable Medallion market.

14 175. The proposed changes were not presented to the SFMTA Board meeting on
15 November 15, 2016.

16 176. Rather than fulfill the SFMTA’s promise to present the recommendations to the
17 SFMTA Board on December 6, 2016, Kate Toran informed Rebecca Lytle, via email, that the
18 SFMTA decided not to move forward with the “proposed medallion reform changes,” but instead
19 “decided to initiate an independent analysis of the taxi medallion program to determine the
20 potential market, to develop a comprehensive plan to attract additional interested parties and to
21 develop an advertising/outreach plan.”

22 177. The SFMTA represented that “[t]he study will be completed as quickly as possible,
23 recognizing the critical challenges facing the industry” and that “[t]his is an opportunity to
24 strengthen the medallion reform proposal and create a program that can address the full scope of
25 the situation.”

26 178. Kate Toran stated that the non-Transferable Medallion Transportation Code related
27 amendments would move forward at the SFMTA’s January 2017 Board meeting.

28 179. However, contrary to Ms. Toran’s representation, at the January 2017 Board

1 meeting, the SFMTA did make a change to the Transferable Medallion-related Transportation
2 Code provisions, specifically to Section 1116(a)-(b), denying payment of the \$200,000 Medallion
3 Surrender Payment to the Medallion holder until the SFMTA retransfers the Medallion.

4 180. After changing the Transportation Code without warning in a transparent effort to
5 avoid paying \$200,000 per surrendered medallion that the SFMTA had owed and agreed to pay
6 for years, the SFMTA did not make the changes it promised or engage in an aggressive campaign
7 to reinvigorate the taxi medallion transfer market, the purpose of which were to uphold its
8 commitment under the Lender Agreements to reinvigorate the market for Transferable Medallions
9 so that it could begin retransferring Transferable Medallions again.

10 181. In January 2017, Rebecca Lytle followed up with Kate Toran several times by
11 email, seeking an update on the progress of the study referenced in Ms. Toran's December 6, 2016
12 email.

13 182. Kate Toran finally responded on January 27, 2017 that the SFMTA was "working to
14 move this effort forward" and that she would inform Ms. Lytle when she has "more information to
15 share about the consultant and timeframe."

16 183. Despite Ms. Toran's assurance, several months later at a meeting with Rebecca
17 Lytle on or around May 1, 2017, the consultants responsible for the promised study, PFM Group
18 Consulting, LLC and Schaller Consulting, told the Credit Union that the study would take
19 approximately four to six months to complete.

20 184. It wasn't until after the November 2016 meeting and the SFMTA's repeated broken
21 promises that the Credit Union began to suspect that the Taxi Medallion Transfer Program had
22 been constructively terminated, that medallions would no longer be transferable and that the
23 assurances it had received over the years and which induced it to continue lending were
24 incomplete and untrue.

25 185. At or about this time, it became clear to the Credit Union that the SFMTA would not
26 admit that its revenue-generating scheme had failed and that it would not make any efforts,
27 including making credible or meaningful changes in the regulatory or enforcement regime
28 applicable to the taxi industry, engaging in an aggressive campaign to reinvigorate the taxi

1 medallion transfer market, or completing its so-called “study”, in order to recreate demand for its
2 expensive taxi medallions or rebuild a viable taxi industry. The City did not want to admit the
3 Program had failed because to do so would obligate the SFMTA to pay back millions of dollars it
4 had received for the now non-transferable Transferable Medallions.

5 186. Rather than act diligently and in good faith and declare the Program was a failure
6 that would trigger the statutorily required repurchase of the medallions, the SFMTA delayed
7 and/or obfuscated its actions in order to keep the owed monies.

8 187. Indeed, the SFMTA has constructively terminated the Taxi Medallion Transfer
9 Program by failing to bring or act on the promised Transferable Medallion-related amendments to
10 the Transportation Code before the SFMTA Board on November 15, 2016 or December 6, 2016
11 and thereafter failing to complete, share the results of, or act on the study that it allegedly initiated
12 in 2017.

13 188. The SFMTA also constructively terminated the Program by establishing waiting lists
14 with no real expectation of transferring medallions in an attempt to maintain the fiction that the
15 Program was still operating as statutorily required.

16 189. The SFMTA also constructively terminated the Program by failing to engage in any
17 meaningful effort to reinvigorate the market for taxi medallions, as it promised. In fact, until mid-
18 March 2018, the SFMTA’s “Become a Taxi Driver” page of its website was blank with a note that
19 stated: “Coming soon...Please check back in February 2018.”⁸

20 190. The SFMTA constructively terminated the Program without telling the Credit Union
21 that it terminated the Program and thereafter fulfilling its duties to repurchase the Transferable
22 Medallions pursuant to its obligations under the Lender Agreements and Transportation Code.

23 191. To make matters worse, upon information and belief, the SFMTA has been leasing
24 taxi medallions directly to taxi drivers, which has effectively disincentivized taxi drivers from
25 pursuing purchases of Transferable Medallions and runs contrary to its explicit obligations under
26 the Lender Agreements to maintain a viable market for the Transferable Medallions and to

27
28 ⁸ See *Becoming a Taxi Driver*, <https://www.sfmta.com/getting-around/taxi/become-taxi-driver>
(last visited March 5, 2018).

1 maintain their value at \$250,000.

2 192. The SFMTA intended that the Credit Union rely on its representations that it would
3 adopt meaningful reforms to the Taxi Medallion Transfer Program in November or December
4 2016, that it would complete its so-called "study," and that it would engage in a vigorous
5 campaign to revitalize the market for Transferable Medallions.

6 193. In its capacity as Qualified Lender under the Taxi Medallion Transfer Program, the
7 Credit Union made over 700 Transferable Medallion Loans, originating over \$125 million in San
8 Francisco taxi medallions by individual taxi drivers.

9 194. As of November 2016, the City, through the SFMTA, realized approximately \$64
10 million in net revenues from the Taxi Medallion Transfer Program.

11 195. The Transportation Code Section 1116(j)(3) and Lender Agreement Section 4(a)
12 provide that the SFMTA cannot sell a medallion for less than the Medallion Transfer Price as long
13 as medallion loans made by a Qualified Lender to medallion purchasers remain outstanding.
14 Millions of dollars of taxi medallion purchase loans originated by the Credit Union remain
15 outstanding as of today's date and the Credit Union has charged off or increased its reserves for
16 loan losses associated with its taxi medallion portfolio by more than \$10,000,000.

17 196. Many Transferable Medallion holders who financed their medallions through the
18 Credit Union have defaulted on some or all of their obligations to the Credit Union. In order to
19 protect its assets and to comply with credit union regulatory requirements, the Credit Union has
20 been forced to foreclose, and continues to foreclose on many of these defaulted loans and now
21 owns at least 99 medallions. Additional defaults and foreclosures are likely.

22 197. The Credit Union personally delivered its claim (the "Claim") which forms the
23 basis for this action, against the SFMTA to the Controller's Office, Claims Division, 1390 Market
24 Street, 7th Floor, San Francisco, CA 94102, which was file-stamped as received by the City and
25 County of San Francisco on November 1, 2017 at 12:55 p.m.

26 198. The City and County of San Francisco denied the Credit Union's Claim only 21
27 days later, on November 22, 2017. The Credit Union now brings the instant action to enforce its
28 rights under Transportation Code regulations and the Lender Agreements.

1 **FIRST CAUSE OF ACTION**

2 **(Breach of Contract Against Defendant SFMTA and DOES 1 to 10)**

3 199. Paragraphs 1 through 198 are incorporated and realleged here, as if fully set forth
4 herein.

5 200. The Credit Union and SFMTA are parties to the Lender Agreements. (See Exhibit 1
6 and Exhibit 2.) The Lender Agreements were supported with adequate consideration.

7 201. The Credit Union fully performed under the Lender Agreements, and any and all
8 conditions precedent to the SFMTA's performance were met, substantially met, or excused.

9 202. The SFMTA, as a party to the Lender Agreements, also had a duty to perform. The
10 SFMTA, however, breached its duty to perform the Lender Agreements in multiple ways
11 including:

12 203. The SFMTA violated Section 6 of the Lender Agreements by ceasing and thereafter
13 stopping the surrender of medallions and the retransfer of Transferable Medallions primarily via
14 the *ad hoc* establishment of the Re-Transfer Wait List and the Surrender Wait List. These waiting
15 lists were designed to maintain the illusion that the Program was still viable. However, on a *de*
16 *facto* basis, the SFMTA really "decide[d] that some or all Medallion Holders may no longer
17 transfer their Transferable Medallions." When the Program has collapsed, fails or the medallions
18 are no longer transferable, the SFMTA is obligated to re-purchase Transferable Medallions "at the
19 Medallion Transfer Price paid by the Medallion Holder" and "deduct from the payment made to
20 any Medallion Holder...an amount sufficient to satisfy any outstanding balance on a loan made by
21 the Qualified Lender and secured by an interest in the Medallion, and...immediately remit that
22 amount to the Qualified Lender". The SFMTA has not complied with this requirement.

23 204. The SFMTA violated Section 5 of the Lender Agreements by refusing to make good
24 faith efforts to retransfer foreclosed Transferable Medallions and by abdicating its responsibility to
25 be the sole market-maker of Transferable Medallions. In the Program, the SFMTA agreed to
26 create, maintain, and actively participate in a market for the Transferable Medallions. In fact, the
27 SFMTA established itself as the sole market-maker for the transfer and sale of the Transferable
28 Medallions. In Section 5 of the Lender Agreements, the SFMTA promises to use "diligent and

1 good faith efforts to re-transfer each foreclosed Medallion as soon as reasonably possible.”
2 Section 5 also requires the SFMTA to “[t]ake any action that may be necessary to effectuate the
3 intent of this Section [5].” The SFMTA has not complied with these requirements. The Credit
4 Union has been forced to foreclose on approximately 99 Transferable Medallions, which have not
5 been retransferred by the SFMTA. Each time the SFMTA has failed to retransfer a foreclosed
6 medallion, the SFMTA has committed a separate breach of Section 5 of the Lender Agreements.

7 205. The SFMTA failed to take action to maintain a viable market for the Transferable
8 Medallions. In the Lender Agreements, the SFMTA promised to “[t]ake any action that may be
9 necessary” to effectuate the retransfer of available Transferable Medallions. The SFMTA broke
10 this promise in many ways including by failing to: (i) maintain the viability of the San Francisco
11 taxi industry and the Program; (ii) amend the Transportation Code to ensure the continued
12 viability of the Program via expanding the taxi medallion buyer pool and eliminating the full-time
13 driving requirement; (iii) engage in a campaign aimed at reinvigorating the Transferable
14 Medallion buyer pool; and (iv) move forward with its promised 2017 taxi medallion study or share
15 the results of any such study.

16 206. The SFMTA commits a unique breach based upon one or more of the violations
17 described above each time another Transferable Medallion’s retransfer is prohibited and/or it is
18 not re-purchased.

19 207. The Credit Union has suffered and continues to suffer damages in the millions of
20 dollars, the exact amount to be proved at trial, legally caused by SFMTA’s breaches.

21 208. The Credit Union is entitled to recover its legal fees and costs prosecuting this action
22 pursuant to the Lenders Agreements according to proof.

23 SECOND CAUSE OF ACTION

24 **(Breach of Implied Covenant of Good Faith and Fair Dealing** 25 **Against Defendant SFMTA and DOES 1 to 10)**

26 209. Paragraphs 1 through 198 are incorporated and realleged here, as if fully set forth
27 herein.

28 210. The Credit Union and SFMTA are parties to the Lender Agreements. (See Exhibit 1

1 and Exhibit 2.) The Lender Agreements were supported with adequate consideration.

2 211. The Credit Union fully performed under the Lender Agreements, and any and all
3 conditions precedent to the SFMTA's performance were met, substantially met, or excused.

4 212. The SFMTA possesses sole power to issue Transferable Medallions, approve
5 transfers and retransfers of Transferable Medallions under the Program, amend the Transportation
6 Code to revise the terms of the Program, and to terminate the Program, all of which directly
7 impact the Credit Union's rights under the Lender Agreements and ability to receive the benefits
8 of the Lender Agreements.

9 213. "There is an implied covenant of good faith and fair dealing in every contract that
10 neither party will do anything which will injure the right of the other to receive the benefits of the
11 agreement." *Comunale v. Traders & General Ins. Co.* (1958) 50 Cal.2d 654, 658. The SFMTA
12 breached the covenant of good faith and fair dealing by unfairly depriving the Credit Union of the
13 benefits of the Lender Agreements in many ways, including by failing and/or refusing to retransfer
14 Transferable Medallions that were financed by the Credit Union, and on which the Credit Union
15 foreclosed or which were surrendered to the SFMTA primarily via the *ad hoc* establishment of
16 waiting lists without the SFMTA admitting to the Credit Union that the Program was terminated,
17 has failed, or died, which would formally trigger the SFMTA's "exit" obligations under Section 6
18 of the Lender Agreements and Section 1116(d) of the Transportation Code to re-purchase the
19 Transferable Medallions, and to satisfy the outstanding balances due on the medallion holders'
20 loans with the Credit Union.

21 214. The SFMTA further breached the covenant of good faith and fair dealing by failing
22 and/or refusing to take actions or meaningful steps to maintain a viable market for Transferable
23 Medallions so that the Program would continue as specifically contemplated by the parties under
24 the Lender Agreements.

25 215. The SFMTA also breached the covenant of good faith and fair dealing by knowingly
26 accepting surrenders of Transferable Medallions at the taxi window, which were not eligible for
27 surrender under the Transportation Code, rather than allowing the Credit Union to deal directly
28 with its member borrowers and treat the taxi medallion loans as troubled loans, pursuant to the

1 Credit Union's agreements with its member borrowers. Upon information and belief, these
2 member borrowers may have continued driving taxis, may have worked with the Credit Union to
3 modify their loans, and may not have defaulted on their loans had the SFMTA refused to accept
4 surrender of these Transferable Medallions at the taxi window.

5 216. The SFMTA further breached the covenant of good faith and fair dealing by not
6 adequately investigating the Credit Union's Claim and therefore denying it without a good faith
7 basis to do so.

8 217. Additionally, upon information and belief, the SFMTA has breached and continues
9 to breach the covenant of good faith and fair dealing because the SFMTA has been directly leasing
10 medallions to taxi drivers and/or taxicab companies thereby further intentionally scuttling the
11 Program.

12 218. The SFMTA's breaches of the covenant of good faith and fair dealing unfairly
13 interfered with the Credit Union's rights to receive the benefits of the Lender Agreements.

14 219. As a result of the SFMTA's breach of the covenant of good faith and fair dealing,
15 the Credit Union has suffered damages in the millions of dollars, the exact amount to be proved at
16 trial.

17 220. The Credit Union is entitled to recover its legal fees and costs prosecuting this action
18 pursuant to the Lenders Agreements according to proof.

19 **THIRD CAUSE OF ACTION**

20 **(Breach of Mandatory Duty Under the Transportation Code**
21 **Against Defendant SFMTA and DOES 1 to 10)**

22 221. Paragraphs 1 through 198 are incorporated and realleged here, as if fully set forth
23 herein.

24 222. The SFMTA violated the Transportation Code and the Program. In so doing, the
25 Credit Union was harmed. As a "Qualified Lender," the Transportation Code and Program were
26 regulations that were specifically designed to protect the Credit Union from the damages it has
27 suffered. The SFMTA's failure to perform its mandatory duties was a substantial factor in the
28 Credit Union being damaged.

1 223. The SFMTA failed to perform its mandatory obligation under 1116(1)(2):

2 Retransfer. Provided that the Qualified Lender has provided notice to the SFMTA
3 under Section 1116(1)(1), upon foreclosure in accordance with applicable law and the
4 terms of the security agreement between the Qualified Lender and the Medallion
5 Holder, the Qualified Lender shall Retransfer the Transferable Medallion pursuant to
6 the provisions of this Section to the Transferee identified by the SFMTA at the
7 Medallion Transfer Price. The proceeds of such Retransfer sale shall be distributed first
8 to the Qualified Lender to satisfy, to the extent possible, the Medallion Holder's debt
9 to the Qualified Lender as determined by reference to the unpaid balance under the loan
10 agreement between the Medallion Holder and the Qualified Lender. Any remaining
11 proceeds shall be distributed to the SFMTA. The SFMTA shall use such proceeds to
12 satisfy the Medallion Transfer Allocation and Driver Fund Retransfer Contributions,
13 and shall deposit any additional funds into the Drivers Fund.

14 224. Transportation Code Section 1116(d)(3) requires, in part, that where the SFMTA
15 "chooses at any time to prohibit the future Retransfer of Transferable Medallions, it
16 shall...purchase the Medallion at the Medallion Transfer Price paid by the Medallion Holder" and
17 from that amount, the SFMTA "will deduct from the payment made to any Medallion Holder
18 under this Section 1116(d)(3) an amount sufficient to satisfy any outstanding balance on a loan
19 made by the Qualified Lender and secured by an interest in the Medallion, and shall immediately
20 remit that amount to the Qualified Lender."

21 225. By constructively terminating the Program, the SFMTA has indeed "chos[en] to
22 prohibit the future Retransfer of Transferable Medallions." The SFMTA has breached its
23 mandatory duty to re-purchase *each* and *every* medallion at the Medallion Transfer Price paid by
24 the medallion holders and remit the outstanding balances due on the loans made by the Credit
25 Union to its taxi medallion member borrowers.

26 226. The SFMTA uniquely violates the regulations as described above each time another
27 Transferable Medallion's retransfer is prohibited and/or not re-purchased as mandated by the
28 regulations.

 227. As a result of the SFMTA's violation of its mandatory duties under the
 Transportation Code and the Program, the Credit Union has suffered damages in the millions of
 dollars, the exact amount to be proved at trial.

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1 **FOURTH CAUSE OF ACTION**

2 **(Breach of Fiduciary Duty Against Defendant SFMTA and DOES 1 to 10)**

3 228. Paragraphs 1 through 198 are incorporated and realleged here, as if fully set forth
4 herein.

5 229. A joint venture or partnership imposes a fiduciary obligation to act on behalf of and
6 for the benefit of another. *Cleveland v. Johnson* (2012) 209 Cal.App.4th 1315, 1339. The Credit
7 Union is a Qualified Lender for the Program in a public-private partnership with the SFMTA
8 pursuant to the Lender Agreements and the regulations of the Program as contained within the
9 Transportation Code. As such, the SFMTA has a fiduciary duty to the Credit Union. During its
10 performance of the Lender Agreements, the SFMTA breached its fiduciary duty to the Credit
11 Union in multiple ways.

12 230. Further, a fiduciary relationship is “any relation existing between parties to a
13 transaction wherein one of the parties is in duty bound to act with the utmost good faith for the
14 benefit of the other party. Such a relation ordinarily arises where a confidence is reposed by one
15 person in the integrity of another.” *Herbert v. Lankershim* (1937) 9 Cal.2d 409, 483.

16 231. The SFMTA knowingly undertook to act on behalf of and for the benefit of the
17 Credit Union. The relationship between the SFMTA and the Credit Union is akin to a joint
18 enterprise; the SFMTA would not have been able to implement the Program without the Credit
19 Union becoming a Qualified Lender, and the Credit Union could not have financed Transferable
20 Medallion loans without the SFMTA’s explicit duties, commitments and obligations as set forth in
21 the Lender Agreements and Transportation Code, as well as the SFMTA’s course of conduct. The
22 Credit Union was, and is, completely reliant on the SFMTA to satisfy its duties and obligations
23 under its contracts with the SFMTA and pursuant to the Transportation Code. As such, the
24 SFMTA has a fiduciary duty to the Credit Union. During its performance of the Lender
25 Agreements, the SFMTA breached its fiduciary duty to the Credit Union in multiple ways.

26 232. Additionally, “[a] fiduciary relation arises whenever confidence is reposed on one
27 side, and domination and influence result on the other.” *Eisenbaum v. W. Energy Res., Inc.* (1990)
28 218 Cal.App.3d 314, 322 (internal citations omitted). Indeed, as provided by the Transportation

1 Code and throughout the course of the Program, the SFMTA has completely dominated and
2 exercised influence over the Program. Only the SFMTA has the ability to create and amend the
3 Transportation Code, approve Qualified Lenders, issue taxi medallions, and accept the surrender
4 and initiate and approve the transfer of taxi medallions. The SFMTA has complete control over
5 the viability of the Transferable Medallion market.

6 233. The SFMTA is responsible for paying amounts due under the Lender Agreements
7 and Transportation Code when a taxi medallion holder surrenders their medallion or the SFMTA
8 refuses to retransfer a Transferable Medallion. The SFMTA also is in complete control of whether
9 to suspend, terminate or discontinue the Program, which it has constructively done here by
10 refusing to allow the surrender or retransfer of any Transferable Medallions primarily via the
11 establishment of *ad hoc* wait lists, the Re-Transfer Wait List and Surrender Wait List, in an
12 attempt to maintain the illusion that the Program is still viable.

13 234. The SFMTA also is in a position of superior knowledge regarding the City's
14 position with respect to bringing the TNCs under its enforcement or regulatory jurisdiction, the
15 market for Transferable Medallions, the status of amendments to the Transportation Code and the
16 status of any purported studies that it is conducting pertaining to the Program.

17 235. Based on the assurances of trust and the relationship of trust and confidence that
18 developed between the SFMTA and the Credit Union, the Credit Union entered into the Lender
19 Agreements and continued lending pursuant to its status as a Qualified Lender, was entitled to
20 expect that the SFMTA would maintain an active market for Transferable Medallions and would
21 not abuse its position of superior knowledge and control over the Program.

22 236. As a result of the trust and confidence that the Credit Union reposed in the SFMTA
23 and the domination and influence exercised by the SFMTA, the SFMTA has a fiduciary duty to
24 the Credit Union. During its performance of the Lender Agreements, the SFMTA breached its
25 fiduciary duty to the Credit Union in multiple ways.

26 237. The SFMTA breached its fiduciary duty to the Credit Union by repeatedly failing to
27 inform the Credit Union that the Mayor, City Attorney's office, and Edward Reiskin refused to
28 bring TNCs under the SFMTA's jurisdiction. Rather, the SFMTA represented on several

1 occasions to the Credit Union that it was attempting to, or was in favor of, exercising jurisdiction
2 over the TNCs, which would have put the TNCs on a level playing field with the taxis and
3 therefore would have maintained the viability of the market for Transferable Medallions.

4 238. Through Edward Reiskin, Christiane Hayashi and Kate Toran, the SFMTA also
5 repeatedly told the Credit Union that the Program was important to the SFMTA and that it was
6 doing everything possible to maintain the viability of the Program. By using its position of
7 superior knowledge and authority to induce the Credit Union to enter into the Lender Agreements
8 and to continue to lend as a Qualified Lender while making such misrepresentations and
9 omissions to the Credit Union, the SFMTA abused the Credit Union's position of vulnerability,
10 which was unfair and oppressive to the Credit Union. Accordingly, the SFMTA breached its
11 fiduciary duty to the Credit Union.

12 239. The SFMTA on multiple occasions represented to the Credit Union that it would
13 present and adopt changes to the Transportation Code – first at the November 15, 2016 SFMTA
14 Board Meeting, and then at the December 6, 2016 SFMTA Board Meeting – designed to, among
15 other things, open the Transferable Medallion market to a broader range of buyers, remove the
16 full-time driving requirement and reinvigorate the market for Transferable Medallions. The
17 SFMTA also represented to the Credit Union that it would engage in an aggressive campaign
18 aimed at reinvigorating the market for Transferable Medallions and engage an independent study
19 in 2017. The SFMTA failed to follow through on these commitments. By using its position of
20 superior knowledge and authority to control the Program, the SFMTA's failure and/or refusal to
21 maintain the viability of the Transferable Medallion market was unfair and oppressive to the
22 Credit Union. The SFMTA also neglected its responsibility to maintain a viable market for
23 Transferable Medallions. Accordingly, the SFMTA breached its fiduciary duty to the Credit
24 Union.

25 240. The SFMTA also breached its fiduciary duty by constructively terminating the
26 Program without telling the Credit Union that it terminated the Program and without thereafter
27 fulfilling its duties to repurchase the Transferable Medallions pursuant to its obligations under the
28 Lender Agreements and Transportation Code.

1 aggressive campaign aimed at reinvigorating the Transferable Medallion market and engage an
2 independent study to design and implement same.

3 249. None of these misrepresentations were true.

4 250. Each time the Credit Union requested that the SFMTA retransfer a Transferable
5 Medallion, and the SFMTA failed to retransfer the medallion, the SFMTA negligently failed to
6 inform the Credit Union that the Program had failed or that it had terminated the Program.

7 251. The SFMTA made these omissions and representations without reasonable ground
8 for believing them to be true, and with the intent to induce the Credit Union's reliance on them so
9 that the Credit Union would continue to originate taxi medallion loans as a Qualified Lender for
10 the Program and so that the Credit Union would forego commencing a legal action against the
11 SFMTA to enforce its rights.

12 252. The Credit Union reasonably relied on these omissions and misrepresentations in
13 entering into the Lender Agreements and then continuing to originate taxi medallion loans as a
14 Qualified Lender for the Program.

15 253. Further, the Credit Union reasonably relied on these omissions and
16 misrepresentations in delaying the pursuit of legal action against the SFMTA, reasonably
17 believing that the SFMTA would engage in an aggressive campaign to reinvigorate the
18 Transferable Medallion market, complete the independent study, and would – as it had done
19 repeatedly in the past – take the Credit Union's concerns and interests as a Qualified Lender into
20 consideration and adopt the changes to the Transportation Code at the SFMTA Board meeting, as
21 promised.

22 254. As a direct result of the SFMTA's negligent misrepresentations and omissions, the
23 Credit Union suffered damages in the millions of dollars, the exact amount to be proved at trial.
24 SFMTA's negligent misrepresentations and omissions were at a substantial factor in the harm the
25 Credit Union suffered.

26 **IV. PRAYER FOR RELIEF**

27 **WHEREFORE**, the Credit Union prays for relief as follows:

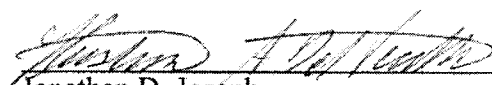
- 28 1. For \$28,000,000 or more in compensatory damages according to proof;

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- 2. For reasonable attorney's fees and costs according to proof;
- 3. For an order compelling the SFMTA to repurchase the Transferable Medallions from the Credit Union as mandated by the Transportation Code; and
- 4. For such other relief the court deems just and proper.

Dated: March 27, 2018

JOSEPH & COHEN, P.C.

By: 
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**SAN FRANCISCO FEDERAL CREDIT
UNION**