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SAN FRANCISCO FEDERAL CREDIT UNION

ENDORSED
FILED
San Francisco County Superior Court

MAR 27 2018

CLERK OF THE COURT
BY: NEYL WEBB
Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN FRANCISCO

SAN FRANCISCO FEDERAL CREDIT UNION Plaintiff, vs. SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY and DOES 1 to 10 Defendant.	**Case No.** CGC-18-565325 **SAN FRANCISCO FEDERAL CREDIT UNION'S COMPLAINT AGAINST THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY** **JURY TRIAL DEMANDED**

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

I. INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27. Despite the SFMTA's mission and commitment to its citizens to maintain a "vibrant taxi industry" through "intelligent regulation, enforcement and partnership," the SFMTA has failed to take meaningful steps or actions to maintain the vibrancy of the San Francisco taxi industry.

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

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

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

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

II. THE PARTIES

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

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

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

agency with jurisdiction over the San Francisco taxi industry.

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

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

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

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

III. FACTUAL BACKGROUND

A. BACKGROUND OF THE TAXI MEDALLION TRANSFER PROGRAM

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

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

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

regulations governing the San Francisco taxi industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> SFMTA acknowledges that, in the event that the SFMTA decides that some or all Medallion Holders may no longer transfer their transferable Medallions in accordance 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

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

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

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

> If the SFMTA chooses at any time to prohibit the future Retransfer of Transferable Medallions, it shall, at the request of a Medallion Holder who holds a Transferable Medallion, and upon 10 days' notice to a Qualified Lender who has a security interest in the Transferable Medallion, purchase the Medallion at the Medallion Transfer Price paid by the Medallion Holder. At the request of a Qualified Lender who has complied with the requirements of Section 1116(l) of this Article, the SFMTA will deduct from the payment made to any Medallion Holder under this Section 1116(d)(3) an amount sufficient to satisfy any outstanding balance on a loan made by the Qualified Lender and secured by an interest in the Medallion, and shall immediately remit that amount to the Qualified Lender. Upon receipt of this amount, the Qualified Lender shall comply with Section 1116(k)(3) and release its security interest in the Medallion. Upon purchase of the Medallion under this Section 1116(d)(3), the SFMTA shall reissue the 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.

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

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

[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).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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B. RISE OF THE "RIDESHARING" COMPANIES

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

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

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

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

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

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

policy issues around the growing 'sharing economy'."[2]

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

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

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

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

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

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

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

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[2] *San Francisco Announces Sharing Economy Working Group* (March 27, 2012), https://www.shareable.net/blog/san-francisco-announces-sharing-economy-working-group.
[3] *Id.*
[4] *See Uber Driver Vehicle Requirements*, https://www.uber.com/drive/san-francisco/vehicle-requirements// (last visited March 17, 2018).

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

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

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

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

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

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

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

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

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

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

> [SFMTA] will be advocating before the CPUC and the state legislature that local agencies be able to maintain control over the numbers of vehicles, since we have responsibility to manage congestion and reduce greenhouse gas emissions, and an uncontrolled number of for hire vehicles on the street interferes with that ability. Note that in essence this recommendation presents the same issues we have had with the CPUC before anyone ever heard the word "ridesharing." That is, the CPUC's 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. THE COLLAPSE OF THE TAXI MEDALLION MARKET

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

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

[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.

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

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

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

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

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

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

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

letter and mailed it to the Credit Union.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

November 15, 2016 SFMTA Board meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

maintain their value at $250,000.

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

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

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

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

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

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

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

FIRST CAUSE OF ACTION

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

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

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

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

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

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

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

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

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

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

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

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

SECOND CAUSE OF ACTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THIRD CAUSE OF ACTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

241. Additionally, upon information and belief, the SFMTA has breached and continues to breach its fiduciary duty to the Credit Union because the SFMTA has neglected its responsibility to maintain a viable market for Transferable Medallions and acted in a manner contrary to the interests of the Credit Union by directly leasing medallions to taxi drivers and/or taxicab companies.

242. As a direct result of these breaches, the Credit Union suffered damages in the millions of dollars, the exact amount to be proved at trial.

FIFTH CAUSE OF ACTION

(Negligent Misrepresentation)

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

244. During its performance of the Lender Agreements, the SFMTA negligently misrepresented materials facts in many ways:

245. The SFMTA repeatedly failed to inform the Credit Union that the City refused to bring TNCs under the SFMTA's jurisdiction. Rather, the SFMTA represented on several occasions to the Credit Union that it was attempting to, or was in favor of, exercising jurisdiction over the TNCs, which would have put the TNCs on a level playing field with the taxis and therefore would maintain the viability of the taxi medallion market.

246. Through Edward Reiskin, Christiane Hayashi and Kate Toran, the SFMTA also repeatedly told the Credit Union that the Program was important to the SFMTA and that it was doing everything possible to maintain the viability of the Program.

247. Beginning in or around the summer of 2016, the SFMTA, on multiple occasions, represented to the Credit Union that it would present and adopt changes to the Transportation Code – first at the November 15, 2016 SFMTA Board Meeting, and then at the December 6, 2016 SFMTA Board Meeting – designed to, among other things, open the market for Transferable Medallions to a broader range of buyers, remove the full-time driving requirement and reinvigorate the Transferable Medallion market.

248. The SFMTA also represented to the Credit Union that it would engage in an

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

249. None of these misrepresentations were true.

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

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

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

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

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

IV. PRAYER FOR RELIEF

WHEREFORE, the Credit Union prays for relief as follows:

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

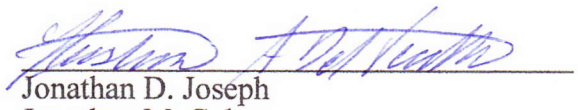
2. For reasonable attorney's fees and costs according to proof;

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: 

Jonathan D. Joseph
Jonathan M. Cohen
Kristina A. Del Vecchio

Attorneys for Plaintiff
SAN FRANCISCO FEDERAL CREDIT UNION

EXHIBIT A

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TAXI MEDALLION SALES PILOT PROGRAM
LENDER AGREEMENT

This Lender Agreement ("Agreement") is entered into by and between the San Francisco Municipal Transportation Agency ("SFMTA") and San Francisco Federal Credit Union ("Lender"), with a principal business office located at 770 Golden Gate Avenue, San Francisco, in connection with the San Francisco Taxi Medallion Sales Pilot Program.

WHEREAS, Lender seeks designation from the SFMTA as a "Qualified Lender" and approval to finance the purchase of Medallions under the Taxi Medallion Sales Pilot Program ("Pilot Program");

WHEREAS, San Francisco Transportation Code Section 1109(e)(12)(C) requires that Qualified Lenders under the Pilot Program execute this Agreement;

NOW, THEREFORE, in exchange for the mutual promises set forth below and the receipt of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms used in this Agreement have the meanings ascribed to them as set forth in San Francisco Transportation Code Section 1102, unless otherwise set forth herein.

2. SAN FRANCISCO TRANSPORTATION CODE

Lender acknowledges and agrees that it is bound by the provisions of San Francisco Transportation Code Section 1109(e), by all other provisions of the San Francisco Municipal Code, and by any additional requirements adopted by the Director of Transportation that are or may become applicable to Lender, except to the extent prohibited or pre-empted by state or federal law.

3. LENDER WARRANTIES AND REPRESENTATIONS

a. Lender warrants and represents that it is a financial institution chartered by a state government or the federal government and has obtained and will maintain any and all licenses and will meet any and all other qualifications necessary to make loans to Medallion Purchasers in connection with the Pilot Program.

b. Lender warrants and represents that all services provided, products sold and/or licensed, and forms utilized by Lender pursuant to this Agreement and/or the Pilot Program are in compliance with all applicable state and federal law and will remain so throughout the entire term of this Agreement.

4. MEDALLION SALE PRICE

a. The parties acknowledge that the SFMTA may increase or decrease the Medallion Sale Price at any time in accordance with the SFMTA's procedures for setting the Medallion Sale Price. However, SFMTA agrees that it shall not set the Medallion Sale Price for the sale of a Medallion below the highest Medallion Sale Price paid by a Medallion Holder to whom any Qualified Lender made a loan that is still outstanding to finance the purchase of a Medallion.

b. Lender acknowledges that SFMTA will require loan amount and pay-off data necessary for SFMTA to comply with Section 4(a). Accordingly, Lender agrees to provide SFMTA with loan amount data and to inform SFMTA when a Pilot Program loan is no longer outstanding as soon as reasonably possible upon SFMTA's written request.

c. Lender agrees that before commencement of a loan, Lender will obtain the express, written consent of each loan applicant, in conformity with applicable law, specifically authorizing Lender to share any information about the loan with SFMTA as may be necessary for SFMTA to comply with its obligations under Section 4(a) and for Lender to comply with applicable privacy laws and its obligations under Section 4(b).

5. FORECLOSURE UPON MEDALLIONS

a. SFMTA acknowledges that, in connection with Lender's involvement in the Pilot Program, Lender may finance the purchase of Medallions by Medallion Holders and may take a security interest in the Medallions such that the Medallions may serve as collateral in the event of the Medallion Holder's default under the terms of the financing or loan agreement with Lender. SFMTA hereby acknowledges that Lender may, consistent with applicable state or federal law:

(1) Take a security interest in any Medallion that the Medallion Holder purchased using funds provided by Lender;

(2) In the event of default by the Medallion Holder under the financing or loan agreement, foreclose upon any Medallion (the "Foreclosed Medallion") for which it has a security interest; and

(3) After foreclosure, possess the Foreclosed Medallion as an owner of the Medallion with full right, title, and interest thereto, except that Lender shall not be permitted to operate the Medallion.

b. SFMTA shall waive any required payments or transfer or similar tax that may be due from Lender in connection with the transfer of ownership to Lender as a result of Lender's repossession of the Medallion.

c. SFMTA and Lender shall use diligent and good faith efforts to re-sell each foreclosed Medallion as soon as reasonably possible, which efforts shall include, but need not be limited to, ensuring that Foreclosed Medallions are re-sold prior to authorizing the issuance of or selling new Medallions. In the event that there is more than one Foreclosed Medallion waiting to be re-sold that was foreclosed upon by the same Lender or by different Lenders, SFMTA shall use diligent and good faith efforts to first sell the oldest Foreclosed Medallion, as determined by date of repossession, then the second-oldest Foreclosed Medallion, and so on, until all of the Foreclosed Medallions are re-sold before issuing or selling any new Medallions.

d. Upon sale of the Foreclosed Medallion, and in the event that the Medallion Holder purchased the Foreclosed Medallion with financing from Lender, Lender shall retain sufficient proceeds of such sale to satisfy Medallion Holder's debt to Lender as determined by reference to the unpaid balance under the loan agreement between Medallion Holder and Lender.

e. SFMTA agrees to take any action that may be necessary to effectuate the intent of this Section.

f. This Section shall survive the termination of this Agreement.

6. PURCHASED MEDALLION NO LONGER TRANSFERABLE

a. SFMTA acknowledges that, in the event that the SFMTA decides that some or all Medallion Purchasers may no longer sell their

Purchased Medallions in accordance with Section 1109(e)(1)(B) 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 Sale Price paid by the Medallion Holder, a Purchased Medallion that is no longer transferable or assignable. At the request of a Qualified Lender who has complied with the requirements of Section 1109(e)(13) of this Article, the SFMTA shall deduct from the payment made to any Medallion Holder under San Francisco Transportation Code Section 1109(e)(1)(D) an amount sufficient to satisfy any outstanding balance on a loan made by the Qualified Lender and secured by an interest in the Medallion, and shall immediately remit that amount to the Qualified Lender.

b. Upon receipt of the payment described in paragraph 6(a), above, the Qualified Lender shall comply with Transportation Code Section 1109(e)(13(c) and release its security interest in the Medallion.

c. This Section shall survive the termination of this Agreement.

7. LOAN APPLICANTS

Notwithstanding anything herein to the contrary, the parties agree that the execution of this Agreement does not obligate Lender to make any loan under the Program if, in Lender's sole determination, any loan applicant does not qualify under Lender's lending policies.

8. TERM

This Agreement shall be in effect from the Effective Date until this Agreement is terminated as set forth herein.

9. TERMINATION

a. This Agreement shall automatically terminate immediately upon the termination of the Pilot Program.

b. The Lender may terminate this Agreement at any time, with or without cause, upon written notice. SFMTA may terminate this Agreement as set forth in San Francisco Municipal Code Section 1109(e)(12)(B).

c. Notwithstanding anything contained in this section, the termination of this Agreement will not affect Lender's existing obligations under

this Agreement with respect to any loan granted under the Pilot Program.

10. RELATIONSHIP

This Agreement does not create, and shall not be construed to create, any joint venture or partnership between the parties. No officer, employee, agent, servant, or independent contractor of either party shall at any time be deemed to be an employee, servant, agent, or contractor of the other party for any purpose whatsoever.

11. NOTICES

All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given, made, and received only when personally delivered or delivered by Federal Express or other nationally recognized courier service, or two (2) days after having been deposited in the United States mail, certified mail, postage prepaid, return receipt requested (except when such notice is a termination notice, in which event any two (2) of the delivery methods described above must be used), addressed as set forth below:

If to SFMTA:

San Francisco Municipal Transportation Agency
One South Van Ness, 7th Floor
San Francisco CA 94103
Attention: Taxi Services

If to Lender:

San Francisco Federal Credit Union
70 Golden Gate Avenue
San Francisco, CA 94102
Attention: Rebecca Lytle, Vice President of Lending

Any party may change the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this section for the giving of notice.

12. WAIVER

The failure of either party to seek a redress for violation, or to insist upon the strict performance, of any covenant, agreement, provision, or condition hereof shall not constitute the waiver of the terms or of the terms of any other covenant, agreement, provision, or condition, and each party shall have all remedies provided herein with respect to any subsequent act which would have originally constituted the violation hereunder.

13. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements, or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by an authorized representative of each party hereto.

14. ASSIGNMENT

Neither party may assign this Agreement or subcontract any right or interest hereunder.

15. HEADINGS

The headings herein are for convenience only; they form no part of this Agreement and shall not be given any substantive or interpretive effect whatsoever.

16. RIGHTS AND REMEDIES CUMULATIVE

Unless expressly stated otherwise in this Agreement, all rights and remedies provided for in this Agreement will be cumulative and in addition to, and not in lieu of, any other remedies available at law, in equity, or otherwise. If a party has a choice of possible actions, it may take any or all of those actions.

17. ATTORNEYS' FEES

The prevailing party in any dispute between the parties arising out of the interpretation, application, or enforcement of any provision of this Agreement shall be entitled to recover all of its reasonable attorneys' fees and costs whether suit be filed or not, including, without limitation, costs

and attorneys' fees related to or arising out of any arbitration proceeding, trial, or appellate proceedings.

18. GOVERNING LAW AND JURISDICTION

This Agreement is entered into and will be performed in California and all questions relating to its validity, interpretation, performance, and enforcement (including, without limitation, provisions concerning limitations of action) shall be governed by and construed in accordance with the regulations of the San Francisco Municipal Transportation Agency, including but not limited to the provisions of Article 1100 of the San Francisco Transportation Code, and the internal laws of the State of California. Lender agrees to submit to the personal jurisdiction of the courts of the State of California.

19. TIMELINESS

Time is of the essence in this Agreement.

20. PARTIAL INVALIDITY

If any part of this Agreement is determined to be invalid or unenforceable by a court, then such part or parts shall be severed from this Agreement without affecting the validity of the remaining provisions.

Signature Page Follows

IN WITNESS WHEREOF, the parties have executed this Agreement this 4th, day of August, 2010 (the "Effective Date").

SFMTA

Recommended by:

Christiane Hayashi
Deputy Director, Taxi Services

By:

Nathaniel P. Ford, Sr.
Executive Director/CEO
San Francisco Municipal Transportation Agency
One South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Approved as to Form:

Dennis J. Herrera
City Attorney

By:

Mariam Morley
Deputy City Attorney

LENDER

By:

Steven Stapp
President and CEO, San Francisco Federal Credit Union

EXHIBIT B

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
TAXI MEDALLION TRANSFER PROGRAM
LENDER AGREEMENT

This Lender Agreement ("Agreement") is entered into by and between the San Francisco Municipal Transportation Agency ("SFMTA") and San Francisco Federal Credit Union ("Lender"), with a principal business office located at 770 Golden Gate Ave, San Francisco in connection with the San Francisco Taxi Medallion Transfer Program.

WHEREAS, Lender seeks designation from the SFMTA as a "Qualified Lender" and approval to finance the transfer of Medallions under the Taxi Medallion Transfer Program (" Transfer Program");

WHEREAS, San Francisco Transportation Code Section 1116(m)(3) requires that Qualified Lenders under the Taxi Medallion Transfer Program execute this Agreement;

NOW, THEREFORE, in exchange for the mutual promises set forth below and the receipt of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms used in this Agreement have the meanings ascribed to them as set forth in San Francisco Transportation Code Section 1102, unless otherwise set forth herein.

2. SAN FRANCISCO TRANSPORTATION CODE

Lender acknowledges and agrees that it is bound by the provisions of San Francisco Transportation Code Section 1116(m), by all other provisions of the San Francisco Municipal Code, and by any additional requirements adopted by the Director of Transportation that are or may become applicable to Lender, except to the extent prohibited or pre-empted by state or Federal law.

3. LENDER WARRANTIES AND REPRESENTATIONS

a. Lender warrants and represents that it is a financial institution chartered by a state government or the federal government and has obtained and will maintain any and all licenses and will meet any and all other qualifications necessary to make loans to qualified Transferees in connection with the Medallion Transfer Program.

b. Lender warrants and represents that all services provided, products sold and/or licensed, and forms utilized by Lender pursuant to this Agreement and/or the Medallion Transfer Program are in compliance with all applicable state and federal law and will remain so throughout the entire term of this Agreement.

4. MEDALLION TRANSFER PRICE

a. The parties acknowledge that the SFMTA may increase or decrease the Medallion Transfer Price at any time in accordance with the SFMTA's procedures for setting the Medallion Transfer Price. However, SFMTA agrees that it shall not set the Medallion Transfer Price for the Transfer of a Medallion below the highest Medallion Transfer Price paid by a Medallion Holder to whom any Qualified Lender made a loan that is still outstanding to finance the transfer of a Medallion.

b. Lender acknowledges that SFMTA will require loan amount and pay-off data necessary for SFMTA to comply with Section 4(a). Accordingly, Lender agrees to provide SFMTA with loan amount data and to inform SFMTA when a Program loan is no longer outstanding as soon as reasonably possible upon SFMTA's written request.

c. Lender agrees to obtain the express, written consent of each loan applicant in conformity with applicable law before consummation of the loan specifically authorizing Lender to share any information about the loan with SFMTA as may be necessary for SFMTA to comply with its obligations under Section 4(a) and for Lender to comply with applicable privacy laws and its obligations under Section 4(b).

5. FORECLOSURE UPON MEDALLIONS

a. SFMTA acknowledges that, in connection with Lender's involvement in the Medallion Transfer Program, Lender may finance the transfer of Medallions by Medallion Holders and may take a security interest in the Medallions such that the Medallions may serve as collateral in the event of the Medallion Holder's default under the terms of the financing or loan agreement with Lender. SFMTA hereby acknowledges that Lender may, consistent with applicable state or federal law:

(1) Take a security interest in any Medallion for which the Medallion Holder obtained financing from Lender for the transfer thereof;

(2) In the event of default by the Medallion Holder under the financing or loan agreement, foreclose upon any Medallion (the "Foreclosed Medallion") for which it has a security interest; and

(3) After foreclosure, possess the Foreclosed Medallion as an owner of the Medallion with full right, title, and interest thereto, except that Lender shall not be permitted to operate the Medallion.

b. SFMTA shall waive any required payments or transfer or similar tax that may be due from Lender in connection with the transfer of ownership as a result of Lender's repossession of the Medallion.

c. SFMTA and Lender shall use diligent and good faith efforts to re-transfer each foreclosed Medallion as soon as reasonably possible, which efforts shall include, but need not be limited to, ensuring that Foreclosed Medallions are re-transferred prior to authorizing the issuance of transfer or re-transfer of new Medallions. In the event that there is more than one Foreclosed Medallion waiting to be re-transferred that was foreclosed upon by the same Lender or by different Lenders, SFMTA shall first sell the oldest Foreclosed Medallion, as determined by date of repossession, then the second-oldest Foreclosed Medallion, and so on, until all of the Foreclosed Medallions are re-transferred before issuing or transferring any new Medallions.

d. Upon transfer of the Foreclosed Medallion, and in the event that the Medallion Holder transferred the Foreclosed Medallion with financing from Lender, Lender shall retain sufficient proceeds of such re-transfer to satisfy Medallion Holder's debt to Lender as determined by reference to the unpaid balance under the loan agreement between Medallion Holder and Lender, without reference to any payments received by Lender from a Participating Color Scheme after foreclosure.

d. SFMTA agrees to take any action that may be necessary to effectuate the intent of this Section.

e. This Section shall survive the termination of this Agreement.

6. TRANSFERRED MEDALLION NO LONGER TRANSFERABLE

a. SFMTA acknowledges that, in the event that the SFMTA decides that some or all Medallion Holders may no longer transfer their transferable Medallions in accordance 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 Price paid by the Medallion Holder, a Transferable Medallion that is no longer transferable or assignable. At the request of a Qualified Lender who has complied with the requirements of Section 1116(n) of this Article, the SFMTA shall deduct from the payment made to any Medallion Holder under San Francisco Transportation Code Section 1116(d)(3) an amount sufficient to satisfy any outstanding balance on a loan made by the Qualified Lender and secured by an interest in the Medallion, and shall immediately remit that amount to the Qualified Lender.

b. Upon receipt of the payment described in paragraph 6(a), above, the Qualified Lender shall comply with Transportation Code Section 1116(n)(3) and release its security interest in the Medallion.

c. This Section shall survive the termination of this Agreement.

7. **LOAN APPLICANTS**

Notwithstanding anything herein to the contrary, the parties agree that the execution of this Agreement does not obligate Lender to make any loan under the Medallion Transfer Program if, in Lender's sole determination, any loan applicant does not qualify under Lender's lending policies.

8. **TERM**

This Agreement shall be in effect from the Effective Date until this Agreement is terminated as set forth herein.

9. **TERMINATION**

a. This Agreement shall automatically terminate immediately upon the termination of the Medallion Transfer Program.

b. The Lender may terminate this Agreement at any time, with or without cause, upon written notice. SFMTA may terminate this Agreement as set forth in San Francisco Municipal Code Section 1116(m).

c. Notwithstanding anything contained in this section, the termination of this Agreement will not affect Lender's existing obligations under this Agreement with respect to any loan granted under the Medallion Transfer Program.

10. RELATIONSHIP

This Agreement does not create, and shall not be construed to create, any joint venture or partnership between the parties. No officer, employee, agent, servant, or independent contractor of either party shall at any time be deemed to be an employee, servant, agent, or contractor of the other party for any purpose whatsoever.

11. NOTICES

All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given, made, and received only when personally delivered or delivered by Federal Express or other nationally recognized courier service, or two (2) days after having been deposited in the United States mail, certified mail, postage prepaid, return receipt requested (except when such notice is a termination notice, in which event any two (2) of the delivery methods described above must be used), addressed as set forth below:

If to SFMTA:

San Francisco Municipal Transportation Agency
One South Van Ness, 7th Floor
San Francisco CA 94103
Attention: Taxi Services

If to Lender:
San Francisco Federal Credit Union
770 Golden Gate Ave
San Francisco CA 94102 Attn: Business Services

Any party may change the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this section for the giving of notice.

12. WAIVER

The failure of either party to seek a redress for violation, or to insist upon the strict performance, of any covenant, agreement, provision, or condition

hereof shall not constitute the waiver of the terms or of the terms of any other covenant, agreement, provision, or condition, and each party shall have all remedies provided herein with respect to any subsequent act which would have originally constituted the violation hereunder.

13. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements, or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by an authorized representative of each party hereto.

14. ASSIGNMENT

Neither party may assign this Agreement or subcontract any right or interest hereunder.

15. HEADINGS

The headings herein are for convenience only; they form no part of this Agreement and shall not be given any substantive or interpretive effect whatsoever.

16. RIGHTS AND REMEDIES CUMULATIVE

Unless expressly stated otherwise in this Agreement, all rights and remedies provided for in this Agreement will be cumulative and in addition to, and not in lieu of, any other remedies available at law, in equity, or otherwise. If a party has a choice of possible actions, it may take any or all of those actions.

17. ATTORNEYS' FEES

The prevailing party in any dispute between the parties arising out of the interpretation, application, or enforcement of any provision of this Agreement shall be entitled to recover all of its reasonable attorneys' fees and costs whether suit be filed or not, including, without limitation, costs and attorneys' fees related to or arising out of any arbitration proceeding, trial, or appellate proceedings.

18. GOVERNING LAW AND JURISDICTION

This Agreement is entered into and will be performed in California and all questions relating to its validity, interpretation, performance, and enforcement (including, without limitation, provisions concerning limitations of action) shall be governed by and construed in accordance with the regulations of the San Francisco Municipal Transportation Agency, including but not limited to the provisions of Article 1100 of the San Francisco Transportation Code, and the internal laws of the State of California. Lender agrees to submit to the personal jurisdiction of the courts of the State of California.

19. TIMELINESS

Time is of the essence in this Agreement.

20. PARTIAL INVALIDITY

If any part of this Agreement is determined to be invalid or unenforceable by a court, then such part or parts shall be severed from this Agreement without affecting the validity of the remaining provisions.

Signature Page Follows

IN WITNESS WHEREOF, the parties have executed this Agreement this 10th day of January, 2013 (the "Effective Date").

SFMTA

Recommended by:

Christiane Hayashi
Deputy Director, Taxi Services

By:

Edward D. Reiskin
Director of Transportation
San Francisco Municipal Transportation Agency
One South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Approved as to Form:

Dennis J. Herrera
City Attorney

By: Stephanie Stuart
Stephanie Stuart
Deputy City Attorney

LENDER

By: Steven Stapp

Title: STEVEN STAPP, PRESIDENT & CEO

EXHIBIT C

CLAIM AGAINST THE CITY AND COUNTY OF SAN FRANCISCO

Before completing this form please read the instructions on the back. Untimely claims will be returned. Please submit this form and supporting documentation to the **Controller's Office, Claims Division, 1390 Market Street, 7th Floor, San Francisco, CA 94102** in person or by mail.

*** = REQUIRED ** = REQUIRED IF KNOWN**

1. Claimant's Name and Home Address (Please Print Clearly)
* San Francisco Federal Credit Union
770 Golden Gate Avenue
City San Francisco **State** CA **Zip** 94102
Telephone Daytime Evening Cellular

2. Send Official Notices and Correspondence to:
* Jonathan Cohen of Joseph & Cohen, P.C.
1855 Market Street
City San Francisco **State** CA **Zip** 94103
Telephone Daytime (415) 817-9200 Evening Cellular

3. Date of Birth

4. Social Security Number

5. Date of Incident
* 11/15/2016

6. Time of Incident (AM or PM)
** n/a

7. Location of Incident or Accident
** City and County of San Francisco

8. Claimant Vehicle License Plate #, Type, Mileage, and Year
** n/a

9. Basis of Claim. State in detail all facts and circumstances of the incident. Identify all persons, entities, property and City departments involved. State why you believe the City is responsible for the alleged injury, property damage or loss.
* See Attachment A, which is incorporated herein by reference.

Name, I.D. Number and City Department of City Employee who allegedly caused injury or loss	Type of City Vehicle	Vehicle License Number and Bus or Train Number
** Edward Reiskin, SF MTA	** n/a	** n/a

10. Description of Claimant's injury, property damage or loss
* See Attachment A

11. Amount of Claimant's property damage or loss and method of computation. Attach supporting documentation. (See Instructions)

ITEMS
* SFMTA is liable to $
Claimant for damages $
and losses to be proven $
at trial $
TOTAL AMOUNT $

Court Jurisdiction: Limited (up to $25,000) ☐
Unlimited (over $25,000) ■

12. Witnesses (if any) Name **Address** **Telephone**
1.
2.

13.
* 10/31/2017
Signature of Claimant or Representative **Date**
Jonathan Cohen Attorney
Print Name **Relationship to Claimant**

CRIMINAL PENALTY FOR PRESENTING A FALSE OR FRAUDULENT CLAIM IS IMPRISONMENT OR FINE OR BOTH. (PENAL CODE §72)

Do Not Write In This Space

RECEIVED
17 NOV -1 PM 12:55
CITY & COUNTY OF SAN FRANCISCO CONTROLLER

CA/FORM 02/14

Attachment A

Government Claim of San Francisco Federal Credit Union

San Francisco Federal Credit Union, a federally chartered credit union, headquartered in San Francisco, CA ("Credit Union") is a Qualified Lender (as defined in Division II of the San Francisco Transportation Code) for and on behalf of the San Francisco Municipal Transportation Agency ("MTA") with respect to financing the purchase and transfer of taxi medallions. The Director of Transportation of the MTA is Edward D. Reiskin and in this capacity, Mr. Reiskin oversees and manages the San Francisco taxi industry and the taxi medallion and medallion transfer program (as described below). The medallion transfer program authorizes the MTA to transfer surrendered medallions and also permits owners of medallions to retransfer their Transferrable Medallions at the Medallion Transfer Price (as define below).

On August 16, 2012, the MTA Board of Directors adopted a permanent Medallion Transfer Program. The San Francisco Transportation Code, Division II, Article 1100 et al ("SFTC"), provides the legal and regulatory framework for the taxi industry and taxi medallion Program in the City and County of San Francisco. The Taxi Services Division of the MTA is charged with promoting "*a vibrant taxi industry through intelligent regulation, enforcement and partnership*." See, https://www.sfmta.com/services/taxi-industry/taxi-services**. The MTA has materially failed to satisfy these requirements.**

Since the MTA created and authorized the Taxi Medallion Program and Medallion Transfer Program pursuant to the SFTC, the Credit Union, in its capacity as a Qualified Lender, has financed the purchase of over $125 million in San Francisco taxi medallions by individual taxi drivers. See SFTC section 1116(j). The Taxi Medallion Program included provisions which created a revenue stream for the MTA and, consequently, it has benefitted financially due to this Program. The MTA regulates and controls all aspects of the Medallion Transfer Program. As a result, the Credit Union relies on the MTA to satisfy its duties and obligations under the SFTC and other applicable laws. The current taxi medallion transfer price of $250,000 ("Medallion Transfer Price") is set by the MTA Board and Director Edward Reiskin (SFTC section 1116(e)).

The SFTC contains statutory provisions which provide, among other things, that the MTA cannot sell a taxi medallion for less than the Medallion Transfer Price as long as medallion loans made by a Qualified Lender to medallion purchasers remain outstanding. The MTA has also entered into an agreement with the Credit Union providing this same promise (SFTC sec 1116(j)(3)). Millions of dollars of taxi medallion purchase loans originated by the Credit Union remain outstanding as of the date hereof. Other provisions of the SFTC govern the manner in which the Credit Union obtains and perfects a security interest in each taxi medallion purchase that it finances (SFTC sec 1116(k)), foreclosure procedures applicable upon taxi medallion loan defaults (SFTC sec 1116(l), retransfer procedures supervised by the MTA and other significant protections which the Credit Union relied upon and continues to rely upon in connection with all of the taxi medallion loans it has made.

In 2016, due to competitive pressures, the MTA promised to reform the Taxi Medallion Program to support the taxi industry and the value of taxi medallions. Initially, the Taxi Services Division of the MTA promised to bring a reform proposal before the MTA Board on November 15, 2016. However, the promised reform proposal wasn't presented, and the proposal was pushed back to December 6, 2016, but this reform presentation was also canceled by the MTA. As a result of this and other failures, which

continue, both purchases and transfers of taxi medallions have effectively been prohibited/frozen and the value of the medallions has declined drastically below the Medallion Transfer Price.

The MTA has created a transfer waiting list with hundreds of taxi medallion owners (many of whom financed their medallions by borrowing from the Credit Union) who wish to surrender and sell their medallions, but there have been no transfers for months. Many of the individuals on the waiting list and other individual medallion owners who also financed their taxi medallion purchases through the Credit Union have defaulted on some or all of their obligations to the Credit Union. In order to protect its assets and comply with credit union regulatory requirements, the Credit Union was forced to foreclose on many of these defaulted loans and now owns more than 70 medallions. The Credit Union reasonably expects this figure will increase due to future foreclosures on taxi medallion loans in its portfolio. Due to the above, many of the Credit Union's remaining taxi medallion loans are now impaired.

The above facts and circumstances are merely illustrative, and by no means exhaustive, of the multiple acts and omissions of the San Francisco MTA which raise claims for breach of contract, breach of the covenant of good faith and fair dealing, breach of the duty of care, misrepresentation and other claims. Additionally, the MTA has breached its obligations under the SFTC including but not limited to provisions in SFTC section 1116 which requires that: (1) the MTA repurchase Transferable Medallions at the Medallion Transfer Price and then immediately remit to the Qualified Lender an amount sufficient to satisfy any outstanding balance due the Qualified Lender; and (2) that anytime the MTA elects not to retransfer Transferable Medallions, the MTA must nevertheless satisfy any outstanding balance on a loan secured by a Qualified Lender. The MTA has refused to satisfy its duties and obligations as summarized above. Accordingly, the Credit Union has and will continue to suffer significant losses and damages which it intends to prove at trial, if necessary.

EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

BRIAN CAULEY
Claims Adjuster
Direct Dial: (415) 554-3884
Email: brian.cauley@sfcityatty.org

November 22, 2017

Jonathan Cohen, Esq.
Joseph & Cohen, PC
1855 Market St.
San Francisco, CA 94103

Re: Claim of San Francisco Federal Credit Union / Claim Number 18-00952
Department: MTATAXI MTA Taxi-related Matters
Incident Date: November 15, 2016
Claim Filed: November 1, 2017

NOTICE OF ACTION UPON CLAIM

PLEASE TAKE NOTICE THAT a review of your claim filed with the City and County of San Francisco reveals that a portion of your claim was not presented to the Controller "within a reasonable time not to exceed one year after the accrual of the cause of action," as required by California Government Code section 911.4 (b). Consequently, this portion of your claim is barred.

As to those events or occurrence that allegedly took place within one year from the date of submission, November 1, 2017;

NOTICE OF ACTION UPON CLAIM **PLEASE TAKE NOTICE THAT**

An investigation of your claim filed with the City and County of San Francisco has revealed no indication of liability on the part of the City and County. Accordingly, the remainder of your claim is DENIED.

WARNING

Subject of certain exceptions, you have only (6) six months from the date of this notice was personally delivered or deposited in the mail to file a state court action on this claim. See Government Code section 945.6. This time limitation applies only to causes of action arising under California law for which a claim is mandated by the California Government Claims Act. Government Code sections 900, et seq. Other cause of action, including those arising under federal law, may have shorter time limitations for filing.

You may seek the advice of an attorney of your choice in connection with this matter. If you desire to consult with an attorney, you should do so immediately.

Please be advised that, pursuant to Code of Civil Procedure sections 128.7 and 1038, the City and County of San Francisco will seek to recover all costs of defense in the event an action is filed in this matter and it is determined that the action was not brought in good faith and with reasonable cause.

Very truly yours,

Brian Cauley
Claims Adjuster

Claim of: San Francisco Federal Credit Union Claim Filed: November 1, 2017

I, Brian Cauley, say: I am a citizen of the United States, over eighteen years of age, and not a party to the within action; that I am employed by the City Attorney's Office of San Francisco, Fox Plaza, 1390 Market Street, 7th Floor, San Francisco, CA 94102.

That on November 22, 2017 I served:

NOTICE OF ACTION UPON CLAIM

by placing a true copy thereof in an envelope addressed to:

Jonathan Cohen, Esq.
Joseph & Cohen, PC
1855 Market St.
San Francisco, CA 94103

Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 22, 2017 at San Francisco, California.

Brian Cauley

DECLARATION OF SERVICE BY MAIL