



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

LETITIA JAMES
ATTORNEY GENERAL

DIVISION OF ECONOMIC JUSTICE
INVESTOR PROTECTION BUREAU

February 20, 2020

Via Hand Delivery

New York City Comptroller Scott M. Stringer
Office of the New York City Comptroller
1 Centre Street, Room 1225
New York, NY 10007

Re: New York City Taxi Medallion Investigation

Dear Comptroller Stringer:

Please be advised that pursuant to New York City Administrative Code § 7-201, the People of the State of New York (the "People"), by Attorney General Letitia James, hereby make claim and demand against the City of New York (the "City"), acting by and through its agency, the New York City Taxi and Limousine Commission ("TLC") for damages caused by and profits wrongfully obtained from the actions of the TLC in marketing and selling Taxicab Licenses, as defined in Title 35 of the Rules of the City of New York §58-03(ff), from at least 2004 to 2017, with harm continuing to present.

Beginning no later than 2004, the TLC marketed Taxicab Licenses to purchasers, prospective purchasers, brokers and financial institutions as investments and conducted auctions of Taxicab Licenses in a manner that artificially inflated the price of Taxicab Licenses. In or about 2004, the TLC additionally permitted collusive bidding in its auctions of Taxicab Licenses and failed to take necessary action to prevent further collusion. Additionally, beginning on or about January 19, 2011, the TLC failed to disclose and concealed an internal analysis that determined, in part, that the price of Taxicab Licenses outstripped the underlying value of the Taxicab License and that the City's policy with respect to the associated transfer tax gave the impression that the price of Taxicab Licenses would only increase. Further, beginning no later than November 2013 and continuing to at least September 2014, the TLC falsely overstated the monthly average price of Taxicab License transfers and made misleading statements regarding the number of transfers of Taxicab Licenses.

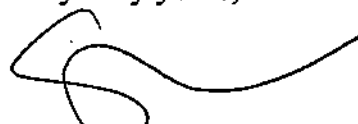
The attached addendum contains additional information relevant to this claim and demand and is hereby incorporated by reference.

The above referenced actions of the TLC constituted a scheme to defraud, a continuing offense, and a continuing wrong in violation of Article 23-A of the New York General Business Law, Section 63(12) of the New York Executive Law, common law fraud and unjust enrichment. The relief sought is disgorgement, restitution, and damages in the amount of \$810 million plus interest, costs and disbursement. The People additionally seek injunctive relief.

This claim and demand is hereby presented for adjustment and payment by the City. You are hereby notified that unless it is adjusted and paid within the time provided by law from the date of presentation to you, the People intend to file a complaint against the City in the Supreme Court of the State of New York, County of New York.

If you have any questions or concerns, please do not hesitate to contact Shamiso Maswoswe at 212-416-8098.

Very truly yours,



Shamiso Maswoswe
Senior Enforcement Counsel
Investor Protection Bureau
Office of the Attorney General
Of the State of New York

cc: Kevin Wallace, Acting Bureau Chief, Investor Protection Bureau
Christopher D'Angelo, Chief Deputy Attorney General of the Division of Economic Justice
James Johnson, Corporation Counsel (by Hand Deliver)

ADDENDUM TO NOTICE TO COMPTROLLER

This claim arises from the fraudulent and illegal scheme, continuing wrong, and continuing offense by the City of New York (the “City”), acting by and through its agency, the New York City Taxi and Limousine Commission (“TLC”), beginning no later than 2004 and continuing to at least 2017, with harm continuing to present, as follows:

1. By and through its wrongful conduct, the City betrayed its express legal obligation to “[e]stablish and enforce standards to ensure that all [Taxicab] Licensees are and remain financially stable” as required by Title 35 of the Rules of the City of New York § 52-04(a)(4). Instead, the City encouraged speculation in the market for Taxicab Licenses (or “Medallions”), as defined in Title 35 of the Rules of the City of New York §58-03(ff), and made a series of misrepresentations and nondisclosures aimed at maximizing its own profits at the expense of some of its hardest working and most financially exposed residents, many of them immigrants with a limited understanding of the English language.

2. By and through its wrongful conduct, the City began no later than 2004 to market Taxicab Licenses as “a solid investment with steady growth” with a “return” that was “better than the stock market”.

3. By and through its wrongful conduct, the City, beginning in or about its April 2004 and October 2004 auctions of Taxicab Licenses, accepted winning bids that were unambiguously the result of collusive bidding, adopted a position that permitted collusive bidding, misled participants in its auctions into believing collusion was impermissible, and failed to take necessary action to prevent collusive bidding going forward.

4. By and through its wrongful conduct, the City also set an artificially high price, below which the City refused to accept the purchase or transfer of a Taxicab License and permitted taxicab brokers and large fleet owners to “bid up” the price of Taxicab Licenses.

5. By and through its wrongful conduct, the City knew, no later than 2011, but failed to disclose that the price of Taxicab Licenses had “outstripped” the “underlying value” of the asset. The City nonetheless continued to sell Taxicab Licenses by public auction, to approve the transfer of Taxicab Licenses in third-party transactions at inflated prices, and to encourage purchasers of Taxicab Licenses to borrow money to pay for their purchases in furtherance of its scheme to ensure the price of Taxicab Licenses remained artificially high.

6. By and through its wrongful conduct, the City inflated the apparent value of a Taxicab License and intended to induce and did induce individuals and other persons i) to bid higher prices than they otherwise would have bid for the purchase of Taxicab Licenses in auctions conducted by the City in or about April 2004, October 2004, June 2006, November 2007, May 2008, November 2013, February 2014, and March 2014; ii) to hold rather than sell Taxicab Licenses; iii) to purchase Taxicab Licenses at a price higher than they otherwise would have paid; and iv) to pay a transfer tax at a level higher than would otherwise have been paid. According to the City’s own data, the City received approximately \$359 million in revenue in the three auctions held in November 2013, February 2014 and March 2014, and more than \$855 million in revenue from auctions and transfer taxes between 2002 and 2014, which were tainted by the City’s false and misleading representations and other wrongful conduct.

7. By and through its wrongful conduct, the City falsely overstated, and on at least one occasion wrongfully concealed, the monthly average price of Taxicab License transfers and made misleading statements regarding the number of transfers of Taxicab Licenses. For instance, on at least 10 occasions between November 2013 and September 2014 the City published a false and misleading report titled “Sales-Average Prices & Numbers of Transfers.” The report documented third-party transactions of Taxicab Licenses, each of which was subject to the City’s

exclusive oversight and approval. In each instance during that time period, the City overstated the actual average price of Taxicab License transfers.

8. By and through its wrongful conduct, the City made misleading statements about the stability and long-term value of owning Taxicab Licenses beyond the potential income that could be generated through the operation of a taxicab. By doing so, the City intended to induce and did induce third-party individuals and other persons to finance Taxicab Licenses between at least 2004 and 2014 in amounts the City knew or had reason to know were unsustainable and unsuitable in light of the income generated through the operation of a taxicab at the fares regulated and set by the City itself.

9. By and through its wrongful conduct, the City ensured Taxicab Licenses remained artificially high by requiring potential sellers and/or purchasers to seek exemptions from the City prior to executing a sale of a Taxicab License that took place below the level the City deemed fair market value.

10. By and through its wrongful conduct, the City caused monetary damage to individuals and other persons who acquired (whether by auction or third-party transfer), held, or financed the purchase of Taxicab Licenses and wrongfully obtained improper profits from its sale of Taxicab Licenses.

11. The People seek disgorgement, restitution, rescission, and damages for the City's conduct which constituted a scheme to defraud, a continuing offense, and a continuing wrong in violation of Article 23-A of the New York General Business Law, Section 63(12) of the New York Executive Law, common law fraud and unjust enrichment. The People additionally seek injunctive relief.

