

April 14, 2010

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NOTICE & OPPORTUNITY TO PARTICIPATE IN TAXI MEDALLION SALES PILOT PROGRAM**Dear San Francisco Taxi Driver/Medallion Holder:**

This letter is to inform you that the SFMTA Board of Directors has adopted a short-term pilot program for buying and selling San Francisco taxi medallions, and to offer qualified taxi drivers an opportunity to buy and qualified medallion holders an opportunity to sell a limited number of San Francisco taxi medallions ("Pilot Program").

Please read this letter carefully for details about your eligibility to participate in the Pilot Program.

If you would like to participate, return the appropriate form attached (buyer or seller) to the SFMTA by U.S. Mail, or sent by facsimile or as the scanned image of a document attached to an email message.

PARTICIPATION FORMS MUST BE RECEIVED NO LATER THAN MAY 14, 2010, 5:00 P.M.
BY PERSONAL DELIVERY, UNITED STATES MAIL, FAX, OR EMAIL AT:

Attention: Pilot Program
Taxi Services Section
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

FAX: 415-701-5437

(Cover page: Attention Pilot Program)

EMAIL: sftaxi@sfmta.com

(Subject: Attention Pilot Program)

Please maintain a written record of fax or email delivery for your files. The date and time that the SFMTA receives Participation Forms may affect your priority to participate in a sale.

FREQUENTLY ASKED QUESTIONS**1. Who is eligible to participate in the Taxi Medallion Sales Pilot Program?**

Sellers: The following individuals may choose (but are not required) to sell their medallions in the Pilot Program:

- A.** A pre-Prop K or post-Prop K medallion holder who:
 - 1.** Will be at least 70 years old as of December 31, 2010; or
 - 2.** Who notifies the SFMTA of a disability that renders him or her permanently unable to meet the driving requirement; AND
- B.** Who returns a completed Participation Form to the SFMTA before 5:00 p.m. on May 14, 2010 notifying the SFMTA of his or her interest in purchasing or selling a medallion.

Buyers: The same requirements apply to medallion buyers as to a medallion applicant today: the buyer must produce waybills that demonstrate that they have spent at least 4 out of 5 years as a full-time driver. Available medallions will be offered to qualified buyers in their order of seniority on the waiting list, and then in order of A-Card seniority. The decision to buy a medallion is voluntary. A driver may also elect to continue to wait on the waiting list for a medallion under the current Prop-K/waiting list system. If you already own a medallion, you are not eligible to purchase another medallion.

Buyers will also have to qualify for a loan from a participating lender if they finance the purchase. The medallion serves as collateral for a loan, but buyers will also have to demonstrate some history of financial responsibility, such as two years of federal tax returns. More information will be provided on buyer qualifications as soon as it is available from the participating lenders.

2. What are the permit conditions that attach to a transferable taxi medallion?

Buyers of medallions will be subject to the same rules as other Post-K medallion holders. The full-time driving requirement will still apply to purchased medallions. When a medallion holder who has purchased their medallion dies or becomes unable to drive, the medallion would have to be sold to the next qualified buyer within a short period of time.

3. What are the rights of a person who purchases a medallion?

When a taxi driver purchases a medallion, the rights that he or she is purchasing are (1) the right to keep the medallion and the medallion income so long as all permit conditions are met and loan payments are made, or (2) to transfer ownership through the SFMTA's medallion transfer system to a new buyer and keep the amount left over from the sale of the medallion after all loan balances and fees are paid.

4. If someone wants a medallion do they have to buy it?

No. A person on the waiting list can stay on the waiting list and get a medallion through the current Prop-K system. The SFMTA will work to clean up the waiting list by removing names of people who are not qualified to remain on the list, and by re-issuing medallions to qualified drivers. Applications to get onto the waiting list are no longer being accepted as of December, 2009. After there are no more names on the waiting list, taxi driver seniority for medallions will be determined using the driver's original Driver Permit issue date. People will no longer have to pay to sign up to wait for a medallion. Instead, drivers will be considered for a medallion in the order that they started working as a taxi driver.

5. Can the seller choose the medallion buyer?

No. The seller cannot choose their buyer or pass the medallion to their children through gift or inheritance. The SFMTA will identify the next qualified buyer from among those taxi drivers who have returned Participation Forms by their seniority on the waiting list and then by A-Card seniority.

6. How much does it cost to buy a medallion?

The SFMTA would set a single "fixed" price for medallions during this Pilot Program, because it is important to ensure that a medallion may be purchased for a reasonable price that can be financed with affordable loans made to taxi drivers. **There will be a hearing to determine the medallion price to be established by the SFMTA on May 3, 2010 at 4:00-7:00p.m., 1 South Van Ness, 2nd Floor Atrium Conference room.** The fixed price that the SFMTA proposes to set at the hearing is \$250,000.

7. Who has to pay the fees to the SFMTA from the medallion sale?

Sellers are responsible for paying a transfer fee of 20 percent from the Medallion sales proceeds. The seller does not have to pay the transfer fee before the sale. The transfer fee is 15 percent of the total sale price for the SFMTA, and five percent of the total sale price for a Driver Fund.

So, for example, if the fixed price is \$250,000 to purchase a medallion, the total transfer fee would be 20%, or \$50,000. The SFMTA would receive \$37,500, and the Driver Fund would receive \$12,500 from each Medallion sale. The seller would receive \$200,000 from the sale before taxes.

8. What are the income taxes on the money received from selling a medallion?

Each Medallion Holder will have to seek the advice of their financial advisors in order to determine how state and federal taxes would be applied to the proceeds from a medallion sale.

9. If I sign and return the form before May 14 will I be required to sell or buy a medallion?

No. Both buyers and sellers who return the Participation Form can change their minds later. The Participation Form is a way for the SFMTA to identify interested and eligible participants and to match potential buyers and sellers in order of seniority/priority. You can inform the SFMTA that you are no longer interested at any time prior to executing the sales transaction. **But if you do not return the form prior to the deadline, you will not be eligible to participate in the pilot program as a buyer or a seller.** The SFMTA may allow additional buyers to participate as needed so that there are purchasers for all available medallions, but sellers may not elect to participate after the deadline.

NOTICE TO SELLERS: In order to make it possible for taxi drivers to make affordable down payments, participating sellers are required to agree to put up to 15 percent of the purchase price in an interest-bearing Certificate of Deposit in the seller's name, and leave it there until there is 20 percent equity in the loan that financed the medallion purchase. Not all sellers will be required to maintain the Certificate of Deposit; if a buyer pays 20 percent or more as a down payment for the loan, the seller will not have to maintain the Certificate of Deposit account. However, since sellers cannot choose their buyers, all sellers must agree to this condition of sale in order to participate in the Pilot Program. Once the 20 percent equity level is achieved, the seller is free to withdraw the deposit and accumulated interest without further restrictions.