



**James Hickman**, [Jay Hickman's Profile](#) (104 clicks)

Long/short equity, newsletter provider, macro

[Profile](#) | [Send Message](#) |

**Follow** (30 followers)

HVM Capital

[www.hvmcapital.com](http://www.hvmcapital.com)

## Medallion Financial Corporation Has Far More Than '28%' Exposure To Medallion Prices

Jan. 15, 2015 7:57 AM ET | About: [Medallion Financial \(TAXI\)](#)

**Disclosure:** The author is short TAXI. ([More...](#))

### Summary

- Financial and operating leverage key to understanding Medallion Financial's earnings exposure to medallions.
- If medallion-based income goes to zero, TAXI EPS declines by \$1.14 per share and book value by \$19 per share.
- Event of default on \$150 million loan agreement appears to have already occurred - but only DZ Bank can make such a determination.

In our [December 19](#) and [January 8](#) reports, we provide a detailed analysis and explanation of why and how medallion markets are undergoing structural transformation expected to significantly affect medallion ownership profitability and prices, with material financial implications for Medallion Financial Corporation (NASDAQ:[TAXI](#)). In many major metropolitan areas of the US, medallion systems were established dating back to the 1930s, in some cases. Public policy makers believed that public safety depended on demand for rides exceeding supply, and has maintained hard caps on the number of taxis in these markets, despite population growth and massive economic rent accruing to the relatively small, fixed number of medallion holders, reflected in historically soaring secondary market price premiums.

The introduction of unconstrained supply created by the emergence of ride share companies Uber and Lyft, thus far allowed by regulators in the largest cities, is expected to result in the economic value of the medallion industry historically concentrated in the relatively few hands of the medallion owners, to be disbursed across the much larger number of new suppliers of rides. The financial implications are very serious for Medallion Financial, in particular, as well as other medallion lenders who face earnings declines and write-downs as the basic economic supply demand fundamentals play out. Drivers operating under the burden of medallion lease fees and high interest and principle payments on owned medallions, as well as the lower relative costs of new competitors using cars personally as well as for commerce, yield significantly higher costs per hour for taxi drivers than ride share drivers. The former will, in our estimation, ultimately be forced by new competition to abandon making those payments perpetuating the downward spiral of medallion prices until they are worthless - a process already underway.

If medallion prices fall to near zero, by definition, the cash flow supporting the economic rent reflected in huge secondary market medallion prices will have caused it - the two are inextricably linked. **Medallion Financial Corporation's earnings would decline by approximately \$28.7 million or \$1.14 per share.** Multiple public references to Medallion Financial's exposure being limited to "28%" are completely ignoring financial and operating leverage, critical concepts for financing companies. We have emphasized the balance sheet problems associated with this outcome because **equity would be wiped out with \$480 million or \$19/share of write downs**, less any recoveries from personal guarantees or other pledged collateral (\$303 million of medallion loans, \$49 million of owned medallions currently offered in the Chicago market at half that price, and \$128 million of investment in Medallion Bank). The company's tangible book value as of September 30, 2014 was \$273 million or \$10.85 per share. Medallion Bank would also be forced to write down \$386 million of medallion loans against \$147 million of bank equity. Technical default on covenants

could occur for both the parent and Bank long before the end game of medallion prices near zero.

## Exhibit 1 Net Income Matters and Gross Revenue Masks Medallion Risk

(click to enlarge)

|   | September 30, 2014 |                            |   |   |                  |                                      |
|---|--------------------|----------------------------|---|---|------------------|--------------------------------------|
|   |                    | Interest Rate <sup>1</sup> | Gross Revenue (annualized) <sup>2</sup> | Contribution to Gross Consolidated <sup>2</sup> | EPS <sup>2</sup> | Contribution to Net EPS <sup>2</sup> |
| <b>Medallions owned and lease income</b>  | <b>48,739</b>      | <b>3.4%</b>                | <b>1,663</b>                            | <b>2%</b>                                       | <b>\$0.07</b>    | <b>6%</b>                            |
| <b>Medallion loans</b>  |                    |                            |   |   |                  |                                      |
| New York  | 204,662            | 3.6%                       | 7,388                                   | 7%  | \$0.29           | 25%                                  |
| Chicago   | 39,538             | 5.0%                       | 1,965                                   | 2%  | \$0.08           | 7%                                   |
| Boston  | 27,435             | 4.7%                       | 1,287                                   | 1%  | \$0.05           | 4%                                   |
| Newark  | 24,727             | 5.4%                       | 1,325                                   | 1%  | \$0.05           | 4%                                   |
| Cambridge   | 5,981              | 4.8%                       | 289                                     | 0%  | \$0.01           | 1%                                   |
| Other   | 837                | 6.6%                       | 55                                      | 0%  | \$0.00           | 0%                                   |
| <b>Total medallion loans</b>  | <b>303,180</b>     | <b>4.1%</b>                | <b>12,309</b>                           | <b>11%</b>                                      | <b>\$0.49</b>    | <b>41%</b>                           |
| <b>Commercial loans</b>   |                    |                            |   |   |                  |                                      |
| Secured mezzanine   | 54,265             | 12.3%                      | 6,647                                   | 6%  | \$0.26           | 22%                                  |
| Asset based   | 3,071              | 5.7%                       | 174                                     | 0%  | \$0.01           | 1%                                   |
| Other secured commercial  | 15,041             | 9.9%                       | 1,492                                   | 1%  | \$0.06           | 5%                                   |
| <b>Medallion Bank investments</b>   |                    |                            |   |   |                  |                                      |
| Consumer loans  | 462,005            | 14.9%                      | 69,024                                  | 63%   | \$2.75           | 229%                                 |
| Medallion loans   | 385,617            | 3.8%                       | 14,731                                  | 14%   | \$0.59           | 49%                                  |
| Commercial loans  | 43,312             | 4.6%                       | 2,005                                   | 2%  | \$0.08           | 7%                                   |
| Investment securities   | 27,742             | 2.6%                       | 710                                     | 1%  | \$0.03           | 2%                                   |
| <b>Equity investments</b>   | <b>5,836</b>       | <b>0.6%</b>                | <b>36</b>                               | <b>0%</b>                                       | <b>\$0.00</b>    | <b>0%</b>                            |
| <b>Investments at cost</b>  | <b>1,348,808</b>   | <b>8.1%</b>                | <b>108,791</b>                          | <b>100%</b>                                     | <b>\$4.33</b>    | <b>361%</b>                          |
| <b>Imputed total Medallion Financial Corporation costs per share (to reconcile gross revenue to Consensus EPS):</b> |                    |                            |   |   | <b>-53.13</b>    | <b>-261%</b>                         |
| <b>Consensus 2015 EPS estimate (per Yahoo Finance)</b>  |                    |                            |   |   | <b>\$1.20</b>    | <b>100%</b>                          |
| <b>Total from medallion-based assets</b>  | <b>737,536</b>     |                            | <b>28,703</b>                           |   | <b>\$1.14</b>    |                                      |
| <b>as % of total GROSS</b>  | <b>55%</b>         |                            | <b>26%</b>                              |   | <b>26%</b>       |                                      |
| <b>as % of total NET INCOME</b>   | <b>NA</b>          |                            | <b>NA</b>                               |   | <b>95%</b>       |                                      |

<sup>1</sup> From page 41 of September 30, 2014 Medallion Financial Corp. 10Q (weighted average interest, lease income or dividend rate of the respective portfolio for period).

<sup>2</sup> Imputed from company reported numbers.

When gross revenue falls owing to defaults or lower medallion lease income, there is no mitigating cost decline - any lost gross income/interest income falls directly to the bottom line. Salaries and benefits, interest expense and other overhead remain unchanged. Exhibit 1 shows the sources of gross

income for Medallion Financial and impact of having medallion-based income dropping to zero - an earnings per share decline of \$1.14 per share. We imputed a year of gross revenue multiplying the company's reported interest and [dividend rates by the investment balances reported for the same period](#) (nine months of medallion lease income was annualized). "Imputed Total Medallion Financial Corporation Costs per share" of \$3.13 per share (composed of over \$50 million or \$2 per share of total Medallion Bank expenses, plus parent salaries, interest expense, etc.) is imputed as the difference between imputed gross revenue and the "consensus" [2015 Medallion Financial Corporation estimate of \\$1.20 per share](#). The other contributors to gross revenues account for almost \$3.20 per share, roughly equal to the total fixed costs of the fully consolidated companies (\$2.75 from Consumer Loans held by Medallion Bank). Hence, if medallion-based income disappears, Medallion Financial becomes a breakeven company with *liabilities exceeding assets* by approximately \$200 million or \$8 per share! The "28%" figure is likely calculated on gross revenue as we have done here (our numbers suggest 26%). In any event, it is not the relevant metric to an owner of Medallion Financial.

### **How much does the Downside Improve if NYC Suffers No Impairment?**

If one believes New York City never succumbs to the economic end game we foresee associated with unconstrained capacity entering its market, **the earnings and book value declines for Medallion Financial Corporation would be \$0.38 per share (over 30% of 2014 EPS) and \$9.07 per share (over 83% of tangible book value)**, respectively (see Exhibit 2). Medallion Bank would need to write down \$81 million of its \$147 million equity. As we stated in our report, New York City has the best chance of retaining some medallion value, but even if it retained 100% (already untrue) and Chicago, Boston, Cambridge et al continue the seemingly inexorable path to worthlessness, a 30% drop in earnings and ~80% drop in tangible book value are likely to push the stock significantly lower.

### **Exhibit 2 Adding Back NYC Medallion Exposure**

(click to enlarge)

|  | <u>Assets</u>  | <u>Gross EPS</u> |  |
|--|----------------|------------------|--|
| <b>Medallion Financial Corporation</b>   |                |                  |  |
| <b>medallion exposure:</b>   |                |                  |  |
| Chicago medallions owned (000s)  | \$48,739       | \$0.07           |  |
| Medallion Financial medallion loans  | 303,180        | \$0.49           |  |
| Medallion Bank (MB) medallion loans are \$386MM but Medallion Financial asset exposure capped at \$128 million carrying value but full gross EPS exposure. | <u>127,708</u> | \$0.59           |  |
| <b>Total Medallion Financial medallion asset exposure</b>  | 479,627        |                  |  |
| <b>per fully diluted share</b>   | \$19.09        | \$1.14           |  |
| <b>Adding back NYC medallion exposure:</b>   |                |                  |  |
| Medallion Financial NYC medallions   | \$204,662      | \$0.29           |  |
| NYC medallions as % of total medallion loans   | 74%            |                  | <i>Sept 30, 2014 10Q Investment Valuation p. 10.</i>     |
| Total medallion loans  | <u>688,797</u> |                  | <i>See Exhibit 1</i>                                     |
| Total NYC medallion loans  | 509,710        |                  | <i>% NYC x total medallion loans</i>                     |
| TAXI NYC medallion loans   | <u>204,662</u> |                  | <i>See Exhibit 1</i>                                     |
| Imputed NYC medallion loans at MB  | 305,048        | \$0.46           | <i>Total NYC - TAXI NYC</i>                              |
| Non-NYC medallion loans at MB  | 80,569         |                  |  |
| Reduction in assets at risk from NYC ad back   | 47,139         |                  | <i>\$128 mm MB investment - non-NYC medallion assets</i> |
| <b>Medallion Financial Corp medallion exposure ex-NYC</b>  | \$227,826      |                  |  |
| <b>per fully diluted share</b>   | \$9.07         | \$0.38           |  |
| Fully diluted share (used for gross EPS calculations)  | 25,118         |                  | <i>Sept 30, 2014 10Q Investment Valuation p. 10.</i>     |

## What Triggers Actual Write-downs?

If the market value of an asset falls below the value at which it is recorded on the books, a write down is compelled by GAAP accounting. The specific details on how a company's auditors calculate value can vary. For instance, prices in the most recent quarter have been trending down (refer to price sources below), but Medallion Financial has some flexibility on when it raises its loan-to-value (LTV) ratio, as reflected in the fact that its medallion loan LTV has bounced between 38% and 40% for the last year (per company's SEC filings). This flexibility can relate to whether or not it uses average or median prices, and over what time period the new price must persist before being considered a real change. The prices of medallions in Boston, for instance, have dropped from ~\$700,000 early in 2014 to \$500,000 in December (our sources now confirm street ask is as low as \$350,000).

Let's take a real example from Medallion's books. Medallion Financial originated a medallion loan to an entity called Baton Moise Cab, Inc. in Boston, booked on 4/14/14 for \$625,000. This entity purchased that medallion for \$700,000, officially on 4/16/14. We took the additional step of confirming the loan went through Medallion Financial (in this case, through FreshStart Venture Capital Corp., a Medallion Financial subsidiary). That is an 89% LTV. Of the 14 loans made in Boston in calendar 2014 through Sept. 30, we were able to find data on 5 of them (ranging in price between \$675,000 and \$700,000 - OKE Auguste Cab, Inc., GOD-WILL, Inc., Johnson Holdings, Inc., which also appeared to include a refinancing so is a little harder to nail down, and Loren Cab, Inc.). The LTV range was 73% to 89%. Actual transactions in Boston closed at \$500,000 (we have confirmed from our sources that current asking prices on 10 medallions for \$400,000 and three at \$350,000, important in terms of trend and direction) most recently in December (negotiated in September/October). So, the Baton Moise loan (as well as the OKE Auguste and GOD-WILL loans) is under water versus most recent transactions, with a loan value of \$625,000 and medallions selling for \$500,000. Since the details of the company's valuation methodology are unknown, one would need to ask it the specific criteria for write-downs.

As important as write-downs are, especially for a company with asset tests it must pass to maintain its Business Development Company status and avoid federal taxation as a Regulated Investment Company (a form of BDC), the other threat comes in the form of non-interest payment, which is booked as a "nonaccrual ...when there is doubt as to the collectability of interest or principal, or if loans are 90 days or more past due, unless management has determined that they are both well-secured and in the process of collection." Hence, there is some measure of discretion before nonaccruals start to rise.

The ownership of medallions in Chicago poses a more imminent risk of write-down, but again involves some measure of auditor and management discretion as to timing. The company owns 159 medallions, sitting on its balance sheet at a value of \$48.7 million as of September 30, 2014, or just over \$300,000 per medallion. There has not been a transfer in Chicago since November, when 3 transfers occurred, two at \$300,000 and one at

\$293,000. We have confirmed that medallions are on offer at \$200,000 without any buyers, and at least one broker, medallion owner, medallion lender and taxicab advocate, [Mohammad Kamran is on record](#) that medallions are being offered at \$150,000 without buyers and without any financing available. The company needs to explain in detail how it goes about marking-to-market, but if it needed to sell those medallions in the current market, a write-down of over \$0.60 per share ( $\$300,000 - \$200,000 \times 159$  medallions divided by 25.1 million fully diluted shares) would be necessary. The company reported \$1.3 million of lease income from these medallions through nine months ending September 30, 2014 per the 10-Q. Kamran informed us that lease caps have been reduced on hybrids by \$100 per week beginning in February.

### **Reviewing Medallion Financial's Use of Equity Method Accounting for Medallion Bank**

Investors in Medallion Financial Corporation should understand the distinction between "equity method" accounting versus full consolidation. Medallion Bank is an off balance sheet subsidiary, reported by Medallion Financial as an investment. Ongoing dividends and unrealized changes in bank equity are recorded on the income statement, with the investment balance adjusted accordingly. This approach has the benefit of allowing the parent to report a less leveraged balance sheet and capping the capital at risk associated with the subsidiary's liabilities to the investment (by way of "corporate veil"). The investment as of September 30, 2014 was \$128 million on Medallion Financial's balance sheet. The earnings of Medallion Bank, \$18 million in 2013, and on pace for \$26 million in 2014 (\$18.9 million actual through three quarters) are recorded by the parent in the form of dividends paid by the Bank (a cash item and source of income) and as "net unrealized appreciation on investments" (a noncash item and also a source of income) - see Exhibit 3.

It should be noted that Medallion Bank's "Total Interest Income" for 2014 in Exhibit 3 equals actual figures through nine months plus one quarter imputed based on published weighted average interest and dividend rates

and investment balances at the [end of the quarter](#). The imputed numbers displayed in Exhibit 1 are based on a full year of these last-reported figures. The key take away from this Exhibit is that talking about \$78 million of gross revenue attributable to Medallion Bank, a figure that is never recorded in Medallion Financial's reported financial statements, without addressing the attendant costs has the effect of creating the *impression* that medallions are far less significant to the financial performance and economic value of the company than they are in reality. Emphasis on gross revenue is subterfuge masking the realities of financial and operating leverage, and the real risk associated with medallion obsolescence. The actual earnings contribution from the Bank is a far more modest \$26 million. If medallion economics collapse, \$14.7 million in earnings on a total Bank earnings run rate of \$26 million, and \$386 million in assets on book value of \$147 million disappearing would be financially ruinous for the Bank and it does not matter if the remaining \$11.7 million of earnings from Consumer and Commercial loans remains intact when bank equity is a negative \$239 million.

## **Exhibit 2 How Medallion Bank Earnings Flow through Medallion Financial's Books**

|  | 2014E    | 2013     |                             |
|--|----------|----------|-----------------------------|
| <b>Medallion Bank</b>  |          |          |                             |
| Total Interest Income (000s) <sup>1</sup>  | \$78,159 | \$64,101 |                             |
| Total bank (expenses) <sup>1</sup>   | (51,995) | (45,662) |                             |
| Net Income Attributable to Bank <sup>1</sup>   | 26,165   | 18,439   |                             |
| <b>Medallion Financial Corp. Reporting/Accounting for of Medallion Bank</b>  |          |          |                             |
| Dividend Income from Medallion Bank <sup>2</sup>   | 14,286   | 12,000   | <i>Cash</i>                 |
| Net change in unrealized appreciation on Medallion Bank and other controlled subsidiaries <sup>2</sup>   | 12,066   | 5,060    | <i>Unrealized, non-cash</i> |
| Total Net Income from Medallion Bank   | 26,352   | 17,060   |                             |
| Differences from Medallion Bank Actual related to "other controlled subsidiaries"  | 187      | (1,379)  |                             |
| <sup>1</sup> Medallion Bank FDIC Call Reports for respective periods.  |          |          |                             |
| <sup>2</sup> Consolidated Statement of Operations, Medallion Financial Corporation Sept 30, 2014 10Q p. 4 and 2013 10K p. F-3 (disclosed in footnote 1). |          |          |                             |
| (Investments in) capital returned by Medallion Bank and other controlled subsidiaries, net <sup>3</sup>  |          | (4,480)  | <i>Cash</i>                 |
| Net Cash From Medallion Bank   |          | 7,520    |                             |
| <sup>3</sup> Consolidated Statement of Cash Flows, Medallion Financial Corporation Sept 30, 2014 10Q p. 7.   |          |          |                             |

## Risk of Default

Medallion Financial has \$127 million of borrowings on a \$150 million line of credit with DZ Bank, the fourth largest bank in Germany. Two clauses are worth monitoring in [Article VI EVENTS OF DEFAULT; TERMINATION EVENTS](#) of the loan agreement:

(D) at any time, (I) the average Medallion Valuation Amount of the Medallion Loans for the most recent Monthly Period for which such average has been reported hereunder shall have declined by 15% or more during such Monthly Period and (ii) the Delinquency Rate for the most recent Monthly Period for which such Delinquency Rate has been reported hereunder is greater than or equal to 6%; or

(E) the introduction of or any change in or in the interpretation by any Governmental Authority of any law or regulation applicable to Medallions or Medallion Loans ... imposed after the date hereof, shall adversely affect the value of the Medallion Loans or any Medallion Loan Collateral, as determined by the Agent in good faith;

Medallion Financial would appear to already be in default on this loan, per clause E, but official default can only be determined and declared by the lender. Medallion prices continue to decline and local authorities continue to take official steps to regulate ride-sharing drivers rather than strictly enforcing supply caps historically in place.

In regard to D: Medallion prices have declined well in excess of 15% in all markets (e.g., [New York](#), [Chicago](#) and [Boston](#)). Six defaults resulted in foreclosures in [New York City](#) since September, according to the TLC (we do not know and are not suggesting any of those defaults related to loans on Medallion Financial's books). Our industry sources indicate defaults have already occurred in Chicago but the banks are holding off on moving to auction given asking prices below \$150,000 (50% off peak) with no buyers. We are now hearing unconfirmed reports from our industry sources of defaults in Boston where asking prices are now at \$350,000 without a sale (down 50% from peak). It should be noted that two sales should appear in December data at \$500,000, both transactions were negotiated in late September.

In regard to E: The Massachusetts Department of Transportation approved new regulations of ride sharing companies. The new regulations are next sent to state lawmakers to approve the Department of Public Utilities (DPU) as the regulator. [Starting on January 16, the department can issue temporary notices](#) allowing the companies to operate until DPU approval as regulator legislation is passed.

[Chicago issued an ordinance](#) in February 2014 setting forth requirements for "Transportation Network Providers" and issued the first Class A licenses to Lyft and Sidecar in November.

These two regulatory changes structurally transform the monopolistic regulatory framework protecting medallion markets from competition for seventy years. The new regulations legalize ride sharing companies in Chicago, Boston, Cambridge etc., legitimizing unconstrained new supply in direct competition with taxicabs. We will be following up on this question.

## **Conclusion**

The medallion market is undergoing a radical transformation as decades of monopoly structure and the attendant economic rent reflected in medallion prices gives way to unconstrained supply. As we have stated, the economic value historically concentrated in a finite number of owners will ultimately get disbursed across a much larger number of suppliers. How much larger? In the absence of supply caps, supply keeps coming until the economics cease to be attractive. If some number of New Yorkers, for instance, continue to prefer street hailing over app-hiring and other forms of new supply (e.g., HAIL cars from outer boros), the cash flows associated with that smaller customer segment, whatever its final numbers, will be disbursed across the 13,437 medallion owners plus other vehicles picking up street hailers. We believe the eventual clearing value/medallion will be a small fraction of historical prices - near zero. Good and thoughtful people may disagree with this conclusion, but anyone claiming that its implications for Medallion Financial Corporation would be less than catastrophic is materially and demonstrably wrong. As we have tried to demonstrate in this article, the substantial income generated by Consumer Loans and other sources at both the Medallion Financial and Medallion Bank levels, is just enough to cover the current expenses of the combined entities, or net earnings near zero, while the book values of both the parent and Bank drop into steep deficit. Even if NYC escapes without any impairment to economics of the parent or bank, the rest of the medallion-based portfolio falling to zero means a \$0.38 per share decline in normalized earnings and an \$9.07 per share write-down for Medallion Financial, and an \$81 million write-down of Medallion Bank's \$147 million of equity. Medallion Financial is at risk of financial ruin if the sun does indeed set on medallions.

## Comments (68)



Track new comments



themeyergroup@gmail.com

[Comments \(27\)](#) | [+ Follow](#) | [Send Message](#)

Authoritative analysis, thank you!

My concern about TAXI arose when they started investing company funds in artwork and racecars! I sold soon thereafter.

15 Jan, 08:36 AM [Reply](#) | [Report Abuse](#) Like 0



reed89

[Comments \(3\)](#) | [+ Follow](#) | [Send Message](#)

TAXI struggles for the moment as do other finance companies. It remains sound and with good leadership. I am and will continue to be long.

15 Jan, 08:42 AM [Reply](#) | [Report Abuse](#) Like 1



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

Reed89,

You might consider switching to another specialty lender. I agree with you that other BDC's are struggling, however, TAXI is now under performing that group significantly. Thus there is something specific about TAXI that leads to it's decline.

Good luck.

15 Jan, 09:52 AM [Reply](#) | [Report Abuse](#) Like 0



taxidriver

[Comments \(2\)](#) | [+ Follow](#) | [Send Message](#)

If you are not a taxi driver you do not know the following : More and more riders with the ride shares are returning to traditional taxi cabs due to the fact that the public hates surge pricing.

Ride Share drivers are now making less than 10. per hours after paying out of pocket car payments and expense.

State and Local Governments are passing more and more laws to regulate these dirty outlaws that are breaking the following laws: Insurance Fraud, Trust and Lending Violations not to include no insurance hammer attacks and rape.

16 Jan, 03:23 PM [Reply](#) | [Report Abuse](#) Like 0



taxidriver

[Comments \(2\)](#) | [+ Follow](#) | [Send Message](#)

Taxi Medallions in San Francisco are staying firm at 250,000 and will probably go up in value in the next 5 years with the population explosion in the city by the bay. Flywheel

and Summon is destroying the ride share community and more and more customers are leaving Uber due to their high prices.

16 Jan, 03:23 PM [Reply!](#) [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Thanks for your input.

Surge pricing is not what it's cracked up to be. The public hates it and there is a coming legal case that will challenge it as price gouging, as happened during Hurricane Sandy.

Other than rich people with lots of disposable income, the public is going to realize that climbing into an Uber with NO IDEA what the final fee is going to be is a terrible idea.

And sure enough, Brooklyn councilman is proposing capping those rates.

<http://r29.co/1yIZQXI>

Another disincentive to become an Uber driver.

16 Jan, 03:39 PM [Reply!](#) [Report Abuse](#) Like 2



aznwwsd

[Comments \(18\)](#) | [+ Follow](#) | [Send Message](#)

Flywheel and Summon is destroying the ride share community? That is laughable because I've lived in San Francisco for over 6 years. Use Uber and Lyft all the time. Never ever use Flywheel and Summon even though I know about them. Even when Uber has surge pricing, I just switch over to Lyft, which caps their surge pricing to be no more than 2x (that's usually acceptable to me, especially if I need a ride that badly). I've probably taken a taxi ONE TIME in the past 3 years, and that one time it was only because it was after the Outsidelands music festival, and I couldn't get an Uber or Lyft despite trying repeatedly. Happen to run into a taxi cab after walking for 30 minutes and hopped in. It was my last choice, by a mile.

Not to mention, for all the mentions of customers leaving Uber/Lyft because of surge pricing, where are the mentions of UberPOOL and Lyft Line? Those services allow customers to share their ride with other customers who are along the way, and gives the customers a huge discount (often 40-60% off). I use this service everyday, it will always be cheaper than a taxi, and the driver makes the same amount by dropping off two groups that each pay half the price. This is only possible because of the app and its algorithms. It's also a virtuous cycle; cheaper pricing attracts more customers, more

customers attracts more drivers, more customers and drivers means a denser network and more efficient routes for two different groups of customers to share a car.

The other part of the virtuous cycle? Surge pricing is dictated by supply and demand. If ridesharing really loses a bunch of customers because of surge pricing, then there will be no more surge pricing because there will be more supply than demand. When there's no surge pricing, do the customers then come back? The genius of surge pricing is that, well, it's econ 101. It brings out more drivers when more drivers are wanted/needed by the customers. Everyone is happy.

16 Jan, 07:12 PM [Reply](#): [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

And why would i use Uber in NYC during surge period when I can put my hand up and be in a taxi in 90 seconds?

16 Jan, 07:18 PM [Reply](#): [Report Abuse](#) Like 1



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

How would you compare TAXI to this list of the largest holdings of the UBS ETRACS Wells Fargo Business Development Company ETN (BDCS)

[charlessizemore.com/va...](http://charlessizemore.com/va...)

Do you think Sizemore provides quality research in this area?

18 Jan, 03:13 AM [Reply](#): [Report Abuse](#) Like 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

User14783102: I'm not sure if you saw my comment below.

I've been looking for a list of specialty lenders that are BDC's.

I asked for your opinion on how TAXI compares to the list of the largest holdings of the UBS ETRACS Wells Fargo Business Development Company ETN (BDCS).

I should have asked: where can I find a list of the specialty lender BDC's in the group you refer to. To what extent does TAXI underperform the individual companies in this group? Thanks user14783102.

---

20 Jan, 12:51 AM [Reply](#) | [Report Abuse](#) Like 0

---



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

Glad to see you dug into the FDIC reports for the bank. Another useful source of info. I did search Boston and Chicago court filings to look for civil suits in response to the write downs at Baton Moise and others both as entities and individually as well as searching the company and subsidiaries, however nothing has appeared as of yet. It may be that foreclosure can be performed administratively through the regulatory agencies.

Here is what I am struggling with ....

Why does medallion bank declare a dividend to the parent which is only possible if the company then spins that \$ back into the bank as an investment.

From the 10-Q:

"Medallion Bank declared dividends to us of \$4,000,000 and \$10,000,000 in the 2014 third quarter and nine months,"

"we periodically make capital contributions to Medallion Bank, including \$10,000,000 and \$5,000,000 in 2014 and 2013."

All the 10,000,000 in dividend income to TAXI thus far was put back into the bank as a capital contribution. I Think medallion bank cannot maintain it's 15% required tier I capital ratio if it does not get the capital contribution, which in my mind suggests that the dividend is a sham.

Clearly, then, TAXI needs the dividend to be paid to reinforce it's income or maintain compliance with RIC tests in some fashion.

I have not figured this out yet.

15 Jan, 09:13 AM [Reply](#) | [Report Abuse](#) Like 0

---



wwhamilton

[Comment \(1\)](#) | [+ Follow](#) | [Send Message](#)

One important benefit of owning a NYC medallion that you have missed in all your analysis is that the owner can depreciate it over 15 years. That creates significant tax savings, particularly for corporate owners. If one pays \$950k for a corp medallion that equates to \$63k in annual depreciation. That benefit is very supportive to medallion prices. In fact two mini-fleet medallion sales have occurred in the last couple weeks at \$1.9mm each with that in mind.

15 Jan, 10:14 AM [Reply](#) | [Report Abuse](#) Like 1



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » Passive losses to offset taxable income make great sense, but not if the underlying asset actually declines in real value. No one would ever sign up for that. The recent buyer has a different view of where the dust settles and believes prices will stabilize or go up. The \$1.9 mm mini-fleet purchase price is down from \$2.6 million earlier in 2014, and current street ask is \$1.8 mm. More sellers than buyers. Buyer is already in the red and if that trend continues, incurring real capital losses to offset capital gains is obviously not the objective.

15 Jan, 10:31 AM [Reply](#) | [Report Abuse](#) Like 0



westendal

[Comments \(30\)](#) | [+ Follow](#) | [Send Message](#)

The overarching reality is that a technologic disruptor has begun to rattle a fairly hidebound industry. Whether it's because of Uber now, or something else later, the medallion-based taxi business is pretty much toast.

The bullish case for TAXI reminds me of the guy who, when asked: "How's it going?" replied, "So far, so good," as he plummeted past the 29th floor.

15 Jan, 10:50 AM [Reply](#) | [Report Abuse](#) Like 0



Purple\_K

[Comments \(508\)](#) | [+ Follow](#) | [Send Message](#)

"The overarching reality is that a technologic disruptor has begun to rattle a fairly hidebound industry. Whether it's because of (substitute\_hype\_compa... now, or something else later, the (substitute\_unpopular\_... business is pretty much toast."

-same nonsense with \$TSLA \$PLUG \$FCEL and others in the flavor of the moment

NYC will not abandon the medallion system in any timeframe that would affect people investing <10, which is not even counting the fact that the business model of \$TAXI is shifting away from one that is totally reliant on said medallions anyhow.

15 Jan, 11:26 AM [Reply](#) | [Report Abuse](#) Like 3



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

---

Correct. The argument that the short whisks aside is that NYC, and others, will just...y'know...give up on all the revenue that the medallions provide. NYC in particular will hold onto the system with iron jaws, which is why the lawsuit regarding the HAIL Act had nothing to do with competition, but maintaining revenue.

15 Jan, 06:48 PM [Reply!](#) [Report Abuse](#) Like 0



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

They could easily create a renewable license. In fact this is just what the green cabs are.

At the end of the day, spending a million dollars for the right to drive a cab is just ridiculous.

15 Jan, 07:29 PM [Reply!](#) [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Tell that to the immigrants who want to own a part of the American dream.

15 Jan, 07:45 PM [Reply!](#) [Report Abuse](#) Like 0



westendal

[Comments \(30\)](#) | [+ Follow](#) | [Send Message](#)

NYC needn't abandon anything.

The ultimate source of value of a taxi medallion is not its scarcity; rather, it's the propensity of riders to hail a medallion cab vs using some other mode of transportation. As technology and vehicle availability make it easier and probably smarter for prospective passengers to use an alternative, there'll be less work for the medallioned cabs. That's not a fashion statement or nonsense; it's a fact of economic life.

Riders have nothing invested in medallioned cabs; they don't care if the industry shrinks or even evaporates. As long as there are plentiful, good, safe, reasonably priced on-demand rides from Point A to Point B, riders will be happy (or at least not unhappy). If it's not Uber now, it'll be something else later.

The technology involved is not especially exotic (like the fuel cell cases that are inaptly cited); it's really just the use of an established technology in a novel way.

16 Jan, 09:16 AM [Reply!](#) [Report Abuse](#) Like 0



Purple\_K

[Comments \(508\)](#) | [+ Follow](#) | [Send Message](#)

"The technology involved is not especially exotic (like the fuel cell cases that are inaptly cited)"

-kudos on missing the point completely

I was not drawing apples-apples comparison of technologies, rather, if you are familiar with these boards (particularly \$TSLA) you will recognize the same template is used to prophecize the doom of (insert\_industry\_here)

savvy?

16 Jan, 12:19 PM [Reply](#): [Report Abuse](#) [Like](#) 0



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » Well said. Would only add that the historical propensity to street hail was 100% because regulations prohibited any alternative. Now the customer has choice.

16 Jan, 01:13 PM [Reply](#): [Report Abuse](#) [Like](#) 0



westendal

[Comments \(30\)](#) | [+ Follow](#) | [Send Message](#)

Ah, the secret template!

Yes, I missed it completely.

If that was your point, than I would suspect that anyone who didn't know what you were really talking about before they read your note, would't know afterwards, either.

You sure had me fooled; I thought you were discussing the merits of the company's business, or at least the substantive arguments about the merits.

In the same spirit that we understand people with paranoia can really have enemies, isn't it possible that some analysis that points to a bad outcome, doom, as you say, might be right?

16 Jan, 01:23 PM [Reply](#): [Report Abuse](#) [Like](#) 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

---

Not in this case. IMHO, the thesis takes a very long time to make points about medallion values that don't have any merit.

---

The ONLY thing that matters to Medallion Financial is if its borrowers perform on their loans. They all are. The company has zero losses in its portfolio.

---

As I stated in both of my articles, no matter how bad business may be, the loans will always be paid on. First, there is disincentive to leave a taxi job for a job that pays less and has more costs. Second, the loans are personally guaranteed. Nobody will give up their other assets and declare bankruptcy so they can...what...work for rideshare? Third, owner-drivers are immigrants for which their cabs are their livelihood. They won't just give up the equity they have built in their medallion, give up assets and declare bankruptcy so they can....what...work for rideshare?

---

Hickman has never addressed these fundamental truths. He and Gossage have tried to show that Uber drivers make more, but the data simply doesn't support it.

16 Jan, 01:30 PM [Reply!](#) [Report Abuse](#) [Like](#) 0



Purple\_K

[Comments \(508\)](#) | [+ Follow](#) | [Send Message](#)

West-

---

There's nothing "secret" about it. Unless this is your sockpuppet account (at 28 comments), if you've lurked these boards you see the same thing over and over. I could go back to the glory days of companies like \$PEIX and show how the same type of "new paradigm" zealots continually beat this dead horse.

Also, dripping sarcasm noted.

16 Jan, 01:33 PM [Reply!](#) [Report Abuse](#) [Like](#) 0



westendal

[Comments \(30\)](#) | [+ Follow](#) | [Send Message](#)

---

TAXI's spotless default experience is important, as you note. Let's say that it persists. Eventually, however, the loans mature and are retired. I would imagine that unless the Company can keep its loan portfolio growing, it will eventually just wind down. Not collapse; just dry up and blow away. If the demand for medallions is declining (and the recent price history suggests that's the case), then the opportunity to build a medallion-secured loan portfolio must also be declining.

---

The likelihood that Medallion Financial won't implode is not a great argument for establishing a new position in its stock.

17 Jan, 06:18 AM [Reply!](#) [Report Abuse](#) [Like](#) 0



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » Just to be clear, support for the status quo taxi medallion system rather than deregulation underway (however choppy the process), is support for exactly 13,437 medallion owners (just in NYC) and the monopoly structure that has concentrated 100% of the cash flow and artificial/economic rent in form of soaring medallion values, in their hands, at the expense of the other 36,563 certified drivers (all of them immigrants and non-immigrants aspiring to the American dream), and the entire riding public denied choice in the old system.

"... immigrants who want to own a part of the American dream" have overwhelmingly been blocked from that pursuit by the medallion system. Again, basic economics (see *Essentials of Economics*, Krugman, Wells and Graddy, Chapter 4, Controlling Quantities, pg. 119).

To not recognize that basic, unassailable fact raises obvious questions about ones command of the issue.

18 Jan, 10:08 AM [Reply!](#) [Report Abuse](#) [Like](#) 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

That you quote Krugman proves my point. He literally gets everything reversed.

<http://bit.ly/1KTS9LU>

Easily evidenced by the fact that 94% of NYC cab drivers are immigrants (Source:NYC TLC), and 40% of medallion owners in NYC are individuals.

18 Jan, 12:16 PM [Reply!](#) [Report Abuse](#) [Like](#) 0



Phil S

[Comments \(79\)](#) | [+ Follow](#) | [Send Message](#)

TAXI may be shifting away from medallion lending, but it has massive exposure at the moment. Even if it were to stop making any new loans on medallions, the value it has at risk in existing loans is still enormous.

And I doubt it would have a great deal of success calling up all the folks it has loaned money to on medallions and saying, "Hey, you know that \$500K loan on a medallion whose value is starting to look a little dicey? Can you do us a favor and, like, pay it back right now? kthx."



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » User14783102 (you asked a critical question, so forgive the length of response)

---

Baton Moise has not been written down yet - it's just in the red at this point.

As to your really good question, here is my explanation of the capital shuffle - and we are contemplating a deeper dive on this subject - it seems pretty obvious it relates to maintaining BDC/RIC status.

---

Per our December 19 article, Medallion Financial's cash obligations and cash inflows have been misaligned for years. Cash earnings have been inadequate to fund the company's cash requirements. The 90% payout required of a federal-tax-exempt RIC (through dividends plus share repurchases), is applied to earnings that are not all cash. Hence, between that cash payout requirement and the cash requirements of running the business, the company comes up short every year in its cash flows. The increased investment in Consumer Loans, in my opinion, is entirely about narrowing that gap - trying to increase the ratio of cash to non-cash earnings for which 90% payout is required - by investing in higher cash return assets that are inherently riskier (versus history, but less risky, in our view than medallion loans looking forward). The company has not hidden from the reality that they are taking on more risk in the process (notwithstanding assurances from a certain "national expert in consumer credit" that consumer loans yielding 14.9% are "not sub prime"):

---

"By its nature, lending to consumers that have blemishes on their credit reports carries with it a higher risk of loss." page 21 of TAXI 2013 10K.

---

To meet its cash shortfall, the company has been forced to either sell assets (selling assets should occur when it makes good economic sense to do so, and not in order to raise cash to pay dividend, as they say themselves in risk section of 10K), borrow, issue equity to pay it, or reduce the cash obligations - TAXI has done all of the first three but has resisted doing the last. Company is limited in its ability to borrow for purposes of paying dividend based on asset test and other restrictions (explained in its 10K). By compelling Medallion Bank to pay a higher dividend, Medallion Financial mitigates but does not solve the problem. The higher div raises Medallion Financial's net income and thereby increases the amount that must be paid out, but it increases the ratio of cash to non-cash income, mitigating the problem. Medallion probably has more flexibility in borrowing to "reinvest" in Medallion Bank than it does borrowing to fund 90% payout.

Thus it takes the cash out of Medallion Bank without tripping up any RIC asset test or borrowing triggers, and almost immediately repays it from less restricted sources. How regulators conclude borrowings are used for one thing but not another when cash is fungible, I cannot explain.

---

The balance of the cash shortfall must be raised through debt, but again, with restrictions, or the periodic issuance of more equity (\$85 million since 2012).

---

As you can see, between asset tests, mandatory payouts, mandatory income sources, liquidity requirements etc, TAXI has to optimize a number of variables that affect each other in the process, in order to maintain its pass-through/tax exempt status - an extremely complicated and undoubtedly expensive process. That is certainly why they are considering changing their structure.

---

"We may materially change our corporate structure and the nature of our business."  
Page 25 of 2013 10K.

---

As we have been arguing, this is not an efficient nor a sustainable arrangement (at some point secondary market equity raise will be harder to execute), and with existential operating head winds from medallion markets, this is an extremely risky company.

15 Jan, 11:53 AM [Reply!](#) [Report Abuse](#) Like 0

---



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

---

You are actually pointing out good news.

---

Medallion Bank is growing. It's earnings are growing. The bank is able to pay out a dividend to the parent. When the bank needs capital, which it does because it is growing, then the parent invests cash back in. The equity raise was to help fund continued growth.

---

As for "riskier loans", sure, riskier than medallion loans. And yes, as a national expert in consumer credit, what matters is underwriting. You can underwrite conservatively and earn a 15% return, even with 'blemishes on credit reports'. MF is not Conn's.

---

You continually insinuate all these terrible scenarios for which no evidence exists that anything untoward is occurring, namely:

---

The company has ZERO losses on medallion loans.

It has 2% losses on its consumer loans.

Nobody has EVER walked away from a medallion loan in the history of the company, including during the oil embargoes, after 9/11, or during the financial crisis.

15 Jan, 02:08 PM [Reply!](#) [Report Abuse](#) Like 0



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

I am only looking at Baton Moise and other borrowers as well as medallion and it's subsidiaries in court filings to try to get any early info. We know the company will not be disclosing that until they also have a compelling narrative about how the default was due to a one time event, a dismissible event etc.

I agree with much of your explanation having seen that myself. What I cannot put my finger on is that by generating income through consumer loans vs medallions within medallion bank and by putting all that money back, eventually medallion bank will become a large % of the balance sheet.

"As of September 30, 2014, our largest investment subject to this test was our investment in Medallion Bank, representing 22% of our RIC assets" as you know, 25% is the threshold so it's seems likely that they cannot continue as a RIC for much longer. From an individual investor point of view that is extremely damaging, because RIC status affords significant protections from management applying the income to crazy things. Secondly, RIC status is extremely tax efficient.

So what is management going to do and why? I just see no good outcome if they become a non-RIC BDC or a C-Corp. It is absolutely a mess.

Whether you can go long Uber by shorting TAXI seems needlessly complex. A person might short taxi for it's own sake.

15 Jan, 12:27 PM [Reply!](#) [Report Abuse](#) [Like](#) 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

James,

Readers deserve an explanation for these unanswered questions:

- 1) Is HVM a corporate entity? If so, what state is it incorporated in?
- 2) Is it a registered hedge fund?
- 3) May I ask what your background is?
- 4) Who are the other investors in the fund?
- 5) Is anyone connected to any rideshare company, rideshare company investor, or lobbying firm, even tangentially?
- 6) Are you aware that the BLS salary data you quoted for taxi drivers does NOT include self-employed workers, which most taxi drivers are?

7) Why didn't you register as a broker-dealer in CT as required?

8) In your latest article, you made several unsubstantiated claims. Do you have data to support any of the following assertions:

- "Drivers seeking to maximize their income can, and usually do, drive during the two rush-hour peak periods" (Based on what data?)

- "Medallion leasers pay for [insurance] indirectly through medallion leases. This cost is a wash." (Please specify insurance rates for rideshare drivers.)

- "Few vehicles are newly purchased or leased for the sole purpose of generating ride sharing income. " (Source of data?)

- "street hail's already decreasing " (Source?)

- "meter revenue is down" (source?)

- "taxis are idle" (Source?)

\_"cash flows are declining" (source?)

15 Jan, 12:35 PM [Reply!](#) [Report Abuse](#) Like 1



• [aznwwsd](#)

[Comments \(18\)](#) | [+ Follow](#) | [Send Message](#)

Reply to question #8:

<http://seekingalpha.co...>

15 Jan, 01:29 PM [Reply!](#) [Report Abuse](#) Like 0



• [Larry Meyers](#)

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

But hey -- I have been true to the facts from the beginning and sourced all quotes and data.

You have relied on "anonymous sources" and gotten the facts wrong every time.

I guess when earnings come out next month, we'll see who is right.

15 Jan, 12:36 PM [Reply!](#) [Report Abuse](#) Like 0



• [James Hickman](#)

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

[Author's reply](#) » Who said Q4 earnings would be at risk?

15 Jan, 02:01 PM [Reply!](#) [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

You are saying the sky is falling at Medallion Financial, so the inference is quite clear. You have unquestionably implied that Q4 will be a disaster. I disagree. We will see who is right.

15 Jan, 06:26 PM [Reply!](#) [Report Abuse](#) Like 1



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

I would be exceedingly helpful if mgmt actually had a conference call to discuss these issues.

New medallion transfers will be publicly available at the end of the month. That will be telling.

15 Jan, 12:47 PM [Reply!](#) [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

No. Earnings will be telling. If you have a question, then just log in for the conference call yourself and ask a question.

15 Jan, 01:25 PM [Reply!](#) [Report Abuse](#) Like 0



jrockwell

[Comments \(2\)](#) | [+ Follow](#) | [Send Message](#)

Larry, your profile suggests you're a knowledgeable person in your space but not when it comes to taxi industry!

My father as a first generation immigrant purchased our first taxi medallion more than 20 years ago. Then we went on buying more medallions and cabs in Boston and suburbs, Chicago and suburbs, Miami and a few in New York building our small taxi empire. Since I was 18 I worked in my father's garage servicing cabs. My entire family worked there.

Uber, Lyft and similar ride-sharing companies have changed our livelihood. We started selling all our taxi medallions and dispatches in 2013 when our drivers started disappear on us going to work for Uber and Lyft. When uber came, one of our drivers

left us, bought his own car and started driving for Uber. Then he started stealing our drivers by buying cars without medallions and leasing them to our drivers at about 60% less of what we were charging for a cab with a medallion. Then Uber introduced \$100 referral fees to bring a "friend". Snowball effect continued. And that was in all markets where we owned and did not own medallions. Uber's "representatives" were coming to our garage all the time without shame stealing our drivers left and right! And that's made a perfect sense to us: why a driver would pay us 60% more for same amount of work, few hours and more flexibility! We started selling our taxicab medallions in 2013! The industry is bleeding now so bad that you have no idea. The only reason nobody sees it because noone really understands the taxi industry. The most affected markets are the ones with radio dispatches such as Chicago, Boston, Phila, SF... Miami not yet only because there is a huge shortage of cabs as Cubans control the taxi market. And NY does not have radio. So UberX just kills all the radio work and in those markets it could be 30-50% of work and the other 50+ are the street hail and airports. Who in the right mind would call telephone now if you could get a car on iPhone... see where it is... better... and 20-40% cheaper??

Larry, when I saw your article on Google feed "Medallion Financial grossly undervalued. Uber threat to medallions vastly overstated" and then I read all other articles and your comments... I laughed hysterically for a few minutes... then I almost cried thinking of poor people that bought medallions at top and now they're at 50% off values and in some markets like Chicago no value as nobody in the right mind would buy that piece of useless metal...! I even forwarded your articles as a joke to all people I know that sold medallions to cheer them up. I could not send it to ones that still own medallions not to add insult to injury...

You SO DON'T GET IT... it's only in NY taxicabs do the hail and it's only in NY regulations LTC more or less enforces ancient rules... no other city does it like NY. Other cities like Miami, Chicago, Boston, Cambridge, Phila have a dispatch and are not 100% hail and airport. In Chicago and Boston drivers are sitting on taxi stands as dispatch is drying up. Street hail got reduced too as UberX driver pick up streets illegally without any enforcement. They simply place lights on dashboard with a sign "Uber". Within nine months you will see massive defaults as really bad times have started only at the beginning of 2014.

Now... just ask yourself: WHY WHY WHY you need a medallion or have to pay 50-60% more for a medallion cab????!! Just buy a new car or use your family car (if it's in good shape) and work for Uber, Lyft, Sidecar, etc or all of them at the same time!

15 Jan, 01:37 PM [Reply](#) | [Report Abuse](#) | [Like](#) 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

---

Besides the fact that jrockwell has never posted before on SeekingAlpha, then magically appears here, his post sounded fishy to me, so I sent it over to Charles Rathbone, who has been in the taxi business for 42 years.

---

Here is his reply:

---

"His personal story is not credible. It is not typical for a small medallion "empire" to operate in multiple cities, certainly not with family-run garages. That kind of business would be conducted in just one city.

---

It is puzzling that he would describe decades of income from the business, and then announce: "These medallions never ever generated revenue... we were buying them for appreciation!" Owners do get income from their medallions and that is why they hold on to them for a lifetime.

---

It's also really odd that someone connected to the taxi industry in New York City would get the initials of the TLC wrong. No one who has ever had to deal with them would describe that notoriously strict regulator as "more or less" enforcing rules.

---

The substance of his rant? It's all the same as in HVM's document and in Barros' article. I don't see anything new except for the questionable packaging as a supposed insider's voice."

---

15 Jan, 06:23 PM [Reply](#): [Report Abuse](#) [Like](#) 0

---



jrockwell

[Comments \(2\)](#) | [+ Follow](#) | [Send Message](#)

---

Larry, i've read all your comments on TAXI. everyone who you disagree with "sounded fishy" to you or "story is not credible". that's ok. i'll respond by point.

---

Your comment: "His personal story is not credible. It is not typical for a small medallion "empire" to operate in multiple cities, certainly not with family-run garages. That kind of business would be conducted in just one city." -- Owning and Operating medallions are two different things! that's why you don't understand taxi industry. "Operating" medallions means fully vertical operation of running shifts. "Owning" a medallion means a passive investment of leasing a med to a shift operator. Garage is run only in one city -- full scale operations. Other cities -- simply med ownership through passive leasing.

---

Your comment: "It is puzzling that he would describe decades of income from the business, and then announce: "These medallions never ever generated revenue... we were buying them for appreciation!" Owners do get income from their medallions and that is why they hold on to them for a lifetime." -- again.. if you knew the industry you would have known that only shift operators "make" real money. Example of a passive med owner in NY: gets monthly \$3,400 net or \$40,800 per year. At price of \$1.3M on

unleveraged corp med return is 3%... yes yes... plus 15 years amortization and leverage. The point is that most of med owners everywhere are passive investors who lease their medallions to shift operators who in turn shifts them to drivers. Only shift guys make money. Those passive owners will be wiped out b/c their game was ONLY ONLY ONLY in appreciation to refinance and amortization!!

Your comment: "It's also really odd that someone connected to the taxi industry in New York City would get the initials of the TLC wrong." – sorry man for spelling TLC wrong... I guess it makes me a liar – hope it made you feel better!!

Your comment: "The substance of his rant? It's all the same as in HVM's document and in Barros' article. I don't see anything new except for the questionable packaging as a supposed insider's voice." -- correct. Nothing new what I said. But your stubbornness to see the facts is awaking a sleeping giant in me. I want to scream that you have no clue what kind of transformation the taxi industry is going through!

16 Jan, 10:33 AM [Reply](#) | [Report Abuse](#) Like 0



paradox1

[Comments \(5\)](#) | [+ Follow](#) | [Send Message](#)

At the risk of breaking into a two-person diatribe allow me to suggest that there are other factors in play wrt the Uber competitive threat. One of which is that the company is generating a lot of negative brand equity based on driver behavior.

This story in the Guardian doesn't have much US exposure yet, however if the lawsuit against Uber is heard in a US court, it likely will focus attention on the fact that Uber has very poor controls when it comes to screening and monitoring driver behavior.

See: <http://gu.com/p/45v5d>

Uber is not a monolithic tightly controlled organization. In fact it is a very loose conglomeration of independent contractors, many of whom are marginal participants in the for-hire ride share sector.

If a continual stream of stories about driver rapes are attached to the Uber brand the value of that brand and its competitive position will be diminished.

Long small pos. TAXI.

16 Jan, 12:48 AM [Reply](#) | [Report Abuse](#) Like 0



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

---

**Author's reply** » Completely agree with you - Uber could get destroyed if very small number of incidents reaches critical mass in public consciousness. Uber could prove the Napster of ride sharing. But smart phone app hails are a better solution and a safer solution. No longer does one have to get in a car with a stranger, the apps provide ratings of drivers and customers (drivers are more at risk than passengers statistically, the transaction is cashless and the trip is electronically tracked via GPS. Customers like the value proposition and competition generally. Hard to put the genie back in the bottle for the sake of restoring a system that enriched a small number of protected asset holders at the expense of all non-owning drivers and the public broadly. The economics get spread over the much larger number of suppliers, and the special medallions cease to have any value.

---

Best

16 Jan, 06:52 AM [Reply!](#) [Report Abuse](#) Like 0

---



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

---

Paradox, you hit one of two major issues that will ultimately cause Uber to blow up and/or severely reduce drivers. These are yet more reasons why medallion values are secure.

---

There is a test case coming -- an Uber driver is going commit some horrific crime that will become notorious -- or will be revealed as a serial rapist or killer. It will be some average Joe.

---

This will result in every city passing laws that require criminal background checks, but that won't be what kills Uber.

---

Single women everywhere will abandon the service. They will suddenly realize, "Holy crap, I don't want some stranger knowing where I live, and that I live alone!"

---

That will kill 40% of the business.

---

Then there's the insurance test case. Some innocent young person is going to be terribly injured by/in a rideshare (we've already had a 6 year old killed) and end up paralyzed or a vegetable, or a group of people are going to be mowed down by a drunk Uber driver.

---

One million dollars will mean NOTHING. Uber will flip all the victims and the driver the middle finger, despite their billions. There will be a huge show trial, and James River Insurance -- as an offshore entity -- will escape liability.

---

Riders will suddenly discover they are unprotected, that a million bucks means nothing, and that Uber's insurance company is totally untrustworthy in any event.

---

That will cause Uber to get banned in even more cities, and drivers will be required to have commercial insurance, which they cannot afford.

It won't be today. Or tomorrow. But soon. And when it happens, this "disruptive technology" is going to get substantially scaled back. And medallion holders will laugh all the way to the bank.

16 Jan, 01:20 AM [Reply](#) | [Report Abuse](#) [Like](#) 1



• [arceye](#)  
[Comments \(5\)](#) | [+ Follow](#) | [Send Message](#)

Well, I've watched battles between bashers and pumpers on several other boards and I must say this one is by far the most intelligent and interesting. It's inspired me to place a small bet on red (TAXI) just so I can have a side to root for. Keep up the good fight guys. Time will tell.

16 Jan, 08:52 PM [Reply](#) | [Report Abuse](#) [Like](#) 0



• [Larry Meyers](#)  
Contributor  
[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Well, I'm glad you are finding the discussion valuable. When James is proven wrong with Q4 earnings, he will need a place to crash since he'll be broke having to cover his short.

16 Jan, 09:31 PM [Reply](#) | [Report Abuse](#) [Like](#) 0



• [James Hickman](#)  
Contributor  
[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply »** The fact that Larry has jumped to his latest strawman argument that the whole debate comes down to Q4 earnings demonstrates the obvious: he has no credible answers (in fact still doesn't even understand the arguments) to the secular transformation underway in taxi medallion business and its ultimate implications for TAXI. So he's trying to make Q4 earnings a referendum on the entire issue.

We have not been gentle to TAXI in our discussion of what is happening to the medallion business and the implications for the company, but we have never suggested, and don't believe Q4 earnings are meaningfully at risk. Larry made that up. Our thesis plays out over the next 18-24 months, but the affirming signs are all around us now.

---

In forward looking markets, as most of you know, meeting current earnings expectations is already old news and far less important than the outlook. What investors should be interested in coming out of Q4:

\* Does secondary market price of medallions matter to TAXI in any way (Larry claims it is irrelevant)? Don't actually ask anyone that question or they'll think you are clueless.

\* What is the medallion LTV currently (it was 40% in last 10Q)? (a rising LTV indicates falling medallion prices - so if they say it hasn't changed much, ask how that can possibly be).

\* Do they have any medallion loans on their books currently collateralized by medallions with secondary market prices below par value of the loan?

\* What is specific valuation methodology for medallions?

\* What is their take on Chicago medallion market vis a vis a) new permits issued to ride share companies, b) falling lease caps and c) taxi driver cash flow - and do they anticipate having to take a write down?

\* What is their take on a) 6 foreclosures on NYC medallions since Sept and b) are lease fees below caps?

\* Do new regulations permitting ride share companies in Chicago and Boston put the company in violation of Article VI, section (e) of the Omnibus Loan Agreement with DZ Bank that states: "... the introduction of or any change in or in the interpretation by any Governmental Authority of any law or regulation applicable to Medallions or Medallion Loans ..." constitutes an "event of default or termination event"?

History is very important, but blindly extrapolating it despite red flags is folly.

18 Jan, 08:22 AM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

"we have never suggested, and don't believe Q4 earnings are meaningfully at risk."

Actually, you have. In your first article, with respect to Chicago, you stated:

"(\$0.62/share write-down required imminently)"

So, yes, Q4 is a referendum on your thesis. What you've done is to back away from the apocalyptic scenario you described in your report, filled with "anonymous sources", and all of a sudden, it's 18-24 months.

When Q4 earnings come in, and everything is fine, we will see who is right.

18 Jan, 09:27 AM [Reply](#) | [Report Abuse](#) Like 1



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

Just because a write down is required doesn't mean the company is will to take it's lumps. They have justification to hide behind the lack of medallion transfers in December and will have to take ~0.05/share.

What is more important is actually the January medallion transfers if any occur in Chicago as it will predict the future course. Expect the immediate write down in medallion values in Chicago, followed by a larger write down Q1. Watch as defaults and delinquencies rise starting with Chicago and following in Boston, Cambridge and Newark. NYC will fall because of the cities greed and the popping of the medallion bubble by new medallion issuance/green cab. This will undermine the strength of the pro-medallion businesses.

If/whenthe first defaults/delinquencies appear in medallion loans, it will be too late to save the balance sheet.

None the less, TAXI is no longer an investment. It is a speculative play on the medallion market. There are much better finance companies with less strategic and balance sheet risk for investment. I do not think you can go long Uber, by shorting taxi, but you can certainly short taxi on it's own merits.

18 Jan, 09:42 AM [Reply](#) | [Report Abuse](#) [Like](#) 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

If the survival of TAXI requires the failure of Uber in NYC, which of you want to keep making that bet in 2015?

18 Jan, 02:59 AM [Reply](#) | [Report Abuse](#) [Like](#) 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

The survival of TAXI does NOT require the failure of Uber.

All that need happen is that borrowers pay on their loans.

They won't, as they have gigantic disincentives to do so.

18 Jan, 03:57 AM [Reply](#) | [Report Abuse](#) [Like](#) 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

To User14783102 and others who've supplied info on the 72% side of TAXI's business. As you know, our report is focused on the failure of the medallion lending business. This failure is enough to swamp the company, so we don't need to discuss the consumer lending business.

User14783102: in one of your posts you said that competition with Uber wasn't really the significant problem with TAXI. What did you mean by that?

You also mentioned that if a current TAXI holder or potential buyer wanted to invest in a specialty finance company there were other ones that have and will probably continue to outperform TAXI as they move into this area. I think you mentioned Fifth Street and Saratoga, but I can't find your comment on that!

18 Jan, 02:59 AM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Your entire thesis is based on the failure of borrowers to pay their taxi loans.

They will not do so, no matter how bad business gets.

Therefore, your entire thesis blows up.

<http://seekingalpha.co...>

What neither you nor James has done is address these points.

18 Jan, 03:59 AM [Reply](#) | [Report Abuse](#) Like 0



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » Asserting "...failure of borrowers to pay their taxi loans. They will not do so, no matter how bad business gets" belies basic economics illiteracy.

Readers who have been following this discussion closely know that we have been very clear and logical from the first report on the subject about how the economics of medallions breaks down with the introduction of unconstrained new supply into a previously supply constrained/monopolistic market. It is basic economics. Rather than respond to the argument, Larry prefers to insist we've never made the argument. Here it is again:

---

If (when) the cash flows of driving AND medallion equity are negative, the hope of recovering lost equity will never keep a rational driver on the road. Just as during the housing bubble crash people dropped off house keys at banks when a) equity was negative – despite average housing prices having a steady history of appreciation and having enormous disincentive to abandon their homes – and b) cash flow inadequate to pay the mortgage, medallion owners faced with a similar scenario would be compelled to walk away. To suggest there are no conditions under which a medallion owner driver would walk away from the medallion and all its costs is nonsensical.

---

Pressure on taxi driver earnings is already underway. We will shortly be sharing details from the lawsuit filed by Boston taxi medallion owners against the city, in which medallion owner drivers explicitly cite the deterioration in their cash flows caused by ride share intrusion. Trips-per-hour will continue to decline. As the highest cost drivers, medallion leasers will be first to walk away from leasing (some owner drivers probably have higher cash costs, depending on the level of debt on and purchase price of the medallion). This process has already begun as lines of would-be taxi drivers observed in mid-2014 have given way to higher rates of idle taxis while medallion leases are being offered at discounts, including NYC where maximum TLC caps had been binding for years. Idle taxis help the drivers still on the road, but lower-cost ride sharing supply will keep entering a free market as long as margins attract it. Eventually, the next highest cost drivers, medallion-owner-drivers with less debt on their medallions get squeezed until interest payments are the difference between positive and negative earnings. Then the loan defaults accelerate. Once the high costs supporting exorbitant medallion prices and shift restrictions and costs are gone, taxi drivers are able to earn in line with ride sharing drivers.

---

Six defaults on NYC medallions have been officially reported since September 2014, none reported in at least two years prior.

---

We have explained in detail why costs are substantially higher for taxi drivers in multiple places. If you would like us to share details again, send a private email. Repeating the same analysis every time Larry inexplicably insists we never offered it (say you disagree, but don't say we haven't even made the argument) is cluttering comment string.

---

In a nutshell: taxi drivers have to pay exorbitant lease fees (in which insurance, vehicle maintenance, medallion management compensation and medallion owner cash flows are ALL included - unbeknownst to Larry), high medallion loan service costs and 100% of the cost of a vehicle, while ride share driver pays none of the first two, only a portion of the last, can drive only during the two peak demand windows if they choose, benefit from surge pricing during peaks and other supply shortage periods and at all times

benefit from the efficiency of a real-time algorithm putting customers and nearest drivers together while offering drivers in one of the most dangerous professions in the US knowledge of the customer based on cumulative ratings. The relative economics is not even close, and yet Larry hangs his entire "rebuttal" on the opposite being true.

18 Jan, 08:50 AM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Your argument (again) leaps past the primary mistake you make, that rideshare is so going to impact cash flow and equity will become negative. It won't, because (again) the income generated by rideshare is not enough to support the labor pool.

There are no "high medallion loan costs". Your constant insistence on hyperbole and exaggeration don't fool anyone. A 4% loan does not create an untenable situation and, in any event, the first dollars spent by a medallion owner each month is on the medallion loan.

Talk about a strawman! There is a big difference between houses and taxis.

A house is not a homeowner's livelihood.

A taxi most certainly is, for owner-drivers.

If you want to talk economic illiteracy, your assertion that strategic defaults on taxis will occur, when the other assets of the owner will be seized and their credit is the very definition of same.

18 Jan, 09:22 AM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

"as lines of would-be taxi drivers observed in mid-2014 have given way to higher rates of idle taxis " Source?

Another unsupported assertion.

18 Jan, 09:29 AM [Reply](#) | [Report Abuse](#) Like 0



User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

---

I guess in my mind it doesn't matter why the medallion bubble popped. Just that it did. From there it just follows into the balance sheet. Or did we think medallion values could keep exploding to a billion?

---

I am not negative to the Uber idea so much as neutral to it. I think it is plausible and maybe probable excepting in NYC where I think the new issuance is having a larger effect. Ending of QE also has a role. Easy money & easy financing drives the market. You keep pumping a bubble enough and it becomes more and more tenuous.

---

WRT other financing companies, I think many other BDC's provide superior returns at lower or more defined risk, especially to the balance sheet.

18 Jan, 08:49 PM [Reply!](#) [Report Abuse](#) Like 0

---



• gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

User14783102: you appear to be more knowledgeable about other specialty financing BDC's than anyone else here.

---

I'm intrigued to learn even a little bit more about this group. I realize I'm repeating myself....

---

.....however, could you list a few of the best BDC's that are outperforming TAXI on risk/returns?

20 Jan, 12:50 AM [Reply!](#) [Report Abuse](#) Like 0

---



• User14783102

[Comments \(43\)](#) | [+ Follow](#) | [Send Message](#)

GG,

---

I would suggest SA author BDC buzz and his articles to learn more. Most other BDCs/RICs are way more diversified than TAXI and they all pay 7-10% dividends. Similar 10-Q organization and terms too.

20 Jan, 07:51 PM [Reply!](#) [Report Abuse](#) Like 0

---



• gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

It is refreshing to read commenters with insightful and fact-based comments. However the quality of sell recommenders has increased in value to readers, whereas the quality

of buy recommenders has decreased. It would be great if you guys who support the stock start adding comments rigorously rooted in facts, logic and insightful opinions.

18 Jan, 03:00 AM [Reply](#) | [Report Abuse](#) Like 0



James Hickman

, Contributor

[Comments \(62\)](#) | [+ Follow](#) | [Send Message](#)

**Author's reply** » Larry, your attempt to distract readers from the relative merits of the arguments with irrelevant questions about the author's motives exposes your recognition that your arguments are deficient.

I acknowledged up front that I am short TAXI and that I was not paid to write any of the articles. Your questions insinuate we lied when we indicated we were not. That is why SA deletes them. You are long, we are short, even those facts should be irrelevant. If a reader has money on the line, and dismisses an argument on the basis of the arguers motives rather than the merits of the argument, they are behaving emotionally - that's not investing, but good luck to all. Why don't you just stick to the debate rather than playing conspiracy theorist? Because you hope the latter gets more traction than your vapid arguments and factual errors (you in quotes: "\$282 million of total debt" when 10K clearly indicates \$1.1 billion; "50% LTV on medallion loans" when 10Q clearly indicates it is 40%; "only 20% of operating profit" related to medallions when the 10Q clearly indicates that it is 26% of GROSS revenue and almost 100% of the more relevant net income).

18 Jan, 09:06 AM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

YOU have. What about Gordon? Let's hear it from him, publicly.

18 Jan, 09:30 AM [Reply](#) | [Report Abuse](#) Like 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

As Jay has just said "Why don't you just stick to the debate rather than playing conspiracy theorist?"

However, to help you move away from your obsession with resumes determining the merits of an argument I will state a fact.

---

As I've said before, you can understand who I am by reading my LinkedIn profile and the About section on my blog, Sharing Opinions:

<http://bit.ly/1ABmMgU>

---

As stated, during my 37 years since graduating from the University of Pennsylvania, I've done a lot of things in return for compensation. None of them will help you to judge the quality of our report and comments.

---

Besides being paid as a driver for Lyft and Uber, I have NEVER received any other compensation from Lyft or Uber for doing Anything else at any time. The term "Anything" includes compensation from Uber or Lyft for writing about Medallion Financial (NASDAQ:TAXI).

---

Now that we've put that aside, can you let go of your tortured conspiracy theories? Or will this answer just stimulate more of your conspiracy juices?

19 Jan, 08:50 AM [Reply](#) | [Report Abuse](#) Like 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

---

There have been assaults by Uber drivers. Does this mean Uber should be banned?

---

There have been assaults by taxi drivers. Does this mean taxis should be banned?

---

Why is there so much more press about Uber assaults than about taxi driver assaults?

---

The answer is simple. Whenever a new technology is introduced, incidents that consistently occurred before the technology are now blamed on the technology itself. After a technology becomes part of daily life, reading sensational stories of the past about their impact makes people shake their heads.

---

When television was new, did the impact of the swiveling hips of Elvis cause teenage promiscuity?

---

Recent serial killers have been dubbed "Craigslit Killers", because they found their victims on the Internet.

---

In 1932, the serial killer Harry Powers lured his victims through ads placed in Lonely Hearts Magazine, saying he was looking for love. He was dubbed the "Lonely Hearts Killer" and the "Matrimonial Bureau Murderer".

---

Is it easy to search the Internet to find assaults by taxi drivers? Absolutely.

---

Should these stories be repeatedly recycled to support the elimination of taxis?

---

Obviously not.

---

You can see the faulty logic by reading this next story and replacing "taxi drivers" with "Uber drivers".

---

In the space of just a few weeks in 2012, taxi drivers attacked seven D.C. passengers in cabs. D.C. Taxicab Commission Chairman Ron Linton said

"What we're seeing is an increase in physically manhandling their fares.... Striking them. Pulling them out of their cabs. One woman was pulled out by her ankles..."

Did Commissioner Linton then call for the banning of taxis in Washington, D.C.?

Next time we hear about a serial killer who lured his victims on the phone, let's call him the "Verizon Killer".

18 Jan, 08:10 PM [Reply](#) | [Report Abuse](#) Like 0



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

Nobody has said Uber should be banned because of sexual assaults.

What HAS happened is that Uber HAS been banned because of sexual assaults. In many cities and countries. And in many more to come.

It has nothing to do with taxis.

It has everything to do with public perception. The perception is taxis are safe, and Uber is not.

You can pooh-pooh it all you want, but it is a problem, it isn't being addressed, and it will blow back on Uber, further solidifying taxis as "the safe option".

18 Jan, 11:40 PM [Reply](#) | [Report Abuse](#) Like 0



gordongossage

[Comments \(31\)](#) | [+ Follow](#) | [Send Message](#)

On January 16, 2015 new Massachusetts ride sharing regulations went into effect. Temporary permits have already been issued to Uber, Lyft and Sidecar. Enforcement of previous regulations by state troopers and the Boston police has ceased. The regulations couldn't be more favorable to Uber, Lyft and Sidecar. All three currently meet the few requirements necessary to get a permanent permit.

Reacting to this devastating loss, two small medallion owners and the USW Boston Taxi Drivers Association (BTDA) filed a lawsuit on the same day against the City of Boston and the Commonwealth of Massachusetts. As explained by the Boston Herald, the lawsuit "claims Boston and the state are unfairly requiring taxi owners to purchase expensive medallions while allowing Uber and Lyft to operate without following the same regulations."

These are excerpts from the affidavits of the two medallion owners.

---

AFFIDAVIT OF JOSEPH PIERRE

---

In addition to other expenses such as repairs, my monthly expenses are as follows: medallion loan payment, car payment, commercial insurance and radio association dues...

---

My monthly income during the last three months drastically dropped, due to unfair competition...

---

In the last three months, it has become almost impossible for me to provide for my family or satisfy my financial obligations...

---

Due to my financial struggles, the lender which currently has a lien on my taxi medallion has threatened to foreclose if I do not make my next payment in full and on time...

---

It is impossible at this time for me to find a driver despite my best efforts and willingness to reduce the lease rate...

---

I am also unable to find a buyer for my taxi medallion and am therefore stuck in a very difficult financial position....

---

The strict requirements for licensed taxis in the City of Boston cause me to incur high costs, which I must recoup through the rates that I charge to passengers...

---

Unlicensed taxis have a lower cost to enter the market and thus can charge lower rates to passengers, than licensed taxis such as mine...

---

The lower rates are causing customers to choose unlicensed taxis over mine, thus forcing me out of business and into possible bankruptcy...

---

AFFIDAVIT OF RAPHAEL OPHIR

---

I am almost 66 years old...

---

I own two Boston Taxi Medallions...

---

At present, I lease each of my medallions to two different drivers on a weekly basis.

---

I always lease my medallions for less than the amount allowed by the City of Boston...

---

Drivers are paying me less for the lease...due to the operation of ... ride sharing vehicles...

---

Sometimes I have to reduce the drivers' lease amount that the driver is to pay, between 20-40% per week...

---

Despite that, I still have to pay steep annual costs associated with owning the taxi medallions.

---

The value of my medallions has decreased due to the operation of these unlicensed gypsy cabs...

---

I am currently an insurance broker for about 350 taxi medallion owners in Boston...on many occasions, the insured cannot make the required insurance payments and to

avoid cancellation, they finance insurance premiums using finance companies or they obtain loans from relatives and friends...

---

Mr. Ophir's Fixed Annual Expenses

---

Medallion 1

Insurance \$5,500.00

Bank Mortgage \$7,000.00

Radio Association \$3,500.00

---

Total \$ 16,000.00

Other expenses, such as repairs fees, etc. are not included

Car costs \$20,000 to purchase and lasts four years, i.e. \$5,000.00 per year

---

Car \$5,000.000

---

Total With Car \$21,000.00

---

Medallion 2

Insurance \$6,700.00

Bank Mortgage \$10,000.00

Radio Association \$3,500.00

---

Total \$ 20,000.00

Other expenses, such as repairs fees, etc. are not included

Car costs \$20,000 to purchase and lasts four years, i.e. \$5,000.00 per year

---

Car \$5,000.000

---

Total With Car \$25,000.00

---

20 Jan, 12:50 AM [Reply!](#) [Report Abuse](#) [Like](#) [0](#)



Larry Meyers

, Contributor

[Comments \(722\)](#) | [+ Follow](#) | [Send Message](#)

As one would expect. The merits of the lawsuit are irrelevant. It's a political move designed for drivers to protect their territory. Only a short-seller would point to it as "proof" of their thesis, though.

---

20 Jan, 03:36 AM [Reply!](#) [Report Abuse](#) [Like](#) [0](#)



rocko31788

[Comment \(1\)](#) | [+ Follow](#) | [Send Message](#)

Larry,

It seems that you are committed to denying any counterpoint to your investment thesis. Everyone else isn't 100% wrong, and in particular your apparent mantra that

nobody will default on their loans is a shaky point. TAXI has enormous refinancing risk since everyone knows a 25 year loan to buy a Medallion is a bad deal right now. Their business is dying (at least for the moment). Maybe you're right, but consider the possibility that either you are wrong or you are right far too early. And in the market's view, that will often result in the same thing.

20 Jan, 01:47 PM [Reply](#)