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**DOI INVESTIGATION OF TAXI AND LIMOUSINE COMMISSION MEDALLION AUCTION
FINDS LOOPHOLES IN RULES**

--TLC agrees with DOI's findings and recommendations and has revised its auction rules--

ROSE GILL HEARN, Commissioner of the New York City Department of Investigation (DOI), announced today the findings and recommendations from DOI's investigation into the Taxi and Limousine Commission ("TLC") medallion auctions. The DOI report found that the TLC rules were not consistently applied and that they conflicted with the TLC auction bid form. As a result, the TLC has proposed revisions to its auction rules in an effort to clarify its regulations regarding collusion among bidders, the relationship between brokers and bidders, and the policies governing "reserve status" bids.

Commissioner Rose Gill Hearn said, "DOI examined the TLC rules and regulations for its medallion auctions and found several inconsistencies and concerns. DOI shared its findings with the TLC, which, to its credit, prepared a set of revised auction rules. Because the auctions generate great interest from potential buyers, it is important that the TLC rules are clear, consistent and fair."

TLC medallion auctions do not occur on a regular basis. As a result, when they do occur, they present a revenue opportunity for the City and a rare chance for people to obtain the coveted taxi medallions.

The New York City Law Department requested that DOI look into whether identical bids made by three bidders during a June 2006 auction were the result of illegal collusion or violation of any other law, rule or regulation that governs the auctions. The request came after a representative from the New York City Office of Management and Budget ("OMB") observed that three bidders made multiple identical bids for medallions and collectively won all 54 medallions that were auctioned.

As a part of its investigation, DOI reviewed TLC records, interviewed people from the TLC and the public involved in the auctions and consulted with the Law Department and lawyers employed by the TLC. As a result of its investigation, DOI found:

- The Non-Collusion Clause in the auction bid form is unclear and should be revised. The TLC's practice of permitting licensed TLC brokers to assist bidders in determining the amount they

should bid for a medallion is inconsistent with the requirements of the Non-Collusion Clause, if the broker is also bidding for medallions at the same auction.

- The TLC has proposed a new rule that would prohibit brokers and their principals, employees, etc., from bidding in an auction if they have provided advice to other bidders. DOI and the TLC believe that this proposed change will reduce the ability of bidders to collude with each other or misuse bid information.
- The TLC's rules governing "reserve status" bids need to be clarified. A "reserve status" bid is a non-winning bid, which is lower than the winning bids and held in reserve in case a winning bidder fails to complete the purchase of a medallion. Currently, a bidder may be able to default on a winning bid in favor of a lower "reserve status" bid. This creates the possibility for bidders to place multiple bids in an attempt to manipulate the auction and thereby result in a loss of revenue to the City. The TLC agrees that the rules regarding "reserve status" bids need to be clarified and has proposed rules that would specify the circumstances in which a bidder would and would not be able to close on a "reserve status" bid.

Commissioner Gill Hearn thanked the Taxi and Limousine Commissioner Matthew W. Daus and members of his staff for their assistance in this investigation. Commissioner Gill Hearn also thanked Corporation Counsel Michael A. Cardozo and members of his office for their assistance on this matter.

The investigation was conducted by the Taxi and Limousine Inspector General's Office under the supervision of Inspector General Julie Block.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.

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To report someone ripping off the city, call DOI at (212) 825-5959.***