

TIC TALK

By Mike Franklin

Fractional Ownership (a.k.a. T-I-C or tenant-in-common) offerings have vaulted from an idea to an industry in five short years and the information/misinformation flow has exploded in tandem with the industry growth. On this fast-paced highway, the following sign posts will help you discern the T-I-C Sponsor pretenders from the T-I-C Sponsor contenders:

- The Sponsor: Who are they, what is their Real Estate experience and background, how accessible are they, what is their capital structure. Why would you work with a management team with no Commercial Real Estate experience?
- The Real Estate: Who are the tenants, where is the property, what is the lease structure, what is the

physical condition of the buildings. It's the Property!

- Sponsor "Skin": Is the Sponsor a "syndicator" (raises equity from T-I-C's to purchase the property) with little or no skin in the offering, OR is the Sponsor a Seller (using their own capital to acquire property prior to an offering) with their own skin in the offering. Flexibility and investor comfort are heightened when a Sponsor has "skin" in the offering.

- Tax Opinion: Does the offering include one (it better), what level is the opinion, and may the T-I-C purchasers "rely" on the tax opinion. Tax opinions that T-I-C's can rely upon are a quick indicator of an investor focused Sponsor.

- Exit Strategy: Is there a defined exit strategy in the offering or is a T-I-C's ability to "get out" ambiguous. Many circumstances may necessitate an

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“exit”-get comfortable with the exit procedures throughout the investment.

- License: Is the offering fully licensed under the business method patent that exists or unlicensed with a reference in the “risk” section of the offering. If licensed it will so state, if not there should be an opinion accompanying the risk of no license.

- Form of Offering: If it walks like a duck and quacks like a duck...most T-I-C offerings are made through a Private Placement Memorandum (“PPM”) ensuring full disclosure

to potential investors. Ask the question “If a PPM provides full disclosure yet a T-I-C offering does not include a PPM, what is being hidden?”

***FORT PROPERTIES, NOT JUST A
CONTENDER, BUT A LEADER!***

Mike Franklin, Executive Vice President of FORT Properties, Inc. contributed this article. For more information about past, current and future T-I-C offerings, contact Mike at 213.572.0222, ext. 202 or visit www.fortproperties.com.

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other affiliated industries.

TICA holds its annual symposium March 6 to 8 at the Grand America Hotel in Salt Lake City, Utah. The symposium is designed to tackle the key issues within the tenant in common industry. TICA expects to have more than 500 attendees at the symposium.

Industry veterans, TICA board members and the TICA Marketing Committee were critical to the development and selection of the agenda and panelists. For more information on the symposium, please visit www.ticassoc.org.

Tim Snodgrass, TICA Chairman

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