# TICA

## TENANT-IN-COMMON ASSOCIATION POSITION STATEMENT NUMBER ONE

### *Position*

The Tenant-In-Common Association (TICA) recognizes that all tenant-in-common ("TIC") interests are real property. It is TICA's position that sales of TIC interests are subject to federal and state securities laws when the TIC interests are structured to be sold to unrelated persons, who will not be actively involved in the management of the property, and who have an expectation of income and profits to be derived primarily from the efforts of others.

### *Explanation*

The typical tenant-in-common investor has sold real property and desires to acquire replacement property in a tax-deferred exchange. While these investors recognize that they are required under the tax laws to make all major decisions concerning the property, they do not want to be involved in day-to-day property and asset management. They are reliant upon the sponsor (or its affiliate) who will either lease the property from the owners or manage it for them.

TIC interests that are structured in this manner constitute investment contracts and, thus, are securities under federal and state securities laws and real property for tax purposes. The tenants-in-common invest in undivided fractional interests in the real property by pooling their assets and benefiting from the efforts of others, such as through contracts concerning leasing, management and operation of the acquired property. The fact that investors in a particular TIC interest might have authority to terminate a management contract does not mean that the TIC interest is not subject to federal and state securities laws.

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TENANT-IN-COMMON ASSOCIATION