Taxation of Receipts of Profits and Capital Interests In Connection With Performance of Services

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I. Introduction

An organization treated as a partnership for federal income tax purposes (such as an LLC or an LLP, referred to collectively as "partnerships" throughout) that wishes to provide equity to its employees or service providers generally is often advised to utilize another organizational structure, such as a corporate form. A corporation is not the only vehicle through which an entity can grant equity, however. LLCs and LLPs can also provide equity to their employees in highly tax advantaged ways. Care must be taken in determining what type of interest to grant and the tax consequences of that decision.

The purpose of this outline is to discuss the two most common ways to provide equity in an entity treated as a partnership for federal income tax purposes: awards of capital interests and profits interests. Both types of interests can provide favorable tax treatment for the employee, although there are a number of uncertainties that must be addressed.

Limited liability companies are similar to corporations in that they provide owners with liability protection, but different in that they are taxed as partnerships. Differences between corporations and entities taxed as partnerships include that ownership in a partnership entity is evidenced by partnership or membership interests rather than stock, and partnership entities cannot give employees incentive stock options ("ISOs") under Section 422 of the Internal Revenue Code of 1986, as amended (the "IRC").

This does not preclude entities taxed as partnerships from providing their employees with an equity stake. Like a corporation, a partnership can grant both equity interests and options to acquire equity interests in exchange for the performance of services. However, partnerships also offer a unique equity award opportunity that corporations do not enjoy.

Partnerships can grant purely economic interests (which have no attributes of ownership such as the ability to participate in management or vote) and options to acquire purely economic interests. The tax consequences vary with the type of interest granted (capital interest v. profits interest). Under current law, an entity such as a partnership has the advantage of being able to grant certain types of equity interests as compensation without tax to the recipient.

II. Capital Interests v. Profits Interests

When an entity taxed as a partnership wishes to award ownership interests to an employee or other individual, it may do so through transfer of either capital interests or profits interests.

A. Capital Interests

A capital interest is an interest that would give the holder a share of the proceeds if the partnership's assets were sold at fair market value and then the proceeds were distributed in a complete liquidation of the partnership. This determination generally is made at the time of receipt of the partnership interest. See Rev. Proc. 93-27.

> Example: Employee is employed by Partnership ABC. Partners A, B, and C each have a capital account of $100. Employee is admitted as a partner and receives a 10% capital interest in the Partnership. This capital interest effectively entitles Employee to $30 if the Partnership were immediately liquidated (10% of total partnership capital of $300). Partners A, B, and C now each have a capital account balance of $90 (their original capital accounts of $100 less their $10 pro rata of partnership capital transferred to Employee) and Employee has an initial balance in his capital account of $30.

B. Profits Interests

A profits interest is a partnership interest other than a capital interest. See Rev. Proc. 93-27. Essentially, it is an interest in the future profits and appreciation of the partnership, but not an interest in any liquidating proceeds that would be distributed at the time the interest is granted.

> Example: Employee is employed by Partnership ABC. Partnership ABC has a base capital value of $100. When Employee is granted a profits interest, all future profits and growth in value above $100 would be shared by Employee as an owner on the same basis as the other owners share. If the Employee had a 10% profits interest, he would participate in 10% of all future profits and growth in value. Assume that a sale of Partnership ABC occurred, and the value of the Partnership had increased to $200. At that time, the Employee would be entitled to $10 ($200 - $100 = $100 * 10% = $10).

III. Taxation of Capital Interests and Profits Interests in Exchange for Services

To say that the federal tax treatment of the grant of a partnership interest to an employee in exchange for past or future services has been confusing would be an understatement. Following years of litigation and commentary regarding whether a transfer of a profits interest for services is a taxable event, the Internal Revenue Service ("IRS") issued Rev. Proc. 93-27 in 1993, which was clarified by Rev. Proc. 2001-43 in 2001.

Then, in 2005, the IRS issued Notice 2005-43, along with proposed regulations under IRC §§ 83, 704 and 721. The Notice, which contains a proposed revenue procedure and descriptions of the proposed regulations, aims to streamline the tax treatment of partnership interests and to provide the same level of clarity for entities taxed as partnerships that can be found in the corporate tax setting relative to the issuance of equity in exchange for the performance of services.

Upon the finalization of the proposed revenue procedure found in Notice 2005-43, Revenue Procedures 93-27 and 2001-43 will become obsolete. Until that occurs, taxpayers may not rely on the safe harbor set forth in the proposed revenue procedure in Notice 2005-43, but may continue to rely upon current law, including Rev. Proc. 93-27 and Rev. Proc. 2001-43.

A. Current Law

1. Taxation of Capital Interests

a. Vested Capital Interest

(i.) A capital interest is unrestricted (that is, fully vested) if the interest is transferable free of the substantial risk of forfeiture or is not subject to a substantial risk of forfeiture.

(ii.) An interest is treated as subject to a substantial risk of forfeiture if the employee's right to full enjoyment of the capital interest is conditioned on the future performance of substantial services by the employee and the possibility of forfeiture is substantial if the condition is not satisfied.

(iii.) An employee who receives a vested or unrestricted capital interest in a partnership entity in exchange for the performance of services generally recognizes compensation income in the year of the grant equal to the fair market value of the interest, reduced by the amount, if any, that the employee pays for the interest.

(iv.) The fair market value of the interest in partnership capital, which determines both the amount of the employee's income and the corresponding partnership deduction, can be determined in a variety of ways: by looking to the value established in arms'-length transactions, by calculating the value of the capital transferred from existing members to the new interest holder, by determining the value of the services rendered by the new interest holder to the partnership's assets, or by determining the liquidation value of the partnership as of the date of grant.

(v.) Once the fair market value of the interest is determined, the recipient would pay taxes on the compensation income at ordinary tax rates. The partnership itself generally will be entitled to a deduction equal to the amount of ordinary income recognized by the employee.

b. Unvested Capital Interest

(i) A capital interest is restricted (or "unvested") if the interest is nontransferable or is subject to a substantial risk of forfeiture.

(ii) An interest is subject to a substantial risk of forfeiture if the employee's right to full enjoyment of the capital interest is conditioned upon the future performance of substantial services by the employee.

(iii) Generally, an employee is not taxed on the receipt of a restricted interest in property until the restriction lapses.

(iv) Under IRC § 83(b), however, an employee may accelerate the time of taxation of restricted property to the date of its receipt by filing an election (an "83(b) election") to do so, no later than 30 days after the receipt of the property.

(v) Filing an 83(b) election will allow the employee to treat the receipt of the interest as an immediately taxable event, even though the interest is unvested.

If the 83(b) election is made, the employee recognizes as ordinary income an amount equal to the fair market value of the capital interest and reduced by the amount, if any, that the employee paid to receive the partnership interest. Any subsequent appreciation in the interest will then be taxed at capital gains rates upon disposition. The partnership will be able to take a deduction in the amount equal to the ordinary income recognized by the employee in the year of the election.

Example: Assume Employee A were granted a 10% capital interest on Year 1, which was worth $10 at the time, and Employee A timely files a 83(b) election as to this grant. When paying his Year 1 taxes, Employee will report $10 of ordinary compensation income, and will be taxed on that amount. The $10 now serves as Employee A's basis in the property, and any gain in value recognized upon disposition will be taxed as capital gains. The partnership receives a corresponding deduction of $10.

If the employee does not make an 83(b) election, the employee does not recognize any income until the capital interest vests, and at that time, the employee will recognize ordinary income to the extent of the then-current fair market value of the portion of the capital interest which vests, reduced by the amount, if any, that the employee paid for the interest. The partnership will have a deduction at the time of vesting in an amount equal to the ordinary income recognized by the employee.

Example: Assume the facts above regarding Employee A, but assume Employee A decides not to file an 83(b) election. The interest vests in full on Year 3, at which time the fair market value of the interest is $100. When paying Year 3 taxes, Employee will report and pay taxes on $100 of ordinary compensation income, instead of the $10 in original value, because there was no 83(b) election. However, notice that the partnership will receive a deduction of $100, which is much larger than if the 83(b) election had been made.

2. Taxation of Profits Interests

a. Vested Profits Interest

Similar to a vested capital interest, a vested profits interest is fully vested and unrestricted if the interest is transferable free of a substantial risk of forfeiture or is not subject to a substantial risk of forfeiture.

Under current law, the grant of a vested profits interest may or may not be taxable event, depending on whether the safe harbor found in Rev. Proc. 93-27 applies. Under Rev. Proc. 93-27, if a person receives a profits interest for providing services to or for the benefit of a partnership in a partner capacity, or in anticipation of becoming a partner, then the grant of the interest is not a taxable event and the employee will not recognize income upon the grant of the interest.

In Rev. Proc. 93-27, there are three exceptions to the general rule of non-taxability, meaning that the safe harbor rule does not apply if:

(1) The profits interest relates to a substantially certain and predictable stream of income from partnership assets, such as income from high-quality debt securities or a high-quality net lease;

(2) Within two (2) years of receipt, the partner disposes of the profits interest; or

(3) The profits interest is a limited partnership interest in a "publicly traded partnership" within the meaning of IRC 7704(b).

Thus, if the profits interest fits within one of the three exceptions, or does not fit within the general rule of the safe harbor (for example, where the recipient performed services for a partner of the entity partnership rather than the entity partnership itself), the profits interest may be taxable unless the value of the profits interest is too speculative to be subject to taxation.

Because a recipient of a profits interest typically will report no income associated with the receipt of a profits interest, the partnership would not be entitled to a deduction for the transfer of the profits interest.

b. Unvested Profits Interest

Under Rev. Proc. 93-27, the tax treatment of an employee who received a substantially unvested profits interest was unclear. In 2001, the IRS issued Rev. Proc. 2001-43, designed to clarify Rev. Proc. 93-27. Rev. Proc. 2001-43 provides that, for purposes of Rev. Proc. 93-27, even if a partnership grants a substantially unvested profits interest in the partnership to a service provider, the service provider will be treated as receiving the interest on the date of its grant, provided that the following requirements are met: (a) both the partnership and the service provider treat the service provider as a partner from the date the profits interest is granted; (b) the service provider takes into account the distributive share of partnership income, gain, loss, deduction and credit associated with that interest in computing the service provider's income tax liability for the entire period during which the service provider has the interest; (c) no compensation deduction is taken by the partnership or any partner in connection with the grant of the profits interest; and (d) all of the requirements of Rev. Proc. 93-27 are satisfied.

Rev. Proc. 2001-43, therefore, indicates it is unnecessary to file an 83(b) election for an unvested profits interest. In effect, the partnership and the service provider are treated as if the service provider made a valid 83(b) election and valued the profits interest at zero. Note that Rev. Proc. 2001-43 requires the allocation to the service provider of partnership gains and losses from the date of grant and requires consistent tax treatment by the partnership and the service provider partner.

Note: Under current law, it may still be advisable to file an 83(b) election. Among other reasons that are outside of the scope of the current discussion, if the requirements of Rev. Proc. 93-27 (including no disposition of the interest within two years) are not satisfied, the protection of Rev. Proc. 2001-43 is presumably lost, and an interest recipient would not receive the tax treatment described in Rev. Proc. 2001-43 without having a timely filed 83(b) election. In addition, the potential downside to filing an 83(b) election generally is minimal.

B. Proposed Changes

Notice 2005-43 and the proposed regulations are designed to eliminate the different tax treatments for the issuance of profits and capital interests. Under the proposed guidance, all interests in partnerships, both capital interests and profits interests, will be subject to the same rules, which, as described above, will serve to make the distinctions drawn by Rev. Proc. 93-27 and Rev. Proc. 2001-43 obsolete.

1. Taxation of Interests: Recognition of Income

Under the proposed regulations, all partnership interests (both profits and capital interests) will be taxed in the same manner. The proposed regulations provide that the receipt of a partnership interest is a variation of a guaranteed payment under IRC §707(c), meaning that the interest will be taxable to the recipient as ordinary income and the partnership will receive a corresponding deduction. However, instead of applying the rules of IRC §706(a) regarding the timing of income realization and deductions to these "guaranteed payments," the proposed regulations provide that a partnership interest received in exchange for the performance of services will be treated as "property" for purposes of an 83(b) election, and accordingly, all partnership interests will be governed by an 83(b) election, including its regulations on the timing of income realization and deductions.

Therefore, under the proposed regulations, a recipient who receives an interest in a partnership generally will recognize compensation income in the year the interest is substantially vested, in an amount equal to the fair market value of the interest, reduced by the amount, if any, that the recipient pays for the interest. The partnership will be entitled to a deduction equal to such amount when the amount is taxable to the recipient.

Accordingly, if, in exchange for the performance of services, a service provider receives an interest in a partnership which is vested or unrestricted, the employee will generally recognize compensation income in the year in which the interest was granted, in an amount calculated as described above. If, however, the service provider instead receives an interest which is substantially unvested, the employee generally will recognize compensation income in each year in which a portion of the interest vests, in an amount equal to the fair market value of the portion of the interest which vests, reduced by the amount, if any, that the service provider paid for that portion of the interest. Should the service provider receiving a substantially unvested interest file an 83(b) election, though, this result is changed, and the non-vested interest will immediately be includible in income in the year in which it is granted and in an amount calculated as described above.

In order to calculate the amount of income recognized by the service provider and the corresponding deduction to the partnership, the fair market value of the partnership interest must be determined. The proposed revenue procedure in Notice 2005-43 provide a safe harbor under which the fair market value of an interest is treated as being equal to the liquidation value of that interest.

Note, however, that the safe harbor applies only to Safe Harbor Partnership Interests ("SHPI") for which a Safe Harbor Election is in effect. An SHPI is any interest in a partnership that is transferred to a service provider by such partnership in connection with services provided to the partnership either in the past or future. A partnership interest will not qualify as an SHPI if it: (a) relates to a substantially certain and predictable stream of income from partnership assets, such as income from high-quality debt securities or a high-quality net lease, (b) is transferred in anticipation of a subsequent disposition, or (c) is an interest in a publicly traded partnership.

In order to issue an SHPI, the partnership must also make a valid Safe Harbor Election. To have a valid Safe Harbor Election, the partnership must prepare a document, executed by the tax matters partner and effective no earlier than the date of such execution, stating that the partnership is electing, on behalf of the partnership and each of the partners, to have the safe harbor apply irrevocably with respect to all partnership interests transferred in connection with the performance of services while the Safe Harbor Election remains in effect. The Safe Harbor Election must then be attached to the tax return for the partnership for the taxable year that includes the effective date of the Safe Harbor Election. To take advantage of the Safe Harbor Election, partnership and operating agreements must also be amended to contain certain provisions that are legally binding on all of the partners.

If both requirements are met and the safe harbor applies, again, the fair market value of the interest will be the liquidation value of the interest. Under the proposed procedure, liquidation value is to be determined without regard to any lapse restriction (as defined in Treas. Reg. §1.83-3(i)), and is defined as the amount of cash that would have been received for the partnership interest had the partnership sold all of its assets – both tangible and intangible – for cash, immediately after the partnership interest was issued.

Under this safe harbor, then, an interest recipient recognizes compensation income upon the transfer of a substantially vested interest or a substantially non-vested interest for which an 83(b) election is made. Interestingly, by electing to use the safe harbor and calculating fair market value of the interest as liquidation value, a partnership can still issue a profits interest without causing a taxable event to the recipient, so long as it is fully vested upon grant, or an 83(b) election is timely made. This is because a profits interest which is substantially vested at the time of grant has no liquidation value immediately after it is issued, and so there would be no taxable event upon recipient of such profits interest.

Contrary to Rev. Proc. 2001-43, then, if and when the proposed regulations become final, an 83(b) election will now be needed to be made with respect to all substantially unvested interests in order to have a substantially unvested profits interest receive the more favorable tax treatment. If not made, all distributions made to the partner will be treated as ordinary income and compensatory, and will be deductible by the partnership. This is the same result as for an S corporation where a shareholder has failed to make an 83(b) election. Treas. Reg. § 1.1361-1(b)(3); PLR 9121037.

2. Taxation of Interests: Other Issues

a. Gain and Loss

IRC §721 provides that no gain or loss is recognized to a partnership or any of its partners in the case of a contribution of property to the partnership in exchange for an interest in the partnership. Proposed Reg. §1.721-1(b)(2) provides that except as provided in IRC §83(h) or Treas. Reg. §1.83-6(c), the partnership generally will recognize no gain or loss upon the transfer, vesting, or forfeiture of a compensatory partnership interest. The non-recognition generally only applies to the issuance of an interest in the partnership to which the services were provided; a compensatory transfer of an interest in a related partnership is not covered by the proposed regulations.

b. Forfeiture Rules

With respect to a non-vested interest for which an 83(b) election is made, the proposed regulations now require special "forfeiture allocations" for those allocations to be respected for purposes of IRC §704(b). The proposed regulations state explicitly that allocations to an interest subject to a substantial risk of forfeiture, even if an 83(b) election is made, cannot have substantial economic effect. Therefore, the proposed regulations would require partnerships to "unwind" allocations with respect to unvested profits interests in the event of a subsequent forfeiture by a recipient, and, at the time of forfeiture, require mandatory allocations to reverse the prior allocations of profit and loss.

IV. Miscellaneous Considerations

A. Taxation of Options Granted as Compensation.

As stated above, entities taxed as partnerships have the ability to grant two types of equity interests: capital interests and profits interests. However, a partnership can also issue options to purchase partnership interests. Such options presumably are subject to traditional nonqualified option tax treatment. As such, there generally are no tax consequences upon the grant of the equity interest option - either to the recipient or to the issuing entity partnership - because the option does not have a readily ascertainable fair market value at the time of grant. If the option does have a readily ascertainable fair market value at the time of grant, there still generally are no tax consequences upon the grant of the option, so long as the exercise price is set at a price not less than fair market value as of the date of grant. The exercise price floor is a requirement imposed under IRC §409A and its accompanying final regulations, which were issued last year.

A full description of the requirements of IRC §409A is outside of the scope of this discussion, but, generally, under IRC §409A, if certain requirements are not met, all amounts deferred for all taxable years are currently includible in gross income to the extent such amounts are not or are no longer subject to a substantial risk of forfeiture and are not previously included in gross income. Additionally, if the necessary requirements are not met, interest at the normal tax underpayment rate plus one percentage point is imposed on underpayments that would have occurred had the compensation been includible in income when first deferred or, if later, when no longer subject to a substantial risk of forfeiture. With respect to future deferrals, the amount required to be included in income is also subject to a 20% additional tax. Thus, the failure to meet the requirements of IRC §409A is extremely punitive, so partnership entities should be sure to issue options to purchase equity interests at an exercise price at least equal to the fair market value of an interest in the company as of the date of grant.

While an entity can grant options to purchase both capital and profits interests, an option to acquire a profits interest in an entity partnership is rare. In such situations, upon exercise of such an option, the optionee would acquire a capital interest in the partnership in an amount equal to the exercise price paid for the profits interest. More commonplace are options to acquire capital interests in entity partnerships. The result of this type of option exercise is that the optionee makes a cash contribution to the entity partnership that is less than the capital interest he receives. Accordingly, upon exercise of such an option, the optionee is taxed on the fair market value of the capital interest he receives reduced by the amount paid by the optionee at exercise, and the entity partnership receives a corresponding deduction in the same year in which the optionee reports the income.

A primary uncertainty with respect to equity interest options is whether the entity partnership has any tax effects to report other than its deduction upon exercise of such options. Some practitioners view the exercise of an equity interest option as a deemed transfer of an undivided interest in the entity partnership's assets to the optionee, followed immediately by a deemed re-contribution of such assets to the entity partnership (the "capital shift approach"). Other practitioners view the exercise of an equity interest option as a deemed payment by the partnership to the optionee of an amount of cash equal to the "spread" of the option at the time of exercise (*i.e.*, the difference between the value of the equity interest received and the exercise price paid), followed by a deemed contribution back to the partnership of both the exercise price and the earlier cash "spread" deemed transferred (the "cash in-cash out approach"). Under the "capital shift approach," the entity partnership recognizes a gain on the entity interest transferred in exchange for services; under the "cash in-cash-out approach," the entity partnership does not recognize any such gain. Because there remains confusion in this area, companies should generally consult with their accountants regarding this issue and how they intend to treat it.

B. Status of a Service Provider to Whom an Interest is Transferred: Employee or Partner?

Whether an interest recipient is treated as an employee or a partner can have significant tax consequences to the individual and to the partnership as well. For example, for compensation purposes, if an interest recipient who was an employee of the partnership becomes a partner, the following tax consequences will occur:

(1) The partner will receive a Schedule K-1 reflecting the partner's allocable portion of the partnership's income and deduction items and any guaranteed payments for capital or services rendered.

(2) The partner will need to plan for quarterly estimated tax payments.

(3) The partner will be subject to the self-employment tax rules in IRC § 1401.

(4) Certain fringe benefits normally excluded from income in the corporate setting will be taxable to a partner, including group term life insurance (IRC § 79), payments received under accident or health plans (IRC § 105), employer payments to accident and health plans (IRC § 106), meals and lodging for the convenience of the employer (IRC § 119), and benefits received under cafeteria plans (IRC § 125). (Other fringe benefits are excluded from both employee and partner compensation, including working condition fringes (IRC § 132).)

(5) The partner will include insurance premiums paid by the partnership in taxable compensation under IRC § 707(c). If the partnership maintains a self-insured health plan, partners may find the actual health benefits (payments on submitted claims) are compensation when received. Treas. Reg. §105-5(b).

Accordingly, knowing whether and when an employee or service provider becomes a partner is an important consideration for partnership entities.

1. Current Law

Under current law, an employee who receives a partnership interest, particularly a profits interest, is not automatically treated as a partner for federal tax purposes.

To the extent a person receives a substantially vested interest, or a non-vested interest for which an 83(b) election is made, the employee generally will be treated as a partner as of the date of receipt. Thus, as discussed above, the partner will be taxed upon receipt of the interest in an amount equal to the excess of its value over the amount, if any, that he pays for the interest, and thereafter will be taxed on his distributive share of partnership income under IRC § 702.

If the interest is substantially unvested, and no 83(b) election is filed, Rev. Proc. 2001-43 clarifies that a service provider still may be treated as a partner as of the date of grant, provided that:

> (1) The partnership and the service provider both treat the service provider as the owner of the partnership interest from the date of its grant and the service provider takes into account the distributive share of partnership income, gain, loss, deduction, and credit associated with that interest in computing the service provider's income tax liability for the entire period during which the service provider has the interest;

(2) Upon the grant of the interest or at the time that the interest becomes substantially vested, neither the partnership nor any of the partners deducts any amount (as wages, compensation, or otherwise) for the fair market value of the interest; and

(3) All other conditions of Rev. Proc. 93-27 are satisfied.

To the extent that these provisions are not met, however, and no 83(b) election is otherwise filed, the employee will not be treated as a partner because the interest is still subject to a substantial risk of forfeiture. As a result, the employee will not receive an allocation of profit or loss from the partnership until the interest vests.

2. Proposed Law

Under the proposed regulations, as discussed above, the transfer of a partnership interest is treated as if it were a guaranteed payment, although the timing of the inclusion is governed by an 83(b) election. Therefore, if the interest is substantially vested at the time of transfer, or if it is substantially unvested and an 83(b) election is made, the employee is no longer regarded as an employee of the partnership, but as a partner as of the date of transfer. If the interest is substantially unvested and the 83(b) election is not made, then taxation of the interest is delayed until it vests, and during that time the employee or service provider is not treated as a partner.

V. Pending Legislative Proposals

In response to the perceived abuses associated with the public offerings by hedge funds such as Blackstone and compensatory systems which result in hedge fund managers and private equity firms receiving substantial compensation as capital gain, a number of legislative proposals are pending in Congress to tax income attributable to profits and other so-called "carried interests" at ordinary income tax rates. Thus, the Administration's 2010 budget proposal contains a specific proposal to increase the tax on "carried interests" earnings by partners in investment partnerships to the maximum income tax rate. The effect of this legislation, depending on the final shape it takes would extend not merely to classic private equity funds and hedge funds, but presumably also to real estate and other investment entities which produce so-called "carried interest." For further information and the position paper of the Real Estate Roundtable on this issue, *see Carried Interest Taxation - Real Estate Talking Points*, February, 2009, www.rer.org/site/c.hsJRKYPFJrH/b.2797909/k.BBC4/Taxation of Carried Interest.htm.

In light of the pressing need for revenue and a multi-trillion dollar deficit, it appears inevitable that there will be legislation in this area. Accordingly, the ability to grant profits interests and capital interests on tax favored basis may be coming to a close. Practitioners should, therefore, consider carefully the opportunities for planning in the current environment.

VI. Conclusion

Partnership entities can grant equity interests and options to their employees and service providers, but great care must be taken when facing the taxation challenges presented in making such grants. Armed with an understanding of the current state of the law and the advice of experts in the field, however, partnerships should be able to navigate these challenges successfully and reward their service providers with a meaningful stake in the partnership.
