

# PARTNER UP

The ins and outs of  
co-owning a gym.

BY BARBARA DONOHUE

**R**unning a cheer program can be a challenging, exciting and exhausting career for one person. Partners and co-owners can share the burden and complement one another's strengths. It's not surprising, then, that many cheer gyms are owned by two or more people. However, working with other owners has its own challenges. For successful co-ownership, find a compatible, trustworthy partner and make sure you plan ahead to prevent legal or financial problems later on.

## Choose your partners wisely.

Going into business together is not so different from getting married, says Stacey Romberg, a Seattle attorney. When advising prospective business partners, "I always tell my clients, particularly if they do not have a family relationship, to look this person in the eye and think about holding this person's hand and walking down the aisle," says Romberg. "If you don't feel that way about that person in a business sense, if you don't feel that you've known that person for a long time, that you really want to be their partner and work 15 hours a day with them and completely trust them financially, don't do it. Figure out another way to run your business."

Other gym owners echo Romberg's sentiments. "I would suggest making sure they've known the person forever, or know that they are pure of heart," says Jonathon Rios, who owns Club Cheer Twisters in Oxnard, CA, with his wife, Krystal. "Make sure it's somebody that you 100 percent trust with your children."

"[You should] have the same visions and dreams, but also know the individual," says Kelly Fust, co-owner with Joe Cooper of SIGS Gymnastics and All-Star Cheer in New Albany, IN. When seeking a partner, Fust says she "looked for someone with the same values that I have—the love and the desire for the program—and not the finances of it." Fust felt very fortunate to have Cooper come on board as head coach 12 years ago and planned to bring him into an ownership role. "We structured it at the beginning so that he could buy in as we went along," she says.

Having a compatible coaching style also helps. "We were longtime friends, we cheered together in college, we both had

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the same philosophy of coaching and previously coached together," says Billy Dunlap about Brad Reiter, his co-owner of Wilmington All-Star Cheer & Tumble in Wilmington, NC. Reiter coached under Dunlap when he first bought the gym. "Then it came to a point that I needed more help in the business. He was there and he loved the sport, so I brought him in as co-owner," Dunlap says.

Cheer Dynamics in Manassas, VA, is owned equally by four people: Nicole LaBier, her fiancé Demetrius Golden, and married couple Jeff and Liz Mathewson. "I've known Jeff since high school," LaBier says. To be in business with someone, "you have to trust the person and you have to know them." She especially values the ability of the co-owners to work together and get beyond the conflicts that inevitably come up. "If you're around each other and working every day, [when you have a difference of opinion] you have to keep going."

## Plan ahead to prevent legal and financial problems.

Many cheer gyms are organized as corporations or limited

liability companies (LLCs). These are legal entities that are separate from the individual owners and can protect the owners' assets from the business's debts. "It's really important with this particular type of business to be forming an entity—either a corporation or a limited liability company, not just a partnership," says attorney Romberg. "A partnership won't shield [the owners'] assets from liability, so they're going to want to have an entity and good insurance."

When you're starting a business, no one wants to think of the bad things that may happen but it's best to plan ahead for what to do when someone's life changes or wants to leave the company. Corporations need a buy/sell agreement; an LLC's operating agreement should cover these situations, Romberg says.

Partnership agreements also often include plans for what happens when one partner leaves. "We have a personal contract through our lawyers saying what the buyout would be if a person had to leave or if the other person didn't want to be partners any more," says Durilap. A partnership agreement may also make clear the liability of the partners. Rios says that the Club Cheer Twisters partnership agreement specifically states that "if any of us makes decisions it will directly include the other person. If I do something, it will directly affect her business and credit, as well. It says, basically, that both of you are liable for any decisions, that the other one makes."

If the business does increase greatly in value, buying out a partner or co-owner can become an incredible burden. "People don't think about it in the beginning, because their business isn't worth very much," says Romberg. "But suppose 10 years pass and the business is worth a huge amount of money. Make sure that there's some payment provision, ways to work things out

over time." Life insurance or payment plans can take care of this.

"Another thing that people often don't think about is what happens in the event of a divorce," she says. "I'm in Washington, which is a community-property state, as are most West Coast states." In a community property state, as the business grows, owners' spouses are "getting a community interest in the increased value, which they're absolutely entitled to. Judges have a lot of leeway in the event of a divorce. Potentially, without one of these agreements, all of a sudden you could be sitting there with somebody's ex-wife being your partner." Different states have different laws. Your lawyer is your best resource for advice on your own situation.

## Professionals can help.

Romberg encourages gym owners to get the help they need to set up their business for success. "If they really want to do their business right," she says, "they cannot skip on having three essential people on their team: a business attorney, a CPA and a commercial insurance broker. Generally speaking, if somebody has these people on their team and they're following their advice to the letter, they're not going to get into huge amounts of trouble." These professionals can help make sure the necessary agreements are in place, the business structure is the most advantageous for the business owners and the gym has the insurance it needs. Though she is an attorney, Romberg admits that the most important person may be the certified public accountant, who can make sure the gym pays its payroll taxes and other obligations, to keep the business healthy for all the owners. 