

Charles Jaffe

YOUR FUNDS

Star-studded ETF is a joke, but no laughing matter

When the ETF business makes you laugh, it's a sign that you shouldn't invest.

And a lot of fund-industry watchers were laughing recently when registration papers were filed to create the Quincy Jones Streaming Music, Media & Entertainment ETF, named for the legendary music producer responsible for, among other things, Michael Jackson's hit "Beat It."

Beating the rules — or at least skirting them — is what the fund's sponsors seem to be doing in connecting their ETF to the music icon, but if the ETF attracts assets you can bet the idea will be duplicated by others on a big, flashy scale.

To see what's going on here, let's dig into the ETF's papers to learn about Quincy Jones Streaming Music, Media & Entertainment (we'll call it by its proposed ticker symbol, QJ, for short).

The new fund is being created by Exchange Traded Concepts, which creates ETF-in-a-box options for money managers who want to start new funds. They're the conduit for a money manager seeking a turnkey way to ramp up something new.

The money manager (technically, the sub-adviser) is Vident Investment Advisers, a Georgia-based firm that runs its own eponymous ETFs (the Vident funds have well over \$1 billion in combined assets) and acts as a sub-adviser for a bevy of other ETF operators.

Vident runs what nice industry watchers call "thematic products" — the \$715 million Robo Global Robotics and Automation ETF (ROBO) springs to mind — that skeptics and cynics call "gimmicks."

The QJ is Vident's latest thematic ETF, but it's the man behind the initials that makes it stand out.

There are plenty of stars connected to the ETF business, but they always have been bona fide investment experts, the way State Street Corp. worked with Jeffrey Gundlach of the DoubleLine Funds to headline a few offerings.

While Quincy Jones — worth a reported \$400 million — has more Grammy nominations and awards than anyone alive today, he has never been a money manager, and isn't becoming one now.

The proposed prospectus plans to have a picture of Jones right at the beginning — before even the table of contents — and under the picture it says "Quincy Jones is not the issuer or a sponsor or promoter of the Fund and does not offer, sell, or recommend any investment in shares of the Fund."

No, the great man's participation is limited to lending his name and likeness to the index the fund will be based on.

The prospectus makes it abundantly clear that Jones

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BUSINESS THERAPY



ADVOCATE STAFF PHOTO BY MAX BECHERER
As a small business attorney and founder of Spera Law Group in New Orleans, Andrew Legrand and his law firm help clients who want to start a business partnership navigate potential issues before the partnership begins, rather than when it ends.

New Orleans lawyer seeking to fill a niche by helping business partners reconcile differing goals, attitudes

BY RICHARD THOMPSON
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Andrew Legrand learned firsthand that communicating about mutual expectations and values is a critical but often overlooked early step for people who plan to go into business together.

"They really haven't talked about the whole relationship, mostly because they don't know the questions they have to ask themselves to figure out how they want the relationship to work," said Legrand, who owns the Spera Law Group, a New Orleans law firm.

Not long after graduating from Loyola University in 2011, Legrand started a law practice with a couple of classmates. One person left the firm after a few months, and the other stayed on for nearly two years.

But after a while, "we started realizing that something wasn't working right," said Legrand, 32.

As he scoured online for ideas about how to resolve their issues, Legrand stumbled

across a book that has shaped his outlook and spurred him to change the direction of his firm.

The book, called "The Partnership Charter: How to Start Out Right With Your New Business Partnership (Or Fix the One You're In)," was written by David Gage, a business mediation expert and founder of BMC Associates, a Virginia firm that helps business partners deal with internal conflicts.

The book pushes partners to address sometimes sensitive issues, such as management styles, responsibilities and long-term personal goals, and to be upfront so that they can identify potential conflicts and work out a resolution before a business situation turns sour.

"I know now that we didn't really share our expectations with each other," Legrand said of the relationship with his former law

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Andrew Legrand uses the book 'The Partnership Charter' in his practice to help clients who want to start a business partnership.

Retailers want to work out your wallet, and your body

BY KELLI KENNEDY
Associated Press

NEW YORK — Stores like Saks and Urban Outfitters are looking to work out more than your wallet.

As retailers struggle to draw in shoppers who have migrated online, stores are seizing on one of the few bright spots in the industry — fitness and wellness — in hopes of engaging consumers. That means meditation lectures with Deepak Chopra at ABC Carpet & Home in New York, a yoga class at Bloomingdale's or a wellness getaway with Free People.

One recent Wednesday, a dozen women walked into Saks on Fifth Avenue, tucked their

purses into lockers and got to work performing squat thrusts and jumping jack intervals during an hour-long boot camp. After class, they could browse through a rack of \$85 Phat Buddha leggings and try Glow Recipe's \$58 oil essence with cactus extract.

Mila Petrova, who wasn't part of the class that day but has attended other sessions at Saks, said it's the location more than the shopping that has drawn her — it's closer to her office. "I probably would have gone (to the workout) wherever they put it," she said.

The 27-year-old browsed the store only on the first night and hasn't made any purchases — she's usually rushing to the

class from work and anxious to get home afterward. Still, though she's not a big shopper in general, she can see herself buying holiday gifts at Saks' Wellery section because she's already in the store.

Several stores have opened stand-alone locations with vast areas carved out for exercise classes and seminars. Urban Outfitters' five-story Space Ninety8 in Brooklyn scheduled a chakra meditation and sound bath last month.

None of the chains are talking about how much the wellness business has increased sales — or if it has. It may be soon to tell. But while clothing stores



ASSOCIATED PRESS PHOTO BY MARY ALTAFFER
Merchandise is on display next to lockers in the reception area of ConBody Bootcamp Studio at The Wellery on the second floor of the Saks Fifth Avenue flagship store in New York.

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New Orleans lawyer seeking to fill a niche: Helping business partners reconcile differing goals, attitudes

BY RICHARD THOMPSON |

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The book pushes partners to address sometimes sensitive issues, such as management styles, responsibilities and long-term personal goals, and to be upfront so that they can identify potential conflicts and work out a resolution before a business situation turns sour.

"I know now that we didn't really share our expectations with each other," Legrand said of the relationship with his former law partners. "At the time, I had one set of expectations, and my partners had their own set of expectations, but we never talked about it."

Now, Legrand's law firm works to help people going into business together to avoid similar pitfalls and work through the complex issues and disagreements that can arise along the way.

The process involves answering hundreds of questions to help assess and identify each individual's expectations and personality types, as well as their management styles and visions for the business.

"It really helps partners articulate what they want from each other and what they expect, so that everything's out there and it's clear," Legrand said. "It erases any of that gray area or confusion of things that are left unsaid."

Getting potential partners to be more open and honest can help remove some of the ambiguity that looms in any new business relationship, he said. That's particularly important for young professionals starting their first business or for family members who are working together but trying to dodge tough topics or hurt feelings.

"At the end of the day, we realized that our personalities were very similar," he said of his former partner and himself. "We both wanted to be leaders, we both wanted to be people who were in charge of things, and it's very hard to have two people in the same business who want to do that."

The use of mediation to resolve a business dispute is hardly new, but some who specialize in

the practice are emphasizing tactics similar to Legrand's in order to better understand and manage important professional relationships and avoid future stumbling blocks.

Being able to resolve such disputes is particularly important for cash-strapped small businesses. In Louisiana, more than 900,000 residents were employed by small businesses in 2013, accounting for more than half of the state's private workforce, according to the U.S. Small Business Administration.

While some big businesses might take a different tack, like renting a secluded beach house for a long weekend in order to help their executives hash out their differences, that approach isn't viable for everyone.

Instead, for some small businesses with modest resources, Legrand's firm has licensed the same mediation process he went through, a process that lasted about three months.

During that time, he and his partner drafted a charter that spelled out each one's roles and responsibilities. Such a document can potentially stave off future disputes by providing a template for how some issues can be resolved before they arise and without the costs and hassle of turning to litigation.

"For a lot of small businesses, the cost of (litigation) is way more than they can afford, so they're stuck in this spot where they can't efficiently get out of the dispute, so they just walk away from the business or sell it for a lot less than it's worth," Legrand said.

His firm's services start at about \$6,000. That price tag may appear high, he said, but it's likely less expensive than litigation or walking away from a nascent business.

"If you go into business with partners without going through a process like this, I think it's a huge risk," he said. "I think people are crazy to do that. These days, it's really easy to get into a business partnership or relationship, but it can be a lot harder getting out."

In the end, some may emerge from the process by deciding to go their separate ways, as

Legrand and his partner did, or they may be able to work together to manage the relationship.

During the first half of 2017, he worked with five businesses, including an oil services provider, a brewery and an engineering firm.

"The underlining business doesn't really matter a lot," he said. "It's about managing relationships."

Friends or family members going into business together, especially for the first time, are typically "going to be thinking that nothing bad is going to happen," said Dinah Payne, a management professor at the University of New Orleans.

That's seldom the case, she said. But having a better handle on the tendencies and makeup of the other parties can help those involved decide whether the relationship can be managed in order for the business to grow and prosper.

"People who are very familiar with each other would be far more likely to make that mistake, because they trust one another enough to do business with each other, so they don't automatically assume there will be disagreements," she said. "The whole reason they're getting together in a partnership is because they feel like they would have the same goals with regard to whatever the business is."

That's how Legrand felt. After going through the mediation process, though, he had a clearer view of what lay ahead for his firm.

"It was more like, 'This isn't going to work, so we're either going to force something to work that we know isn't going to work, or we're going to admit it is not going to work and walk away,'" he recalled.

But once they'd decided to walk away, he looked at the bright side. "It's kind of like any relationship: It's bad when it ends, but at least no one did anything stupid," he said.

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