

A New Angle
MTPR Episode 32
Andrew Connor

Justin Angle This is A New Angle, a show about cool people doing awesome things in and around Montana. I'm your host, Justin Angle. This show is supported by First Security Bank, Blackfoot Communications and the University of Montana College of Business.

Hey, folks, welcome back, and thanks for tuning in. Today's guest is Andrew Connor, director of the Center for Community Ownership.

Andrew Connor So we're sending our money away to these companies in places where they have no benefit to our local community and we have no idea what the consequences of those investments are very difficult to track and we're not supporting economic growth in our community.

Justin Angle Andrew's work is dedicated to empowering locally owned businesses that provide critical services to rural communities, sustain a tax base and limit economic vulnerability. He's also involved in Crowdfund Montana, a newly launched financing platform designed to, as they say, move money from Wall Street to Main Street. Andrew, thanks for coming on the show.

Andrew Connor You're welcome. Thanks for having me.

Justin Angle So where did you grow up and what did your parents do?

Well, I grew up in and around Columbus, Ohio, and my dad was a real estate developer and my mom did a lot of different things. She was a teacher and administrator at a school and had a variety of other jobs during the course of my childhood.

Justin Angle And so give us the potted bio of how you made your way to Montana and to sort of get into the work you're in right now.

Yeah. So I grew up, stayed in Ohio for college, then bounced around the world for a few years after that. Landed in Northern California when I came back to the states, made my way up to Seattle, eventually ended up in Bellingham, Washington, where I lived for a really long time. About a decade ago, yeah, a little longer than that. I guess I ended up in this world of sort of socially and environmentally responsible business, new economy, alternative economic development. Basically, revisiting sort of how our economic system works and how it can function better to serve more people in more places and things like that. And moved away from a job that I had there came to Missoula in 2013.

And part of that work, which was really stimulating, really interesting, seeing all these really creative solutions that people were generating to economic problems and social issues, using business as a solution and things like that. And one of the strategies that I really gravitated towards was this community owned business model, which has taken a lot of different forms, a lot of different places. But it's basically a way for communities that don't have a lot of resources and they aren't necessarily being served by chain stores or traditional investors or traditional entrepreneurs. They can come together and say, Hey, we want a grocery store, and even though nobody else is creating a grocery store, we're going to come together, pool our capital, start a grocery store because the closest grocery store is an hour away or we don't have options. So that led me to start the Center for Community Ownership because places that wanted to do this, there was no sort of centralized place for them to find resources or get the technical assistance, and they might not even know it's a solution. So basically created the Center for Community Ownership to spread the word that this is an option that places that don't have a lot of other economic development options can do this- can take matters into their own hands. And help connect them with the resources they need to actually make it happen.

Justin Angle So maybe just distinguish community ownership from their sort of public ownership. You know, I would assume something like the Green Bay Packers, for example, is different than something like the city of Missoula owning its water company,

Andrew Connor in a sense, a way to think of it, as it's no different than a normal business in a lot of ways. It just happens to have distributed ownership.

Justin Angle Okay.

Andrew Connor So rather than having a single entrepreneur or an entrepreneur with two main investors or something like that where the ownership is kind of concentrated with somebody else resources you don't fund it with, you know, 500 people in your community who all invest a little bit and those people vote on a board of directors and the board of directors hires the president of the company or the manager, the main manager. And that person runs the day to day. So it's not like everybody in the community is participating in making every decision or running the business. They are just providing the capital and, you know, providing that sort of oversight and governance through a pretty traditional, you know, board of directors or something. Some structure like that. There's a lot of different forms that the structure can take, but it is rooted in a fairly traditional approach to the business structure itself.

Justin Angle And so can you give us maybe some of the highlights and success stories? What are some communities or businesses within certain communities that you've been able to support and sustain?

Andrew Connor So yeah, there's projects actually that we did not have a hand in are some of the most striking success stories. You know, we we've been kind of trying to organize, consolidate this work over the last couple of years. But prior to our existence, there's some places that have really done a tremendous job. One of the examples I always point to is Walsh,

Colorado, this town and the plains and southeastern Colorado that has a couple hundred people in it. And if I recall correctly, they hadn't had a grocery store for maybe a few decades.

Justin Angle Wow.

Andrew Connor And they. Just sort of made, do you know, the closest grocery store was like a 45 minute or an hour long drive or something, and they had a particularly bad winter where stretch along blizzards and they were really it became extremely difficult and extremely risky for them to drive. you know, what was now like more than an hour or more than 45 minutes to get to the grocery store in really terrible conditions. And my understanding is that that was the real catalyzing event for them where they were just saying, like, we've got to do something about this. In this town of, like I said, just a few hundred people, you know, came together and in a few months it raised a quarter of a million dollars to convert this empty storefront in their downtown into a grocery store. It's been successful, you know, and paid paid returns and dividends to its investors. And it's it's been great, you know, and no chain store was going to come in there and put a grocery store in this little town, you know? And so that's, you know, like I said, that's not a project that we had a hand in, but that's one that really stands out to me. And you know, there's been a couple dozen examples of this over the last few years.

We've been working with a few different projects that are in process historic movie theater. In a city that we're sort of trying to work with. And, you know, a family business that owns Garden Center and also in Colorado, this one restaurant, we have a project that we're working on. So it's kind of a whole range of industries and places and things like that that we've been working on.

Justin Angle Yeah. So maybe a good point to transition to crowdfund Montana, because that's kind of an extension of this work. But but adjacent to it in some way. So what is crowdfund Montana? What is it that, what need is it that that organization in that enterprise is trying to serve?

Andrew Connor Yeah. So through the work that I've been doing with the Center for Community Ownership, we developed a very close relationship with this organization called Crowdfund Main Street. And what Crowdfund Main Street is is a national platform for investment crowdfunding. And Investment Crowdfunding is like traditional crowdfunding that you might think of, like Kickstarter or Go Fund Me or something like that where people want to do a project, they're trying to get money for it. But the people who contribute to those are just giving money to those things, just basically donating. So gift crowdfunding, we often call it. And the difference with investment crowdfunding is that five or six years ago, they passed a law that allowed you to actually use the form of crowdfunding to make a real investment. So with traditional crowdfunding, you could not get a financial return. You couldn't buy a share the company. People couldn't borrow money through crowdfunding. Those things were not legal or possible. Investment crowdfunding is different. You actually can sell shares in your company. You can borrow money in the form of debt through investments like that.

So Crowdfund Main Street is an investment crowdfunding platform that works all around the country, and there are partner on a lot of these community ownership projects. But they also just work with traditional businesses and entrepreneurs who are looking to raise capital and want to use investment crowdfunding. So they host a lot of projects and offerings on their platform that are just, you know, it's local coffee shop that wants to expand. So instead of going to a bank or they don't know somebody who can just write to them a big check as an angel investor, they can go to the community and say, Hey, we want you to be our investors. We want to sell some, some ownership shares of our company in order to raise money to grow our business. So that's investment crowdfunding. We had the idea, you know, we were sort of in my discussion with with Crowdfund Mainstreet and they were already thinking along these lines. I said, You know, what would it? Would it be possible to create a platform that was just focused on Montana? That would be just for Montana's based businesses and organizations? And they said, Yeah, yeah, we're already sort of thinking along those lines of of trying that out. So this is actually the first time that they have tried that, creating a geographically specific local

label site, which is what they're calling it. So Crowdfund Main Street has created Crowdfund Montana. Okay. And it is a site that is totally dedicated to businesses and organizations that are based in Montana.

And the Center for Community Ownership is supporting this because we really strongly believe in community investment of all kinds. So the projects on here aren't necessarily community ownership projects, you know, for community ownership projects, they are just entities that want to raise money through community investment. So we're trying to really cultivate a community of people in Montana who want to invest in Montana. This really serves to really substantial needs. One is that you have a lot of businesses and entrepreneurs who face barriers to access to capital, and sometimes that's because that's the industry they're in. It's really difficult for them to get a loan. And secondly, a lot of entrepreneurs, their ability to raise capital is really limited by their personal relationships. You know, like I said, if they happen to know people who have a lot of wealth and are able to write big checks or they have easy access to those people or they look a certain way, you know, there's a lot of research about the racial and gender dynamics of who has access to traditional like venture capital and angel investment and things like that. And even if they're not facing barriers that are discriminatory, it's also just a lot of those investors are not interested in modest scale, community focused businesses. You know, a lot of investors are looking for a Silicon Valley type investment where they're taking this big risk and maybe they're going to make a thousand times back on their money and they're wanting to exit in five years. And you know, these businesses, just that's not what they're doing. You know, they're trying to grow in sort of a modest way. They're not trying to sell to a big competitor and cash out, you know, it's just a much more patient approach. So that's on the business side. It serves that need, which is access to capital, which can be can be difficult. And also, it has the benefit of if you raise it from your community, you have these dedicated community members who are literally and figuratively invested in your success. So they're going to be dedicated customers and advocates and so forth.

And then on the flip side of things, as just everyday people, we have very few investment opportunities. You know, we're basically only allowed previous to the creation of investment crowdfunding to invest in Wall Street, you know, and that's like where our money goes, when we have a retirement account or, you know, when we talked to a financial advisor, that's what that's how we're counseled to your mutual funds are all Wall Street oriented. So we're sending our money away to these companies in places where they have no benefit to our local community and we have no idea what the consequences of those investments are very difficult to track and we're not supporting economic growth in our community. So on the other side, too, it allows it opens us up to anybody to be able to invest in things in their community.

Justin Angle And so let's maybe take this, you know, in two steps here, let's talk about the benefits to the entrepreneur. So, you know, you talk to various, you know, angel investors or, you know, the lenders or whatever. And you know, they sort of advise entrepreneurs like try to bootstrap your business as much as you can yourself, then go to friends and family, then maybe to a bank. You know, a lot of these angel investors say, you know, come to us last and go to the, you know, go to sharing equity last. Like, how do you sort of position this in the continuum of options for an entrepreneur? And what level of sophistication are some of these entrepreneurs coming to you with?

So, you know, every entrepreneur, every business, is going to have something different is going to work best for them. Sure. You know, it's it's definitely not one size fits all, but that's one of the great things actually about investment crowdfunding is that. The entrepreneurs have total control over the terms of the investment that they're offering. You know, a lot of times in these more traditional kind of angel situations or venture capital situations, they're going to be kind of subject to the terms that are dictated to them by the investors. You know, that power dynamic is pretty lopsided in a lot of situations.

Justin Angle Absolutely.

Andrew Connor Most situations, I would say. I think that customizability is something that really it's not the perfect fit for every single entrepreneur, but it it makes a lot of those situations where people are having a hard time finding capital elsewhere, there's a solution here in a lot of situations.

Justin Angle We'll be back to my conversation with Andrew Connor after this short break.

Welcome back to A New Angle. I'm speaking with Andrew Connor about Crowdfund Montana.

Yeah, so maybe can you can you paint a picture of a case study where you know, a business couldn't quite find the capital they needed to bring their idea to life but, you know, this crowdfunding platform was an option for them?

Andrew Connor Yeah. So it's actually one of the clients are working with currently is in a situation that's pretty similar to what we are, what we're discussing. So they are working to build an indoor sports facility in Great Falls. And it's a pretty expensive project.

Justin Angle Yeah.

Andrew Connor And they're going to need some, some lending from a traditional bank. And so they're doing exactly what I just described: they're going to bring in equity investors, so they're going to sell ownership shares to people in the community, to raise 20 to 25 percent of the total cost of the project. And then they are going to turn right around and leverage that to get the bank financing for the rest of the project. And this is the kind of thing that everybody loves the project like everybody's super supportive into them doing this, but without that catalyzing, money like nobody's writing them a check for the whole thing. The bank doesn't want to bankroll the whole thing. The entrepreneurs can't pay for the whole thing. So it's been sort of sitting at this kind of stalemated place a little bit. And hopefully this investment crowdfunding

is going to be the thing that unlocks the whole project and lets it move forward and can be leveraged sort of many times over as far as the total investment is concerned.

Justin Angle And so relative to other sources of capital for an entrepreneur, how does this stack up in terms of risk to the business owner or risk to the entrepreneur?

Andrew Connor I think it has lower risk because because of that control factor. You know, and that's one of the things that we always talk about is the fact that a lot of times entrepreneurs are enticed by, you know, an angel investment or venture capital, and they warp what they're doing in order to kind of satisfy the terms to get that money and they end up kind of undermining or sabotaging their business in the process. So not only did they give up control, but they end up doing things that aren't in the best interest of the business just to satisfy the needs and desires of some outside investor. And they don't have to do that in this case. You know, they can because they define the terms, they basically can attract the investors who are content with those terms. So from the get go, they are just in greater alignment with the people who are investing in their business.

Justin Angle And so let's flip to this perspective of the investor. We're at this really fascinating time in the capital markets right now. You know that the stock markets are at all time highs. It's hard to know if there's actually any real value to be had there. Yet it's really, you know, it doesn't seem like a smart move to to short the market at this point. There's money flowing into NFTs and crypto through these, you know, innovative platforms like Robinhood and others. It just seems like there's a ton of money and we can, you know, there's a bunch of debate as to where that money's coming from. But there's a ton of money moving around and this is an alternative. And you described it as an alternative that maybe isn't tied to this like need for explosive 10x thousand x growth. Yet it is another way for investors to access investment opportunities. You know, from an investor side, there's the social story right there supporting the local community. But what about how does it distinguish itself from putting money in my 401k and some Vanguard Index fund? You know,

Andrew Connor I would hesitate to make any sort of generalizations about, you know, you. Obviously, there's a wide range of alternatives, you know, and money can be invested intelligently and not intelligently. You can make a certain amount or not a certain amount, you know, so it's a pretty hard thing to generalize about. But I will say, I think the two things that come up most often when people are talking about direct local investing. One is the risk and I think that every investment carries risk. And you know, that's, you know, the soundest investment advice and approach is just, you know, enter any investment knowing that you have the capacity to lose every single thing that you're investing in.

Justin Angle Don't invest money that you're not prepared to lose.

Andrew Connor Yeah, exactly. And that is just the reality. People have this idea that the stock market or mutual funds or things like that are sort of like no risk or the lowest. You know, there's this notion of security and safety with the stock market. And I think that that's a little bit overblown. I think that there's obviously you can do the thing where you say, here's the graph of the stock market over the last 100 years, and it's on this kind of steady upward thing. And like, yes, that's true, as you know, if you. Generally speaking, I think if you put money in the stock market and leave in there for a long time, odds are in the end, you end up in a higher place than you were, you know, below. But as we have seen just in the last couple of decades, there's a tremendous amount of volatility. There's a tremendous amount and if the timing doesn't work out for you, you can lose everything or almost everything very quickly. And you never really know when that's going to happen. So the idea that it is sort of a risk free place to put your money is kind of questionable.

Justin Angle Yeah, a logical fallacy at this point. I mean, most of this generation have not really endured a bear market in general.

Andrew Connor You know, the odds that the local coffee shop is going to lose you money on an investment, like is that any better or worse than the odds that some corporation that you have money in and in the stock market is going to? I don't know.

Justin Angle Yeah. And there are some, you know, there's like this classic Warren Buffett advice of know what you own, right?

Andrew Connor Yeah, exactly.

Justin Angle So this is a mechanism through which you can really know what you own.

Andrew Connor Yeah. And you can actually do due diligence in a meaningful way. You can meet the business owner. You can see what they do. You're familiar with them. You know how they exist in the community, so you actually can evaluate them in a real personal way rather than reading, you know, if you are even going to do due diligence on a publicly traded company, you know, read their opaque financial statements that have almost certainly been manipulated to make them look better performing than they actually are.

Justin Angle The S-1s are now press releases in many ways. So this is yeah, well and what sort of the reporting mechanism that companies have to provide to be on the platform?

Andrew Connor Yeah. So there's a full disclosure that they have to go through this. You know, this whole process is completely regulated, heavily regulated by the SEC, the Securities Exchange Commission. And so, you know, you can see now if you go to crowdfund Montana dot com, which is the site, there's offerings up there now and you can click in and there's a document called a Form C, which is the full kind of package that is approved, submitted to and approved by the SEC. And in there, they've got financial state. You know, they have to provide multiple years of reviewed financial statements, information about the directors of the company intended use of funds documents. You know, there's just everything that you would

need to sort of be able to evaluate the company, what it's done, what it is doing, what it plans to do with the money that's invested so forth. And then like I said, you know, that's one of the nice thing that you could reach out to these people. You know, their contact, their website is linked there you can you can sure tell them they'll have, they'll talk to you, you know, so that disclosure information is mandatory. It is available as a part of the offering and these people are accessible.

The risk side is one of, you know, the one objection that or kind of concern, I should say that comes up often with local investing and the other one is the return. And I think that that's just something that people have to kind of evaluate on their own. In the category of things that have become embedded in our cultural understanding of things, you know, this idea, like the long term return of the stock market, is eight percent or, you know, whatever number somebody puts on a night. I have read a lot of critique of that, you know, and a lot of times those numbers completely ignore the transaction costs, the fees associated with that. You know, it's actually the long term return. If you're an investor in stock market tends to be a much lower like five percent is sort of like a more reasonable accurate all costs included kind of. Look at that. And that's not an unreasonable return to expect from a community face business with, you know, some sort of a regular investment. So I think that there are reasonable returns and there's also beyond that reasonable financial return. There is also this kind of social return.

Justin Angle Sure.

Andrew Connor You are building your local economy and that benefits you and a lot of other ways to probably both financially in all sorts of distributed. First, ways that a healthy economy and so forth does, but also just on a personal level, you have a greater diversity and selection of healthy and thriving businesses, which is great for your quality of life, so it offers both the financial and the social return.

Justin Angle And so in the spirit of that ethic and transparency there? How does crowdfund Montana crowdfund Main Street in general make money? What's your revenue model?

Andrew Connor Basically, it's pretty straightforward, like all crowdfunding investment and reward crowdfunding platforms. Their business model is to take a percentage of the total amount raised, so that's basically how they pay the bills is that when a raise is successful, they take a percentage off the back end. So that's that's how they pay their bills.

Justin Angle Andrew, I want to circle back to something from the onset of the conversation that we just sort of glossed over. I mean, you mentioned you kind of bounced around, did a variety of careers and then kind of had this realization that, you know, there were other models than the traditional model for business for investing. So pull the lens back from crowdfund Montana, from Center for Community Ownership, et cetera, and just talk about your, your sensibility and your approach to kind of trying to develop new models for our system of economics.

Yeah, I think the way that I would describe my approach to that is I view business and economics as arguably the most sort of powerful force in our the sort of shapes our world. You know, it has tremendous social impact, tremendous environmental impact, cultural impact, political impact. You know, it is. It is this really, really potent force that we contend with. And I think there are a lot of completely reasonable deep structural critiques, critiques about the political system in the legal system and in all of the structures that create and guide the market and do or don't hold things accountable and where certain limits are and in just the very nature and the fundamental aspects of the system itself, I think you can ask all those questions and make all those critiques. And I think that's important. But I think that there is there's something that's almost sort of more immediate and more accessible and attainable in a way as far as making change. And I just think that business and the economy can be a positive force. You know, I think that it's easy to be Pollyanna about that like, you know, the sort of, oh, if we all just, you know, we just shop our way to freedom or shop our way to environmental

sustainability, or if we just buy this or whatever, you know, I think it's sometimes people are a little too superficial about kind of that approach. And I that's not what I'm trying to say. I just mean that within our grasp here, I think that we have a lot of tools to drive some really significant positive change that already exist and are being underutilized. We can argue about whether the whole house should look different. You know, fundamentally, if we needed to rip it down to the studs or tear it down and demolish it, rebuild the whole thing, whatever. But but right now we're standing around with tools in our hands that we are not using. And so we're I'm just trying to really do things to facilitate the use of those tools to create change now that's actually going to get us where we want to go.

Justin Angle Yeah, I think that's well put, Andrew. So for folks that want to learn more about Crowdfund Montana's Center for Community Ownership, your work in general, where would you point them?

Andrew Connor Crowdfund Montana is at Crowdfund Montana dot com and then Center for Community Ownership is at Center for Community Ownership dot org.
crowdfundmontana.com, centerforcommunityownership.org

Justin Angle Well, Andrew, thanks for telling us more about these two great platforms in your work today. Wish you all the best and maybe down the road, we can get an update on some of the success stories coming out of these investment mechanisms.

Andrew Connor Thanks, Justin.

Justin Angle Thanks for listening to A New Angle. We really appreciate it. And we're coming to you from Studio 49, a generous gift from University of Montana alums Michelle and Loren Hansen.

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Aj Williams is our producer. VTO, Jeff Amentt and John Wicks made our music. Editing by Nick Mott and Jeff Meese is our master of all things sound. Thanks a lot. See you next time.