

Member Loan FAQs



What is a member loan?

Member loans are the traditional way that startup food cooperatives capitalize. Established co-ops may also solicit member investment to fund relocations, expansions, and similar projects. Member loan programs are mutually-beneficial. In this case, member-owners will agree to loan startup funds to the Richmond Food Cooperative, allowing the store to open its doors. Members will not only earn accrued interest on their money loaned to the Co-op, but will also gain the opportunity to invest in a venture that aligns with their values while benefitting the greater community.

Isn't my membership fee enough? Why is a member loan needed?

The Co-op requires significant capital to begin operations. Sources of startup funds include membership fees, member loans, and commercial loans. Member loan programs are a long-standing method used by cooperatives to raise money and community support for their stores. They demonstrate the existence of a loyal customer base and reduce debt service, making the business stronger. Investment by the Co-op's membership also demonstrates to commercial lenders that the business is both financially viable and desirable.

How much does the Co-op need to borrow?

The Member Loan Campaign aims to reach \$800,000 in loan participation by the end of June. This is consistent with campaigns of similarly-sized co-op startups nationwide. The Co-op's leadership has already pledged 10% of this goal prior to the campaign's launch in order to demonstrate commitment to the Co-op and belief in its future success.

Why are the terms so long?

The Co-op needs to make sure that it is in the financial position to repay the loans, and stagger the loan payments over the course of several years so that our cash requirements are even from year to year.

What if the Co-op's Member Loan Campaign goal is not reached?

If the Co-op does not raise enough funds through the Campaign and subsequent commercial loan to proceed with the store's build out, investors will have their loans cancelled; no money will be collected. The funds generated from this Campaign will not be spent unless the project proceeds, and investors will not be financially liable for any part of their loan in the unlikely event that this occurs.

What if I do not have cash immediately available to participate?

Members have historically made loans to their co-ops by moving money within savings or other accounts, rather than taking funds out of current spending. Others have used additional resources, including home equity lines of credit.

Can the Co-op be financially successful?

Statistics show that food cooperatives are more likely than other startups to succeed. The Richmond Food Co-op has utilized professional market studies in its consideration of store sites, and has worked with a consultant well-versed in co-op startups to develop its financial projections. If you are interested in making a loan, you will receive materials containing detailed financial information including these projections. We would enjoy the opportunity to discuss these with you in greater detail.

Does the Richmond Food Cooperative have a financial plan?

The Co-op has been diligent in its financial and strategic planning. This includes a formal business plan that has been updated as necessary throughout the planning process, financial statements created and updated by our Treasurer, and support from the Food Co-op Initiative and its consultants.

There are a lot of grocers in the Richmond area. How will you compete?

As a cooperative grocery store, the Richmond Food Co-op does not support a corporate office or stockholders demanding returns. Our commitment is to you—our owners—and we intend to provide fair pricing and a fair return on investment. The Co-op will emphasize locally-produced products to help stimulate local agriculture, eliminate the impact of long distance shipping, and cycle money through the local economy. We will carry naturally produced and organic products raised with due consideration for the impact on the environment. Cooperative grocery stores provide good value in addition to having sound values. We believe that this is a competitive advantage that will allow for the Richmond Food Cooperative, like the many co-ops in cities large and small throughout the country, to achieve success. Additionally, we are opening in an area that does not have a full service grocery at this time.

Does the commissioned market study support the Board's belief that the Co-op will succeed?

Yes. The Board voted unanimously to invest in a professional market study for the Westover Hills location prior to signing the lease. This study was completed in December, and takes into account all of the food retailers in the trade area surrounding the Westover Hills site, as well as impending exits and entries. The market study's findings will be discussed in more detail in the prospectus, but one important takeaway is the Co-op can achieve \$3 million in annual sales by the end of year three.

Are member loans secured?

No, there are no fixed assets or funds that back up member loans. However, proceeds raised from the Member Loan Campaign will be used only when the project proceeds. If the project does not proceed, your money will be returned to you in its entirety.

What is the likelihood that member loans will be repaid?

Our business development consultant has experience with hundreds of food cooperatives nationwide. In his experience, 95-98% of co-op loans are repaid, and 90% are repaid on time.

What happens if I die?

Your investment becomes part of your estate and is treated like the rest of your assets.

Are the Co-op's investment documents legal?

Yes. All of the documents related to the Member Loan Campaign—from our introductory letter to our prospectus and promissory notes—have been reviewed by an attorney experienced in co-op law.