



**JAY BEEKMAN**

Director of Investments, Opportunity Virginia



**RICH LAROCHELLE**

Chairman of the Board of Directors, FXBG Food Co-op

## **FREDERICKSBURG FOOD CO-OP'S RICH LAROCHELLE TELLS ITS STORY**

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In Opportunity Virginia's July newsletter, Director of Investments Jay Beekman sits down with Rich Larochelle, Chairman of the Board of Directors of the Fredericksburg Food Cooperative ("FXBG Co-op"). The FXBG Co-op recently finished a \$4.3 million capital raise that will allow it to launch a full-service, member-owned grocery store with a mission to provide Fredericksburg, VA, and the surrounding area with access to locally-grown and locally-sourced products. Though the FXBG Co-op is unique for several reasons, its experience can nonetheless offer many lessons to similar, community-oriented projects throughout the Commonwealth – and beyond. Read on to find out more.

**Q: Rich, first things first – congrats. The FXBG Co-op has been one of the Opportunity Virginia team's favorite projects since we started really working together this past winter, and we were absolutely thrilled when we heard that you had successfully raised the capital you need to launch.**

**Also, thank you for agreeing to join us for this interview. To get started, it might be helpful for you to share a little bit about yourself and the FXBG Co-op. What is your background and connection to Fredericksburg? How did you get involved in cooperatives in general and with the FXBG Co-op in particular?**

A: Jay, first of all, thanks for taking the time to meet with me and many thanks for all the help that you and Opportunity Virginia provided to our co-op during our 2020 capital raise.

Co-ops have been my life ever since I began working for co-op organizations back in 1974 – right out of college. During my 40-year career, I was lucky enough to work for wonderful cooperative organizations. My career was mostly in the rural utility co-op sector and in cooperative finance. I was honored to be admitted to the Co-op Hall of Fame in 2017 and currently serve as the chair of the Cooperative Development Foundation, a 501(c)(3) nonprofit that promotes the use of cooperatives to create resilient communities. As you can tell, I believe in the mission of cooperatives and that the co-op business model can be a powerful vehicle for positive social and economic progress.

My wife and I moved to Fredericksburg after we retired from positions in the DC area in 2014. Since moving to Fredericksburg, I've been an Adjunct Instructor teaching a course on cooperatives in the College of Business at the University of Mary Washington. In 2015, I and four other directors incorporated the FXBG Co-op. What started as a dream of a small number of people has now grown to a co-op of over 1,500 households and other owners.

**Q: Wow, it's amazing that you started planning for the FXBG Co-op over five years ago – really a testament to the persistence of that founding group. The growth of membership from five folks in 2015 to 1,500+ today also demonstrates the strong local demand.**

**We obviously worked together because you decided to pursue Opportunity Zone (OZ) equity as part of the FXBG Co-op's fundraiser. Can you please talk a little bit about how you got the idea to pursue OZ equity and then how everything came together? The Opportunity Virginia team often gets questions like, "but how does it actually work?!?," so it'd be helpful for you to talk a little bit about the process you went through – in particular, with setting up your own OZ fund.**

A: Our co-op needed to raise \$4.3 million to open. So, we were interested in exploring a number of avenues to secure the funding.

The director of our Fredericksburg Economic Development and Tourism Department, Bill Freehling, suggested that we explore creating an OZ fund since our co-op is located in one of the zones. We researched the idea and spoke with several existing OZ funds and legal and financial professionals, and then we selected an experienced law firm to set up our fund. To invest, an individual must be an accredited investor (a test based on net worth or income) and use proceeds from capital gains to purchase units in our OZ fund. Our fund uses the capital from the sale of units to purchase preferred stock issued by the FXBG Co-op. The co-op then uses these funds to build our community-owned grocery.

**Q: Thanks, Rich – I think that will be super helpful for a bunch of readers.**

**You noted that you were interested in exploring a number of avenues to secure the necessary funding. Can you please talk a little bit about the other pieces of the FXBG Co-op's capital stack? Not only is a cooperative model inherently unique, but community-oriented projects often leverage a variety of incentives and capital sources to bring the vision to reality – so I think this would be particularly interesting.**

A: As I mentioned, our co-op needed to raise \$4.3 million.

The largest portion of our funding came directly from our co-op owners. First of all, when a household or other entity joins the co-op it makes a one-time investment of \$200. With over 1,500 co-op owners, those ownership equity investments added up to some \$300,000. In addition to ownership equity, co-op owners also made over \$2 million in direct loans to the co-op. These are 15-year loans that are subordinate to other debt. To round out our funding, our owners also invested in both our OZ fund and related preferred stock sales. In fact, some owners were attracted to the co-op because of the OZ fund! It was an essential component of our total capital stack.

Outside of our owners, the co-op also received a \$1.4 million loan from the National Cooperative Bank. And we received a small amount of grants and donations, raised some funds at events and earned interest.

**Q: The FXBG Co-op is a community-oriented enterprise, so I wanted to take a minute to ask you about Fredericksburg in the context of our country's current crises. How has Fredericksburg been impacted and what, if anything, is the FXBG Co-op doing to try to help?**

A: Our co-op is built around four core values:

1. Local: We will emphasize buying locally sourced food and products.
2. Environmental Sustainability: Centering environmental sustainability in everything we do.
3. Vibrant/Engaged Community: We seek to be engaged with and benefit all residents of our diverse community.
4. Financially Strong: We will run a financially strong and successful community-owned business.

Our co-op is not open for business yet, but as we plan our operations, we're working as best we can in collaboration with others to make a positive difference in our community. Our volunteers have been providing meals once a month for years at a homeless respite house here in Fredericksburg. We have made and distributed many face masks to help protect the health of people in our community during this pandemic. We have given gift cards to new co-op owners for takeout at local restaurants and for other downtown merchants that

have been hard hit during the pandemic. And we have given new co-op owners tokens for use at our local farmers markets in order to help support local agriculture.

In addition, we hold numerous educational sessions on the link between food and health, the value of health local foods, and on environmental sustainability.

We will have greater resources to focus on these core value areas after our store opens and is operating profitably.

**Q: That's great, Rich. It sounds like the co-op is well on its way to being a pillar of the Fredericksburg community.**

**Last real question. What advice do you have for folks with projects like yours who are trying to raise capital? Not necessarily food cooperatives, but more broadly: smaller, impact-oriented projects that serve the community and may not yield strong investor returns. How should they think about filling out the capital stack? Best practices? Things you wish you had known earlier?**

A: My advice to community-oriented impact projects is to be persistent, to articulate a clear mission, to demonstrate the path to accomplishing that mission, and to build relationships. If projects do those things, the funding will follow.

**Q: Thanks again for joining us, Rich. That's a great note to go out on, so just to wrap things up...where can folks sign up to become FXBG Co-op owners and get updates on your progress?**

Our co-op welcomes everyone to join as equal co-op owners. We are thrilled every time someone becomes part of our co-op – and since we grow at a rate of about an owner per day, that is nearly every day! Joining is easy and can be done on our website: [www.fredericksburgfood.coop](http://www.fredericksburgfood.coop).