The Regional Labor Investment Fund:

The Critical Nexus for A National Investment Strategy

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As workers, unions, communities and investors, it makes sense to re-invest in the people and companies where we live. Managing manufacturing investment is a truly local requirement. As the managers of the Provincial Canadian LSIF's have established, provincial investment programs have been successful, where there is a direct relationship between the source of funds and the local firms that are targeted.

It is prudent to invest in small to medium size enterprises in general and manufacturing enterprises in particular; in fact, manufacturing investments can represent very good and sound long-term investments. But manufacturing investments require a parallel economic monitoring and business development strategy to ensure the success of the investment.

The "critical middle" market contemplated by the Industrial Heartland forum is a market with targeted investments in companies which are generally regionally-owned, or might be branch plants of national/multinational operations. Essentially, these companies require

- an intense "localized" understanding of the conditions of the target industries, sub-sectors and firms,
- an understanding of the regional competition,
- the ability to attract public and other private investment support,
- and the need to monitor the investment.

The United Steelworkers and other AFL-CIO unions, along with labor-community allies and public sector development agencies have a growing number of experiences in revitalizing manufacturing companies.

There is a greater economic opportunity for union and worker pension funds to invest in the "critical middle" manufacturing sector, which now employs a majority of workers who work in industry. While corporate jobs have been slashed, there is growth in the manufacturing sector in many parts of the country.

On the performance side, we find that manufacturing productivity in the United States, especially steel, has dramatically risen, surpassing most other industrial nations. The USW, IAM and other unions have been working in more and more partnerships to create a high performance work organization which can increases profits and productivity.

On the governance and ownership side, the United Steelworkers, AFL-CIO/CLC, has union representatives on the boards of five steel corporations. Its members also own a number of ESOP corporations, representing even more plants and facilities, organized through the Worker Ownership

Institute. Numerous other unions have assisted their members to purchase companies, particularly branches or divisions as they were being spun off through restructuring.

On the firm transition side, there are also growing opportunities in the buyout of firms with aging privately-held owners. Workers and managers are stepping in more and more frequently to purchase companies, and there are labor-friendly buyer-operators who are entering the market. Many of these individuals have lost their jobs from corporate restructuring, but have some ability to self-finance. Again, joint venturing opportunities abound.

We also know that there are considerable opportunities to grow these companies, that relatively smaller investments can produce substantial improvements in profitability and long-term growth with this group. Further, the introduction of changes in technology, management practice, work strategies and new work systems can be greatly enhanced by the presence of an active investor who supports those types of changes. There are opportunities with respect to manufacturing "turnarounds" that are acknowledged by the venture investment community as undervalued niches.

Our direct experience with union-led firm restructuring, whether employee-owned or privately-owned, shows that capital formation should now be targeted to the "critical middle". This group is facing problems in accessing capital due to the restructuring of the banking and financial services industry.

This document will describe a U.S.-based regional labor-sponsored development fund strategy which would provide an intermediary "nexus" for a national labor investment strategy, and an independent mechanism to raise capitalization through state and local sources, including worker pension funds. The document will outline the objectives of a regional strategy, criteria for establishing a strategy, the role of a regional "intermediary", and structural models for regional funds.

1. Objectives of Regional Labor Funds

The building of regional labor-investment capacity is one of the most critical organizational goals of the Industrial Heartland Forum. The basic driving objective of regional labor investment funds would be:

- To invest in regional businesses and provide services to such enterprises for the purposes of creating, maintaining and protecting jobs.
- To promote economic awareness and training of workers and unions and increase their influence on the economic development of cities, states and regions.
- To stimulate regional economies by means of strategic investments which will benefit workers and business enterprises
- To encourage the development of regional business enterprises by inviting labor and community allies to participate in the such development by means of institutional investments, and where policies permit, direct investment.
- To provide solid investment capital for employee-owned and other enterprises where unions have created more democratic and sustainable practices.
- To provide prudent investment returns for investors.
- To provide basic economic education, perhaps through 401 (k) education programs, which would be managed at the regional scale through unions and local companies.

2. Criteria for a Regional Labor-Sponsored Investment Fund

Adapted from the provincial coalition of Canadian LSIFs, the criteria for establishing U.S. regional funds would include:

Organization and direction by a labor body organization

- Organization: Initiated and created by a defined labor body, which services as its sponsor and promoter
- Direction: Board of Directors is controlled by 51% labor union officers or member representatives of the body.
- Management: Management company must be wholly owned by labor body, or, as a third party, is affiliated to union body.

Commitment to meeting economic and social goals in making investments.

- Provision of debt and equity capital to small and medium sized enterprises.
- Commitment to job retention and creation.
- Commitment to regional job-related economic development.
- Utilization of "social audit"
- Commitment to changing labor-management relations in investee companies, including employee ownership, participative management, open book management, etc.

Commitment to provide a prudent rate of return to shareholders

Commitment to provide risk capital in a diversified portfolio

Commitment to participation by a broad base of average working people, by institutional union investments, and by the public and community-at-large

- Distinct marketing initiatives aimed at working people
- Access and direct marketing to members of unions
- Access and direct marketing to unions as institutional investors
- Composition of the fund's investor group such that a significant number are members of legitimate labor bodies
- Specific educational programs providing economic education to working people

Facilitation of cooperation between labor and business

- Labor and business representation on an investment advisory committee
- Institutional investment by business groups
- Promotion of participative management practices at investee companies

3. The Role of the Regional "Advisor"

The creation of system for targeting worker capital would likely require some sort of national vehicle to provide investment diversification and facilitate the attraction of capital. However, the establishment of a national fund to direct investments into middle market companies, in particular manufacturers, ultimately requires the formation of a regional investment intermediary. Such an intermediary will be able to do the following things:

- Scan the regional market it serves for qualified investment opportunities
- Pre-screen and evaluate investment opportunities for the national fund management

- Monitor investments after the investment is made in order to realize the full benefit to the fund
- Coordinate the delivery of a wide array of services, technical, financial and operational to portfolio companies in order to enhance value to the fund.
- Promote the value of the national fund to regional and local unions, their members and investment organizations in order to grow the fund and increase the regional share of investment dollars available.

It would come as no surprise that such investment intermediaries do not appear to now exist since there is little or no direct investment capital available to make qualifying investments. For our purposes, investment activity may include:

- Mezzanine level investments in middle and small sized manufacturing and related concerns
- Investments in firms which are represented by industrial unions
- Investments which will provide firms capital for growth and expansion of activity
- Investments with companies which will enable the investors to have a minority interest and say in key management decisions
- Participation in companies where the investment can include a stock option or warrant-type agreement for substantially improving the over-time yield of the investment
- Capital for employee and management acquisition of companies

Regional intermediaries must be able to demonstrate the following:

- Build a regional track record of sound, prudent investing, either through debt or equity-type instruments within some selected time period after selection by the national fund
- Demonstrate capacity to service a region of about 200 miles in diameter
- Have a governance structure which is 51% controlled by organized labor or their representatives
- Demonstrate strong inter-organizational relations with low cost and free service providers in the fields of manufacturing technology assistance, workforce training and development, market development
- Exist on a for profit basis, with adequate incentives for company management to sustain long-term commitment and participation from portfolio managers.
- Have or develop a relationship with technology and operations improvement programs and extension services which can be used for optimizing the value of the investment to the Fund and increasing the long-term success of the invested concern at little or no additional cost to the concern.

4. Regional Models

We have concluded that the development of a union-centered investment strategy should proceed on two tracks: a national capitalization strategy, as-yet-to-be-defined, and a regional delivery system. It will be important to consider a pilot project at the regional investment level, with the basic thrust of a national strategy over time to return worker investments back to the regions from which they were raised for re-investment.

There should be a strong regional identity for these new funds. Workers want to see fairly immediate results from an enterprise investment strategy. The strong local identity of the Canadian LSIFs show that workers will support labor-sponsored investments in terms of the types of firms invested, particularly when offered tax credits.

According to the Federal Reserve, the sources of capital most required by the target critical middle market fall into three primary instrument categories: (1) intermediate term commercial loans (2) mezzanine funds and (3) venture capital. As noted, the need for patient venture capital is twice the need for capital in this group than that available. In individual financing arrangements for mature manufacturing firms, much of the credit risks have typically been shouldered by public entities at the state and local levels.

There are a number of regional models which might become applicable for a regional investment strategy in jobs-oriented enterprises, and in meeting the capital needs described above. Many of these instruments may have already have created an economic or "social" screen, targeting types of industries, geographic areas, minority, women and low-income ownership, employee and community ownership or environmental projects.

Small Business Investment Corporation (SBIC)
The Small Business Administration licenses two types of small business-assistance organizations. The SIC is a private investment firm that independently makes its own investment decisions to provide equity investments or long-term debt financing to small businesses, and it uses its own capital plus funds obtained from the Federal Government to provide financing for the growth, modernization and expansion for small businesses.

The SBIC can leverage three federal dollars for every local dollar raised, which provides tremendous potential at the regional level.

In the most recent session of Congress, SBICs survived with bi-partisan support many of the cutbacks that other programs in the Commerce Department suffered. The SBIC program was created by Congress in 1958 for the purpose of directing capital investment and risk capital into middle market companies. The Since 1958, a total of nearly $4 billion has flowed through 365 SBICs and sister SSBICs, and 78 commercial banks either own or have invested in the organizations. Congress adopted the Small Business Equity Enhancement Act of 1992 to revitalize the SBIC Program and make it more attractive to small business as a vital source of debt financing and venture capital.

Loan Fund (LF)
LFs provide financing for small or emerging businesses. Often in partnerships with banks, they provide low-interest loans to businesses to attract them to a particular location or to create jobs for targeted segments of the population. As principle and interest are paid on outstanding loans, those amounts are pooled and re-loaned to qualified applicants. For their initial funding, LFs can be capitalized through either public or private sources. The source of an LF's capital has a bearing on the characteristics of qualified applicants.

The advantage to this vehicle is that the loan portfolio of non-profit lenders is not evaluated by national bank examiners and therefore can take risks which commercial banks can not. The primary draw-back is that loan funds do not address the need for patient long-term equity capital. Publicly capitalized LFs typically are financed through federal and state grants. LFs are generally operated as non-profit organizations that can target community economic development or housing development. For example, certain loan recipients must provide jobs for low-or -moderate income individuals, and must abide by the Davis-Bacon act, whereby the business agrees to pay the prevailing wage in a community.

Venture Capital Funds (VCFs)
VCFs are generally organized as for-profit partnerships or corporations, and which make equity or debt investments to private companies. They may make investments in a wide range of industries and geographical areas, or can be limited. There is an increasing trend for traditional providers of venture capital, such as public pension funds, to direct capital to firms who target investments in in-state enterprises, including manufacturing.

The venture capital industry invests roughly $2.5 billion each year in 1,000 companies or less. Of the companies that do receive capital, a large percentage are later stage, expansions or leveraged buyouts. A VCF can make unsecured investments in small-medium sized privately-held corporations with assets of less than $50 million. Given a fairly high degree of risk, the VCF is tightly regulated under federal securities laws.

5. Regional Examples: Pittsburgh and Seattle

The Industrial Valleys Investment Corporation

A Partnership of the Steel Valley Authority and United Steelworkers, AFL-CIO/CLC

A. Summary
The Industrial Valleys Investment Corporation is a new Pennsylvania Corporation formed by the Steel Valley Authority and its non-profit Regional Jobs Corporation and the United Steelworkers, AFL-CIO/CLC for the purpose of investing in labor-friendly small-medium sized manufacturing firms in Western Pennsylvania and adjoining states. Upon capitalization, the IVIC will form a partnership to conform its operations to the requirements of a Small Business Investment Company (hereafter referred to as the "SBIC") as provided for by the Small Business Investment Act of 1958, as amended.

The Industrial Valleys Investment Fund, L.P. represents a unique opportunity to investors who are interested in under-valued, small and middle market manufacturing concerns in Pennsylvania, Ohio, New York and West Virginia.

This project has been developed in cooperation with the Steel Valley Authority, an economic development agency in Pittsburgh and the Mon Valley. The SVA, which manages industrial retention for the Commonwealth in twenty counties in Western Pennsylvania, has saved and created over 2,500 manufacturing jobs through the integration of worker dislocation and economic retention efforts. As the leading industrial labor organization in Pennsylvania, with over 90,000 members, the role of the USW in this Corporation is indispensable. The United Mineworkers, while smaller in numbers, plays an important role in in all of the mining communities in Western Pennsylvania, and in the SVA.

B. Governance
The IVIC Board of Directors is selected for their broad knowledge and experience in the region's manufacturing sector, and in the formative stages, includes a majority or near majority of union representatives. The IVIC Board of Directors plans to meet on an as-needed basis as it moves beyond its initial organizational stages. The IVIC Board is comprised of labor, public sector, investment and employee-owned management in Western Pennsylvania. Each Board member will have particular contributions to the project, based on their position and constituency.

C. Investment Strategy

The Fund will invest primarily through the use of subordinated debt instruments with equity options. The fund will target the privately held manufacturing and related industries in Pennsylvania, which are both significant and under-served by existing capital sources. The Fund believes its greatest opportunities will be with those manufacturing firms who primarily do business in Pennsylvania and Ohio, have annual sales of between $2 million and $100 million with a workforce of less than 500. According to the most recent Dun & Bradstreet information, this market segment consists of over 30,000 firms in the two states.

Based on the three year history of the Steel Valley Authority's manufacturing retention project for the Commonwealth of Pennsylvania, credit needs for this market were identified in five areas:

> **Expansion financing** for mature manufacturers seeking to enter new markets or develop new products and applications from existing manufacturing technology.
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> **Financial restructuring** to correct problems created by existing credit facilities obtained on unfavorable terms or restrictions.
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> **Subordinated debt** that can provide companies with working capital at a time when additional equity investment is unavailable.
>
> **Strategic mergers and acquisitions** to enable firms to increase revenues and profits by sharing manufacturing and overhead costs more efficiently.
>
> **Financing for the purchase** of a company and its assets by the employees or management as part of a logical succession or business continuation strategy.

D. Investment Criteria

The Fund will essentially give priority to the following investments:

- Established manufacturing concerns
- Change of control situations (ESOP, MBO)
- Companies under collective bargaining agreements

The Fund is seeking investment opportunities with companies that would meet the following profile:

Sales Volume	Target companies should have a sales volume of $2 million to $100 million. Such targeting conforms with SBA size standards as well as the Fund's preferences.
Trend	Market trend should be stable or growing, business trend should be stable, growing or a situation which can be stabilized over a very short period of time. This would include degrading markets where suppliers have exited and survivors can influence the market.
Competition	Companies that are 'industry' survivors will be aggressively evaluated. Highly competitive industries with extreme pricing pressures will be regarded more cautiously.

Workforce	Targeting of companies with workforce stability as demonstrated by a collective bargaining agreement or strong positive labor/management history.
Management	Operating management is skilled and knowledgeable about production process, and able to engage the workforce in advanced techniques of worker participation as part of an improvement process.
Manufacturing Capacity	Companies that are able to produce a majority of their present product line without extensive investments in new equipment or technology. Capital investments should have an return on investment of less than five years, and should substantially improve operating profit margins.
Technology Issues & Environmental Industries	The Fund will generally not invest in firms that rely heavily on patented technologies or require the control of those technologies for their success. However, the Fund has an interest in firms that use technologies for the purposes of reducing waste and pollution or of adding value to recycled materials through the remanufacturing process.
Change of Control	Companies that are considering a change in ownership will be actively pursued. The Fund will be aggressive in evaluating situations where the employees (ESOP) or current management (MBO) is the logical and ultimate owner.

E. Investment Structuring
Examples of possible investment instruments to be used would include: Senior debt and a selected number of preferred equity. The Fund will consider subordinated debt with equity participations, bridge financing, predevelopment financing and ESOP financing.

The fund will generally require the following collateral:

- Fully secured lien position on fixed assets
- Partial secured position with equity provisions (warrants, options)
- Unsecured with equity (preferred or common stock)

F. Fund Capitalization

The fund will be capitalized as an SBIC, with an initial capitalization of $5 million, with a goal of reaching a $20 million level through SBA licensing and leverage.

The Northwest Labor Investment Fund

A Proposed Partnership of the Worker Center, King County AFL-CIO and Cascadia Revolving Fund

A. Summary

The Northwest Labor Investment Fund (NLIF) is a proposal under development by the Worker Center, the Economic Development and Workforce Division of the King County Labor Council (Seattle), AFL-CIO, and Cascadia Revolving Fund, a Washington non-profit business lender, to develop a source of investment capital for start-up and existing manufacturing businesses located in the Pacific Northwest.

The intention of this program is to demonstrate that (1) there is a demand in the region for access to risk (equity-type) capital by new and existing small and medium-sized manufacturing businesses, (2) these businesses are under-served by the existing network of venture capital funds and private investor networks which are the traditional sources of risk capital, and (3) access to equity-type investment capital can play an important role in creating new family-wage jobs in union, worker-owned and labor-friendly businesses.

B. Governance

The NLIF will be sponsored by the Worker Center. The Board of Directors of the NLIF will be 51% controlled by organized labor or their representatives. Other board seats may be held by experts in the field of worker ownership, experienced venture capital investors sympathetic to labor causes, representatives of the environmental community, prominent local leaders interested in promoting economic development and legal experts. One or more representatives of the rank-and-file may be invited to join the board as well. An effort will be made to identify board members who will represent the Fund's targeted geographic area which will be primarily the states of Oregon and Washington.

C. Investment Strategy

It is the intention of the NLIF to be a flexible source of investment capital which may be used to leverage additional debt financing to provide the total capital required for a growing manufacturing enterprise. In order to provide such leverage, the investment made by the NLIF must be an equity instrument or have equity characteristics to a third party lender (i.e. the NLIF investment may be entirely unsecured or its security interest will be subordinated to a third party lender).

The NLIF is particularly interested in working with start-up or existing manufacturing companies that service the large and growing information technology and aerospace industries in the region, as well as companies which develop new products or tap new markets for value-added wood and fish products or products from recycled raw materials. The region's advantageous access to Pacific Rim markets may create profitable opportunities to manufacture products solely for export and/or create joint ventures with foreign firms.

The NLIF will not invest in companies whose activities may have a serious deleterious effect on the local environment or community in which they operate. The NLIF will also not invest in new products concepts in the "seed" stage or in companies in which a core management team has not yet been identified.

D. Investment Criteria
The prospective business should have substantially completed a business plan that fully describes the product and market niche the Company will serve and provides detailed financial projections including balance sheets indicating all sources of capital. In determining whether to invest in a given business opportunity, NLIF management will utilize two levels of specific investment criteria. The first screen involves important labor-related criteria, including:

- Evidence of strong and positive labor-management relations
- Fair employment practices and hiring
- Strong workforce safety program
- Workplace participation and education, and management strategies that lead to high performance work organization
- Opportunities for gain sharing and eventual employee ownership
- Prospect for significant new job creation at family-wage levels

The second series of criteria are more typical of a general venture investment fund.

E. Investment Structuring
Examples of possible investment instruments to be used would include:

- Subordinated debt with or without warrants;
- Preferred stock with or without a dividend, convertible features, redemption provisions and other rights;
- Straight purchase of some portion of the common stock of the company;
- Participation agreement convertible to equity.

F. Fund Structure and Capitalization
The NLIF will be organized as a non-profit subsidiary of Cascadia, a for-profit corporation, or as a separate fund of Cascadia. This structure depends on the goals of investors, operating funding sources and costs, startup funding sources and costs, securities tax law considerations, and utilization of SBIC leverage. The quick start option is to establish the NLIF as a separate fund of Cascadia and spin it off as a separate corporation after the start-up and initial capitalization is complete. The initial capitalization for the NLIF is $5 million, with additional rounds of fund raising initiated as the existing pool of funds is 70 percent or more committed.

Addendum: SBIC Characteristics

Participation by a licensed Small Business Investment Company in a business financing offers significant advantages to both the investors in an SBIC and the target company receiving SBIC capital in a debt, equity or hybrid form. SBICs offer attractive sources of low cost equity and debt capital for small and emerging businesses which enable an initial amount of private capital to be highly leveraged by Federal dollars. Capital available through an SBIC can provide the critical "missing link" in financing packages for qualifying businesses, providing a substantial portion of the venture capital component of financing packages or intermediate equity and subordinated debt capital in proper circumstances.

Congress created the Small Business Investment Company Program in 1958 to stimulate regional sources of investment capital for small to mid-size businesses. Over the years, the Small Business Administration has licensed hundreds of SBICs generating in excess of $3 billion in capital made available from both private and SBA sources. While the number of licensed SBICs has declined in recent years, Congress adopted the Small Business Equity Enhancement Act of 1992 to revitalize the SBIC Program and make it more attractive to small business as a vital source of debt financing and venture capital.

In order to be licensed by the Small Business Administration, an SBIC (non-bank sponsored) must raise a minimum of $5 million in private capital, identify qualified management and meet ongoing SBA regulatory requirements governing its lending and operating activities.

The critical feature distinguishing SBICs as investment vehicles is the ability to draw upon SBA "leverage" to increase beyond the private capital invested in the SBIC the total dollars available to an SBIC for investment in qualifying businesses. Leverage is made available to SBICs from the proceeds of publicly offered, SBA-guaranteed debentures which enable SBICs to obtain up to three dollars of SBA capital for every dollar of private capital invested in an SBIC. While the matching ratio of government-backed funding to private capital declines on a sliding scale from 3 to 1 to 1 to 1 as the amount of leverage received by an SBIC increases, the maximum government-backed leverage available to an SBIC under the 1992 Amendments is $90 million. Under present regulations, an SBIC raising $5 million in private capital, after placing 50% of committed private capital in qualifying business investments, may then qualify over time for up to $15 million in leveraged financing from the SBA, enabling $5 million in initial private investment to translate into $20 million in total SBIC investment.

The cost of borrowing to an SBIC for receipt of government guaranteed leverage dollars is determined by quarterly market conditions prevailing when the SBA issues quarterly pools of its debentures to the public through public underwriting. Interest rates paid by SBICs on such debentures are below rates on comparable market rate securities and are only slightly higher than those paid on comparable US Treasury securities. Interest on the debentures is payable by an SBIC semi-annually, with principal due at maturity. SBA leverage is long-term, non-amortized, fixed rate borrowing which is generally rolled over at maturity.

The 1992 legislation has provided an attractive new incentive for SBICs to provide long-term venture capital to qualifying businesses. The 1992 legislation creates a new form of SBA leverage characterized as participating securities available to SBICs holding at least $10 million in private capital. The participating securities allow for deferral of payment by the SBIC to the SBA of interest or dividends, enabling SBICs to adopt a longer-term investment orientation by matching their payments on the participating securities with the anticipated long-term schedule of payments from SBIC venture capital investments.

The 1992 legislation specifically permits public pension funds to invest dollars constituting private capital of SBICs. Private sector pension funds are also eligible investors. In addition, under the new legislation up to 33% of an SBICs private capital may be in the form of direct investments by state or local governments so long as the SBIC is privately managed and controlled. Banks may invest up to 5% of their capital and surplus in a licensed SBIC.

SBICs may invest only in qualifying small businesses as defined by the Small Business Administration. (New regulations liberally define small businesses as those with net worth under $18 million and after-tax income under $6 million for the preceding 2 years) and SBICs may temporarily invest idle funds in various investment vehicles. Investments made by an SBIC in a qualifying small business must be for a minimum term of five years with exceptions made for providing short-term financing leading toward longer-term financing. An SBIC is not permitted to control, either directly or indirectly, any small business on a permanent basis and may invest no more than 20% of its private capital in any one qualifying small business. SBICs may engage in management and technical assistance to qualifying businesses for a fee and may receive investment management fees approved by the SBA to compensate SBICs for investment participation.

Because SBICs are licensed to operate by the Small Business Administration, they may operate outside the confines of federal and state banking regulation while still maintaining prudent lending practices monitored by the SBA. SBICs must be administered by Boards of Directors evidencing qualified business and financial experience, qualifications and sound judgment.

The SBIC licensing process is commenced by the filing of an SBIC licensing application with the Small Business Administration accompanied by a non-refundable $5,000 filing fee. The SBA undertakes an extensive review process upon filing of the application which generally involves several months. An SBIC license application may be filed prior to actual receipt of private capital investment in the SBIC, but the SBIC license cannot be issued until the minimum private capital commitment of $5 million has been received by the SBIC.

Summary:

- Experience shows that relatively smaller investments in such middle market firms can produce substantial improvements in profitability and long-term growth. Also, changes in technology, management practices, work strategies and new work systems can be greatly enhanced by the presence of active investors who support those changes. There are considerable opportunities to invest in such companies.
- Regional investment funds can provide an avenue for worker capital to flow to middle market firms. The basic objective of such funds should be to invest in such companies, to promote economic awareness and training, to encourage the development of regional business enterprises, and to support employee-owned and other enterprises in which unions have created more democratic and sustainable practices.
- Such regional funds could be tied to a single national vehicle that could facilitate pooling capital and provide regional diversification. Regional funds could serve as a delivery system to such a national fund, and in fact, would be a necessary component for such a national fund to prove successful.
- The U.S. can learn from the Canadian experience with regional investment funds following their lead, for instance, by ensuring that such regional investment funds are tied to a labor body, are 51 percent control of the board of directors to labor union officers or member representatives, have a commitment to economic and social goals as well as to shareholders, are committed to the participation of a broad base of working people, and facilitate labor/management cooperation.
- Several U.S. models exist for creating regional investment funds: The Small Business Investment Corporation, the Loan Fund, and the Venture Capital Fund model.
- Today, the Industrial Valleys Investment Corporation in Pittsburgh and the Northwest Labor Investment Fund in Seattle offer examples of how to structure regional investment models that can serve local manufacturing capital needs, create jobs, earn good returns for investors, while at the same time maintaining close ties to working people and their communities.

Recommendations:

- Unions and community groups should join together to create regional investment funds that prudently channel working peoples' savings into regional industrial development in middle market manufacturing firms that create jobs and strengthen local communities. These funds could be part of a broader national investment network that could offer investors geographic diversification.
- The SBIC model that has attracted interest in Pittsburgh and Seattle seems particularly well suited for the type of long-term capital investment and government leveraging that will support long-term jobs. This is one of several existing models worthy of exploration.