



## NEXT Fund for Innovation 2017 Pilot

With support of our NEXT Awards partners, OFN is piloting the **NEXT Fund for Innovation** to support new business models, platforms, or processes that have the ability to drive transformational change and scale in the CDFI industry. The pilot will provide flexible capital to support these types of innovations.

CDFIs need “innovation” capital to achieve the 10x influence in markets and communities that the industry is striving to achieve. Our ten years of experience with the NEXT Awards coupled with other research have confirmed that truly innovative change might best be funded not through current-pay debt capital but rather through much more patient capital. And while grant capital is the most patient, it is limited in supply. The industry must attract new sources of capital and create new sustainable business models for growth. CDFIs need to think more creatively about their balance sheets, find new structures to capitalize, and/or reconsider the risk and return profile of their balance sheets and operations.

### Financing Innovation

Through the NEXT Fund for Innovation, OFN will provide flexible capital for up to 3 CDFIs in amounts ranging from \$500,000 to \$2,000,000. The pilot program will offer capital products that are flexible, patient, and accommodating for innovative initiatives in the CDFI industry.

The NEXT Fund for Innovation will utilize a number of debt and equity structures that provide the necessary financial flexibility for the program investee to innovate including, but not limited to:

1. Equity investments with variable pay or performance-based dividend and redemption features.
2. Debt with varying accrual/pay rates.
3. Subordinate debt features.
4. Loans/equity investments to and in CDFI affiliates.

A challenge for the industry is to develop funding structures that foster revenue growth and create exit opportunities for patient investors. The NEXT Fund for Innovation program staff are eager to speak with prospective applicants about suitable financial structures for their potential proposals.



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## NEXT Steps

In January, 2017, OFN will issue detailed guidelines and requirements for investment for the NEXT Fund for Innovation. We will hold webinars and provide other information to outline a myriad of capital structures and financing products that applicants might choose to utilize in their proposal.

We encourage you to reach out to any of the following OFN staff to discuss the program or potential funding structures in greater detail.

Contact	Email	Phone
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## For More Information

Please visit [www.nextawards.org](http://www.nextawards.org) for information on the NEXT Awards.



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