Case Study #17

Education: For Profit School

The Situation: The prospect was a technical school located in New York City. The school was a victim of its own success. With demand for its curriculum increasing, it decided to expand. The opportunity to rent another two floors in its existing building was available. They needed additional funding for security deposits and a $500,000 build out.

The Problem: The school had always been financed by its owner with support from its long time bank. Although the school had always done well, the bank was unwilling to increase its line for this new project. The school switched from its bank to an asset based lender who was able to lend more to the school. However, the school was still going to be about $150,000 short of its projected needs.

The Alternatives: The school could put off the construction and miss the fall academic year. The owner could get a second mortgage on his home to get the required funds. Neither solution was attractive.

The Solution: The asset based lender had recently learned of Credit Cash and called to see if there could be a fit. As it turned out, most of the tuition was paid by credit cards. However, there were two issues with this. First, because the school followed an academic year, there was extreme seasonality to its revenue. Second, a lot of the "summer revenue" was really just prepayments of the fall tuition. Credit Cash took all this into account and created a program that met the construction needs and seasonality issues of this school. Moreover, it met the concerns of the senior lender and subordinated its interests through an inter-creditor agreement.

Because a senior secured lender knew about Credit Cash, we were able to enter into an inter-creditor agreement to increase the school's working capital so it could expand before the new school year started.