

Alex Tovstanovsky, managing partner and Vice President of Working Capital of America, offers an alternative to traditional bank financing.

WINNING THE CASH FLOW MANAGEMENT BATTLE

Working Capital of America offers innovative financing solutions for B2Bs

by Meredith Wargo

There's a popular saying that suggests necessity is the mother of invention. For Alex Tovstanovsky of *Working Capital of America*, this adage aptly describes his journey as a successful business leader.

Alex considers himself a serial entrepreneur. He started a real estate investment business when he was 17 years old by borrowing money from his parents' home equity line of credit and purchasing his first investment property. Over the next 10 years, Alex and his father, Igor, teamed up to pursue numerous business opportunities across myriad industries, including construction, retail, automotive and financial services. In their roles today with Working Capital

of America, Alex serves as managing partner and Vice President while Igor is President and CEO. Through their many entrepreneurial ventures, regardless of the industry, they found they constantly faced the same challenge.

"We had an incredibly difficult time trying to get a bank loan or a line of credit to finance our companies' growth or sustain their day-to-day operations," Alex recalls. "Most start-up companies don't have adequate assets or collateral, which is key when applying for a business loan through a traditional bank. We also came to the realization that there are certain industries that banks deem high risk and in which they prefer to limit their involvement, one of which is the construction industry."

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The father-and-son team assumed that other business-to-business owners were likely facing similar challenges in trying to grow their ventures. Using Alex's finance background, the duo launched Working Capital of America in 2015 and marketed the company as an alternative to traditional bank financing.

EVERYTHING OLD IS NEW AGAIN

"The bread and butter of Working Capital of America is based on invoice factoring, which is also known as accounts receivable financing," Alex says. "It's the method of using a company's accounts receivable, or invoices, as collateral for a business loan. A lot of our clients are very good at what they do, be it craftsmen, woodworkers, ironworkers or masons. Unfortunately, they are not always the best at managing their money or their books."

Invoice factoring is not a new concept. This working capital solution was prominent during the 1960s and 1970s, but as federal laws changed, it fell out of favor. Invoice factoring has made a resurgence and, today, it is a trillion-dollar industry.

Alex explains how the process works. "When we fund an account receivable, we basically pay our clients the money that they have not yet received from their customers," he says. "We credit underwrite the debtor, or the person who owes our client the money.

"We maintain a dedicated underwriting department that monitors both the credit and the financial health of the debtor to ensure that our client and our firm will get paid. Our underwriting staff has 30 years of

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combined experience specifically in the construction industry."

While meeting payroll and purchasing materials are often cited as the biggest day-to-day expenses of most companies, there are other reasons that business owners seek financial assistance. "We work with companies going through rapid growth and expansion, companies looking to fill large orders, or companies that need help getting through seasonal down times," Alex says. "Working Capital of America can offer lines of credit starting at \$25,000 up to \$5,000,000."

BUILDING A NICHE

Located in Naperville, Illinois, Working Capital of America offers invoice factoring services to numerous sectors, but is the only company in the Midwest that offers construction factoring. Although the 10-person firm has customers throughout the country, 80 percent of its clients are in the Chicago area.

"Most of our relationships are local, which really helps when we underwrite," Alex says. "If a deal is on the fence, I can drive to the client's office and verify materials or orders



Alex Tovstanovksy, left, and Daniel Galvan, Regional Vice President, Business Lending at Working Capital of America, network at the Spring 2018 Chicago Who's Who Showcase.



Working Capital of America offers invoice factoring services to a variety of sectors.

Working Capital of America teams up with a variety of commercial construction companies, including general contractors and first-tier subcontractors, to help finance a variety of projects, such as underground sewer and water.



for those loans we consider to be at risk.”

Although Igor is semi-retired, he remains involved in the senior level decision-making in the company. He sits on the loan committee with Alex and reviews the files for all potential clients.

Working Capital of America’s clients run the gamut. While their average client conducts \$2.5 million of business a year, their smaller clients generate as little as \$25,000 a month in revenue. “These smaller companies are good prospects and we want them to grow,” Alex says. “We’ll act as their back office and help put together their balance sheet or profit-and-loss statements so they are organized from the beginning.

“On the flip side, we can offer our larger general contractor clients a value-added benefit by paying their subcontractors in a timely manner. Many subcontracting companies are self-employed and can’t afford to wait several months to get paid on a ‘paid when paid basis.’ We know the general contractor’s money is good so we will advance their subcontractors about 75 percent of what is owed to them within 24 hours of receiving the progress bill,” he explains. “Once we get paid from the general contractor 30 to 60 days later, we’ll then pay the remaining 25 percent of the balance owed to the subcontractors, minus the accrued interest owed to Working Capital of America.”

PAYING IT FORWARD

Because Alex has years of experience with owning multiple businesses, he enjoys sharing his knowledge by volunteering with SCORE, a non-profit resource partner of the U.S. Small

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Alex Tovstanovksy

Business Administration. SCORE members serve as counselors, advisors and mentors to aspiring entrepreneurs and business owners throughout the United States.

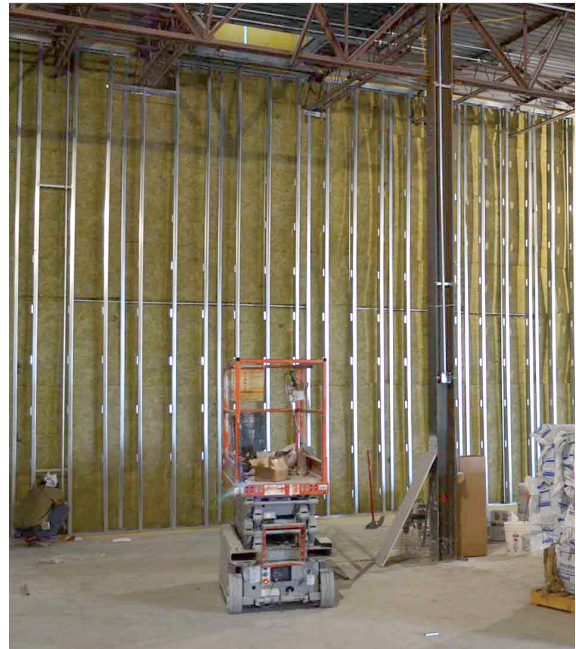
“I like to coach new business owners on the importance of having a good financial plan in place,” Alex says. “Sadly, I have seen too many companies fold due to their lack of financial planning. The one message I constantly emphasize is that the best time to get a loan or line of credit is when you don’t need it. Business owners often come to us when it’s too late. They’re already 90 days or more behind in paying their subcontractors or material suppliers, and when that happens, there’s little we can do to help them.”

Alex stresses that the goal of Working Capital of America is to help their customers get over a hump. “We are typically not a long-term financial solution. On average, business owners stay with an invoice factoring company for two or three years. We want to get our clients to a point where they are bankable, meaning that they can qualify for a line of credit with a traditional bank at a lower interest rate. When that happens, we consider it a win-win.” 🐼

Meredith Wargo is a contributing writer with over 30 years of experience in writing about AEC people and projects.



From large general contractors to family-owned woodworking companies, Working Capital of America provides a variety of financial options that help clients meet their business lending needs.



Due to the risky nature of the construction industry, business owners often have difficulty obtaining loans from traditional banks. Invoice factoring companies provide alternative financial solutions that help companies meet payroll, purchase materials or sustain day-to-day operations.