From Bootstrapping to Venture Backing (and Everything in Between)
Vology's Funding Story

When Vology CEO Barry Shevlin spoke at TECH Talk during Global Entrepreneurship Week in November, he told the story of how he was able to tap into multiple sources of financing to grow the company from its first year revenues of $1 million to nearly $100 million today, 10 years later.

Ranked in the *Inc.* 500/5000 list of fastest growing companies in the U.S. for seven consecutive years, Vology is a leading global technology solutions provider that serves tens of thousands of customers across 80 countries. Vology has one of the industry's largest inventories of new and certified pre-owned products from such manufacturers as Cisco, Juniper Networks, Brocade, Extreme Networks, Avaya, HP, Palo Alto and ShoreTel.

Here's a "blow by blow" description of how Vology has succeeded by using everything from credit card advances to private equity funding to support the company's growth.

The start up years
Home equity loans and credit card advances
Back in 2002, Shevlin was running a software development firm in Palm Harbor. One day, one of his staff asked to borrow $3,000 for a business venture, saying he would repay him $3,600 within the week. Naturally, this piqued Shevlin's interest.

As it turned out, this was an opportunity to buy used network equipment and resell it. When the loan was repaid as promised, Shevlin realized there was something to the concept and began researching the market and its opportunities. As context, this was during the post-dot.com period, and most companies were looking to buy more with a smaller investment. That was the beginning of what was originally named Network Liquidators, which he financed through home equity loans and credit card advances.

2003-2006, early growth years
Factoring, joint ventures, personally guaranteed bank loan, friends and family common stock sale and asset based credit facility
In 2003, finding a way to support client credit card payments was a daunting task. Credit card issuers didn't understand the company's business model of remote sales; a problem that was compounded by a large average sales ticket size of $3,000 and it being a young company. So despite the fact that the company had already grown to $100,000 in monthly sales with same-day shipping, their merchant account was cancelled and they needed to look for another way to finance inventory and operations.

By 2004 Network Liquidators had begun to use factoring to finance its operations, and sales had grown to $7 million annually. Realizing they needed to get past their capital constraints and out from under the high cost of factoring, Shevlin formed a partnership with several local business people to fund purchases that would support continued growth.

By 2005, Bank of America had become more comfortable with the business model, and approved a $500,000 credit facility, which Shevlin guaranteed personally. When the company grew to $10 million, he realized he had never run a business of that size, and that it was time to bring in a seasoned management team, including a CFO and sales and business development executives. Despite these changes and the now-healthy cash flow, the bank said the company needed equity on its balance sheet, so he turned to friends and family, outside shareholders and an asset based lender to raise $2.5 million. It came at a price, as he ceased being the sole shareholder.

2006-2009, transition years
Senior credit facility, mezzanine debt and first preferred stock offering
Three major transactions marked the company's progress in 2006, when Jefferson Capital provided $3 million in mezzanine funding, augmented by a senior credit facility through PNC Business Credit. This paved the way for the acquisition of 1 Nation Technology to serve the telecommunications industry. The company also debuted on the *Inc.* 500 list and posted $17 million in revenue.

Shevlin says 2007 was the year the company should have gone out of business. Externally, revenues were still good – up to $40 million -- but this was the first and only year the company lost money. He realized they had the wrong management team and the wrong processes, so he replaced the entire management team and many operations staff and began developing the right processes.

By 2008, most businesses were deeply concerned about economic conditions and banks weren't lending – but Network Liquidators needed capital to support its continued growth, which had now reached $47 million. Working with GunnAllen Financial, they raised $6 million in a convertible preferred stock offering. In 2009, the maturity date was extended to allow the financial markets to settle down and the company continued its growth march to $57 million. By this time, a great sales team had been put in place and the company presented a strong value proposition.

2010-present, solid growth and some major changes
Preferred stock offering and private equity
By 2010, Shevlin realized the company had outgrown the name of Network Liquidators. Rebranding as Vology, he introduced the sale of new equipment to add to the former model of certified pre-owned equipment. Vology hit $70 million in revenue in 2010 and then $78 million in 2011. Also in 2011, the company closed on a $32.5 million capital raise to refinance outstanding subordinate debt and preferred stock and to fund key growth initiatives, including potential acquisitions.

Now in its tenth year, the company is posting revenues of nearly $100 million, led by a top notch senior management team. Shevlin believes Vology has the key to dramatic future growth, nationally and internationally, building on the skill of its outstanding staff. In addition, as an active community citizen, Vology is supporting the growth of the technology sector and technology employment opportunities in the greater Tampa Bay community.

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