

CONVERGENT
ADVISORY • LITIGATION • PRIVATE EQUITY

AN INTRODUCTION TO A
SERVICE-BASED PRIVATE
EQUITY MODEL



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A SERVICE-BASED PRIVATE EQUITY MODEL

A common thought among growing companies is that the infusion of capital is the key missing component that separates them from success. While this may be true in some cases, the cost and direct result of early-stage capital infusion is often an overleveraged and indebted company, or, where venture capital is used, the loss of managerial control and heavily diluted returns for the entrepreneurial founders. On the other hand, the necessity for early and growth-stage capital cannot be ignored.

When the professional services of a lawyer or accountant are needed to help business owners facilitate growth, limited resources prohibit retention of knowledgeable and experienced staff. More often than not, even the most talented business owner is faced with the choice between second-rate professionals or unsustainable cash flow burdens which drain capital from development opportunities. Even where the correct professionals are identified, their own competing demands between maximizing billable hours, while minimizing liability, tend to rest in direct conflict with the business owner. The end product of these inescapable pitfalls can be foundering success and, at worst, business failure. Convergent Private Equity Partners views this business environment as an opportunity.

We have created a model based on the view that early and growth-stage companies must identify and retain the assistance of professional development partners whose interests are directly vested with the success of the enterprise. We recognize that a key distinction exists between the skillset of an owner/operator of a company and the professional service providers that understand the legal, regulatory, and financial framework upon which growth can occur. We believe our model is the solution and provides qualified companies with the professional expertise needed to grow; while affording them the ability to manage cash flows necessary for that sustainable growth to occur.



CRITERIA FOR PARTNERSHIP

We have pre-established criteria for undertaking projects and have limited our involvement to private companies operating in the retail, hospitality, or property management industries, including storage facilities, parking garages, and multi-family or commercial / industrial real estate.

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The operator must have established the first location and have sufficient operating history to demonstrate the ability to run and manage the chosen business. We do not work with seed stage companies and will only consider a public registration of securities or initial public offering as an exit strategy for an otherwise established operating company.

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HOW WE WORK AND WHAT WE DO

We view our role as that of a business partner whose focus comprises only those more technical, legal, financial, and administrative aspects of the business and distinguishable from core day-to-day operations. We do not take active involvement in the fundamental operations of the business because we recognize that the most capable person to manage the underlying business of the company is the owner. Our group, on the other hand, brings forth the legal, accounting, and business development expertise to propel and foster growth in a sustainable and compliant manner.

Our services will include:

- evaluating corporate governance and legal structuring to provide the most suitable platform for growth and corporate and securities law compliance;
- where private placement is most desirable, preparing offering documentation to attract capital and oversee execution, funding, and investor relations;
- evaluating the adequacy of existing capitalization and need for capital infusions or financial restructuring;
- reviewing accounting and financial records;
- negotiating with institutions to facilitate funding, mergers, or acquisitions; and
- where litigation may arise, appointing attorneys to defend and mitigate liability.

It is important to note, however, that we are not brokers and are not interested in churning our clients or the value of their companies for the immediate payout. Rather, we seek to share in the risk and reward of long-term operations.

Our interest remains in the identification and execution of strong business models which leave all the development partners better off. We understand the importance of dedication and recognize the harm distractions can pose. We accordingly take direct involvement in key aspects of the financial, accounting, and legal operations to permit business owners to focus on what they do best.

HOW WE ARE PAID



We *do not* charge any upfront fees. We are paid alongside the operator of the company. We take a vested interest in the business and truly become partners for long-term development and success. Our compensation structure is generally based on cash flow distributions and a sharing arrangement between the operator.



ABOUT US

Convergent Private Equity is an affiliated company of the Convergent Capital Group. The group was launched by international securities attorney Michael Stegawski in 2008. Convergent Advisory Services, P.A. was initially formed as a law firm to serve larger privately-held and smaller publicly-traded companies in their reporting, disclosure, and shareholder issues. In 2010, due to the increased demand for defense work in connection with securities fraud and complex commercial litigation, our exclusive litigation division was formed and Convergent Litigation Associates, LLC began. Since inception, Convergent Litigation Associates has expanded its footprint across the nation and has taken lead roles in the defense of securities fraud, shareholder disputes and derivative litigation, and a variety of complex commercial litigation. In 2011, our affiliated securities broker-dealer was approved for operations in the private placement of securities and mergers and acquisitions.

In 2012, Convergent Securities entered into a joint venture with one of the first registered alternative trading systems for the development of fully-automated securities matching system for primary and secondary offerings of private company securities. Convergent Private Equity Group is the most recent addition and a response to the market's demand for business development partners rather than commissioned-based brokers or hourly professionals.

