



## **Press Release**

*For Immediate Release*

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### **Timbuk2 Acquired by Private Equity Investors**

*Investment Positions San Francisco Company for Significant Expansion*

**San Francisco, Calif., October 3, 2005** —Timbuk2 Designs Inc. (Timbuk2), a San Francisco based manufacturer of bicycle messenger bags, computer carrying cases and other urban-lifestyle bags and accessories, today announced the acquisition of a majority ownership of the Company by private equity investors. Terms of the deal were not disclosed.

The equity investment is led by a new San Francisco private equity fund, VMG Equity Partners, and the Washington, D.C.-based fund, Capital Logic Partners. Debt financing is provided by the San Francisco branch of Bethesda, MD-based CapitalSource Finance LLC. Investment advisory services were provided by North Point Advisors of San Francisco. Timbuk2 remains independent and privately-held, and its current CEO, Mark Dwight, will continue to lead the Company. Three years ago, Dwight led a group of private investors and a local institutional investor, Pacific Community Ventures, to purchase the 16-year-old company. Since then, Timbuk2 has reorganized its operations, expanded its product offerings and distribution, and achieved profitability. In the process, the Company's annual revenue has more than tripled. "This is a proud moment in Timbuk2's history," said Dwight. "We have delivered a significant return to our initial investors – nearly four and a half times their original investment in just three years. Our new investors provide the financial resources and strategic marketing expertise to fuel our next big growth phase."

### **Commitment to Local Manufacturing**

Timbuk2 distributes its products worldwide through specialty retailers in the outdoor, bicycle and personal computer markets – including such well-known retailers as REI, EMS and Apple. The Company was founded in 1989 by a San Francisco bicycle messenger, and is well-known for its colorful, three-panel messenger bags – which consumers can personalize on the Company's "Build Your Own Bag" web site by selecting their own color combinations. These custom bags are still manufactured in Timbuk2's own factory located in the Mission District of San Francisco. "We are very proud of our San Francisco heritage," said Dwight. "San Francisco is our home and the inspiration for our brand." Though the Company also manufactures products in China, Dwight says he is committed to maintaining the San Francisco manufacturing presence. "Our San Francisco factory is a novelty in the current age of outsourcing

and offshoring – but we have carved-out a special niche making high-quality custom bags.” Dwight says customization, efficient manufacturing, and consumer-direct sales via the Internet allow the Company to offset the high cost of labor in San Francisco.

### **Significant Cash Bonus for Employees**

The sale is not only good for investors, but employees as well. The transaction triggers a significant cash bonus to Timbuk2’s non-management employees who all participate in the Company’s Employee Wealth Sharing Program. The program was established by Dwight and the Company’s previous majority investor, San Francisco-based Pacific Community Ventures (PCV). “The Timbuk2 sale is a double-bottom line home run,” said Eduardo Rallo, Managing Director at PCV and previous Timbuk2 Board Member. “PCV’s investors are receiving a well-above-market return on their investment, while Timbuk2’s lower-income workers are sharing significantly in the financial upside of the value they helped create.”

Dwight is especially proud of this aspect of the deal. “Our company-wide wealth creation program rewards all of our employees for their hard work and dedication over the past several years. We will distribute more than \$1M to 40 employees in a one-time bonus. This is the type of event we typically associate with high-flying Silicon Valley technology companies, and it’s proof that business success comes in many forms in our vibrant Bay Area economy.” The cash payout to each employee is based on a formula accounting for tenure, grade level, annual salary, and performance, and can be as much as two-times annual pay. Over half of the employees receiving the payout work in factory and warehouse positions, and reside in low/moderate-income (LMI) communities targeted by PCV, such as the Chinatown, Bayview, Outer Mission, Hunters Point, and Richmond districts of San Francisco. PCV will conduct on-site financial management workshops for employees receiving cash payouts, to help them understand options for investing and saving this money through programs such as the Company’s 401(k) retirement program, 529 ScholarShare education accounts, and other personal investment vehicles.

For PCV – the first community development investment fund on the West Coast – the Timbuk2 sale represents an important milestone. “Investment funds are judged on the quality of their investments, and the ability to secure financially successful exits,” said Penelope Douglas, PCV co-founder and President. “This double-bottom line success will have important implications for the credibility of the Community Development Investment movement as a whole. This is proof the model works.”

### **Building a Global Brand**

Dwight explains the latest financial transaction is an important milestone for the Company’s growth strategy. “Timbuk2 is poised for continued success as a unique and authentic urban brand. Our new financial backers provide access to the financial resources and professional advisors required to fuel our next phase of growth,” said Dwight. The Company will have a new board of directors, including representatives from its new investors, plus Ken Pucker, COO of Timberland, and Dennis Jenson, previous president of Burton Snowboards.

Over the past three years, Timbuk2 has evolved from its cult status as a manufacturer of bags for professional messengers and select urban dwellers, to an emerging lifestyle brand. Timbuk2 now has stocking distributors in Canada, Japan and Europe, and is currently negotiating with additional distributors in other countries.

Dwight has big plans for the brand. "Timbuk2 is an authentic urban brand, with a distinctive San Francisco personality and broad market appeal," said Dwight. "We have great respect for our brand heritage and the continued loyalty of our core customers. We are committed to producing stylish, functional, high-quality bags and accessories for everyday use – and we look forward to making Timbuk2 an international brand icon."

"We're excited to invest with Company management and Capital Logic to acquire Timbuk2. It's a dynamic company with a strong, highly-motivated management team, and we look forward to working with the team to build and expand the Timbuk2 brand," said VMG partner, Ms. Scott Elaine Case. "We're enthusiastic about Timbuk2's high quality products and premium brand positioning, and we believe the Company has tremendous upside", added Capital Logic partner, Mike McKay. The new investors certainly hope the Company is as successful over the next several years as it has been in the previous three.

### **ABOUT TIMBUK2**

Timbuk2 Designs Inc. ([www.timbuk2.com](http://www.timbuk2.com)) is the leading independent manufacturer of authentic bicycle messenger bags. The company's signature three-panel, multi-color design and distinctive swirl logo are recognizable worldwide. Founded in 1989 by a bicycle messenger, Timbuk2 still manufactures its custom messenger bags in its own factory in San Francisco. Through its dedication to product quality and customer service, Timbuk2 has established a strong following among bicycle messengers, cycling enthusiasts, and urban dwellers worldwide.

### **ABOUT PACIFIC COMMUNITY VENTURES**

PCV ([www.pacificcommunityventures.org](http://www.pacificcommunityventures.org)), a 501(c)(3) organization, was incorporated in late 1998 and currently manages two profit-making investment funds, PCV Investment Partners I and II. With \$20 million under management, PCV currently has nearly \$11 million invested in nine active companies (including Timbuk2). Over the first five years of PCV's investment funds, financed companies have employed nearly 1200 residents from low/moderate-income (LMI) communities in the Bay Area and Los Angeles. Based in San Francisco, PCV invests in and helps develop selected businesses that provide substantial economic benefits to low-income communities throughout California. PCV provides targeted venture capital, critical business advice and resources, as well as access to a powerful network of individual and corporate partners. In making investments from its venture funds, PCV seeks double bottom line returns, meaning that it expects social returns in addition to strong financial returns. For PCV, social return is assessed in terms of the number of jobs with good wages, comprehensive benefits and marketable skills that portfolio companies are able to provide to low-income individuals in California communities.

### **ABOUT VMG EQUITY PARTNERS**

VMG Equity Partners is a new San Francisco-based private equity firm. VMG invests in marketing-driven, branded consumer product companies in the middle market. VMG provides operations and marketing expertise that is specific and tested for high growth, highly-branded companies.

### **ABOUT CAPITAL LOGIC PARTNERS**

Capital Logic Partners is a Washington, D.C.-based private equity firm, focused on small and middle market equity investments in manufacturing and service industries.

### **ABOUT CAPITALSOURCE**

CapitalSource Finance LLC ([www.capitalsource.com](http://www.capitalsource.com)) is one of the leading commercial finance firms in the United States, with more than \$7.6 Billion in loan commitments.

CapitalSource makes senior and mezzanine loans generally ranging in size from \$1-50 Million through three focused business units: the Healthcare and Specialty Finance Business is the leading provider of a variety of financing products to small and mid-sized healthcare, security industry and other general businesses; the Structured Finance Business is a leading provider of structured debt products to companies active in the real estate and finance industries; and the Corporate Finance Business partners with private equity and leveraged buyout firms to deliver senior and mezzanine financing to their portfolio companies. CapitalSource is headquartered in Chevy Chase, MD, and has a national network of offices in cities including Atlanta, Boston, Buffalo, Chicago, Dallas, Los Angeles, Nashville, New York, Philadelphia, St. Louis and San Francisco.

#### **ABOUT NORTH POINT ADVISORS**

North Point Advisors ([www.nptadvisors.com](http://www.nptadvisors.com)) is a San Francisco-based mergers and acquisitions advisory firm. Founded in 2004, the partners have over thirty years of mergers and acquisitions advisory experience, and have completed more than 150 M&A transactions representing over \$50B of transaction value in the consumer, technology and communications industries, ranging in size from under \$25 million to more than \$4.0 billion.