

Cannondale Bicycle Corporation

Restoring An Important Athletic Brand To Its Former Glory

Founded in 1971 and headquartered in Bethel, CT, Cannondale introduced the cycling industry's first bicycle trailer. The Company grew quickly during its early years, adding apparel and accessory lines along the way, while also earning a strong reputation for innovation and quality. Today, Cannondale is the leading designer and producer of high-end bicycles, selling more than 80 models in over 70 countries worldwide.

In the late 1990's, Cannondale embarked on the development of a motorsports division. By 2002, these initiatives had not only diverted management's attention from the core bicycle business, but had also created significant financial distress across what was then a public company. Pegasus was approached by a restructuring advisor when the Company had violated covenants of its debt facilities and was experiencing a liquidity crisis.

In July 2002, Pegasus provided Cannondale with a senior secured loan that gave the existing management / shareholder group an opportunity to exhaust remaining options with respect to the motorsports business; the loan included warrants that were designed to allow Pegasus to benefit from any resultant growth in the business. Late in 2002, it was clear that the Company would not recover from its financial distress. In January 2003, Cannondale officially filed for Chapter 11. Pegasus and CIT provided DIP financing and ultimately, Pegasus agreed to purchase the Company out of bankruptcy through the conversion of its loan into equity and the provision of additional equity capital. Cannondale had been in the bike business for 32 years prior to the bankruptcy and could now bring renewed focus to its core bicycle business.

Immediately following the acquisition, cash management procedures were enhanced and the motorsports assets were sold. Pegasus then helped to recruit new senior management in order to stabilize the existing business and focused on re-establishing critical relationships within the dealer network. Product development and supply chain issues were addressed and both sales and profit margins increased significantly. In 2005, Cannondale purchased Sugoi Apparel, Inc., a Vancouver based manufacturer, marketer and distributor of high-performance apparel for cyclists, runners, tri-athletes and general fitness enthusiasts, to complement its existing businesses.

Pegasus exited its investment in Cannondale through a sale to Dorel Industries in February 2008. Subsequently, Pegasus was awarded Buyouts Magazine's prestigious "Turnaround of the Year" award for its highly successful acquisition, rejuvenation and ultimate sale of Cannondale.