

A Concise History of the Blue Horse



20 Years in Motion

July 20, 1969 was a date made memorable by three intrepid astronauts. It marked the successful landing on the moon by Neil Armstrong, Buzz Aldrin and Michael Collins. Eighteen years later, that same day in 1987 marked the launch of a new engineering company by three engineer entrepreneurs – Bill Higgs, Paul Redmon and Felix Covington. The commencement of Mustang Engineering on that particular day was Felix' idea and was the culmination of more than two years of planning, hard work, anxiety and faith in one another.

From the undertaking formed by this venturesome trio, each contributing \$5,000 to fund the start-up, Mustang gets ready to celebrate 20 years in business, having grown to more than 4,000 Mustangers (they are not known as 'employees'), over 5,000 completed projects, several hundred million in annual revenues, and major operations on three continents. Its reputation has expanded to be globally recognized as the offshore industry's premier topsides engineering company and a major player in the other segments which it serves – process plants, midstream, automation and control, pipelines, onshore facilities and process and industrial markets.

The timing for Mustang's start couldn't have been much worse. It occurred during the low point of the oil and gas industry. For the prior five years, the industry had undergone a major global contraction spurred by oil prices that were near rock bottom. Similar engineering company startups had been occurring at a rate of six or seven each year. Most of them were short lived. It had often

become a way for unemployed engineers to at least find a place to go every morning. While Mustang's three founders were all working at another engineering company, they were not enjoying their present circumstances and the way that the industry was heading.

Engineering companies, fighting for their corporate lives, would often hire employees for a specific project and then immediately let them go when the project concluded. There was very little regard for the hard working people in the firms. Vendors were scrambling for any work they could find and often taking it at just above break even. It was not a healthy environment for anyone.

The founders had a better idea. They felt that they could start a company based on some basic premises – taking care of people, building teams to run jobs efficiently and providing a project approach with reimbursable rates that would save the clients money and allow for innovation. Indeed, the company was essentially founded on the "People Oriented...Project Driven®" mantra that remains as the company's cornerstone.

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They quickly divided the responsibilities based on strengths and preferences. Felix, with his methodical approach to administrative tasks, took on that role. Paul, named as president by the other two, headed up the operational leg of the business, utilizing his talent for



running projects. Bill loved to sell and assumed the role of the marketing department.

The company's moniker came from a list compiled by Bill's wife, Ann, of car models, knowing that auto companies spend lots of money researching car names. Mustang jumped out as a name that represented energy, forward motion and outstanding performance, all while providing economy. The initial horse logo was found at a local print shop and blue was Felix' favorite color – True Blue! There were no delays in collective decision-making for this group.

Mustang's principals purposely did not take existing work from their former employer. Rather, they started from scratch and, because of their solid reputations, the founders soon were awarded small projects to undertake. Excellent vendor relationships brought leads and more work. One of their first projects – for Houston's Metro transportation authority – came from a former co-worker who had found work there. This was followed shortly thereafter by a project with Uncle Ben's Rice. It wasn't oilfield, but it didn't matter at that point.

Because projects were of short duration, the new company concentrated on staying lean. Competition was plentiful and work was scarce. By the end of the sixth week of operation, Mustang had added enough work to support 12 designers. That put even more

pressure on the trio to find consistent work and to labor incredibly hard themselves in order to eliminate non-billable hours for their project teams. That usually meant selling during the day and working on projects at night.

As Mustang grew, it was able to expand its play time for Mustangers and charity for others. The company believed in a 'work hard, play hard' philosophy, so it held its first picnic a mere two months after starting operation. The annual Christmas parties began in 1987 at Bill Higgs' home. Today they require multiple ballrooms at major

hotels. Mustang sponsors more than 20 outings and activities each year, allowing Mustangers to build camaraderie among themselves and to involve their families in these events.

The tradition of giving to others also began early. By 1989, Mustang had begun to sponsor families in its Needy Families effort. In addition,

Mustangers regularly volunteered for community rehab workdays, fixing up houses for the elderly. The giving continued to expand, and has grown into today's 'Heart of Mustang'. Mustang provides fundraising efforts for Mustang families in need as well as more than 30 charities and community groups. Many of the programs have been started by individual Mustangers who saw a need and got company backing. It has helped Mustangers appreciate what they have, support others as they can, and involve Mustang children in giving back to others.

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Hard work started yielding big benefits. The company began designing jackets for medium water depths and an increasing number of topsides facilities. Its dramatic growth during 1987–1990 caught the attention of the business community. In 1989, Mustang received the Houston Chamber of Commerce's *Innovate Houston Award* for its organizational uniqueness and growth. For the next four years, Mustang garnered the *Houston 100 Award*, recognizing the city's fastest growing companies. It was the first time any company had become a four-time winner. That record still stands today.

The company began to get national recognition as well. With its revenue growth of 4,546 percent for the first five years, Mustang ranked 42nd on the 1992 Inc. Magazine 500, honoring the fastest growing private companies in the U.S. It made the list again the next year.

In 1992, Mustang branched out into the pipeline business. Starting with a single, industry veteran, David Edgar, the group quickly expanded to more than 25 experienced personnel who embraced the Mustang approach and gave the company an additional dimension. Today, that group numbers more than 600.

Growth continued and, in 1995, 15 professionals from another engineering company joined Mustang to bring an experienced onshore facilities capability. The following year, a senior management group from Litwin came to Mustang, bringing a team of industry veterans who had worked together in the process industry for more than 25 years. They formed the core of two new segments,

the Process Plants and the Automation and Control groups. They hit the ground running, and never looked back.

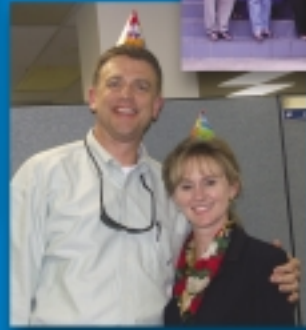
Mustang's success had been recognized in the industry. In 1995, a giant engineering and construction firm put a fantastic offer on the table. Rather than become a small part of a mammoth public company, the three founders thought of a better idea. It formed an Employee Stock Option Plan (ESOP) to reward the hard working Mustangers who had helped make the company a success. With that move, dedicated Mustangers were awarded 30 percent of the company to help assure their future. Mustang stayed independent.

Mustang is not the norm and is more than just a place to work. Its approach set a new standard for the industry, one for which many competitors and clients have great respect.

In the late 1990s, the industry had been moving toward consolidation. In the process, offshore projects were becoming larger and more complex. In order to capitalize on the new trend, to gain access to a larger market and to protect the company's ESOP, Mustang decided

that it needed to 'Adopt a Parent.' In 2000, after interviewing more than 70 prospective companies, Mustang became part of Wood Group, a highly respected energy services company based in Aberdeen and Houston.

The selection process was typical of the way Mustang has always conducted its business – above board and with no surprises. Throughout the process, Mustangers were continually informed as to what was happening rather than being kept in the dark. The choice was a parent who had extremely similar values and who appreciated Mustang enough to largely leave it to operate



autonomously. The result was virtually no attrition and continued growth in all of the company's markets. The company had become a force in deepwater projects and was globally recognized as the *Deepwater Center of Excellence*[®]. It had also been building a growing reputation for its downstream and automation expertise.

Felix chose this time to retire. Paul and Bill stayed on in co-president roles while building a strong management team with whom they could eventually transition.

The company soon entered into still another market – midstream – with a contingent of industry experts. The team quickly developed a suite of products designed to make liquefied natural gas (LNG) liquefaction and regasification technologies more efficient and environment-friendly. Its *LNG Smart*[®] process is gaining in this exciting industry.

Its automation and control business, too, grew into new areas with an acquisition and technology expansion.

Mustang's international presence had been expanding continually. Major projects in offshore West Africa, Far East and other regions had positioned Mustang to make another leap forward. In late 2004, Mustang opened an office in London to focus on projects in Europe, Russia and the Middle East. Within the next six months, it had opened additional offices in Perth and Melbourne, Australia providing a foothold for business in that country and in the Australasia region. During that time, the company further expanded its domestic presence, opening a pipeline services office in Birmingham and a

process plants location in the bay area of Northern California.

The company transitioned with a new operating management team in early 2006. Steve Knowles, a long-time Mustanger and industry veteran, assumed the position of president. Don Leinweber, the first engineer hired by Mustang in 1987, became its general manager. Bill and Paul continued in advisory roles as co-chairmen, but the new team had been well groomed and bled Mustang Blue. The transition was virtually seamless.

In March 2006, the company made a major acquisition. It acquired Global Performance, headquartered in Greenville, South Carolina. The company greatly resembled the original Mustang. It had been founded by four entrepreneurs and had similar values and a comparable growth pattern. It, too, had been selected as part of the *Inc. Magazine 500* for two years, ranking #15 on its 2006 listing. It was highly respected with its clients, principally in the automotive and chemical industries. The acquisition provided Mustang with a way to venture into new markets.

Mustang is not the norm and is more than just a place to work. Its approach set a new standard for the industry, one for which many competitors and clients have great respect. It is a unique company with a philosophy that promotes servant leadership, family values and quality of performance. Its charge is to make heroes of its vendors, partners, clients and Mustangers themselves. With the vision and values imparted by its founders, it has kept its focus constant despite dramatic growth. Mustang is strongly positioned for continued progress and performance excellence for the next 20 years and beyond.