

Universal Lubricants, LLC

Expanding Through Strategic Acquisitions and Vertical Integration

Established in 1929 in Wichita, KS, Universal is one of the oldest lubricant distribution and collection companies in the United States with approximately 300 employees located at 28 facilities in 12 states. Universal engineers and markets a diverse product line of oils, greases and other lubricating oils for use in sophisticated engines and equipment and is also a leader in the recovery and reprocessing of used oil. Universal recently commenced the start-up of a state-of-the-art plant in Wichita that will reprocess the Company's collected used oil into an API approved product that will rival the most technologically advanced lubricants derived from imported crude oil.

Leveraging a pre-existing relationship between two operating advisors and Universal's management, Pegasus proactively approached the Company in 2006 to discuss strategic options. Although Universal was not for sale, Pegasus presented a creative investment strategy and growth plan, which involved the build-out of re-refineries throughout Universal's distribution and collection footprint, that ultimately convinced the Company's principals to accept Pegasus' investment proposal. The transaction, which aligned interests through the valuations established and essentially afforded founding shareholders with more financial upside than if they had accepted a total buyout offer, closed in December 2006.

Pegasus partnered with a proven management team in pursuing the strategic plan. Previously, Universal had operated an abbreviated closed loop lubricating oil business model in which new oil was distributed and later collected for resale as boiler fuel. Through its capital infusion and technical and strategic expertise, Pegasus has enabled the Company to dramatically expand its geographic footprint and substantially enhance the closed loop aspect of its business model through the re-refining initiative. In addition, Pegasus has provided the capital, financial modeling and transaction structuring for a variety of acquisitions completed by Universal to extend the boundaries for its distribution and collection operations. Notably, the acquisitions were completed at attractive valuations relative to publicly traded and transaction comparables. The result has been the development of a regional powerhouse.

With the construction of the re-refineries, UL will connect its two main lines of business, developing a unique, efficient business model for today's energy-constrained environment. The re-refining strategy is a major sustainability initiative that reduces greenhouse gas emissions and energy use associated with lubricant refining and distribution, as well as lessens dependence on imported crude oil, while simultaneously enhancing the Company's operating margins.

In concert with management, Pegasus, with its Operating Advisors, continues to execute the strategic plan developed for Universal.