Acquisition Manual

Products are often useless without an owner's manual, a reference tool to guide proper use and care. Acquisitions are an important part of our long-term plans and as such, we believe our plan should have its own owner's manual (you would not use the owner's manual for your oven to fix your refrigerator).

We have outlined our approach to acquisitions in this manual. It is a set of philosophies and guiding principals. These principals are not subject to change with every new managerial theory that comes down the road. Instead, they are core principals for today, tomorrow and for the next generation of leaders.

Unlike owner manuals for the new outdoor grill that you may have bought last summer, we have attempted to word our manual in language that is simple plain and honest.

1. Know Your Boss

Companies have many bosses including plant foremen, President, Board of Directors and customers. But at the end of the day, our boss is our shareholders. They have entrusted management to deploy their money in a profitable and responsible way.

We measure our ability to keep the boss happy by the returns that we give to our shareholders. We have over 300 shareholders. Many of these shareholders are descendents from our original shareholders from 1917. We view our long-term shareholders as evidence that we are meeting our responsibilities to our shareholders. We will always strive to act in our shareholders best interest.

All of our acquisitions must meet the "if this were my money test". Would we invest in this company if it was our money? As such, management will not buy companies simply to grow or to get a "deal done". The deal must make sense for our shareholders.

2. We Seek Partners Not Acquisitions

A lot of companies are in the business of buying companies. We are not. We are in the business of finding partners; partners that share our basic philosophies and long-term goals.

Similar to the "if this were my money test", we employ a "if it were my company test." This test puts us in the shoes of our acquisition company and is important to our approach to acquisitions. This gives us the perspective of dealing with acquisition companies as long-term partners.

Although our form is corporate our attitude is partnership. Our legal relationship is parent/subsidiary but we view our companies as separate and view management as its owners. We look for management to run the business like it is their own and that it is the only asset their family owns. We believe in our management and their ability to run their companies profitable. After all, the companies that we acquire have been successful in the past. Who are we to tell you how to run your business?

3. **Stay out of the Way**
   Our companies run autonomously. Rex-Hide does not try to run a company from Tyler, Texas. We chose companies with good leaders and ask them to continue to lead. Owners provide the leadership and vision that makes the company successful. We stay out of the way, free up the owners time from the accounting and administrative and give the owner more time to lead the company forward.

4. **Finish the Race**

   Rex-Hide has been in business for more than 90 years and we plan on being in business for another 100 years (long after current management is gone). This philosophy ensures that our acquisition decisions are made with a long-term focus. This is important in everything that we do. Acquisition companies should expect us to ask the question, "What will your business look like in 10 years?" You have to finish the race to have a chance to win.

4. **Hogs Get Slaughtered**

   We are not greedy. We believe that by rewarding our acquisition partners for continued profitable growth and success we are acting in the best interest of our shareholders. We may leave some money on the table through this approach, but remember, we are in the race for the long haul and this philosophy serves us well.

5. **We Couldn't Out Negotiate a Fly**

   Maybe we could, but why would we want to. We plan on being with our acquisition partners for a very long time. This approach requires a deal that works for both sides. Long hard negotiations often leave scar tissue. Running a business together is challenging enough let alone tending to old wounds.

6. **Candid and Honest**

   Just like a marriage, good communications is imperative. You will always know where you stand with our team. Likewise, we expect our partners to be honest and forthright with us.

7. **In for the Long Run**

   Unlike financial buyers, we do not sell companies that we buy. During our 90 years of business, we have only sold one company and the circumstances were highly unusual.

   Financial buyers buy companies (usually with someone else's money) and immediately start planning for their exit. They cut costs, make changes and look to get out with a good return.

We will always respect what our acquisition partners have created and the trust that their employees have placed in them. Our approach is based on this respect and understanding. Of course, not all sellers share our view and we have lost acquisition opportunities through this approach. We are okay with this fact and hold true to our long-term approach of buying and owning companies for many, many years.