

Guidance From Asset Purchase To Sustainable Growth

Sunset Stone Acquisition: Executive Summary

Sunset Stone opened its door for business in 1970. Located in Castle Rock, it has grown to service Colorado's front range. It produces and installs manufactured stone veneer. Sunset Stone was acquired in 2023 by TGP Capital Partners (TGP).

Prior to the purchase of Sunset Stone, Hellman & Associates (H&A) was hired to conduct a health and safety compliance assessment of Sunset Stone for TGP. This process included an on-site facility assessment, a written program review, an employee exposure assessment for silica and interviews with personnel.

H&A provided recommendations to TGP for its purchase due diligence. It was determined Sunset Stone supported a culture of safety but it lacked elements of a comprehensive safety program to meet regulations. Following the purchase, TGP contracted for H&A's ASSUREDCompliance® program to ensure ongoing compliance and plant safety.

Acquiring Company Overview

TGP Capital Partners is a Kansas City-based private equity investment fund formed to make middle-market investments in well-managed, profitable growing companies. The fund provides growth capital for acquisitions or internal growth or to facilitate liquidity or a sale event for existing shareholders. TGP Capital Partners makes both control and minority equity investments in partnership with proven managers in manufacturing and business services companies. The managing entity is TGP Investments, LLC (TGP Investments).

Why The Acquisition of Sunset Stone Was Desirable

In 1970, Sunset Stone started in Castle Rock and grew to serve Colorado's front range. It produces and installs manufactured stone veneer. Sunset Stone marketed itself as looking to be acquired. TGP's interest in it increased when they learned its 50-year history of manufacturing quality products. Sunset Stone's clientele were mostly repeat buyers and they have a loyal customer base. Another attractive quality for the purchase was it was not making an effort to grow the brand outside of the front range so there was substantial incremental growth available by simply adding robust marketing efforts and the proper sales strategy.



Why TGP Selected Hellman & Associates

As TGP considered purchasing Sunset Stone, it needed to determine if the facility was OSHA compliant. They wanted to confirm employees were not going to get hurt on the job which would cause future issues both financial and detrimental to Sunset Stone's personnel.

TGP's executives are not industrial engineers or OSHA experts so they researched the Denver Metro area to find a EHS compliance partner suited to assist them with due diligence in the purchase process. The one thing they knew with complete certainty was the facility was heavy with silica dust and they knew they had to do something to remedy that issue. The basic questions were: Is the location currently employee safe and OSHA-compliant? What are the dangers and threats if no actions are taken?

Through a series of calls and internet searches, Hellman & Associates (H&A) was determined to have the potential to become their subject matter expert in compliance. Once they began speaking with H&A, the questions and subsequent answers gave TGP the confidence they needed. TGP stated that H&A did a good job of laying out how OSHA works, and what they needed to accomplish and what were the goals to become compliant.

"We enjoyed working with H&A and we trust them. They are the kind of people you like to do business with: honorable and trustworthy. Hellman & Associates laid it out in a way we could easily understand. They were confident in their delivery and made it an easy choice to partner with them."

Pre-Acquisition Assistance Provided by Hellman & Associates

TGP hired H&A to identify hazards and regulatory exposures. The goal was to bring light to risk and build value during the purchase. (TGP typically uses a similar process for all of their business evaluations.) H&A conducted a limited health and safety compliance assessment for TGP Investments of Sunset Stone.

Sunset Stone operations include manufacturing and warehousing of cast stone veneer. The assessment was completed to evaluate the level of compliance with federal, state and local agencies. The process included the on-site facility assessment, written program review and interviews with management and other site personnel.

As a result of the assessment, a summary of the recommendations are:

1. Sunset Stone should develop and implement the missing OSHA-required written programs and documentation.
2. Sunset Stone should utilize hazard controls to reduce current health risks such as silica and noise exposures, prioritizing engineering controls and relying only on personal protective equipment.
3. Sunset Stone should conduct medical surveillance for employees associated with the manufacturing and warehouse operations to meet the requirements of the Respirable Silica, Respiratory Protection and Hearing Conservation Standards.

Recommendation summary continued

4. Sunset Stone should complete a work environment cleaning of deposited process cement dust to reduce airborne introduction contributing to employee exposures.
5. Fifty-seven general deficiencies/inconsistencies with OSHA criteria [29 Code of Federal Regulations (CFR) 1910 General Industry regulations] and one (1) DOT related concerns were observed during the facility assessment.

Regarding the general deficiencies, these were prioritized into three general areas:

Priority	Description
A	Immediate action required due to an imminent hazard or risk of agency penalty
B	Action required soon due to possibility of serious injury, property damage or regulatory liability
C	Action required for program improvement

Practices or procedures deemed to be deficient, contrary to regulations, or inconsistent with best health and safety risk management practices were prioritized. The priority is divided into three parts: (A) immediate action required due to an imminent hazard or risk of agency penalty; (B) action required soon due to possibility of serious injury, property damage, or regulatory liability; and (C) action required for program improvement. The prioritization is based on the potential threat to employees and the regulatory stance of Sunset Stone.

As part of the assessment, H&A provided an approximate proposed cost estimate for the penalties that OSHA could assess based on the finding category. There is potential for significant variability in the assessment of proposed penalties due to several factors including facility location (i.e., within different OSHA regions) and the range for civil penalties of up to \$14,502 per serious violation. Repeat violations may have an increased penalty associated with them but no adjustment was made to the estimated cost.

Priority	No. of Findings	Cost per Finding	Est. Cost
A	38	\$5,000	\$190,000
B	19	\$2,100	\$39,900
C	0	\$0	\$0

The assessment included:

- Sunset Stone's OSHA inspection history
- Overviews of area of concern with OSHA requirements and Sunset Stone's current practices
 - ▶ Blood borne pathogens
 - ▶ Confined spaces
 - ▶ Emergency action plan
 - ▶ Fire prevention plan
 - ▶ Hazard communication
 - ▶ Hearing conservation
 - ▶ Lockout-tagout
 - ▶ Personal protective equipment
 - ▶ Respiratory protection program
 - ▶ Respirable silica program
 - ▶ Powered industrial trucks (forklifts)
 - ▶ Walking working surfaces
 - ▶ Commercial motor vehicle regulations
 - ▶ Occupational injury illness history and insurance rating

The pre-purchase assessment items became part of the purchase negotiations and were included into the agreement with the seller. These items became purchase price reductions for TGP and these strategic details during the due diligence phase ensured the acquisition was appropriately priced.



Post-Acquisition Assistance Provided by Hellman & Associates

After the purchase, TGP continued its relationship with Hellman & Associates. Since there had been no record keeping or scheduled safety tasks prior to the acquisition, H&A created a health and safety manual including detailed a compliance calendar of trainings, inspections and tasks to be completed. The calendar includes ongoing assessments of the venue conditions.

TGP saw great value in having a partner such as H&A which would ensure continued improvement in its health and safety procedures. They contracted for the AssuredCompliance® annual program. Coupled with the very good experience during the due diligence process, TGP found it was an easy decision to move forward and keep H&A's partnership close at hand.

To date, Sunset Stone has not had any OSHA issues and stated they do not foresee any. They feel more prepared to handle any issues if that were to happen. An additional service provided by H&A was they helped TGP shop for a dust collection system. H&A did this by joining meetings and offering their opinions which brought a trusted third party going through process.

“We see great value in the AssuredCompliance® program. Coupled with our very good experience working with H&A during the due diligence phase made signing up an easy decision to move forward with an ongoing partnership. We feel very prepared if we ever have a visit from OSHA.”

Michael Cobb - Sunset Stone, CEO

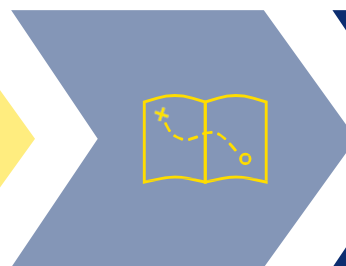
Hellman & Associates' approach remains successful because it's rooted in a deep understanding of each company's unique challenges and understanding and application of safety regulations, laws and changes.



IN DEPTH COMPLIANCE
ACTION ASSESSMENT



REVIEW SNAPSHOT
OF CURRENT
RISK EXPOSURE



DEVELOP ROADMAP
TO CLOSE SHORT,
MID, AND LONG-TERM
NEEDS AND GAPS



EXECUTE TAILORED
PLAN FOR YOUR
ORGANIZATION