Compass Diversified Holdings
Form 424B5
March 07, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-214949

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares (Series B Preferred Shares) representing beneficial interests in Compass Diversified Holdings(1)(2)	4,600,000	$25.00	$115,000,000	$14,317.50
7.875% Series B Fixed-to-Floating Rate Cumulative Trust Preferred Interests (Series B Trust Preferred Interests) of Compass Group Diversified Holdings LLC(2)	4,600,000			(3)
Total				**$14,317.50**

(1) Includes 600,000 Series B Preferred Shares that may be issued and sold pursuant to the underwriters option to purchase additional Series B Preferred Shares.

(2) Each Series B Preferred Share representing one beneficial interest in Compass Diversified Holdings corresponds to one underlying Series B Trust Preferred Interest of Compass Group Diversified Holdings LLC. If the trust is dissolved, each Series B Preferred Share representing a beneficial interest in Compass Diversified Holdings will be exchanged for a Series B Trust Preferred Interest of Compass Group Diversified Holdings LLC.

(3) Pursuant to Rule 457(i) under the Securities Act of 1933, as amended, no registration fee is payable with respect to the Series B Trust Preferred Interests of Compass Group Diversified Holdings LLC because no additional consideration will be received by Compass Diversified Holdings upon exchange of the Series B Preferred Shares representing beneficial interests in Compass Diversified Holdings.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated December 7, 2016)

4,000,000 Shares

7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares

Each Series B Fixed-to-Floating Rate Cumulative Preferred Share Represents One Corresponding

Beneficial Interest in Compass Diversified Holdings

We are offering 4,000,000 shares of 7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares (the Series B Preferred Shares or the Shares) of Compass Diversified Holdings, which we refer to as the trust.

Holders of Series B Preferred Shares will be entitled to receive cumulative cash distributions (i) from and including the original issue date to, but excluding April 30, 2028, at a rate equal to 7.875% per annum and (ii) from and including April 30, 2028, at a floating rate equal to three-month LIBOR (as defined herein) plus a spread of 4.985% per annum. Distributions will be payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, when and as declared by the board of directors of Compass Group Diversified Holdings LLC, which we refer to as the company, beginning on July 30, 2018, except in each case where such day is not a business day. Distributions will accumulate and be cumulative from, and including, the date of original issuance of the Series B Preferred Shares.

At any time or from time to time on or after April 30, 2028, we may, at our option, redeem the Series B Preferred Shares, in whole or in part, at a price of $25.00 per Series B Preferred Share plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date. See Description of the Series B Preferred Shares Optional Redemption. If a Tax Redemption Event (as defined herein) occurs prior to April 30, 2028, we may, at our option, redeem the Series B Preferred Shares, in whole but not in part, at a price of $25.25 per Series B Preferred Share plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date. We may be required to make an offer to repurchase the Series B Preferred Shares upon the occurrence of certain corporate events. See Description of the Series B Preferred Shares Repurchase at the Option of Holders upon a Fundamental Change. The Series B Preferred Shares will rank equally with other series of our parity shares, junior to our senior shares and senior to our junior shares (as such terms are defined herein) with respect to payment of distributions and distribution of our assets upon our liquidation, dissolution or winding up. See Description of the Series B Preferred Shares Ranking. The Series B Preferred Shares will not have any voting rights, except as set forth under Description of the Series B Preferred Shares Voting Rights.

Each Series B Preferred Share of the trust corresponds to one Series B Trust Preferred Interest of the company.

You should read this prospectus supplement and the accompanying prospectus carefully before you invest. Investing in the Series B Preferred Shares involves risks. See the section entitled Risk Factors, beginning on page S-22 of this prospectus supplement and in the documents we file with the Securities and Exchange Commission that are incorporated in this prospectus supplement and the accompanying prospectus by reference for certain risks and uncertainties you should consider.

We intend to apply to list the Series B Preferred Shares on the New York Stock Exchange (the NYSE) under the symbol CODI PR B. If the application is approved, we expect trading of the Series B Preferred Shares on the NYSE to begin within 30 days after the Series B Preferred Shares are first issued.

	Per Share	Total
Public offering price	$ 25.0000	$ 100,000,000
Underwriting discount and commissions	$ 0.7875	$ 3,150,000
Proceeds, before expenses, to us (1)	$ 24.2125	$ 96,850,000

(1) Assumes no exercise of the underwriters over-allotment option described below.
We have granted the underwriters the option to purchase, exercisable within 30 days of the date of this prospectus supplement, up to 600,000 additional Series B Preferred Shares on the same terms and conditions set forth above, solely to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Shares in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about March 13, 2018.

BofA Merrill Lynch **Morgan Stanley** **UBS Investment Bank**
J.P. Morgan **Janney Montgomery Scott** **William Blair**

Prospectus Supplement dated March 6, 2018

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Prospectus Supplement

Prospectus

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NOTE TO READER

In reading this prospectus supplement, references to:

the trust and Holdings refer to Compass Diversified Holdings;

the company refer to Compass Group Diversified Holdings LLC;

manager refer to Compass Group Management LLC;

businesses refer to, collectively, the businesses controlled by the company;

the trust agreement refer to the Second Amended and Restated Trust Agreement of the trust dated as of December 6, 2016;

the LLC agreement refer to the Fifth Amended and Restated Operating Agreement of the company dated as of December 6, 2016;

the common shares refer to the common shares of the trust, each representing one undivided beneficial interest in the trust property and corresponding to one underlying trust common interest in the company;

the preferred shares refer to the preferred shares of the trust, each representing one undivided beneficial interest in the trust property and corresponding to one underlying trust preferred interest in the company;

the shares refer to the common shares and preferred shares, collectively;

the trust common interests refer to the trust common interests in the company;

the trust preferred interests refer to the trust preferred interests in the company;

the trust interests refer to the trust common interests and trust preferred interests, collectively;

the Series B Preferred Shares or the Shares refer to the 7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares of the trust; and we, us and our refer to the trust, the company and our businesses together.

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ABOUT THIS PROSPECTUS SUPPLEMENT

We provide information to you about our Series B Preferred Shares in two separate documents: (1) this prospectus supplement, which describes the specific terms of this offering of our Series B Preferred Shares and adds to and updates the information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus, and (2) the accompanying prospectus, which provides general information about preferred shares we may offer from time to time. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Documents by Reference.

The accompanying prospectus was filed with the Securities and Exchange Commission (SEC) as part of a registration statement on Form S-3, as amended (File No. 333-214949), which became effective on December 7, 2016.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with any other information. If you receive any information not authorized by us or the underwriters, you should not rely on it.

Our Series B Preferred Shares are being offered for sale only in places where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of our Series B Preferred Shares in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of our Series B Preferred Shares and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than its respective date. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate only as of the date of the respective document regardless of the time of delivery of such document or any sale of the Series B Preferred Shares. Our business, financial condition, results of operations and prospects may have changed since that date. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference, you should rely on the information in the document with the most recent date.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, including the sections entitled Prospectus Supplement Summary and Risk Factors, contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that are based on our current expectations, estimates and projections. We may, in some cases, use words such as project, predict, believe, anticipate, plan, expect, estimate, intend, should, would, may, or other words that convey uncertainty of future events or outcomes, to identify these forward-looking statements. Forward-looking statements in this prospectus supplement are subject to a number of risks and uncertainties, some of which are beyond our control, including, among other things:

- our ability to successfully operate our businesses on a combined basis, and to effectively integrate and improve any future acquisitions;
- our ability to remove our manager and our manager s right to resign;
- our trust and organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of our indebtedness;
- our cash flow available for distribution and our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation when due;
- our ability to make and finance future acquisitions;
- our ability to implement our acquisition and management strategies;
- the regulatory environment in which our businesses operate;
- trends in the industries in which our businesses operate;
- changes in general economic or business conditions or economic or demographic trends in the United States and other countries in which we have a presence, including changes in interest rates and inflation;

- environmental risks affecting the business or operations of our businesses;
- our and our manager s ability to retain or replace qualified employees of our businesses and our manager;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. A description of some of the risks that could cause our actual results to differ appears under the section Risk Factors herein and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as incorporated by reference herein, and elsewhere in this prospectus supplement or the other documents incorporated herein by reference. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this prospectus supplement may not occur. These forward-looking statements are made as of the date of this prospectus supplement. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, whether as a result of new information, future events or otherwise, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information concerning us can be read and copied at the SEC s Public Reference Room at 101 F Street, N.E., Washington, D.C. 20549. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC s Internet website is http://www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the operations of the Public Reference Room. We maintain an Internet website at http://www.compassdiversifiedholdings.com. The information on our website is not a part of this prospectus supplement or the accompanying prospectus (or any document incorporated by reference herein or therein).

We filed a registration statement on Form S-3 to register with the SEC the securities described in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus is a part of that registration statement. As permitted by SEC rules, this prospectus supplement and the accompanying prospectus do not contain all the information contained in the registration statement or the exhibits to the registration statement. Whenever a reference is made in this prospectus supplement or the accompanying prospectus to a contract or other document, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement or our other SEC filings for a copy of the contract or other document.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate by reference into this prospectus supplement and the accompanying prospectus some of the information we file with the SEC. This permits us to disclose important information to you by referring you to those filings. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus. Any information contained in future SEC filings will automatically update and supersede the information contained in this prospectus supplement or the accompanying prospectus. We incorporate by reference the documents listed below that have been filed with the SEC (other than current reports on Form 8-K that are furnished rather than filed):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 28, 2018;

- our definitive Proxy Statement (the 2017 Proxy Statement), in connection with our 2017 Annual Meeting of Shareholders, filed with the SEC on April 12, 2017; and

- our Current Reports on Form 8-K, filed with the SEC on January 4, 2018, January 16, 2018, January 18, 2018, January 24, 2018 and February 16, 2018 (as amended on March 2, 2018) and February 27, 2018.

We also incorporate by reference any future filings (other than current reports on Form 8-K that are furnished rather than filed) made with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the termination of the offering of the securities made by this prospectus supplement and the accompanying prospectus.

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We will provide without charge upon written or oral request a copy of any or all of the documents that are incorporated by reference into this prospectus supplement and the accompanying prospectus, other than exhibits unless specifically incorporated by reference into such documents. Requests should be directed to:

Compass Diversified Holdings

301 Riverside Avenue

Second Floor

Westport, CT 06880

Telephone number (203) 221-1703

Attention: Investor Relations

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PROSPECTUS SUPPLEMENT SUMMARY

This prospectus supplement summary highlights information contained elsewhere in this prospectus supplement and in the documents we file with the SEC that are incorporated by reference in this prospectus supplement. This summary is not complete and does not contain all of the information that you should consider before investing in our Series B Preferred Shares. You should read carefully the entire prospectus supplement and the accompanying prospectus and the information incorporated by reference in this prospectus supplement and accompanying prospectus, including Risk Factors included below and our consolidated financial statements and related notes included in our most recently filed Annual Report on Form 10-K, in each case as updated or supplemented by subsequent reports that we file with the SEC, before making an investment decision. Further, unless the context otherwise indicates, numbers in this prospectus supplement have been rounded and are, therefore, approximate.

Overview

Compass Group Diversified Holdings LLC, a Delaware limited liability company, which we refer to as the company, was formed on November 18, 2005. Compass Diversified Holdings, a Delaware statutory trust, which we refer to as the trust, was also created in Delaware on November 18, 2005. The trust and the company were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The trust is the sole owner of 100% of the trust interests, as defined in our LLC agreement, of the company, which consist of trust common interests and trust preferred interests. Pursuant to that LLC agreement, the trust owns an identical number of trust common interests and trust preferred interests in the company as exist for the number of outstanding common shares and preferred shares of the trust, respectively. Accordingly, the holders of our common shares and preferred shares are treated as beneficial owners of trust common interests and trust preferred interests, respectively, in the company and, as such, are subject to tax under partnership income tax provisions.

The company is an operating entity with a board of directors whose corporate governance responsibilities are similar to that of a Delaware corporation. The company s board of directors oversees the management of the company and our businesses and the performance of Compass Group Management LLC, which we refer to as our manager. Certain members of our manager indirectly own our allocation interests, as defined in our LLC agreement, through their ownership of a Delaware limited liability company.

We acquire controlling interests in and actively manage businesses that we believe (i) operate in industries with long-term macro economic growth opportunities, (ii) have positive and stable cash flows, (iii) face minimal threats of technological or competitive obsolescence and (iv) have strong management teams largely in place.

Our unique public structure provides investors of our common shares with an opportunity to participate in the ownership and growth of companies which have historically been owned by private equity firms, wealthy individuals or families. Through the acquisition of a diversified group of businesses with these characteristics, we believe we offer investors in our common shares an opportunity to diversify their own portfolio risk while participating in the ongoing cash flows of those businesses through the receipt of quarterly distributions.

Our disciplined approach to our target market provides opportunities to methodically purchase attractive businesses at values that are accretive to our shareholders. For sellers of businesses, our unique financial structure allows us to acquire businesses efficiently with little or no third-party financing contingencies and, following acquisition, to provide our businesses with substantial access to growth capital.

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We believe that private company operators and corporate parents looking to sell their businesses units may consider us an attractive purchaser because of our ability to:

provide ongoing strategic and financial support for their businesses;

maintain a long-term outlook as to the ownership of those businesses where such an outlook is required for maximization of return on investment in our common shares ; and

consummate transactions efficiently without being dependent on third-party transaction financing.

In particular, we believe that our outlook on length of ownership may alleviate the concern that many private company operators and parent companies may have with regard to their businesses going through multiple sale processes in a short period of time. We believe this outlook reduces both the risk that businesses may be sold at unfavorable points in the overall market cycle and enhances our ability to develop a comprehensive strategy to grow the earnings and cash flows of each of our businesses, which we expect will better enable us to meet our long-term objective of continuing to pay distributions on our common shares while increasing the value of our common shares. Finally, it has been our experience that our ability to acquire businesses without the cumbersome delays and conditions typical of third-party transactional financing is appealing to sellers of businesses who are interested in confidentiality and certainty to close. In this respect, we believe that in the future, we may need to pursue additional debt or equity financings, or offer equity in trust or target businesses to the sellers of such target businesses, in order to fund multiple future acquisitions. For example, in light of our recently announced acquisitions of Foam Fabricators, Inc. and Rimports, Inc., we are considering, subject to market conditions among other factors, appropriate debt and other instruments to provide medium and longer term financing for acquisitions. Any such additional debt may increase our risk associated with leverage, such as our ability to meet our debt service obligations or make distributions on our preferred shares, or cause one or more rating agencies to lower the credit ratings assigned to us or our debt.

We believe our management team s strong relationships with industry executives, accountants, attorneys, business brokers, commercial and investment bankers, and other potential sources of acquisition opportunities offer us substantial opportunities to access small to middle market businesses available for acquisition. In addition, the flexibility, creativity, experience and expertise of our management team in structuring transactions allows us to consider non-traditional and complex transactions tailored to fit a specific acquisition target.

In terms of the businesses in which we have a controlling interest as of December 31, 2017, we believe that these businesses have strong management teams, operate in strong markets with defensible market niches and maintain long standing customer relationships. The strength of our diversified business model, which includes significant industry, customer and geographic diversity, provides for generally consistent financial performance, even in the face of a more challenging economic environment.

Our Businesses

Business Segments

We categorize the businesses we own into two separate groups of businesses (i) branded consumer businesses, and (ii) niche industrial businesses. Branded consumer businesses are characterized as those businesses that we believe capitalize on a valuable brand name in their respective market sector. We believe that our branded consumer businesses are leaders in their particular product category. Niche industrial businesses are characterized as those businesses that focus on manufacturing and selling particular products and industrial services within a specific market sector. We believe that our niche industrial businesses are leaders in their specific market sector.

Branded Consumer

Our branded consumer subsidiaries are lifestyle brands with aspirational appeal. Products tend to be market share leaders, and our well-known brands can extend beyond their core into adjacencies, driving growth. Our branded consumer businesses have loyal customers as our products match their lifestyle, allowing us to maintain pricing power throughout economic cycles.

Niche Industrial

Our niche industrial subsidiaries are market leading companies that operate in stable end markets. Our niche industrial businesses have defensible market positions due to cost leadership, strong market share and scale from a diverse customer base. Our niche industrial subsidiaries produce strong free cash flow due to high operating margins and have relatively low capital expenditure and working capital requirements.

Branded Consumer Businesses

5.11 Tactical

5.11 ABR Corp., which we refer to as 5.11 Tactical, headquartered in Irvine, California, is a leading provider of purpose-built tactical apparel and gear for law enforcement, firefighters, EMS and military special operations as well as outdoor and adventure enthusiasts. 5.11 Tactical operates sales offices and distribution centers globally and its products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com. We made loans to and purchased a controlling interest in 5.11 Tactical on August 31, 2016 for approximately $408.2 million. As of December 31, 2017, we owned approximately 98% of the outstanding stock of 5.11 Tactical on a primary basis and approximately 86% on a fully diluted basis.

Crosman

CBCP Products, LLC, which we refer to as Crosman, headquartered in East Bloomfield, NY, is a leading designer, manufacturer and marketer of airguns, archery products and related accessories. Crosman serves customers worldwide, including mass merchants, sporting goods retailers, online channels and distributors serving smaller specialty stores and international markets. Its diversified product portfolio includes the widely known Crosman, Benjamin and CenterPoint brands. We made loans to and purchased a controlling interest in Crosman on June 2, 2017 for approximately $150.4 million. As of December 31, 2017, we owned approximately 99% of the outstanding stock of Crosman on a primary basis and approximately 89% on a fully diluted basis.

Ergobaby

EBP Lifestyle Brands Holdings, Inc., which we refer to as Ergobaby, headquartered in Los Angeles, California, is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through juvenile specialty retailers, national chain stores, online retailers, its own websites and in select international markets through distributors. We made loans to, and purchased a controlling interest in, Ergobaby on September 16, 2010 for approximately $85.2 million. On May 11, 2016, Ergobaby acquired all of the outstanding membership interests in

Baby Tula, a maker of premium baby and toddler carriers, slings, baskets and wraps. As of December 31, 2017, we owned approximately 83% of the outstanding stock of Ergobaby on a primary basis and approximately 77% on a fully diluted basis.

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Liberty Safe

Liberty Safe Holding Corporation, which we refer to as Liberty Safe, headquartered in Payson, Utah, is a designer, manufacturer and marketer of premium home and gun safes in North America. From its over 300,000 square foot manufacturing facility, Liberty Safe produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles. We made loans to and purchased a controlling interest in Liberty Safe on March 31, 2010 for approximately $70.2 million. As of December 31, 2017, we owned approximately 89% of the outstanding stock of Liberty Safe on a primary basis and approximately 85% on a fully diluted basis.

Manitoba Harvest

FHF Holdings Ltd., which we refer to as Manitoba Harvest, headquartered in Winnipeg, Manitoba, is a pioneer and leader in branded, hemp based foods and ingredients. Manitoba Harvest s products are currently carried in approximately 13,000 retail stores across the United States and Canada. We made loans to and purchased a controlling interest in Manitoba Harvest on July 10, 2015 for approximately $102.7 million. On December 15, 2015, Manitoba Harvest acquired all of the outstanding stock of Hemp Oil Canada Inc., which is a wholesale supplier and a private label packager of hemp food products and ingredients. As of December 31, 2017, we owned approximately 77% of the outstanding stock of Manitoba Harvest on a primary basis and approximately 67% on a fully diluted basis.

Niche Industrial Businesses

Advanced Circuits

Compass AC Holdings, Inc., which we refer to as Advanced Circuits, headquartered in Aurora, Colorado, is a provider of small volume and quick-turn rigid printed circuit boards, or PCBs , and small volume PCB assembly services throughout the United States. PCBs are a vital component of virtually all electronic products. The prototype and quick-turn portions of the PCB industry are characterized by customers requiring high levels of responsiveness, technical support and timely delivery. We made loans to and purchased a controlling interest in Advanced Circuits, on May 16, 2006, for approximately $81.0 million. As of December 31, 2017, we owned approximately 69% of the outstanding stock of Advanced Circuits on a primary basis and approximately 69% on a fully diluted basis.

Arnold Magnetics

AMTAC Holdings, LLC, which we refer to as Arnold Magnetics, headquartered in Rochester, New York, with nine additional facilities worldwide, is a manufacturer of engineered, application specific magnetic solutions. Arnold Magnetics products are used in applications such as aerospace and defense, motorsport/automotive, oil and gas, medical, general industrial, electric utility, reprographics and advertising specialties. Arnold Magnetics is the largest U.S. manufacturer of engineered magnets, as well as only one of two domestic producers to design, engineer and manufacture rare earth magnetic solutions. We made loans to, and purchased a controlling interest in, Arnold Magnetics on March 5, 2012 for approximately $128.8 million. As of December 31, 2017, we owned approximately 97% of the outstanding stock of Arnold Magnetics on a primary basis and approximately 85% on a fully diluted basis.

Clean Earth

CEHI Acquisition Corporation, which we refer to as Clean Earth, headquartered in Hatboro, Pennsylvania, provides environmental services for a variety of contaminated materials, including soils, dredged material, hazardous waste and universal and electronic waste. Clean Earth analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, oil and gas, medical,

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infrastructure, industrial and dredging. Treatments performed by Clean Earth include thermal desorption, dredged material stabilization, bioremediation, physical treatment/screening and chemical fixation. Prior to Clean Earth accepting contaminated materials, it identifies a third-party beneficial reuse site, such as commercial redevelopment or landfill capping, where the materials will be sent after they are treated. Clean Earth holds the largest market share in the contaminated materials and dredged material management market and operates 24 permitted facilities in the Eastern U.S. We made loans to, and purchased a controlling interest in, Clean Earth on August 26, 2014 for approximately $251.4 million. As of December 31, 2017, we owned approximately 98% of the outstanding stock of Clean Earth on a primary basis and approximately 80% on a fully diluted basis.

Sterno

SternoCandleLamp Holdings, Inc., which we refer to as Sterno, headquartered in Corona, California, is a manufacturer and marketer of portable food warming fuel and creative table lighting solutions for the foodservice industry. Sterno Products offers a broad range of wick and gel chafing fuels, butane stoves and accessories, liquid wax, traditional wax and flameless candles, catering equipment and lamps. We made loans to and purchased a controlling interest in, Sterno Products on October 13, 2014 for approximately $160.0 million. On January 22, 2016, Sterno Products acquired all of the outstanding stock of Northern International Inc., a seller of flameless candles and outdoor lighting products. On February 26, 2018, Sterno acquired all of the outstanding stock of Rimports, Inc, a manufacturer and marketer of scented wax cubes, wax warmers, essential oils and diffusers, for $145.0 million, plus an earn-out of up to an additional $25.0 million. As of December 31, 2017, we owned approximately 100% of the outstanding stock of Sterno Products on a primary basis and approximately 90% on a fully diluted basis.

Foam Fabricators

FFI Compass Inc., which we refer to as Foam Fabricators, headquartered in Scottsdale, Arizona, is a leading designer and manufacturer of custom molded protective foam solutions and OEM components made from expandable polystyrene. Foam Fabricators serves a diverse set of end markets, including appliances, biopharmaceuticals, meal delivery, among others. Foam Fabricators operates 11 plants domestically and 2 plants in Mexico. We made loans to and purchased a controlling interest in Foam Fabricators on February 15, 2018 for approximately $247.5 million. As of February 15, 2018, we owned approximately 100% of its outstanding stock on a primary basis and approximately 92% on a fully diluted basis.

Financial Summary

The following table represents the percentage of net revenue and operating income each of our businesses contributed to our consolidated results since the date of acquisition for the years ended December 31, 2017, 2016 and 2015, and the total assets of each of our businesses as a percentage of the consolidated total as of December 31, 2017 and 2016.

	Year ended December 31,			Year ended December 31,			Year ended December 31,	
	2017	2016	2015	2017	2016	2015	2017	2016
	Net Revenue			Operating Income (1)			Total Assets	
Branded Consumer:								
5.11	24.4%	11.2%	n/a	(10.5)%	(17.8)%	n/a	26.1%	25.4%
Crosman	6.2%	n/a	n/a	1.9%	n/a	n/a	10.9%	n/a
Ergobaby	8.1%	10.6%	11.9%	36.1%	30.0%	26.4%	9.8%	10.4%
Liberty Safe	7.2%	10.6%	13.9%	13.9%	23.2%	14.1%	4.0%	4.1%

Manitoba Harvest	4.4%	6.1%	2.4%	(13.7)%	0.6%	(7.3)%	7.8%	8.4%
	50.3%	38.5%	28.2%	27.7%	36.0%	33.2%	58.6%	48.2%

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	Year ended December 31, 2017	2016	2015	Year ended December 31, 2017	2016	2015	Year ended December 31, 2017	2016
	Net Revenue			Operating Income (1)			Total Assets	
Niche Industrial:								
Advanced Circuits	6.9%	8.8%	12.0%	34.7%	39.8%	28.8%	4.4%	4.6%
Arnold Magnetics	8.3%	11.1%	16.5%	(8.4)%	(22.6)%	9.0%	6.0%	6.5%
Clean Earth	16.6%	19.3%	24.1%	17.7%	13.9%	13.1%	19.4%	20.0%
Sterno	17.8%	22.4%	19.2%	28.2%	32.9%	15.8%	11.2%	12.0%
	49.7%	61.5%	71.8%	72.3%	64.0%	66.8%	41.0%	43.1%
Corporate							0.4%	8.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Operating income (loss) reflected is as a percentage of the total contributed by the businesses and does not include expenses incurred at the corporate level.

Acquisitions Details

The following table shows the purchase price paid for each of our businesses as well as our ownership stake at December 31, 2017.

				Ownership Interest December 31, 2017	
Business	**Acquisition Date**	**CODI Purchase Price**		**Primary**	**Diluted**
CBS Holdings (Staffmark) (1)	May 16, 2006	$	183,200	N/a	N/a
Crosman (4)	May 16, 2006	$	72,600	N/a	N/a
Advanced Circuits (3)	May 16, 2006	$	81,000	69.4%	69.2%
Silvue	May 16, 2006	$	36,000	N/a	N/a
Tridien (3)	August 1, 2006	$	31,000	N/a	N/a
Aeroglide	February 28, 2007	$	58,200	N/a	N/a
Halo	February 28, 2007	$	62,300	N/a	N/a
American Furniture	August 31, 2007	$	97,000	N/a	N/a
FOX (2)	January 4, 2008	$	80,400	N/a	N/a
Liberty Safe (3)	March 31, 2010	$	70,200	88.6%	84.7%
Ergobaby (3)	September 16, 2010	$	85,200	82.7%	76.6%
CamelBak	August 24, 2011	$	251,400	N/a	N/a
Arnold Magnetics	March 5, 2012	$	128,800	96.7%	84.7%
Clean Earth (3)	August 7, 2014	$	251,400	97.5%	79.8%
Sterno (3)	October 10, 2014	$	160,000	100.0%	89.5%
Manitoba Harvest (3)	July 10, 2015	$	102,700	76.6%	67.0%
5.11	August 31, 2016	$	408,200	97.5%	85.5%
Crosman (3) (4)	June 2, 2017	$	150,400	98.8%	89.2%

(1) The total purchase price for CBS Holdings includes the acquisition of Staffmark Investment LLC on January 21, 2008 for a purchase price of $128.6 million. We renamed the CBS Personnel business Staffmark subsequent to the acquisition.

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(2) FOX completed an IPO of its common stock in August 2013 in which we sold a 22% interest in FOX, reducing our ownership interest to 53%. In July 2014, FOX completed a secondary offering in which we sold a 12% interest in FOX, reducing our ownership interest to 41% and resulting in the deconsolidation of FOX from our financial results. We subsequently sold our remaining shares of FOX and now hold no ownership interest in FOX. We recognized total net proceeds from the sale of our FOX shares of approximately $465.1 million.

(3) The total purchase price does not reflect add-on acquisitions made by our businesses subsequent to their purchase by CODI.

(4) Crosman was purchased by us in May 2006 and subsequently sold in January 2007. We reacquired Crosman in June 2017.

(5) The above table does not give effect to our recent acquisitions of Foam Fabricators, Inc. and Rimports, Inc. as described in Recent Developments.

Market Opportunity

We acquire and actively manage small and middle-market businesses. We characterize small to middle-market businesses as those that generate annual cash flows of up to $60 million. We believe that the merger and acquisition market for small to middle-market businesses is highly fragmented and provides opportunities to purchase businesses at attractive prices. We believe that the following factors contribute to lower acquisition multiples for small and middle market businesses:

- there are fewer potential acquirers for these businesses;
- third-party financing generally is less available for these acquisitions;
- sellers of these businesses frequently consider non-economic factors, such as continuing participation or the effect of the sale on their employees; and
- these businesses are less frequently sold pursuant to an auction process.

Frequently, opportunities exist to augment existing management at such businesses and improve the performance of these businesses upon their acquisition. In the past, our management team has acquired businesses that were owned by entrepreneurs or large corporate parents. In these cases, our management team has frequently found that there have been opportunities to further build upon the management teams of acquired businesses beyond those that existed at the time of acquisition. In addition, our management team has frequently found that financial reporting and management information systems of acquired businesses may be improved, both of which can lead to improvements in earnings and cash flow. Finally, because these businesses tend to be too small to have their own corporate development efforts, opportunities frequently exist to assist these businesses as they pursue organic or external growth strategies that were often not pursued by their previous owners.

Our Strategy

We employ three primary strategies to create shareholder value. First, we focus on growing the earnings and cash flow from our acquired businesses, including identifying and consummating add-on acquisitions. Second, we identify, perform due diligence on, negotiate and consummate additional platform acquisitions of small to middle market businesses. Third, we opportunistically divest companies when a sale is warranted, and in doing so have created over $770 million in realized gains since our initial public offering in 2006.

We target for acquisition established North American companies with strong, motivated management teams; significant market share within defensible industry niches; EBITDA of at least $10 million; low obsolescence risk; customer and supplier diversification; positive and strong cash flows; and long-term growth potential. Acquisitions are made with cash on hand and through available capacity on our debt facilities. Throughout the duration of control ownership status, we are the only lender to our subsidiary companies. Thus, we control both the equity and the debt, which also differentiates us from many competitors. The management teams of the acquired companies typically remain in place and are provided incentives to stay with the company and drive strong, long-term performance.

We look for businesses that produce strong cash flow and are accretive to cash available for distribution and reinvestment, which we refer to as CAD . Working with the management team, we focus on optimizing operations and growing sales in order to increase cash flow from operations. We also work with the management teams in a corporate development capacity, often times pursuing external growth opportunities in the form of add-on acquisitions.

Compass Group Management LLC (CGM) also provides direct support to portfolio companies, although day-to-day managerial responsibility is handled at the subsidiary level. CGM provides oversight and works closely with our subsidiary companies to augment management, develop long range strategic planning, set annual budgets and develop quantifiable goals and performance metrics to measure progress. Additionally, CGM ensures incentives are aligned and helps management evaluate and execute on strategic add-on acquisitions. With our businesses, we focus on driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses, strategic acquisitions, and distributions to our shareholders

Core Strengths

Diversified and growing businesses

Our businesses operate across two segments, Branded Consumer and Niche Industrial, which provides us with diverse sources of cash flow across a broad set of industries. Our subsidiary companies are each leaders in a niche market. They have defensible market positions and proven management teams with meaningful incentives. The branded consumer subsidiaries typically have a higher growth profile as we seek to expand distribution into global markets and extend our leading brands into adjacent markets, while our niche industrial businesses produce strong, predictable free cash due to our strong operating margins, relatively low capital expenditure requirements and our diverse set of end markets and customers.

We believe that our businesses operate in growing markets with defensible competitive positioning and maintain solid, long-standing customer relationships. We believe that the strength of our diversified business model, which includes significant industry, customer and geographic diversification, provides for generally consistent financial performance, even in the face of a more challenging economic environment.

Attractive operating subsidiaries with significant value and realizations

Our company has an established track record acquiring control positions and partnering with management teams to build successful middle-market businesses across a broad range of industries. CGM s value-oriented investment approach is based on a disciplined due diligence process that measures risk while identifying the catalysts to produce growing earnings and cash flow.

We have demonstrated a history of successfully acquiring businesses and improving and enhancing their operations and financial results. For example, we made loans to and purchased a controlling interest in FOX on January 4, 2008, for approximately $80.4 million. In August 2013, we took FOX public through an initial public

offering. Through the IPO and a series of secondary share sales, we exited the entire FOX position in March 2017, realizing a total gain of approximately $428.7 million. Including FOX and other opportunistic sales of subsidiaries, we have realized total gains for shareholders in excess of $770 million since our IPO in 2006.

Favorable corporate structure providing enhanced optionality

Our public structure uniquely positions us among private equity investors who have typically engaged in the acquisition of small and middle market companies. In the highly competitive acquisition market, we differentiate ourselves by being able to: (i) complete transactions without relying on external financing; (ii) maintain a long term outlook given that we have no set time frame to invest funds and/or monetize investments; and (iii) provide continued support for the acquired businesses, both financial and managerial.

Our structure is viewed favorable relative to private equity investors due to our ability to consummate transactions without using third party financing and our long term outlook. Unlike private equity investors who need to return capital to investors under a defined timeline, we can be a patient investor since we have access to permanent capital. This structure allows us to have a long term outlook and make investment decisions with respect to our subsidiary companies that position them for long term success. Additionally, because we fund acquisitions through the utilization of our existing financing facilities, we expect to minimize the delays and closing conditions typically associated with transaction specific financing, as is typically the case in such acquisitions. We believe this advantage can be a powerful one, especially in a tight credit environment, and is highly unusual in the marketplace for acquisitions in which we operate.

We invest in our subsidiaries using equity and debt in order to optimize the capital structure. We draw on our credit facility to fund the subsidiary company s debt and equity needs. We charge market rates on the subsidiary debt in order to maintain an arm s length transaction. The subsidiaries pay interest and principal on the debt, which serves as the primary mechanism for cash to flow from the subsidiary company to us. From time to time we may recapitalize a subsidiary company which has repaid its debt to a below market level, sending a dividend to us and to the subsidiary s minority investors, which includes the subsidiary s management team.

Experienced management team and proven track record

Based on the experience of our management team and its ability to identify and negotiate acquisitions, we believe we are well-positioned to acquire additional businesses. Our management team also has a successful track record of acquiring and managing small to middle-market businesses in various industries. In negotiating these acquisitions, we believe our management team has been able to successfully navigate complex situations surrounding acquisitions, including corporate spin-offs, transitions of family-owned businesses, management buy-outs and reorganizations.

Our management team has a large network of approximately 2,000 deal intermediaries who we expect to expose us to potential acquisitions. Through this network, as well as our management team s proprietary transaction sourcing efforts, we have a substantial pipeline of potential acquisition targets. Our management team also has a well-established network of contacts, including professional managers, attorneys, accountants and other third-party consultants and advisors, who may be available to assist us in the performance of due diligence and the negotiation of acquisitions, as well as the management and operation of our acquired businesses.

Our management team has a proven track record of creating value in the middle-market. Since inception, we have acquired 19 platform businesses and monetized nine investments for total realized gains of over $770 million.

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2018 Outlook

Middle-market deal flow remained steady in 2017 relative to 2016, in part due to continued attractive valuations for sellers. High valuation levels continue to be driven by the availability of debt capital with favorable terms and financial and strategic buyers seeking to deploy available equity capital.

We remain focused on marketing our attractive ownership and management attributes to potential sellers of middle-market businesses and intermediaries. In addition, we continue to pursue opportunities for add-on acquisitions by certain of our existing subsidiary companies, which can be particularly attractive from a strategic perspective.

The areas of focus for 2018, which are generally applicable to each of our businesses, include:

- Achieving sales growth through a combination of new product development, increasing distribution and international expansion;
- Taking market share, where possible, in each of our niche market leading companies, generally at the expense of less well capitalized competitors;
- Striving for excellence in supply chain management, manufacturing and technological capabilities;
- Continuing to pursue expense reduction and cost savings in lower margin business lines or in response to lower production volume;
- Continuing to grow through disciplined, strategic acquisitions and rigorous integration processes; and
- Driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses, strategic acquisitions and distributions to our shareholders.

Recent Developments

Acquisition of Foam Fabricators, Inc.

On January 18, 2018, we, through FFI Compass, Inc., a Delaware corporation and our wholly-owned subsidiary, entered into a stock purchase agreement to acquire all equity interests in Foam Fabricators, Inc., a Delaware corporation, for a purchase price of approximately $247.5 million. Concurrently with the closing of the acquisition on February 15, 2018, we provided a credit facility to Foam Fabricators and certain of its affiliates, under which the initial amount outstanding was approximately $115 million.

Foam Fabricators, Inc. is a leading designer and manufacturer of custom molded protective foam solutions and OEM components made from expanded polymers such as expanded polystyrene and expanded polypropylene. Headquartered in Scottsdale, AZ, Foam Fabricators, Inc. operates 13 molding and fabricating facilities across North

America. For more information about our recent acquisition of Foam Fabricators, Inc., see our Current Report on Form 8-K filed with the SEC on February 16, 2018, which is incorporated herein by reference.

Acquisition of Rimports Inc.

On January 23, 2018, we, through our portfolio company, Sterno Products, LLC, a Delaware limited liability company, entered into a stock purchase agreement to acquire all equity interests in Rimports Inc., a Utah corporation (Rimports), for a cash amount equal to the base purchase price of $145 million on a debt-free basis plus any cash on hand and less any employee closing payments, subject to a working capital adjustment and together with a potential earn-out payment of up to $25 million (less any closing bonus payment by Rimports) (the Earn-Out). The payment of the Earn-Out is contingent on the attainment of certain future performance criteria of Rimports for the twelve-month period from May 1, 2017 to April 30, 2018 and the fourteen-month period from March 1, 2018 to April 30, 2019. We funded the purchase price through a draw on our revolving credit facility. Concurrently with the closing of the acquisition on February 26, 2018, we provided to Sterno Products, LLC additional term loans in the aggregate amount of $136 million and revolving loans in the amount of $10 million to, in part, fund the acquisition.

Headquartered in Provo, UT, Rimports is a manufacturer and distributor of branded and private label scented wickless candle products used for home décor and fragrance. Rimports offers an extensive line of wax warmers, scented wax cubes, essential oils and diffusers, and other home fragrance systems, through the mass retailer channel. For more information about our recent acquisition of Rimports, see our Current Report on Form 8-K filed with the SEC on February 27, 2018, which is incorporated herein by reference.

Our Manager

Our manager, CGM, has been engaged to manage our day-to-day operations and affairs and to execute our strategy, as discussed below. Our management team has worked together since 1998. Collectively, our management team has extensive experience in acquiring and managing small and middle-market businesses. We believe our manager is unique in the marketplace in terms of the success and experience of its employees in acquiring and managing diverse businesses of the size and general nature of our businesses. We believe this experience will provide us with an advantage in executing our overall strategy. Our management team devotes a majority of its time to our affairs.

We have entered into a management services agreement (the Management Services Agreement or MSA), pursuant to which our manager manages our day-to-day operations and affairs and oversees the management and operations of our businesses. We pay our manager a quarterly management fee for the services it performs on our behalf. In addition, certain persons who are employees and partners of our manager receive a profit allocation with respect to its allocation interests in us. All of the allocation interests in us are owned by Sostratus LLC.

Our Chief Executive Officer and Chief Financial Officer are employees of our manager and have been seconded to us. Neither the trust nor the company has any other employees. Although our Chief Executive Officer and Chief Financial Officer are employees of our manager, they report directly to the company s board of directors. The management fee paid to our manager covers all expenses related to the services performed by our manager, including the compensation of our Chief Executive Officer and other personnel providing services to us. The company reimburses our manager for the compensation and related costs and expenses of our Chief Financial Officer and his staff, who dedicate substantially all of their time to our affairs.

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Organizational Structure[1]

An illustration of our organizational structure is set forth below.

(1) The percentage holdings shown in respect of the trust reflect the ownership of the common shares of the trust as of December 31, 2017 and does not give effect to our recent acquisition of Foam Fabricators, Inc. and Rimports, Inc. as described in Recent Developments or the completion of this offering of Series B Preferred Shares.

(2) Our non-affiliated holders of common shares own approximately 84.2% of the common shares, and CGI Magyar Holdings, LLC owns approximately 13.2% of the common shares and is our single largest shareholder. Path Spirit Limited is the ultimate controlling person of CGI Magyar Holdings LLC. Mr. Offenberg is not a director, officer or member of CGI Magyar Holdings LLC or any of its affiliates. The remaining 2.6% of the common shares is owned by our directors and officers.

(3) 63.4% beneficially owned by certain persons who are employees and partners of our manager. C. Sean Day, a director of the company, CGI Diversified Holdings, LP, which is ultimately controlled by Path Spirit Limited, and the former founding partner of the manager, are non-managing members.

(4) Mr. Offenberg is a partner of this entity.

(5) The allocation interests, which carry the right to receive a profit allocation, represent less than a 0.1% equity interest in the company.

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SUMMARY FINANCIAL DATA

The following table presents the summary historical consolidated financial data of the company. This information should be read in conjunction with, and is qualified by reference to, (i) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and their notes included in our Annual Report on Form 10-K for the year ended December 31, 2017, (ii) Foam Fabricators, Inc. s audited consolidated financial statements as of and for the year ended December 31, 2017 attached as Exhibit 99.1 to our Current Report on Form 8-K/A filed on March 2, 2018, (iii) our unaudited condensed combined pro forma statements of operations for the year ended December 31, 2017 included in our Current Report on Form 8-K filed on March 2, 2018 relating to the acquisition of Foam Fabricators, Inc. in February 2018, as well as (iv) the other financial information included in this prospectus supplement and the accompanying prospectus and documents incorporated by reference in this prospectus supplement or the accompanying prospectus. We derived the consolidated financial information as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 from our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference in this prospectus supplement. We derived the consolidated financial information as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 from our audited consolidated financial statements, which are not incorporated by reference in this prospectus supplement. Our historical results are not necessarily indicative of results to be expected in any future period.

	Year ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Statements of Operations Data:					
Net sales	$ 1,269,729	$ 978,309	$ 727,978	$ 636,675	$ 680,639
Cost of sales	822,020	651,739	487,242	431,658	457,913
Gross profit	447,709	326,570	240,736	205,017	222,726
Operating expenses:					
Selling, general and administrative	318,484	217,830	136,399	128,190	116,549
Supplemental put expense (reversal)					(45,995)
Management fees	32,693	29,406	25,658	21,872	17,782
Amortization expense	52,003	35,069	28,761	23,063	19,350
Impairment expense/ loss on disposal of assets	17,325	25,204			
Operating income	27,204	19,061	49,918	31,892	115,040
Gain on deconsolidation of subsidiary				264,325	
(Loss) gain on equity method investment	(5,620)	74,490	4,533	11,029	
Income from continuing operations	33,272	53,749	8,991	270,077	71,052
Income and gain from discontinued operations	340	2,781	156,779	21,078	7,764
Net income	33,612	56,530	165,770	291,155	78,816
Net income from continuing operations - noncontrolling interest	5,621	1,961	5,133	11,661	12,124
Net income (loss) from discontinued operations - noncontrolling interest		(116)	(1,201)	659	(1,372)

Net income attributable to Holdings	$ 27,991	$ 54,685	$ 161,838	$ 278,835	$ 68,064
Basic and fully diluted income (loss) per share attributable to Holdings:					
Continuing operations	$ (0.45)	$ 0.46	$ (0.30)	$ 4.98	$ 0.86
Discontinued operations	0.01	0.05	2.91	0.40	0.19
Basic and fully diluted income (loss) per share attributable to Holdings	$ (0.44)	$ 0.51	$ 2.61	$ 5.38	$ 1.05

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	Year ended December 31,				
	2017	2016	2015	2014	2013
Cash distribution declared per common share	$ 1.44	$ 1.44	$ 1.44	$ 1.44	$ 1.44
Cash Flow Data:					
Cash provided by operating activities	$ 81,771	$ 111,372	$ 84,548	$ 70,695	$ 72,374
Cash (used in) provided by investing activities	(77,278)	(363,021)	233,880	(424,753)	66,286
Cash (used in) provided by financing activities	(2,588)	208,726	(254,357)	265,487	(44,122)
Foreign currency impact on cash	(1,792)	(3,174)	(1,905)	(955)	450
Net increase (decrease) in cash and cash equivalents	$ 113	$ (46,097)	$ 62,166	$ (89,526)	$ 94,988

	December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Current assets	$ 526,818	$ 452,819	$ 291,363	$ 320,799	$ 399,133
Total assets	1,820,303	1,777,155	1,421,042	1,547,430	1,044,913
Current liabilities	212,193	202,521	116,479	141,231	130,130
Long-term debt	584,347	551,652	308,639	485,547	280,389
Total liabilities	894,304	882,611	547,823	739,096	475,978
Noncontrolling interests	52,791	38,139	47,135	40,903	95,550
Shareholders equity attributable to Holdings	873,208	856,405	826,084	767,431	473,385

The table below details cash receipts and payments that are not reflected on our income statement in order to provide an additional measure of management s estimate of cash flow available for distribution and reinvestment, which we refer to as CAD. CAD is a non-GAAP measure that we believe provides additional information to our shareholders in order to enable them to evaluate our ability to make anticipated quarterly distributions. Because other entities do not necessarily calculate CAD in the same way as we do, our presentation of CAD may not be comparable to similarly titled measures provided by other entities. We believe that our historical and future CAD, together with our cash balances and access to cash via our debt facilities, will be sufficient to meet our anticipated distributions over the next twelve months. The table below reconciles CAD to net income and to cash flow provided by operating activities, which we consider to be the most directly comparable financial measure calculated and presented in accordance with GAAP.

	Year ended December 31,		
(in thousands)	2017	2016	2015
Net income	$ 33,612	$ 56,530	$ 165,770
Adjustment to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	110,051	87,405	63,072
Impairment expense/ Loss on disposal of assets	17,325	25,204	9,165
Gain on sale of businesses	(340)	(2,308)	(149,798)

Amortization of debt issuance costs and original issue discount	5,007	3,565	2,883
Unrealized (gain) loss on interest rate hedges	(648)	1,539	5,662
Noncontrolling stockholders charges	7,027	4,382	3,737
Loss (gain) on equity method investment	5,620	(74,490)	(4,533)
Excess tax benefit on stock compensation	(417)	(1,163)	
Provision for loss on receivables	3,964	407	(48)
Deferred taxes	(59,429)	(9,669)	(3,131)
Other	393	1,486	82
Changes in operating assets and liabilities	(40,394)	18,484	(8,313)
Net cash provided by operating activities	81,771	111,372	84,548

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(in thousands)	Year ended December 31, 2017	2016	2015
Plus:			
Unused fee on revolving credit facility	$ 2,856	$ 1,947	$ 1,612
Excess tax benefit from subsidiary stock option exercise	417	1,163	
Successful acquisition expense	2,050	3,888	1,826
Integration services agreement (1)	3,083	1,667	3,500
Realized loss from foreign currency effect (2)			2,561
Earnout provision adjustment (3)		394	
Other		421	200
Changes in operating assets and liabilities	40,394		8,313
Less:			
Changes in operating assets and liabilities		18,484	
Payment on interest rate swap	3,964	4,303	2,007
Earnout provision adjustment (3)	4,736		
Realized gain from foreign currency effect (2)	3,315	1,327	
Other (4)	3,586		
Maintenance capital expenditures: (5)			
Compass Group Diversified Holdings LLC			
5.11	2,934	1,838	
Advanced Circuits	628	2,931	1,525
American Furniture (divested October 2015)			311
Arnold	4,851	3,801	2,618
CamelBak (divested August 2015)			1,295
Clean Earth	5,289	6,202	6,295
Crosman	1,831		
Ergobaby	1,041	826	1,543
Liberty	706	1,098	1,158
Manitoba Harvest	647	1,495	594
Sterno	2,343	1,787	1,928
Tridien (divested September 2016)		385	927
Preferred share distributions	2,457		
Estimated cash flow available for distribution and reinvestment	$ 92,243	$ 76,375	$ 82,359
Distribution paid in April 2017/2016/2015	$ (21,564)	$ (19,548)	$ (19,548)
Distribution paid in July 2017/2016/2015	(21,564)	(19,548)	(19,548)
Distribution paid in October 2017/2016/2015	(21,564)	(19,548)	(19,548)
Distribution paid in January 2018/2017/2016	(21,564)	(21,564)	(19,548)
	$ (86,256)	$ (80,208)	$ (78,192)

(1) Represents fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership, payable quarterly.

(2) Represents the foreign currency transaction gain or loss resulting from the Canadian dollar intercompany loans issued to Manitoba Harvest.

(3) Earnout provision adjustment related to the change in estimate of contingent consideration that was recorded in the consolidated statement of operations.

(4) Includes amounts for the establishment of accounts receivable reserves related to two retail customers who filed bankruptcy during the first and third quarters of 2017.

(5) Represents maintenance capital expenditures that were funded from operating cash flow and excludes growth capital expenditures of approximately $24.3 million, $3.4 million and $1.0 million incurred during the years ended December 31, 2017, 2016 and 2015, respectively.

Earnings of certain of our operating segments are seasonal in nature. Earnings from Liberty Safe are typically lowest in the second quarter due to lower demand for safes at the onset of summer. Crosman typically has higher sales in the third and fourth quarter each year, reflecting the hunting and holiday seasons. Earnings from Clean Earth are typically lower during the winter months due to the limits on outdoor construction and development activity because of the colder weather in the Northeastern United States. Sterno typically has higher sales in the second and fourth quarter of each year, reflecting the outdoor summer and holiday seasons, respectively.

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THE OFFERING

This summary is not a complete description of the Series B Preferred Shares. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the Series B Preferred Shares, see the section entitled Description of the Series B Preferred Shares in this prospectus supplement.

In this portion of the summary, the trust means Compass Diversified Holdings and not any of its subsidiaries and the company means Compass Group Diversified Holdings LLC and not any of its subsidiaries.

Issuer	Compass Diversified Holdings.
Series B Preferred Shares	7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares.
Liquidation Preference	$25.00 per Series B Preferred Share.
Option to Purchase Additional Shares	The underwriters have an option to purchase, exercisable within 30 days of the date of this prospectus supplement, up to an additional 600,000 Series B Preferred Shares, at the public offering price less the underwriting discount, solely to cover over-allotments, if any.
Maturity	The Series B Preferred Shares do not have a maturity date, and the trust is not required to redeem or repurchase the Series B Preferred Shares. Accordingly, the Series B Preferred Shares will remain outstanding indefinitely unless the company decides to cause the trust to redeem or repurchase them.
Distributions	Holders of Series B Preferred Shares will be entitled to receive cumulative cash distributions (i) from and including the date of issuance to, but excluding, April 30, 2028 at a rate equal to 7.875% per annum and (ii) from and including April 30, 2028, at a floating rate equal to the then applicable three-month LIBOR (as defined herein) plus a spread of 4.985% per annum. The distribution rate will be reset quarterly. The amount of any distribution will be computed in the manner described under Description of the Series B Preferred Shares Distributions Floating Rate Period.
	Distributions will be payable quarterly in arrears, when and as declared by the board of directors of the company. Distributions will accumulate and be cumulative from, and including, the date of original issuance,

which is expected to be March 13, 2018. The first distribution is scheduled to be payable on or about July 30, 2018 (long first distribution period) in the amount of $0.74 per share and will be paid to the persons who are holders of record of the Series B Preferred Shares at the close of business on the corresponding record date fixed by the board of directors of the company in accordance with the share interest designation classifying and designating the Series B Preferred Shares.

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Unless full cumulative distributions on the Series B Preferred Shares have been or contemporaneously are declared and paid or declared and set apart for payment on the Series B Preferred Shares for all past distribution periods, no distribution may be declared or paid or set apart for payment on the common shares or junior shares (as defined herein), other than distributions paid in junior shares or options, warrants or rights to subscribe for or purchase junior shares, and we and our subsidiaries may not directly or indirectly repurchase, redeem or otherwise acquire for consideration common shares (or any junior shares). These restrictions are not applicable during the initial distribution period, which is the period from the original issue date to but excluding July 30, 2018.

Distribution Payment Dates

Distributions on the Series B Preferred Shares will be payable quarterly, in arrears, on January 30, April 30, July 30 and October 30 of each year (each, a distribution payment date), beginning on July 30, 2018. Each period from and including a distribution payment date (or the date of the issuance of the Series B Preferred Shares) to, but excluding, the following distribution payment date is referred to as a distribution period.

During the Fixed Rate Period (as defined below), if any date on which distributions would otherwise be payable is not a business day, then the distribution will be paid on the next business day as if it were paid on the scheduled distribution payment date, and no interest or other amount will accrue on the distribution so payable for the period from and after that distribution payment date to the date the distribution is paid. During the Floating Rate Period (as defined below), if any date on which distributions would otherwise be payable is not a business day, then payment of any distribution payable on such date will be made on the next succeeding business day unless that day falls in the next calendar month, in which case the distribution payment date will be the immediately preceding business day, and, in either case, declared distributions will accrue to, but exclude, the actual date the distribution is paid.

Amounts Payable in Liquidation

Upon an Early Termination Event other than a Voluntary Exchange or Acquisition Exchange (all as defined in the trust agreement), if the trust liquidates, dissolves or winds up, then the holders of the Series B Preferred Shares outstanding at such time will be entitled to receive a payment out of the trust s assets available for distribution to such holders equal to their preferred capital account balance, which is expected to be the sum of the $25.00 liquidation preference per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the date the trust liquidates, dissolves or winds up (the Preferred Share Liquidation Value).

To the extent that a holder s capital account balance is less than the Preferred Share Liquidation Value, the trust will specially allocate gross income (from any source) in an amount required so that the positive balance in such holder s capital account

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(to the extent attributable to the Series B Preferred Shares) equals the Preferred Share Liquidation Value. For more information about voluntary exchange or acquisition exchange, see the sections entitled Description of Securities Voluntary Exchange and Acquisition Exchange and Optional Purchase in the accompanying prospectus.

Optional Redemption

The company, at its option, may cause the trust to redeem the Series B Preferred Shares, in whole or in part, at any time on or after April 30, 2028 at a price of $25.00 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date. Holders of the Series B Preferred Shares will have no right to require the redemption of the Series B Preferred Shares.

Tax Redemption

If a Tax Redemption Event (as defined under Description of the Series B Preferred Shares Tax Redemption Event) occurs prior to April 30, 2028, the company, at its option, may cause the trust to redeem the Series B Preferred Shares, in whole but not in part, upon at least 30 days notice, within 60 days of the occurrence of such Tax Redemption Event, out of funds received by the trust on the corresponding trust preferred interests and legally available therefor, at a price of $25.25 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date.

Repurchase at the Option of Holders upon a Fundamental Change

If a Fundamental Change (as defined under Description of the Series B Preferred Shares Repurchase at the Option of Holders upon a Fundamental Change) occurs, unless, prior to or concurrently with the time we are required to make an offer to repurchase the Series B Preferred Shares, we provide a redemption notice with respect to all of the outstanding Series B Preferred Shares, we will be required to offer to repurchase the Series B Preferred Shares, out of funds received by the trust on the corresponding trust preferred interests, at a purchase price of $25.25 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the date of purchase.

Distribution Rate Step-Up Following Failure to make Repurchase Offer

If (i) a Fundamental Change occurs and (ii) we do not give notice prior to the 31st day following the Fundamental Change to repurchase or redeem all the outstanding Series B Preferred Shares, the distribution rate per annum on the Series B Preferred Shares will increase by 5.00%, beginning on the 31st day following such Fundamental Change. Notwithstanding any requirement that we offer to repurchase or redeem all the outstanding Series B Preferred Shares, the increase in the distribution rate is the sole remedy to holders in the event we fail to do so, and following any such increase, we will be under no obligation to offer to repurchase or redeem any Series B Preferred Shares. See Description of the Series B Preferred Shares Repurchase at the Option of Holders upon a Fundamental Change.

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Voting Rights	Holders of the Series B Preferred Shares will only be entitled to the voting rights provided in the share designation. See Description of the Series B Preferred Shares Voting Rights.
Ranking	The Series B Preferred Shares will rank senior to the trust s common shares (and any other shares that the trust may issue in the future ranking, as to the payment of distributions, junior to the Series B Preferred Shares).
	The Series B Preferred Shares will rank equally with any equity securities, including our Series A Preferred Shares (as defined below under Description of the Series B Preferred Shares General) and other preferred shares, that the trust may issue in the future, the terms of which provide that such securities will rank equally with the Series B Preferred Shares with respect to payment of distributions and distribution of the trust s assets upon its liquidation, dissolution or winding up.
	The Series B Preferred Shares will rank junior to (i) all of the trust s existing and future indebtedness, and (ii) any of the trust s equity securities, including preferred shares, that the trust may issue in the future, the terms of which provide that such securities will rank senior to the Series B Preferred Shares with respect to payment of distributions and distribution of the trust s assets upon its liquidation, dissolution or winding up. In addition, the rights allocated to the company s allocation interests may reduce the amount available for distribution by the trust upon its liquidation, dissolution or winding up.
	See Description of the Series B Preferred Shares Ranking.
No Conversion Rights	The Series B Preferred Shares will not be convertible into common shares or any other class or series of the trust s shares or any other security.
Use of Proceeds	The estimated net proceeds from the sale of the Series B Preferred Shares in this offering by the trust will be approximately $96.5 million (or approximately $111.0 million if the underwriters exercise their over-allotment option in full), after deducting underwriting discounts and commissions and estimated public offering costs. We intend to use our net proceeds from this offering for repayment of debt under our revolving credit facility and for general corporate purposes. See the section entitled Use of Proceeds for more information about the use of the proceeds of this offering.

Conflicts of Interest	Certain of the underwriters or their affiliates are lenders under our revolving credit facility and may receive 5% or more of the net proceeds of the offering by reason of the repayment of outstanding amounts under such revolving credit facility. Any such underwriter may be deemed to have a conflict of interest. See Underwriting Conflicts of Interest.

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Listing	We intend to apply to list the Series B Preferred Shares on the NYSE under the symbol CODI PR B. If the application is approved, we expect trading in the Series B Preferred Shares on the NYSE to begin within 30 days after the Series B Preferred Shares are first issued.
Series B Trust Preferred Interests	Each Series B Preferred Share will correspond to one underlying trust preferred interest of the company held by the trust of the same class and series, and with corresponding rights, powers and duties, as the Series B Preferred Shares (the Series B Trust Preferred Interests). Unless the trust is dissolved, it must remain the holder of 100% of the company s trust interests, including the Series B Preferred Trust Interests, and, at all times, the trust will have outstanding the identical number of common shares and preferred shares, including the Series B Preferred Shares, as the number of outstanding trust common interests and trust preferred interests, including the Series B Preferred Trust Interests, of the company that are of the corresponding class and series.
Material U.S. Federal Income Tax Considerations	Subject to the discussion in Material U.S. Federal Income Tax Considerations in the accompanying prospectus, neither the trust nor the company will incur U.S. federal income tax liability; rather, each holder of Series B Preferred Shares will be required to take into account his or her allocable share of gross income (excluding capital gains) in an amount equal to distributions paid in respect of such shares. It is anticipated that such gross income will be wholly or largely interest income. The trust is treated as a partnership for U.S. federal income tax purposes, and will issue a Schedule K-1 to holders of Series B Preferred Shares.
	See the section entitled Supplemental Material U.S. Federal Income Tax Considerations in this prospectus supplements and the section entitled Material U.S. Federal Income Tax Considerations in the accompanying prospectus for information about the potential U.S. federal income tax consequences of the purchase, ownership and disposition of Series B Preferred Shares.
Transfer Agent, Registrar and Paying Agent	Broadridge Corporate Issues Solutions, Inc.
Risk factors	Investing in Series B Preferred Shares involves risks. See the section entitled Risk Factors and read this prospectus supplement carefully before making an investment decision with the respect to the Series B Preferred Shares or the company.

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RISK FACTORS

An investment in the Series B Preferred Shares involves risk. You should carefully read and consider all of the risks described in our Annual Report on Form 10-K for the year ended December 31, 2017, as supplemented by the discussion below, before making a decision to invest in our Series B Preferred Shares. The risks described in our Annual Report on Form 10-K that reference our shares are generally applicable to the Series B Preferred Shares unless otherwise addressed herein. Our financial condition, business and results of operations (including cash flows) may be materially adversely affected by any of these risks. In that event, the market price of the Series B Preferred Shares could decline, we may be unable to pay distributions on the Series B Preferred Shares and you could lose all or part of your investment.

Risks Related to the Series B Preferred Shares

The Series B Preferred Shares are equity securities and are subordinated to our existing and future indebtedness.

The Series B Preferred Shares are our equity interests and do not constitute indebtedness. This means that the Series B Preferred Shares will rank junior to all of our indebtedness and to other non-equity claims on us and our assets available to satisfy claims on us, including claims in our liquidation. In addition, the rights allocated to the company s allocation interests may reduce the amount available for distribution by the trust upon its liquidation, dissolution or winding up.

Further, the Series B Preferred Shares place no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the limited voting rights referred to below under Risk Factors Holders of the Series B Preferred Shares will have limited voting rights.

The trust s sole asset is its interest in the company, which holds controlling interests in our businesses. Therefore, we are dependent upon the ability of our businesses to generate earnings and cash flow and distribute them to us in the form of interest and principal payments on indebtedness and, from time to time, dividends on equity to enable us, first, to satisfy our financial obligations and, second to make distributions to our shareholders. This ability may be subject to limitations under laws of the jurisdictions in which they are incorporated or organized. If, as a consequence of these various restrictions, we are unable to generate sufficient receipts from our businesses, we may not be able to declare, or may have to delay or cancel payment of, distributions to our shareholders.

We do not own 100% of our businesses. While we receive cash payments from our businesses which are in the form of interest payments, debt repayment and dividends, if any dividends were to be paid by our businesses, they would be shared pro rata with the minority shareholders of our businesses and the amounts of dividends made to minority shareholders would not be available to us for any purpose, including company debt service or distributions to our shareholders. Any proceeds from the sale of a business will be allocated among us and the non-controlling shareholders of the business that is sold.

We may not be able to pay distributions on the Series B Preferred Shares.

The board of directors of the company may, in its sole discretion, determine to suspend distributions on the Series B Preferred Shares, which may have a material adverse effect on the market price of the Series B Preferred Shares. There can be no assurances that our operations will generate sufficient cash flows to enable us to pay distributions on the Series B Preferred Shares. Our financial and operating performance is subject to prevailing economic and industry conditions and to financial, business and other factors, some of which are beyond our control.

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The terms of our current indebtedness restrict, and the terms of our future indebtedness may restrict, our ability to make distributions on the Series B Preferred Shares or to redeem the Series B Preferred Shares.

Distributions will only be paid if the distribution is not restricted or prohibited by law or the terms of any senior equity securities or indebtedness. Our credit facilities contain, and the instruments governing the terms of future financing or the refinancing of any borrowings may contain, covenants that restrict our ability to make distributions on the Series B Preferred Shares or redeem the Series B Preferred Shares. The Series B Preferred Shares place no restrictions on our ability to incur indebtedness with such restrictive covenants.

The fees to be paid to our manager pursuant to the management services agreement, the offsetting management services agreements and integration services agreements and the profit allocation to be paid to certain persons who are employees and partners of our manager, as holders of the allocation interests, pursuant to the LLC agreement may significantly reduce the amount of cash available for distribution to our shareholders.

Under the management services agreement between the company and our manager, the company will be obligated to pay a management fee to and, subject to certain conditions, reimburse the costs and out-of-pocket expenses of our manager incurred on behalf of the company in connection with the provision of services to the company. Similarly, our businesses will be obligated to pay fees to and reimburse the costs and expenses of our manager pursuant to any offsetting management services agreements entered into between our manager and one of our businesses, or any integration services agreements to which such businesses are a party. In addition, Sostratus LLC, as holder of the allocation interests, will be entitled to receive profit allocations. While it is difficult to quantify with any certainty the actual amount of any such payments in the future, we do expect that such amounts could be substantial. See the section entitled Certain Relationships and Related Party Transactions in our 2017 Proxy Statement, as incorporated by reference herein, for more information about these payment obligations of the company. The management fee and profit allocation will be payment obligations of the company and, as a result, will be paid, along with other company obligations, prior to the payment of distributions to shareholders. As a result, the payment of these amounts may significantly reduce the amount of cash flow available for distribution to our shareholders.

We may pursue future acquisitions or dispositions that you may not consider to be in the best interest of holders of preferred shares.

We seek to acquire and manage businesses consistent with our long-term investment strategy. We may incur indebtedness for future acquisitions, which would be senior to our preferred shares. Future acquisitions may also reduce our cash available for distribution to our shareholders, including holders of preferred shares, following such acquisitions. To the extent such acquisitions do not perform as expected, such risk may be particularly heightened. In addition to acquiring businesses, we sell those businesses that we own from time to time when attractive opportunities arise that outweigh the future growth and value that we believe we will be able to bring to such businesses consistent with our long-term investment strategy. As such, our decision to sell a business is based on our belief that doing so will increase shareholder value to a greater extent than through our continued ownership of that business. Future dispositions of businesses may reduce our cash flows from operations, which may impact our ability to pay distributions to our shareholders, including holders of preferred shares, or require us to pay distributions out of capital. We cannot assure you that we will use the proceeds from any future dispositions to maintain distributions on the Series B Preferred Shares or otherwise in a manner with which you agree. For example, we may choose to repurchase our common shares or to pay incremental dividends to holders of our common shares, neither of which you may agree with or consider to be in the best interest of holders of preferred shares, and either of which may result in a decline in the price of our preferred shares. You will generally not be entitled to vote with respect to our future acquisitions or dispositions, and we may pursue future acquisitions or dispositions with which you do not agree.

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The market price of the Series B Preferred Shares could be adversely affected by various factors.

Following the offering, the market price for the Series B Preferred Shares may fluctuate based on a number of factors, including:

- the trading price of our common shares;
- the trading price of our Series A Preferred Shares;
- additional issuances of other series or classes of preferred shares;
- whether we declare or fail to declare distributions on the Series B Preferred Shares or other preferred shares from time to time and our ability to make distributions under the terms of our indebtedness;
- our creditworthiness, results of operations and financial condition;
- the credit ratings of the Series B Preferred Shares or other preferred shares;
- whether we declare or fail to declare regular or special distributions on our common shares or repurchase, or announce or enter into programs to repurchase, any of our common shares;
- the prevailing interest rates or rates of return being paid by other companies similar to us and the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Our performance, market conditions and prevailing interest rates have fluctuated in the past and can be expected to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price and liquidity of the Series B Preferred Shares. In general, as market interest rates rise, securities with fixed interest rates or fixed distribution rates, such as the Series B Preferred Shares, decline in value. Consequently, if you purchase the Series B Preferred Shares and market interest rates increase, the market price of the Series B Preferred Shares may decline. We cannot predict the future level of market interest rates.

Our ability to pay quarterly distributions on the Series B Preferred Shares will be subject to, among other things, general business conditions, our financial results, gains or losses recognized by us on the disposition of assets and our liquidity needs. Any reduction or discontinuation of quarterly distributions could cause the market price of the Series B Preferred Shares to decline significantly. Accordingly, the Series B Preferred Shares may trade at a discount to their purchase price.

The Series B Preferred Shares have not been rated, and the lack of a rating, or a decrease in our rating or the rating of our debt, may adversely affect the trading price of the Series B Preferred Shares.

We have not sought to obtain a rating for the Series B Preferred Shares, and the shares may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series B Preferred Shares or that we may elect to obtain a rating of our Series B Preferred Shares in the future. In addition, we may elect to issue other securities or debt for which we may seek to obtain a rating or ratings assigned to us generally or to our existing indebtedness may be lowered or withdrawn. The market value of the Series B Preferred Shares could be adversely affected if:

any ratings assigned to the Series B Preferred Shares in the future or to other securities or debt we issue in the future are lower than market expectations or are subsequently lowered or withdrawn, any ratings assigned to us generally or to our existing indebtedness are subsequently lowered or withdrawn, or

ratings for such other securities would imply a lower relative value for the Series B Preferred Shares.

An active trading market may not develop for the Series B Preferred Shares, which could adversely affect the price of the Series B Preferred Shares in the secondary market and your ability to resell the Series B Preferred Shares.

Because the Series B Preferred Shares do not have a stated maturity date, investors seeking liquidity will need to rely on the secondary market. The Series B Preferred Shares are a new issue of securities and there is no established trading market for the Series B Preferred Shares. We intend to apply for listing of the Series B Preferred Shares on the NYSE under the symbol CODI PR B. However, there is no guarantee that we will be able to list the Series B Preferred Shares. If the application is approved, we expect trading in the Series B Preferred Shares on the NYSE to begin within 30 days after the Series B Preferred Shares are first issued; however, we cannot make any assurance as to:

the development of an active trading market;

the liquidity of any trading market that may develop;

the ability of holders to sell their Series B Preferred Shares; or

the price at which the holders would be able to sell their Series B Preferred Shares.

If a trading market were to develop, the future trading prices of the Series B Preferred Shares will depend on many factors, including prevailing interest rates, our credit ratings published by major rating agencies, the market for similar securities and our operating performance and financial condition. If a trading market does develop, there is no assurance that it will continue. If an active public trading market for the Series B Preferred Shares does not develop or does not continue, the market price and liquidity of the Series B Preferred Shares is likely to be adversely affected and Series B Preferred Shares traded after their purchase may trade at a discount from their purchase price.

Holders of the Series B Preferred Shares will have limited voting rights.

Holders of the Series B Preferred Shares will generally have no voting rights and have none of the voting rights given to holders of our common shares, except that holders of the Series B Preferred Shares will be entitled to the voting rights described in Description of the Series B Preferred Shares Voting Rights. In particular, in the event that six full quarterly distributions (whether or not consecutive) payable on the Series B Preferred Shares are in arrears (a Nonpayment), holders of the Series B Preferred Shares, together as a class with holders of any other series of parity shares (as defined in Description of the Series B Preferred Shares Distributions) then outstanding with like voting rights, will be entitled to vote for the election of two additional directors to the board of directors of the company, subject to the terms and to the limited extent described under Description of the Series B Preferred Shares Voting Rights. When all distributions accumulated on the Series B Preferred Shares for all past distribution periods and the then current distribution period have been fully paid, the right of the holders of the Series B Preferred Shares will cease and, unless there are other classes or series of parity shares upon which like voting rights have been conferred and are exercisable, the terms of office of these two directors will forthwith terminate and the number of directors constituting the board of directors of the company will be reduced accordingly.

Redemption may adversely affect your return on the Series B Preferred Shares.

On or after April 30, 2028, we will have the right to redeem at a price of $25.00 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date, some or all of the Series B Preferred Shares, as described under Description of the Series B Preferred Shares Optional Redemption. In addition, prior to April 30, 2028, we may redeem the Series B Preferred Shares after the occurrence of a Tax Redemption Event (as defined and described in Description of the Series B Preferred Shares Tax Redemption), at a price of $25.25 per Series B Preferred Share, plus accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date. To the extent that we redeem the Series B Preferred Shares at times when prevailing interest rates may be relatively low compared to rates at the time of issuance of the Series B Preferred Shares, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the distribution rate of the Series B Preferred Shares.

The historical levels of three-month LIBOR are not an indication of the future levels of three-month LIBOR.

From April 30, 2028, the distribution rate for the Series B Preferred Shares will be determined based on three-month LIBOR. In the past, the level of three-month LIBOR has experienced significant fluctuations. You should note that historical levels, fluctuations and trends of three-month LIBOR are not necessarily indicative of future levels. Any historical upward or downward trend in three-month LIBOR is not an indication that three-month LIBOR is more or less likely to increase or decrease at any time during the Floating Rate Period, and you should not take the historical levels of three-month LIBOR as an indication of its future performance.

You should further note that although the actual three-month LIBOR on a distribution payment date or at other times during a distribution period may be higher than the three-month LIBOR on the applicable distribution determination date, you will not benefit from the three-month LIBOR at any time other than on the distribution determination date for such distribution period. As a result, changes in the three-month LIBOR may not result in a comparable change in the market value of the Series B Preferred Shares from April 30, 2028.

Changes in banks inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the Series B Preferred Shares.

LIBOR and other indices which are deemed benchmarks are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. In particular, regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting criminal and civil investigations into whether the banks that contribute information to the British Bankers Association (the BBA) in connection with the daily calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. Actions by the regulators or law enforcement agencies, as well as ICE Benchmark Administration (the current administrator of LIBOR), may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021.

At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for securities on which the interest or distribution is determined by reference to LIBOR, such as the Series B Preferred Shares. To the extent the three-month LIBOR is discontinued or is no longer quoted, the applicable base rate used to calculate distributions on the Series B Preferred Shares during the Floating Rate

Period will be determined using the alternative methods described in Description of the Series B Preferred Shares Distributions. Any of these alternative methods may result in distributions that are lower than or that do not otherwise correlate over time with the distributions that would have been made on the Series B Preferred Shares during the Floating Rate Period if the three-month LIBOR was available in its current form. The final alternative method sets the distribution rate for a distribution period during the Floating Rate Period at the same rate as the immediately preceding distribution period during the Floating Rate Period or, in the case of the first distribution period in the Floating Rate Period, the most recent distribution rate that could have been determined had the Floating Rate Period been applicable prior to the first distribution period in the Floating Rate Period. More generally, any of the above changes or any other consequential changes to LIBOR or any other benchmark as a result of international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a benchmark, such as the Series B Preferred Shares.

We are not required to redeem the Series B Preferred Shares when they become redeemable, and we only expect to do so if it is in our best interest as determined by the company in its sole discretion.

The Series B Preferred Shares are a perpetual equity security. This means that they have no maturity or mandatory redemption date and are not redeemable at the option of investors. The Series B Preferred Shares may be redeemed by us at our option on or after April 30, 2028, either in whole or in part. In addition, prior to April 30, 2028, after the occurrence of a Tax Redemption Event, we may, but are not required to, redeem the Series B Preferred Shares in whole but not in part. Any decision we may make at any time to redeem the Series B Preferred Shares will be determined by the company in its sole discretion and depend upon, among other things, an evaluation of our capital position, the composition of our shareholders equity, our outstanding senior debt and general market conditions at that time.

Upon the occurrence of a Fundamental Change, we may not repurchase the Series B Preferred Shares and may not be able to pay the increased distribution rate per annum if we fail to repurchase them.

Upon the occurrence of a Fundamental Change, we may not offer to repurchase or redeem all the outstanding Series B Preferred Shares, in which case the sole remedy will be the increased per annum distribution rate. In such case, we may not have sufficient financial resources available to pay the increased distribution rate per annum described under Description of the Series B Preferred Shares Repurchase at the Option of Holders upon a Fundamental Change. In addition, we are limited by the credit agreement governing our credit facilities, and may be limited by future financing agreements, from purchasing the Series B Preferred Shares or paying distributions on the Series B Preferred Shares under certain circumstances. In such circumstances, we would need to repay or obtain the requisite consent from the affected lenders to permit the repurchase of such Series B Preferred Shares. Even if we are able to pay the increased distribution rate per annum, increasing the per annum distribution rate by 5.00% may not be sufficient to compensate holders for the impact of the Fundamental Change on the market price of the Series B Preferred Shares.

There is no limitation on our issuance of debt securities or equity securities that rank equally with the Series B Preferred Shares and, under certain circumstances, we may issue equity securities that rank senior to the Series B Preferred Shares.

Other than the allocation interests, which rank senior to the Series B Preferred Shares to the extent provided in the LLC agreement, and our Series A Preferred Shares, which rank equally with the Series B Preferred Shares, we do not currently have any outstanding equity securities that rank equally with or senior to the Series B Preferred Shares. We may issue additional equity securities that rank equally with the Series B Preferred Shares without limitation and, with the approval of the holders of the Series B Preferred Shares and all other series of voting preferred shares (defined below), acting as a single class, as described under Description of the Series B Preferred Shares Voting Rights , any beneficial interests in the trust senior to the Series B

Preferred Shares. The rights allocated to the allocation interests and the issuance of securities ranking equally with or senior to the Series B Preferred Shares may, among other things, reduce the amount available for distributions and the amount recoverable by holders of the Series B Preferred Shares in the event of our liquidation, dissolution or winding-up. In addition, we and our subsidiaries may incur indebtedness that will rank senior to the Series B Preferred Shares.

If the amount of distributions on the Series B Preferred Shares is greater than our gross income (excluding capital gains) in any year, and there is not sufficient gross income (from any source) on liquidation to make up the difference, then the amount that a holder of Series B Preferred Shares would receive upon liquidation may be less than the Preferred Share Liquidation Value.

In general, we will specially allocate to the Series B Preferred Shares items of our gross income (excluding capital gains) in an amount equal to the distributions paid in respect of the Series B Preferred Shares during the taxable year. Allocations of gross income will increase the capital account balance of the holders of the Series B Preferred Shares. Distributions will correspondingly reduce the capital account balance of the holders of the Series B Preferred Shares. So long as our ordinary income (excluding capital gains) equals or exceeds the distributions paid to the holders of the Series B Preferred Shares, the capital account balance of the holders of Series B Preferred Shares will equal the Preferred Share Liquidation Value at the end of each taxable year. If the distributions paid in respect of the Series B Preferred Shares in a taxable year exceed our gross income allocated in respect of the Series B Preferred Shares for such year, however, the capital account balance of the holders of the Series B Preferred Shares with respect to the Series B Preferred Shares will be reduced below the Preferred Share Liquidation Value by the amount of such excess. In addition, a special allocation of gross income (from any source) on liquidation will be made to increase the capital account balance to the Preferred Share Liquidation Value. In the event that there is not sufficient gross income (annually and on liquidation), holders of Series B Preferred Shares would be entitled, upon our liquidation, dissolution or winding up, to less than the Preferred Share Liquidation Value.

The IRS Schedules K-1 we will provide holders of Series B Preferred Shares will be more complicated than the IRS Forms 1099 provided by corporations to their stockholders, and holders of Series B Preferred Shares may be required to request an extension of time to file their tax returns.

Holders of Series B Preferred Shares will be required to take into account their allocable share of our items of gross ordinary income for our taxable year ending within or with their taxable year. We have agreed to furnish holders of Series B Preferred Shares, as soon as reasonably practicable after the close of each calendar year, with tax information (including IRS Schedules K-1), which describes their allocable share of gross ordinary income for our preceding taxable year. However, it may require longer than 90 days after the end of our calendar year to obtain the requisite information so that IRS Schedules K-1 may be prepared by us. Consequently, holders of Series B Preferred Shares who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, each holder of Series B Preferred Shares will be required to report for all tax purposes consistently with the information provided by us for the taxable year. Because holders will be required to report their allocable share of gross ordinary income, tax reporting for holders of our Series B Preferred Shares will be more complicated than for shareholders of a regular corporation.

There are certain tax risks in holding Series B Preferred Shares.

The treatment of interests in a partnership such as the Series B Preferred Shares and the payments received in respect of such interests is uncertain. The IRS may contend that payments on the Series B Preferred Shares represent guaranteed payments, which would generally be treated as ordinary income but may not have the same character when received by a holder as our gross income had when earned by us. If distributions on the Series B Preferred Shares were treated as guaranteed payments, a holder would always be treated as receiving income equal to the amount distributed, regardless of the amount of our gross income. In that case, the payment

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of the guaranteed payment would be reported to holders of the common interests as a deduction, and could adversely affect their overall tax position due to an investment in the trust.

The IRS may also claim that the Series B Preferred Shares are more properly treated as a debt instrument, rather than an equity interest in the trust, based on certain characteristics of the Series B Preferred Shares. If the IRS were successful, the tax treatment to the holders of the Series B Preferred Shares and to holders of common interests in the trust would be similar to the treatment described above concerning guaranteed payments.