Compass Diversified Holdings
Form 10-Q
November 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
Or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

COMPASS DIVERSIFIED HOLDINGS
(Exact name of registrant as specified in its charter)

Delaware	001-34927	57-6218917
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification number)

COMPASS GROUP DIVERSIFIED HOLDINGS LLC
(Exact name of registrant as specified in its charter)

Delaware	001-34926	20-3812051
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification number)

Sixty One Wilton Road
Second Floor
Westport, CT 06880
(203) 221-1703
(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company’ in Rule 12b-2 of the

Exchange Act

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of November 1, 2014, there were 48,300,000 shares of Compass Diversified Holdings outstanding.

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COMPASS DIVERSIFIED HOLDINGS
QUARTERLY REPORT ON FORM 10-Q
For the period ended September 30, 2014
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NOTE TO READER

In reading this Quarterly Report on Form 10-Q, references to:

- the “Trust” and “Holdings” refer to Compass Diversified Holdings;
- “businesses,” “operating segments,” “subsidiaries” and “reporting units” refer to, collectively, the businesses controlled by the Company;
- the “Company” refer to Compass Group Diversified Holdings LLC;
- the “Manager” refer to Compass Group Management LLC (“CGM”);
- the “initial businesses” refer to, collectively, Staffmark Holdings, Inc. (“Staffmark”), Crosman Acquisition Corporation, Compass AC Holdings, Inc. (“ACI” or “Advanced Circuits”) and Silvue Technologies Group, Inc.;
- the “Trust Agreement” refer to the amended and restated Trust Agreement of the Trust dated as of November 1, 2010;
- the “2011 Credit Facility” refer to a credit agreement (as amended) with a group of lenders led by Toronto Dominion (Texas) LLC, as agent, which provides for the Revolving Credit Facility and the Term Loan Facility;
- the “2011 Revolving Credit Facility” refer to the $320 million Revolving Credit Facility provided by the 2011 Credit Facility;
- the "2011 Term Loan Facility" refer to the Term Loan Facility provided by the 2011 Credit Facility;
- the "2014 Credit Facility" refer to the credit agreement entered into on June 6, 2014 with a group of lenders led by Bank of America N.A. as administrative agent, which provides for a Revolving Credit Facility and a Term Loan Facility;
- the “2014 Revolving Credit Facility” refer to the $400 million Revolving Credit Facility provided by the 2014 Credit Facility that matures in June 2019;
- the “2014 Term Loan” refer to the $325 million Term Loan Facility, provided by the Credit Facility that matures in June 2021;
- the “LLC Agreement” refer to the fourth amended and restated operating agreement of the Company dated as of January 1, 2012; and
- “we,” “us” and “our” refer to the Trust, the Company and the businesses together.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contains both historical and forward-looking statements. We may, in some cases, use words such as “project,” “predict,” “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “should,” “would,” “potentially,” or “may,” or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q 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 future acquisitions;
- our ability to remove CGM and CGM’s right to resign;
- our 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 reinvestment and our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation if and 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 CGM’s ability to retain or replace qualified employees of our businesses and CGM;
- 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. 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 Quarterly Report on Form 10-Q may not occur. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. 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.

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PART I
FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

Compass Diversified Holdings
Condensed Consolidated Balance Sheets

(in thousands)	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$23,269	$113,229
Accounts receivable, less allowances of $4,382 at September 30, 2014 and $3,424 at December 31, 2013	128,658	111,736
Inventories	95,790	152,948
Prepaid expenses and other current assets	21,181	21,220
Total current assets	268,898	399,133
Property, plant and equipment, net	93,019	68,059
Equity method investment (refer to Note B)	234,185	—
Goodwill	324,165	246,611
Intangible assets, net	399,959	310,359
Deferred debt issuance costs, less accumulated amortization of $727 at September 30, 2014 and $4,161 at December 31, 2013 (refer to Note G)	11,767	8,217
Other non-current assets	12,869	12,534
Total assets	$1,344,862	$1,044,913
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$43,602	$62,539
Accrued expenses	49,401	55,590
Due to related party	5,315	4,528
Current portion, long-term debt	3,250	2,850
Other current liabilities	6,269	4,623
Total current liabilities	107,837	130,130
Deferred income taxes	107,051	60,024
Long-term debt, less original issue discount	404,467	280,389
Other non-current liabilities	7,350	5,435
Total liabilities	626,705	475,978
Stockholders' equity		
Trust shares, no par value, 500,000 authorized; 48,300 shares issued and outstanding at September 30, 2014 and December 31, 2013	725,453	725,453
Accumulated other comprehensive income (loss)	(154)	693
Accumulated deficit	(45,319)	(252,761)
Total stockholders' equity attributable to Holdings	679,980	473,385
Noncontrolling interest	38,177	95,550
Total stockholders' equity	718,157	568,935
Total liabilities and stockholders' equity	$1,344,862	$1,044,913

See notes to condensed consolidated financial statements.

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Compass Diversified Holdings
Condensed Consolidated Statements of Operations
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
(in thousands, except per share data)				
Net sales	$203,140	$265,512	$718,272	$752,854
Cost of sales	141,090	183,040	497,328	516,652
Gross profit	62,050	82,472	220,944	236,202
Operating expenses:				
Selling, general and administrative expense	39,686	42,468	133,939	124,671
Supplemental put expense (reversal)	—	(61,303)	—	(45,995)
Management fees	5,876	4,892	15,634	13,642
Amortization expense	6,768	7,310	21,795	22,384
Impairment expense	—	—	—	900
Operating income	9,720	89,105	49,576	120,600
Other income (expense):				
Interest expense, net	(7,060)	(5,078)	(16,442)	(14,605)
Amortization of debt issuance costs	(545)	(542)	(1,698)	(1,553)
Loss on debt extinguishment	—	—	(2,143)	(1,785)
Gain on deconsolidation of subsidiary (refer to Note B)	264,325	—	264,325	—
Gain (loss) on equity method investment	—	—	—	—
Other income (expense), net	18	(75)	308	(91)
Income before income taxes	266,458	83,410	293,926	102,566
Provision for income taxes	3,928	5,114	11,704	18,688
Net income	262,530	78,296	282,222	83,878
Less: Net income attributable to noncontrolling interest	1,432	4,909	10,746	9,466
Net income attributable to Holdings	$261,098	$73,387	$271,476	$74,412
Basic and fully diluted income per share attributable to Holdings (refer to Note J)	$5.15	$1.50	$5.34	$1.52
Weighted average number of shares of trust stock outstanding – basic and fully diluted	48,300	48,300	48,300	48,300
Cash distributions declared per share (refer to Note J)	$0.36	$0.36	$1.08	$1.08

See notes to condensed consolidated financial statements.

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Compass Diversified Holdings
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
(in thousands)				
Net income	$262,530	$78,296	$282,222	$83,878
Other comprehensive income (loss)				
Foreign currency translation and other	(942)	686	(847)	261
Total comprehensive income, net of tax	$261,588	$78,982	$281,375	$84,139

See notes to condensed consolidated financial statements.

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Compass Diversified Holdings
Condensed Consolidated Statement of Stockholders' Equity
(unaudited)

(in thousands)	Number of Shares	Amount	Accumulated Deficit	Accum. Other Comprehensive Income (Loss)	Stockholders' Equity Attrib. to Holdings	Non-Controlling Interest	Total Stockholders' Equity
Balance — January 1, 2014	48,300	$725,453	$(252,761)	$ 693	$473,385	$ 95,550	$ 568,935
Net income	—	—	271,476	—	271,476	10,746	282,222
Other comprehensive loss – foreign currency translation and other	—	—	—	(847)	(847)	—	(847)
Effect of deconsolidation of FOX	—	—	(359)	—	(359)	(76,928)	(77,287)
Distribution to Allocation Interest Holders	—	—	(11,870)	—	(11,870)		(11,870)
Proceeds received from Clean Earth noncontrolling shareholders	—	—	—	—		2,275	2,275
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	6,893	6,893
Effect of subsidiary stock options exercise	—	—	359	—	359	(359)	—
Distributions paid	—	—	(52,164)	—	(52,164)	—	(52,164)
Balance — September 30, 2014	48,300	$725,453	$(45,319)	$ (154)	$679,980	$ 38,177	$ 718,157

See notes to condensed consolidated financial statements.

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Compass Diversified Holdings
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
(in thousands)	2014	2013
Cash flows from operating activities:		
Net income	$282,222	$83,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	14,089	12,286
Amortization expense	21,795	22,384
Impairment expense	—	900
Amortization of debt issuance costs and original issue discount	2,412	2,489
Loss on debt extinguishment	2,143	1,785
Supplemental put expense (reversal)	—	(45,995)
Unrealized (gain) loss on interest rate swap	2,809	68
Noncontrolling stockholder stock based compensation	3,592	3,367
Net gain on deconsolidation of subsidiary - FOX	(264,325)	—
(Gain) loss on equity method investment	—	—
Excess tax benefit from subsidiary stock options exercised	(1,662)	—
Deferred taxes	(1,944)	(2,121)
Other	361	189
Changes in operating assets and liabilities, net of acquisition:		
Increase in accounts receivable	(13,685)	(28,244)
Decrease (increase) in inventories	17,052	(16,720)
Increase in prepaid expenses and other current assets	(6,008)	(668)
Increase (decrease) in accounts payable and accrued expenses	(12,691)	26,044
Payment of profit allocation	—	(5,603)
Net cash provided by operating activities	46,160	54,039
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(292,223)	—
Purchases of property and equipment	(10,187)	(14,673)
Proceeds from FOX stock offering	65,528	80,913
Proceeds from sale of businesses	517	1,244
Payment of interest rate swap	(1,502)	—
Proceeds from sale leaseback transaction	—	4,372
Other investing activities	(32)	260
Net cash (used in) provided by investing activities	(237,899)	72,116
Cash flows from financing activities:		
Borrowings under credit facility	476,000	117,500
Repayments under credit facility	(307,813)	(89,062)
Distributions paid	(52,164)	(52,164)
Net proceeds provided by noncontrolling shareholders	4,025	36,122
Distributions paid to noncontrolling shareholders	(11,870)	(3,090)
Debt issuance costs	(7,370)	(2,697)
Excess tax benefit from subsidiary stock options exercised	1,662	—
Other	(139)	(103)
Net cash provided by financing activities	102,331	6,506
Foreign currency impact on cash	(552)	261

Net increase (decrease) in cash and cash equivalents	(89,960)	132,922
Cash and cash equivalents — beginning of period	113,229	18,241
Cash and cash equivalents — end of period	$23,269	$151,163

See notes to condensed consolidated financial statements.

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Compass Diversified Holdings
Notes to Condensed Consolidated Financial Statements (unaudited)
September 30, 2014

Note A — Organization and business operations

Compass Diversified Holdings, a Delaware statutory trust ("the Trust"), was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings, LLC, a Delaware limited liability company (the "Company" or "CODI"), was also formed on November 18, 2005 with equity interests which were subsequently reclassified as the "Allocation Interests". The Trust and the Company were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. In accordance with the amended and restated Trust Agreement, dated as of April 25, 2006 (the "Trust Agreement"), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company's amended and restated operating agreement, dated as of April 25, 2006 (as amended and restated, the "LLC Agreement")) of the Company and, pursuant to the LLC Agreement, the Company has, outstanding, the identical number of Trust Interests as the number of outstanding shares of the Trust. The Company is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.

The Company is a controlling owner of eight businesses, or reportable operating segments, at September 30, 2014. The segments are as follows: CamelBak Acquisition Corp. ("CamelBak"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Liberty Safe and Security Products, Inc. ("Liberty Safe" or "Liberty"), Compass AC Holdings, Inc. ("ACI" or "Advanced Circuits"), American Furniture Manufacturing, Inc. ("AFM" or "American Furniture"), AMT Acquisition Corporation ("Arnold" or "Arnold Magnetics"), Clean Earth Holdings, Inc. ("Clean Earth") and Tridien Medical, Inc. ("Tridien"). Refer to Note D for further discussion of the operating segments. The Company also owns a non-controlling interest of approximately 41% in Fox Factory Holding Corp. ("FOX") which is accounted for as an equity method investment.

Compass Group Management LLC, a Delaware limited liability company ("CGM" or the "Manager"), manages the day to day operations of the Company and oversees the management and operations of our businesses pursuant to a management services agreement ("MSA").

Note B — Presentation and principles of consolidation

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2014 and September 30, 2013, are unaudited, and in the opinion of management, contain all adjustments necessary for a fair presentation of the condensed consolidated financial statements. Such adjustments consist solely of normal recurring items. Interim results are not necessarily indicative of results for a full year or any subsequent interim period. The condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Deconsolidation of FOX

On August 13, 2013, the Company's FOX operating segment completed an initial public offering of its common stock pursuant to a registration statement on Form S-1 (the "FOX IPO"). FOX sold 2,857,143 of its shares, and certain of its shareholders, including the Company, sold 7,000,000 shares at an initial offering price of $15.00 per share. FOX trades on the NASDAQ Stock Market under the ticker "FOXF." The Company's ownership interest in FOX was reduced from 75.8% to 53.9% on a primary basis and from 70.6% to 49.8% on a fully diluted basis as a result of the FOX IPO.

On July 10, 2014, FOX used a registration statement on Form S-1 under the Securities Act filed with the Securities and Exchange Commission (the "SEC") for a public offering of its common stock (the "FOX Secondary Offering") held by certain stockholders (the "Selling Stockholders"). The Selling Stockholders sold 5,750,000 shares of FOX common stock in the FOX Secondary Offering, which included an underwriters' option to purchase an additional 750,000 shares, at an offering price of $15.50 per share. CODI sold 4,466,569 shares of FOX common stock, including 633,955 shares sold in connection with the underwriters' exercise of their full option to purchase additional shares of common stock, and received net proceeds from the sale of approximately $65.5 million. As a result of the sale of the shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company's consolidated financial statements effective as of the date of the FOX Secondary Offering.

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Subsequent to the sale of the shares of FOX common stock by the Company, the Company owns approximately 15.1 million shares of FOX common stock, which had a fair value of $234.2 million at July 10, 2014 based on the offering price per share. The Company recognized a gain in the quarter ended September 30, 2014 of approximately $76.2 million related to the shares that were sold in connection with the FOX Secondary Offering, and a gain of approximately $188.0 million related to the Company's retained interest in FOX, for a total gain of approximately $264.3 million.

The Company has elected to account for its investment in FOX at fair value using the equity method beginning on the date the investment became subject to the equity method of accounting. The Company uses the equity method of accounting when it has the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. For equity method investments which the Company has elected to measure at fair value, unrealized gains and losses are reported in the consolidated statement of operations as gain (loss) from equity method investments. The equity method investment in FOX had a fair value of $234.2 million on September 30, 2014 based on the closing price of FOX shares on that date. The closing price for the FOX shares at September 30, 2014 was unchanged from the offering price of FOX shares on July 10, 2014, the date of deconsolidation, which resulted in the Company recognizing no gain or loss on the fair value of the equity method investment for the period ending September 30, 2014 in the condensed consolidated statement of operations.

The following information summarizes FOX's result of operations that are included in the Company's consolidated results of operations for the period from January 1, 2014 through July 10, 2014, the date of deconsolidation, and for the three and nine months ended September 30, 2013 (in thousands):

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net sales	$7,514	$82,293	$149,995	$207,488
Operating income	811	14,774	17,294	30,979
Net income	$524	$9,924	$15,047	$19,195

Seasonality

Earnings of certain of the Company's operating segments are seasonal in nature. Earnings from AFM are typically highest in the months of January through April of each year, coinciding with homeowners' tax refunds. Earnings from Liberty are typically lowest in the second quarter due to lower demand for safes at the onset of summer. Earnings from CamelBak are typically higher in the spring and summer months as this corresponds with warmer weather in the Northern Hemisphere and an increase in hydration related activities.

Consolidation

The condensed consolidated financial statements include the accounts of Holdings and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update intended to provide guidance on the presentation of unrecognized tax benefits, reflecting the manner in which an entity would settle, at the reporting date, any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The accounting standard was effective for the Company on January 1, 2014. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

In March 2013, the FASB issued an accounting standards update intended to provide guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This accounting standard was effective for the Company on January 1, 2014. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

Recently Issued Accounting Pronouncements

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In April 2014, the FASB issued an accounting standard update related to reporting discontinued operations and disclosures of disposals of components of an entity which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and "represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results." The new standard applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The amendment is effective for annual reporting periods beginning after December 15, 2014, which for the Company is January 1, 2015, and interim periods within those annual periods. The adoption of this standard is not expected to change the manner in which the Company currently presents discontinued operations in the consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard. The new standard outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Note C — Acquisitions

Acquisition of Clean Earth Holdings, Inc.

On August 26, 2014, CEHI Acquisition Corp., a subsidiary of the Company, closed on the acquisition of all the issued and outstanding capital stock of Clean Earth Holdings, Inc. pursuant to a stock purchase agreement among CEHI Acquisition Corp., Clean Earth, holders of stock and options in Clean Earth, Littlejohn Fund III, L.P. and the Company, entered into on August 7, 2014.

Headquartered in Hatboro, Pennsylvania, Clean Earth provides environmental services for a variety of contaminated materials including soils, dredge material, hazardous waste and drill cuttings. Clean Earth analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, oil and gas, infrastructure, industrial and dredging. Treatment includes thermal desorption, dredged material stabilization, bioremediation, physical treatment/screening and chemical fixation. Before the company accepts 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 12 permitted facilities in the Eastern U.S. Revenues from the environmental recycling facilities are generally recognized at the time of treatment.

The Company made loans to and purchased a 98% controlling interest in Clean Earth. The purchase price, including proceeds from noncontrolling interest, was approximately $252.9 million (excluding acquisition related costs) and is subject to normal post-closing working capital adjustments. The Company funded its portion of the acquisition through drawings on its 2014 Revolving Credit Facility and cash on hand. Clean Earth management invested in the transaction along with the Company representing an approximate 2% initial noncontrolling interest on a primary and fully diluted basis. The fair value of the noncontrolling interest was determined based on the enterprise value of the acquired entity multiplied by the ratio of the number of shares acquired by the minority holders to total shares. The transaction is accounted for as a business combination. CGM acted as an advisor to the Company in the acquisition and will continue to provide integration services during the first year of the Company's ownership of Clean Earth. CGM will receive integration service fees of approximately $2.5 million which will be payable quarterly as services are rendered beginning on December 31, 2014.

The results of operations of Clean Earth have been included in the consolidated results of operations since the date of acquisition. Clean Earth's results of operations are reported as a separate operating segment. The table below provides the provisional recording of assets acquired and liabilities assumed as of the acquisition date. The amounts recorded for property, plant and equipment, intangible assets and goodwill are preliminary pending finalization of valuation efforts.

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Clean Earth	Amounts Recognized as of Acquisition Date
(in thousands)	
Assets:	
Cash	$3,683
Accounts receivable, net (1)	41,821
Property, plant and equipment (2)	43,737
Intangible assets	134,847
Goodwill	109,334
Other current and noncurrent assets	8,449
Total assets	$341,871
Liabilities and noncontrolling interest:	
Current liabilities	$27,205
Other liabilities	151,158
Deferred tax liabilities	58,827
Noncontrolling interest	2,275
Total liabilities and noncontrolling interest	$239,465
Net assets acquired	$102,406
Noncontrolling interest	2,275
Intercompany loans to business	146,276
	$250,957
Acquisition Consideration	
Purchase price	$243,000
Working capital adjustment	6,209
Cash	3,683
	$252,892
Transaction costs	$1,935

(1) Includes $42.5 million of gross contractual accounts receivable of which $0.6 million was not expected to be collected. The fair value of accounts receivable approximated book value acquired.

(2) Includes $20.9 million of property, plant and equipment basis step-up.

The Company incurred $1.9 million of transaction costs in conjunction with the Clean Earth acquisition for the three and nine months ended September 30, 2014, respectively, which is included in selling, general and administrative expense in the accompanying condensed consolidated statements of income. The goodwill of $109.3 million reflects the strategic fit of Clean Earth into the Company's niche industrial businesses. The goodwill is not expected to be deductible for tax purposes.
The values assigned to the identified intangible assets were determined by discounting the estimated future cash flows associated with these assets to their present value. The intangible assets preliminarily recorded in connection with the Clean Earth acquisition are as follows (in thousands):

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Intangible assets	Amount	Estimated Useful Life
Customer relationships	$25,430	15 years
Permits and Airspace	92,417	Permits -40 years/ Airspace - 16 years
Trade name	17,000	20 years
	$134,847	

Unaudited pro forma information

The following unaudited pro forma data for the nine months ended September 30, 2014 and 2013 gives effect to the acquisition of Clean Earth, as described above, as if the acquisition had been completed as of January 1, 2013. The pro forma data gives effect to historical operating results with adjustments to interest expense, amortization and depreciation expense, management fees and related tax effects. The information is provided for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated on the date indicated, nor is it necessarily indicative of future operating results of the consolidated companies, and should not be construed as representing results for any future period.

	Nine Months Ended September 30,	
(in thousands)	2014	2013
Net sales	834,687	863,195
Operating income	64,615	124,932
Net income	288,433	85,371
Net income attributable to Holdings	277,570	75,859
Basic and fully diluted net income per share attributable to Holdings	5.46	1.55

FOX Acquisition of Sport Truck USA, Inc.

On March 31, 2014, the Company's majority owned subsidiary, FOX, acquired certain assets and assumed certain liabilities of Sport Truck USA, Inc. ("Sport Truck") a privately held global distributor, primarily of its own branded aftermarket suspension solutions and a reseller of FOX products. The transaction was accounted for as a business combination. FOX paid cash consideration of approximately $40.8 million, which is subject to certain working capital adjustments in accordance with the asset purchase agreement. The purchase price of Sport Truck was allocated to the assets acquired and liabilities assumed based on their estimated respective fair values as of March 31, 2014 with the excess purchase price allocated to goodwill.

Sport Truck	Amounts Recognized as of Acquisition Date
Acquisition Consideration	
(in thousands)	
Cash	$40,770
Settlement of pre-existing accounts	473
Contingent consideration	19,035
Total consideration at closing	$60,278

The net assets acquired in the Sport Truck acquisition were included in the balance of FOX that were deconsolidated as a result of the Company's ownership interest in FOX falling to 41% on July 10, 2014.

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Note D — Operating segment data

At September 30, 2014, the Company had eight reportable operating segments. Each operating segment represents a platform acquisition. The Company's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. A description of each of the reportable segments and the types of products and services from which each segment derives its revenues is as follows:

- CamelBak is a diversified hydration and personal protection platform, offering products for outdoor, recreation and military applications. CamelBak offers a broad range of recreational / military hydration packs, reusable water bottles, specialized military gloves and performance accessories. Through its global distribution network, CamelBak products are available in more than 65 countries worldwide. CamelBak is headquartered in Petaluma, California.

- Ergobaby is a premier designer, marketer and distributor of wearable baby carriers and related baby wearing products, as well as infant travel systems (strollers, car seats and accessories). Ergobaby offers a broad range of wearable baby carriers, infant travel systems and related products that are sold through more than 450 retailers and web shops in the United States and throughout the world. Ergobaby has two main product lines: baby carriers (baby carriers and accessories) and infant travel systems (strollers, car seats and accessories). Ergobaby is headquartered in Los Angeles, California.

- Liberty Safe is a designer, manufacturer and marketer of premium home and gun safes in North America. From it's over 204,000 square foot manufacturing facility, Liberty produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles. Liberty is headquartered in Payson, Utah.

- Advanced Circuits, an electronic components manufacturing company, is a provider of prototype, quick-turn and volume production rigid printed circuit boards. ACI manufactures and delivers custom printed circuit boards to customers primarily in North America. ACI is headquartered in Aurora, Colorado.

- American Furniture is a low cost manufacturer of upholstered furniture sold to major and mid-sized retailers. American Furniture operates in the promotional-to-moderate priced upholstered segment of the furniture industry, which is characterized by affordable prices, fresh designs and fast delivery to the retailers. American Furniture was founded in 1998 and focuses on 3 product categories: (i) stationary, (ii) motion (reclining sofas/loveseats) and (iii) recliners. AFM is headquartered in Ecru, Mississippi and its products are sold in the United States.

- Arnold Magnetics is a leading global manufacturer of engineered magnetic solutions for a wide range of specialty applications and end-markets, including energy, medical, aerospace and defense, consumer electronics, general industrial and automotive. Arnold Magnetics produces high performance permanent magnets (PMAG), flexible magnets (FlexMag) and precision foil products (Precision Thin Metals) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 clients worldwide. Arnold Magnetics is headquartered in Rochester, New York.

- Clean Earth provides environmental services for a variety of contaminated materials including soils, dredge material, hazardous waste and drill cuttings. Clean Earth analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, oil and gas, infrastructure, industrial and dredging. Clean Earth is headquartered in Hatboro, Pennsylvania and operates 12 facilities in the eastern United States.

- Tridien is a leading designer and manufacturer of powered and non-powered medical therapeutic support surfaces and patient positioning devices serving the acute care, long-term care and home health care markets. Tridien is headquartered in Coral Springs, Florida and its products are sold primarily in North America.

Equity Method Investment

FOX is a designer, manufacturer and marketer of high-performance suspension products used primarily on mountain bikes, side-by-side vehicles, on-road vehicles with off-road capabilities, off-road vehicles and trucks, all-terrain vehicles, or ATVs, snowmobiles, specialty vehicles and applications, and motorcycles. FOX's products offer innovative design, performance, durability and reliability that enhance ride dynamics by improving performance and control. FOX is headquartered in Scotts Valley, CA. As a result of the sale of the shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment from the Company's consolidated financial statements effective July 10, 2014. The Company's investment in FOX is accounted for using the equity method effective July 10, 2014, and the results of operations for FOX for the three and nine months ended September 30, 2014 reflect the results of FOX from the beginning of the period through July 10, 2014.

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The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The results of operations of each of the operating segments are included in consolidated operating results as of their date of acquisition.

Segment profit is determined based on internal performance measures used by the Chief Executive Officer to assess the performance of each business. Segment profit excludes certain charges from the acquisitions of the Company’s initial businesses not pushed down to the segments which are reflected in the Corporate and other line item. There were no significant inter-segment transactions.

A disaggregation of the Company’s consolidated revenue and other financial data for the three and nine months ended September 30, 2014 and 2013 is presented below (in thousands):

Net sales of operating segments	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
CamelBak	$33,496	$34,661	$113,145	$111,927
Ergobaby	22,429	16,946	61,468	49,573
FOX	7,514	82,293	149,995	207,488
Liberty	19,916	35,242	67,768	96,828
ACI	22,027	22,022	64,175	66,453
American Furniture	28,351	26,277	95,842	79,318
Arnold Magnetics	31,456	32,381	94,902	95,405
Clean Earth	20,318	—	20,318	—
Tridien	17,633	15,690	50,659	45,862
Total	203,140	265,512	718,272	752,854
Reconciliation of segment revenues to consolidated revenues:				
Corporate and other	—	—	—	—
Total consolidated revenues	$203,140	$265,512	$718,272	$752,854

International Revenues	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
CamelBak	$6,496	$6,377	$25,512	$22,189
Ergobaby	13,319	10,727	35,013	28,408
FOX	—	55,288	79,306	135,129
Arnold Magnetics	14,415	14,971	44,003	45,116
	$34,230	$87,363	$183,834	$230,842

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Profit (loss) of operating segments (1)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
CamelBak	$2,833	$3,490	$14,517	$16,316
Ergobaby	4,881	3,051	13,439	9,015
FOX	811	14,774	17,294	30,979
Liberty	(1,692)	4,224	(2,229)	10,400
ACI	5,826	5,673	16,407	17,903
American Furniture	401	(166)	2,538	186
Arnold Magnetics	2,146	2,704	6,206	7,473
Clean Earth	1,029	—	1,029	—
Tridien	574	577	1,732	1,168
Total	16,809	34,327	70,933	93,440
Reconciliation of segment profit to consolidated income from continuing operations before income taxes:				
Interest expense, net	(7,060)	(5,078)	(16,442)	(14,605)
Other income (loss), net	18	(75)	308	(91)
Corporate and other (2)	256,691	54,236	239,127	23,822
Total consolidated income from continuing operations before income taxes	$266,458	$83,410	$293,926	$102,566

(1) Segment profit (loss) represents operating income (loss).

(2) Primarily relates to gain on deconsolidation of FOX in 2014, fair value adjustments related to the supplemental put liability during 2013, as well as management fees expensed and payable to CGM and corporate overhead expenses during 2014 and 2013.

Accounts receivable	September 30, 2014	December 31, 2013
CamelBak	$18,891	$18,054
Ergobaby	10,097	8,626
FOX (1)	—	34,197
Liberty	11,786	13,029
ACI	6,012	5,542
American Furniture	13,219	11,502
Arnold Magnetics	19,203	16,922
Clean Earth	45,837	—
Tridien	7,995	7,288
Total	133,040	115,160
Reconciliation of segment to consolidated totals:		
Corporate and other	—	—
Total	133,040	115,160
Allowance for doubtful accounts	(4,382)	(3,424)
Total consolidated net accounts receivable	$128,658	$111,736

(1) As a result of the sale of shares by the Company in the FOX Secondary Offering, the Company’s ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company’s consolidated financial statements effective July 10, 2014.

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	Goodwill Sept. 30,	Goodwill Dec. 31,	Identifiable Assets Sept. 30,	Identifiable Assets Dec. 31,	Depreciation and Amortization Expense Three months ended September 30,		Depreciation and Amortization Expense Nine months ended September 30,	
	2014	2013	2014 (1)	2013 (1)	2014	2013	2014	2013
Goodwill and identifiable assets of operating segments								
CamelBak	$5,546	$5,546	$204,601	$218,081	$3,353	$3,269	$10,202	$9,708
Ergobaby	41,664	41,664	65,544	65,838	950	918	2,867	2,734
FOX (2)	—	31,924	—	93,700	252	1,944	4,785	5,757
Liberty	32,828	32,684	39,055	49,247	1,582	1,470	4,663	4,690
ACI	57,615	57,615	19,139	22,044	1,278	1,250	3,836	3,658
American Furniture	—	—	30,407	32,851	52	48	152	137
Arnold Magnetics	51,767	51,767	82,064	87,921	2,152	2,016	6,363	6,075
Clean Earth	109,334	—	188,850	—	1,116	—	1,116	—
Tridien	16,762	16,762	14,513	15,324	604	542	1,900	1,666
Total	315,516	237,962	644,173	585,006	11,339	11,457	35,884	34,425
Reconciliation of segment to consolidated total:								
Corporate and other identifiable assets (2)	—	—	247,866	101,560	—	89	—	245
Amortization of debt issuance costs and original issue discount	—	—	—	—	713	823	2,412	2,489
Goodwill carried at Corporate level (3)	8,649	8,649	—	—	—	—	—	—
Total	$324,165	$246,611	$892,039	$686,566	$12,052	$12,369	$38,296	$37,159

(1) Does not include accounts receivable balances per schedule above.

(2) As a result of the sale of shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company's consolidated financial statements effective July 10, 2014. The 41% ownership interest in FOX is accounted for as an equity method investment as of the date of deconsolidation and is included in the balance at Corporate as of September 30, 2014.

(3) Represents goodwill resulting from purchase accounting adjustments not "pushed down" to the segments. This amount is allocated back to the respective segments for purposes of goodwill impairment testing.

Note E — Property, plant and equipment and inventory

Property, plant and equipment

Property, plant and equipment is comprised of the following at September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Machinery and equipment	$114,796	$90,717
Office furniture, computers and software	10,151	11,385
Leasehold improvements	8,268	15,354
Buildings and land	13,386	425

	146,601	117,881
Less: accumulated depreciation	(53,582)	(49,822)
Total (1)	$93,019	$68,059

(1) The increase in the property, plant and equipment at September 30, 2014 is due to the acquisition of Clean Earth on August 26, 2014 - refer to Note C.

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Depreciation expense was $4.6 million and $14.1 million for the three and nine months ended September 30, 2014, respectively, and $4.2 million and $12.3 million for the three and nine months ended September 30, 2013, respectively.

Inventory

Inventory is comprised of the following at September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Raw materials and supplies	$41,554	$74,325
Work-in-process	13,207	13,579
Finished goods	48,604	73,664
Less: obsolescence reserve	(7,575)	(8,620)
Total	$95,790	$152,948

Note F — Goodwill and other intangible assets

Goodwill represents the difference between purchase cost and the fair value of net assets acquired in business acquisitions. Indefinite lived intangible assets, representing trademarks and trade names, are not amortized unless their useful life is determined to be finite. Long-lived intangible assets are subject to amortization using the straight-line method. Goodwill and indefinite lived intangible assets are tested for impairment annually as of March 31st and more often if a triggering event occurs, by comparing the fair value of each reporting unit to its carrying value. Each of the Company’s businesses represents a reporting unit, except Arnold, which comprises three reporting units.

2014 Annual goodwill impairment testing

At March 31, 2014, the Company elected to use the qualitative assessment alternative to test goodwill for impairment for each of the reporting units that maintain a goodwill carrying value. The Company determined that two of Arnold’s three reporting units required further quantitative testing (Step 1) since the Company could not conclude that the fair value of Arnold’s reporting units exceeded their carrying values based solely on qualitative factors. Results of the quantitative analysis indicated that the fair value of these reporting units exceeds their carrying value.

2013 Interim goodwill impairment testing

At December 31, 2013, the Company performed an interim impairment analysis at the Tridien operating segment as a result of continuing revenue decreases and a 2014 forecast that indicated little to no growth. The result of the interim impairment analysis (Step 1) indicated that goodwill was impaired as of December 31, 2013. The completion of Step 2 resulted in a write down of goodwill of $11.5 million and intangible assets of $0.5 million as of December 31, 2013. A reconciliation of the change in the carrying value of goodwill for the nine months ended September 30, 2014 and the year ended December 31, 2013, is as follows (in thousands):

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	Nine months ended September 30, 2014	Year ended December 31, 2013
Beginning balance:		
Goodwill	$299,514	$298,962
Accumulated impairment losses	(52,903)	(41,435)
	246,611	257,527
Impairment losses	—	(11,468)
Acquisition of businesses (1)	121,441	552
Deconsolidation of subsidiary (2)	(43,887)	—
Total adjustments	77,554	(10,916)
Ending balance:		
Goodwill	377,068	299,514
Accumulated impairment losses	(52,903)	(52,903)
	$324,165	$246,611

(1) Acquisition of businesses relates to the acquisition of Clean Earth in August 2014 and the add-on acquisition of Sport Truck by FOX in March 2014. The $12.0 million of goodwill from the Sport Truck acquisition is included in the amount of $43.9 million that was deconsolidated during the nine months ended September 30, 2014.

(2) As a result of the sale of the shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company's consolidated financial statements effective July 10, 2014.

Other intangible assets

2014 Annual indefinite lived impairment testing

At March 31, 2014, the Company elected to use the qualitative assessment alternative to test indefinite lived intangible assets for impairment for each of the reporting units that maintain indefinite lived intangible assets. Results of the qualitative analysis indicate that the carrying value of the Company's indefinite-lived intangible assets did not exceed their fair value.

Other intangible assets are comprised of the following at September 30, 2014 and December 31, 2013 (in thousands):

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	September 30, 2014	December 31, 2013	Weighted Average Useful Lives
Customer relationships	$205,940	$192,387	11
Technology and patents	56,696	89,443	8
Trade names, subject to amortization	24,722	7,595	17
Licensing and non-compete agreements	7,768	7,736	5
Permits and airspace	92,417	—	39
Distributor relations and other	606	606	5
	388,149	297,767	
Accumulated amortization:			
Customer relationships	(69,855)	(64,752)	
Technology and patents	(25,299)	(44,703)	
Trade names, subject to amortization	(2,654)	(1,895)	
Licensing and non-compete agreements	(7,373)	(6,798)	
Permits and airspace	(350)	—	
Distributor relations and other	(606)	(606)	
Total accumulated amortization	(106,137)	(118,754)	
Trade names, not subject to amortization	117,947	131,346	
Total intangibles, net	$399,959	$310,359	

Amortization expense related to intangible assets was $6.8 million and $21.8 million for the three and nine months ended September 30, 2014, respectively, and $7.3 million and $22.4 million for the three and nine months ended September 30, 2013, respectively. Estimated charges to amortization expense of intangible assets over the next five years, is as follows, (in thousands):

October 1, 2014 through Dec. 31, 2014	$6,961
2015	24,216
2016	21,419
2017	18,484
2018	17,563
	$88,643

Note G — Debt

2011 Credit Agreement

On October 27, 2011, the Company entered into the 2011 Credit Facility with a group of lenders led by TD Securities for a $515 million credit facility, with an optional $135 million increase (the "2011 Credit Facility"). The 2011 Credit Facility provided for (i) a revolving line of credit of $290 million which was subsequently increased to $320 million (the "2011 Revolving Credit Facility"), and (ii) a $225 million term loan which was subsequently increased to $279 million (the "2011 Term Loan Facility"). The 2011 Term Loan Facility was issued at an original issuance discount of 96%. Amounts borrowed under the 2011 Revolving Credit Facility bore interest based on a leverage ratio defined in the credit agreement at either LIBOR plus a margin ranging from 2.50% to 3.50%, or base rate plus a margin ranging from 1.50% to 2.50%. Amounts outstanding under the 2011 Term Loan Facility bore interest at LIBOR plus 4.00% with a LIBOR floor of 1.00%, or base rate plus a margin ranging from 1.50% to 2.50%. The 2011 Revolving Credit Facility was set to mature in October 2016, and the 2011 Term Loan Facility required quarterly payments of approximately $0.71 million, with the final payment of all remaining outstanding principle and interest due in October 2017. The Company was required to pay commitment fees of 1% per annum of the unused portion of the 2011 Revolving Credit Facility. The 2011 Credit Facility was terminated in June 2014.

2014 Credit Agreement

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On June 6, 2014, the Company obtained a $725 million credit facility from a group of lenders (the “2014 Credit Facility”) led by Bank of America N.A. as Administrative Agent. The 2014 Credit Facility provides for (i) a revolving credit facility of $400 million (the “2014 Revolving Credit Facility”) and (ii) a $325 million term loan (the “2014 Term Loan Facility”). The 2014 Credit Facility permits the Company to increase the 2014 Revolving Credit Facility commitment and/ or obtain additional term loans in an aggregate of up to $200 million. The 2014 Credit Agreement is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its consolidated subsidiaries.

2014 Revolving Credit Facility

The 2014 Revolving Credit Facility will become due in June 2019. The Company can borrow, prepay and reborrow principal under the 2014 Revolving Credit Facility from time to time during its term. Advances under the 2014 Revolving Credit Facility can be either LIBOR rate loans or base rate loans. LIBOR rate revolving loans bear interest at a rate per annum equal to the London Interbank Offered Rate (the “LIBOR Rate”) plus a margin ranging from 2.00% to 2.75% based on the ratio of consolidated net indebtedness to adjusted consolidated earnings before interest expense, tax expense and depreciation and amortization expenses (the “Consolidated Leverage Ratio”). Base rate revolving loans bear interest at a fluctuating rate per annum equal to the greatest of (i) the prime rate of interest, or (ii) the Federal Funds Rate plus 0.5% (the “Base Rate”), plus a margin ranging from 1.00% to 1.75% based upon the Consolidated Leverage Ratio.

2014 Term Loan Facility

The 2014 Term Loan Facility expires in June 2021 and requires quarterly payments of approximately $0.81 million that commenced September 30, 2014, with a final payment of all remaining principal and interest due on June 6, 2021. The 2014 Term Loan Facility was issued at an original issue discount of 99.5% of par value and bears interest at either the applicable LIBOR Rate plus 3.25% per annum, or Base Rate plus 2.25% per annum. The LIBOR Rate applicable to both base rate loans and LIBOR rate loans shall in no event be less than 1.00% at any time.

Use of Proceeds
The proceeds of the 2014 Term Loan Facility and advances under the 2014 Revolving Credit Facility were/will be used to (i) refinance existing indebtedness of the Company, (ii) pay fees and expense, (iii) fund acquisitions of additional businesses, (iv) fund working capital needs and (v) to fund permitted distributions. The Company used approximately $290.0 million of the 2014 Term Loan Facility proceeds to pay all amounts outstanding under the 2011 Credit Agreement and to pay the closing costs. In addition, approximately $1.2 million of the 2014 Revolving Credit Facility commitment was utilized in connection with the issuance of letters of credit.

Other

The 2014 Credit Facility provides for sub-facilities under the 2014 Revolving Credit Facility pursuant to which an aggregate amount of up to $100.0 million in letters of credit may be issued, as well as swing line loans of up to $25.0 million outstanding at one time. The issuance of such letters of credit and the making of any swing line loan reduces the amount available under the 2014 Revolving Credit Facility. The Company will pay (i) commitment fees on the unused portion of the 2014 Revolving Credit Facility ranging from 0.45% to 0.60% per annum based on its Consolidated Leverage Ratio, (ii) quarterly letter of credit fees, and (iii) administrative and agency fees.

Debt Issuance Costs

In connection with entering into the 2014 Credit Facility in which the loan syndication consisted of previous members of the syndication under the 2011 Credit Facility who either maintained or increased their position as well as new syndication members, the debt issuance costs associated with the 2011 Credit Facility and the 2014 Credit Facility have been classified as either debt modification costs which have been capitalized and will be amortized over the term of the 2014 Credit Facility, or debt extinguishment costs which have been recorded as an expense in the accompanying condensed consolidated statement of operations. The Company paid debt issuance costs of $7.3 million in connection with the 2014 Credit Facility (of which $0.2 million was expensed as debt modification and extinguishment costs and $7.1 million is being amortized over the term of the related debt in the 2014 Credit Facility) and recorded additional debt modification and extinguishment costs of $2.1 million to write-off previously capitalized debt issuance costs.

Availability under the 2014 Revolving Credit Facility was approximately $308.6 million at September 30, 2014. Letters of credit outstanding at September 30, 2014 totaled approximately $3.4 million. At September 30, 2014, the Company was in compliance with all covenants in the 2014 Credit Agreement.

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The following table provides the Company's debt holdings at September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Revolving Credit Facility	$88,000	$—
FOX Revolving Credit Facility [(1)]	—	8,000
FOX Term Loan [(1)]	—	—
Term Loan	324,188	279,750
Original issue discount	(4,471)	(4,511)
Total debt	$407,717	$283,239
Less: Current portion, term loan facilities	(3,250)	(2,850)
Long term debt	$404,467	$280,389

(1) As a result of the sale of the shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company's consolidated financial statements effective as of July 10, 2014.

Note H — Derivative instruments and hedging activities

On September 16, 2014, the Company purchased an interest rate swap ("New Swap") with a notional amount of $220 million effective April 1, 2016 through June 6, 2021. The agreement requires the Company to pay interest on the notional amount at the rate of 2.97% in exchange for the three-month LIBOR rate. At September 30, 2014, this Swap had a fair value loss of $2.5 million, principally reflecting the present value of future payments and receipts under the agreement and is reflected as a component of other non-current liabilities.

On October 31, 2011, the Company purchased a three-year interest rate swap (the "Swap") with a notional amount of $200 million effective January 1, 2014 through March 31, 2016. The agreement requires the Company to pay interest on the notional amount at the rate of 2.49% in exchange for the 3-month LIBOR rate, with a floor of 1.5%. At September 30, 2014, the Swap had a fair value loss of $2.9 million.

At September 30, 2014, the Company's interest rate swaps had a fair value loss of $5.4 million. The fair value is reflected in other current liabilities of $2.0 million and other non-current liabilities of $3.4 million with its periodic mark-to-market value reflected as a component of interest expense.

The Company did not elect hedge accounting for the above derivative transactions and as a result, periodic mark-to-market changes in fair value are reflected as a component of interest expense in the consolidated statement of operations.

Note I — Fair value measurement

The following table provides the assets and liabilities carried at fair value measured on a recurring basis at September 30, 2014 and December 31, 2013 (in thousands):

	Fair Value Measurements at September 30, 2014			
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
Equity method investment - FOX	234,185	234,185	—	—
Liabilities:				
Call option of noncontrolling shareholder [(1)]	$(25)	$—	$—	$(25)
Put option of noncontrolling shareholders [(2)]	(50)	—	—	(50)
Interest rate swaps	(5,421)	—	(5,421)	—

Total recorded at fair value	$228,689	$234,185	$(5,421)	$(75)

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(1) Represents a noncontrolling shareholder's call option to purchase additional common stock in Tridien.
(2) Represents put options issued to noncontrolling shareholders in connection with the Liberty acquisition.

	Fair Value Measurements at December 31, 2013			
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
Interest rate cap	$—	$—	$—	$—
Liabilities:				
Call option of noncontrolling shareholder (1)	(25)	—	—	(25)
Put option of noncontrolling shareholders (2)	(50)	—	—	(50)
Interest rate swap	(4,126)	—	(4,126)	—
Total recorded at fair value	$(4,201)	$—	$(4,126)	$(75)

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2014 through September 30, 2014 and from January 1, 2013 through September 30, 2013 are as follows (in thousands):

	2014	2013
Balance at January 1	$(75)	$(51,673)
Supplemental put expense (1)	—	(6,396)
Contingent consideration - Sport Truck	(19,035)	—
Balance at March 31	$(19,110)	$(58,069)
Supplemental put expense (1)	—	(8,912)
Payment of supplemental put liability	—	5,603
Balance at June 30	$(19,110)	$(61,378)
Supplemental put termination (1)	—	61,303
Effect of deconsolidation of FOX (2)	19,035	$—
Balance at September 30	$(75)	$(75)

(1) As a result of the termination of a supplemental put agreement (the "Supplemental Put Agreement") on July 1, 2013, the Company has derecognized the supplemental put liability.

(2) As a result of the sale of the shares by the Company in the FOX Secondary Offering, the Company's ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company's consolidated financial statements effective July 10, 2014.

Valuation Techniques

The equity method investment in FOX is measured at fair value using the closing price of FOX's shares on the NASDAQ stock exchange as of the last business day in the reporting period. Since the FOX shares are traded on a public stock exchange, the fair value measurement is categorized as Level I. The Company has not changed its valuation techniques in measuring the fair value of any of its other financial assets and liabilities during the period. For details of the Company's fair value measurement policies under the fair value hierarchy, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

2014 Term Loan

At September 30, 2014, the carrying value of the principal under the Company's outstanding 2014 Term Loan, including the current portion, was $324.2 million, which approximates fair value because it has a variable interest rate that reflects market changes in interest rates and changes in the Company's net leverage ratio. The estimated fair value of the outstanding 2014 Term Loan is based on quoted market prices for similar debt issues and is, therefore, classified as Level 2 in the fair value hierarchy.

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Note J — Stockholders' equity

Trust Shares

The Trust is authorized to issue 500,000,000 Trust shares and the Company is authorized to issue a corresponding number of LLC interests. The Company will at all times have the identical number of LLC interests outstanding as Trust shares. Each Trust share represents an undivided beneficial interest in the Trust, and each Trust share is entitled to one vote per share on any matter with respect to which members of the Company are entitled to vote.

Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders") are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses ("Sale Event") or, at the option of the Holders, at each five year anniversary date of the acquisition of one of the Company's businesses ("Holding Event"). The Manager, as the original holder of the Allocation Interests, previously had the right to cause the Company to purchase the Allocation Interests upon termination of the MSA in accordance with a Supplemental Put Agreement. On July 1, 2013, the Company and the Manager amended the MSA to provide for certain modifications related to the Manager's registration as an investment advisor under the Investment Advisor's Act of 1940, as amended (the "Advisor's Act"). In connection with the amendment resulting from the Managers' registration as an investment advisor under the Advisor's Act, the Company and the Manager agreed to terminate the Supplemental Put Agreement. The Company historically recorded the obligation associated with the Supplemental Put agreement as a liability that represented the amount the Company would have to pay to physically settle the purchase of the Allocation Interests upon termination of the MSA. As a result of the termination of the Supplemental Put Agreement, the Company currently records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders' equity when they are approved by the Company's board of directors.

The FOX Secondary Offering in July 2014 is considered a Sale Event and the Company's board of directors approved and declared in September 2014 a profit allocation payment totaling $11.9 million that was made to Holders on September 30, 2014.

Earnings per share

Prior to the termination of the Supplemental Put Agreement, basic and diluted earnings per share attributable to Holdings were calculated on a weighted average basis. Since the termination of the Supplemental Put Agreement, basic and diluted earnings per share is calculated using the two-class method which requires the Company to allocate participating securities that have rights to earnings that otherwise would have been available only to Trust shareholders as a separate class of securities in calculating earnings per share. The Allocation Interests are considered participating securities that contain participating rights to receive profit allocations upon the occurrence of a Holding Event or Sale Event. The calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2014 reflects the incremental increase during the period in the profit allocation distribution to Holders related to Holding Events and the FOX Sale Event. The calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2013 reflects the incremental increase in the profit allocation distribution to Holders related to Holding Events from July 1, 2013, the date of the termination of the Supplemental Put Agreement, through September 30, 2013.

Basic and diluted earnings per share for the three and nine months ended September 30, 2014 is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income attributable to Holdings	$261,098	$73,387	$271,476	$74,412
Less: Profit Allocation paid to Holders	11,870	—	11,870	—
Less: Effect of contribution based profit - Holding Event	649	1,057	1,757	1,057

Net income from Holdings attributable to Trust shares	$248,579	$72,330	$257,849	$73,355
Basic and diluted weighted average shares outstanding	48,300	48,300	48,300	48,300
Net income per share - basic and fully diluted	$5.15	$1.50	$5.34	$1.52

Distributions

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- On January 30, 2014, the Company paid a distribution of $0.36 per share to holders of record as of January 23, 2014. This distribution was declared on January 9, 2014.
- On April 30, 2014, the Company paid a distribution of $0.36 per share to holders of record as of April 23, 2014. This distribution was declared on April 10, 2014.
- On July 30, 2014, the Company paid a distribution of $0.36 per share to holders of record as of July 23, 2014. This distribution was declared on July 10, 2014.
- On October 30, 2014, the Company paid a distribution of $0.36 per share to holders of record as of October 23, 2014. This distribution was declared on October 7, 2014.

Note K — Warranties

The Company’s CamelBak, Ergobaby, FOX, Liberty and Tridien operating segments estimate their exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. A reconciliation of the change in the carrying value of the Company’s warranty liability for the nine months ended September 30, 2014 and the year ended December 31, 2013 is as follows (in thousands):

	Nine Months Ended September 30, 2014