UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
Amendment No. 1

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 12, 2022

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

Delaware	001-34927	57-6218917
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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)	(Commission File Number)	(I.R.S. Employer Identification No.)

301 Riverside Avenue, Second Floor, Westport, CT 06880
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (203) 221-1703

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Shares representing beneficial interests in Compass Diversified Holdings	CODI	New York Stock Exchange
Series A Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR A	New York Stock Exchange
Series B Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR B	New York Stock Exchange
Series C Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR C	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Explanatory Note

As previously disclosed, on July 12, 2022, Compass Group Diversified Holdings LLC (the "Company") and Compass Diversified Holdings ("Holdings," and together with the Company, collectively “CODI”, “us” or “we”) through its indirect subsidiary, Relentless Intermediate, Inc. ("Buyer"), acquired PrimaLoft Technologies Holdings, Inc. (“PrimaLoft”) pursuant to a Stock Purchase Agreement (the “Purchase Agreement”), dated June 4, 2022, by and between Buyer and VP PrimaLoft Holdings, LLC ("Seller"). This Current Report on Form 8-K/A (the "Amended Report") updates the Current Report on Form 8-K filed by CODI on July 13, 2022 (the "Original Report") to include the audited consolidated financial statements of PrimaLoft and the unaudited pro forma financial information of CODI in accordance with Item 9.01 of Form 8-K. No other amendments to the Original Report are being made by the Amended Report.

Section 9 Financial Statements and Exhibits
Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of PrimaLoft for the fiscal year ended December 31, 2021 are attached hereto as Exhibit 99.1 and are incorporated by reference into this Item 9.01(a) and made a part hereof.

The unaudited condensed consolidated interim financial statements of PrimaLoft for the six months ended June 30, 2022 and 2021 are attached hereto as Exhibit 99.2 and are incorporated by reference into this Item 9.01(a) and made a part thereof.

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information of CODI is attached hereto as Exhibit 99.3 and is incorporated by reference into this Item 9.01(b) and made a part hereof: (i) unaudited condensed combined pro forma balance sheet at June 30, 2022 and notes thereto, and (ii) unaudited condensed combined pro forma statements of operations for the fiscal year ended December 31, 2021 and the six months ended June 30, 2022 and notes thereto.
(d) Exhibits.

23.1	Consent of RSM US LLP
99.1	Audited consolidated financial statements of PrimaLoft as of and for the year ended December 31, 2021
99.2	Unaudited interim condensed consolidated financial statements of PrimaLoft as of and for the six months ended June 30, 2022 and 2021
99.3	Unaudited Pro Forma condensed combined Balance Sheet of Compass Diversified Holdings at June 30, 2022 and notes thereto, and unaudited Pro Forma condensed combined Statements of Operations for the year ended December 31, 2021 and the six months ended June 30, 2022, and notes thereto
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 26, 2022

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham
Regular Trustee

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 26, 2022

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham
Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statements (No. 333-259374 and 333-147217) on Form S-3 of Compass Diversified Holdings of our report dated September 22, 2022, relating to the consolidated financial statements of PrimaLoft Technologies Holdings, Inc., appearing in this Current Report on Form 8-K/A.

/s/ RSM US LLP

New York, New York
September 26, 2022

Exhibit 99.1

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2021

Contents

Independent Auditors Report

Board of Directors
PrimaLoft Technologies Holdings, Inc.

Opinion

We have audited the consolidated financial statements of PrimaLoft Technologies Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of income, changes in stockholder's (deficit) equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ RSM US LLP

New York, New York
September 22, 2022

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2021 and 2020
(In Thousands, Except Share-Related Amounts)

	2021	2020
Assets		
Current assets:		
Cash	**$ 6,946**	$ 4,167
Accounts receivable, net of allowance f or doubtful accounts of $66 and $65, respectively	**1,909**	1,752
Other receivables	**427**	175
Inventories	**1,328**	1,086
Prepaid expenses and other current assets	**3,214**	1,757
Total current assets	**13,824**	8,937
Property and equipment, net	**696**	700
Intangible assets, net	**43,441**	48,089
Goodwill	**61,872**	61,872
Other assets	**113**	150
Total assets	**$ 119,946**	$ 119,748
Liabilities and Stockholder's (Deficit) Equity		
Current liabilities:		
Line of credit	**$ 5,500**	$ —
Current maturities of long-term debt	**470**	676
Accounts payable and accrued expenses	**10,179**	3,580
Total current liabilities	**16,149**	4,256
Long-term liabilities:		
Long-term debt, less current portion	**100,030**	65,319
Deferred income taxes	**7,944**	8,263
Total liabilities	**124,123**	77,838
Commitments and contingencies		
Stockholder's equity:		
Common stock, $.01 par value; 3,000 shares authorized, issued and outstanding	**$ —**	$ —
Additional paid-in-capital	**59,028**	58,426
Accumulated deficit	**(63,205)**	(16,516)
Total stockholder’s equity	**(4,177)**	41,910
Total liabilities and stockholder’s equity	**$ 119,946**	$ 119,748

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Net sales	**$ 65,882**	$ 49,113
Cost of goods sold	**25,729**	21,230
Gross profit	**40,153**	27,883
Selling, general and administrative expenses	**21,456**	19,304
Income from operations	**18,697**	8,579
Interest expense	**4,534**	4,460
Income before income taxes	**14,163**	4,119
Income tax expense	**2,310**	454
Net income	**$ 11,853**	$ 3,665

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholder’s (Deficit) Equity
Years Ended December 31, 2021 and 2020
(In Thousands, Except Share—Related Amounts)

	Common Stock		Additional Paid-In Capital	Accumulated (Deficit)	Total Stockholder’s (Deficit) Equity
	Units	Amount			
Balance, December 31, 2019	3,000	$ —	$ 58,012	$ (20,181)	$ 37,831
Equity-based compensation expense	—	—	414	—	414
Net income	—	—	—	3,665	3,665
Balance, December 31, 2020	3,000	$ —	$ 58,426	$ (16,516)	$ 41,910
Dividends	—	—	—	(58,542)	(58,542)
Equity-based compensation expense	—	—	602	—	602
Net income	—	—	—	11,853	11,853
Balance, December 31, 2021	**3,000**	**$ —**	**$ 59,028**	**$ (63,205)**	**$ (4,177)**

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Net income	**$ 11,853**	$ 3,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**4,910**	4,893
Deferred financing amortization	**387**	251
Allowance for bad debt expense	**1**	—
Deferred income taxes	**(319)**	1
Equity-based compensation expense	**602**	414
Changes in assets and liabilities affecting operating cash flows:		
Accounts receivable	**(158)**	(509)
Other receivables	**(252)**	19
Inventories	**(242)**	724
Prepaid expenses and other current assets	**(1,456)**	638
Other assets	**—**	13
Accounts payable and accrued expenses	**6,599**	(3,334)
Net cash provided by operating activities	**21,925**	6,775
Cash flows from investing activities:		
Capital expenditures	**(258)**	(118)
Net cash used in investing activities	**(258)**	(118)
Cash flows from financing activities:		
Proceeds from term loan—credit agreement	**47,000**	—
Repayments of term loan—credit agreement	**(12,185)**	(4,210)
Net proceeds on revolving line of credit	**5,500**	(1,500)
Dividends	**(58,542)**	—
Deferred financing costs	**(661)**	—
Net cash used in financing activities	**(18,888)**	(5,710)
Net increase in cash	**2,779**	947
Cash		
Beginning	**4,167**	3,220
Ending	**$ 6,946**	$ 4,167
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 4,122**	$ 4,288
Taxes	**$ 3,306**	$ 346

See notes to consolidated financial statements.

Note 1. Organization and Nature of Operations

PrimaLoft Technologies Holdings, Inc (Technologies) owns PrimaLoft, Inc. (PLI) (Technologies and PLI, including all foreign subsidiaries, are collectively referred to herein as the Company). The Company sells insulation, yarn and fabrics for outdoor clothing, gloves, footwear, sleeping bags and home furnishings. The Company has business segments in the United States, Germany, Italy and China through which it sells products manufactured by third parties according to proprietary specifications. A portion of income includes royalties which come from the licensing of intellectual property. PLI operations include, but are not limited to, sales, marketing, research and development, product quality control, procurement and finance. PLI has the following wholly owned subsidiaries: PrimaLoft GmbH, PL VAT Services S.r.l., and PrimaLoft Xiamen Trading Co., Ltd (Xiamen). These wholly owned subsidiaries help support sales recorded at PLI and Xiamen through a sales force, marketing campaigns and customer service centers. Technologies is a wholly owned subsidiary of VP PrimaLoft Holdings, LLC (VPPH).

Note 2. Summary of Significant Accounting Policies

Basis of consolidation: The consolidated financial statements include the accounts of Technologies, and PLI and its wholly owned subsidiaries (PrimaLoft, GmbH, PL VAT Services, S.r.l. and PrimaLoft Xiamen Trading Co., Ltd). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair value of financial instruments: The carrying value of cash, receivables and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of the line of credit and current and long-term debt approximates fair value as the interest rates on these debt instruments approximate market rates available for similar maturities.

Cash: The Company maintains its cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 per depositor. The Company may have balances above this limit at various times during the years ended December 31, 2021 and 2020. As of December 31, 2021 and 2020, the Company held $3,653 and $1,512, respectively, in foreign bank accounts. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks on its cash balances.

Revenue recognition: The Company follows the provisions of Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue is recognized when control of the promised goods is transferred to the Company's customers, in an amount that reflects the consideration it expects to realize in exchange for those goods. The Company reports amounts billed to customers related to shipping and handling as revenue and includes costs incurred for shipping and handling in cost of sales. Amounts received for unshipped merchandise are not recognized as revenue but rather they are recorded as customer deposits and are included in current liabilities.

Revenue-generating contracts are assessed to identify distinct performance obligations, allocating transaction prices to those performance obligations, and criteria for satisfaction of a performance obligation. The standard allows for recognition of revenue only when the Company have satisfied a performance obligation through transferring control of the promised good or service to a customer. Control, in this instance, may mean the ability to prevent other entities from directing the use of, and receiving benefit from, a good or service. The standard indicates that an entity must determine at contract inception whether it will transfer control of a promised good or service over time or satisfy the performance obligation at a point in time through analysis of the following criteria: (i) the entity has a present right to payment, (ii) the customer has legal title, (iii) the customer has physical possession, (iv) the customer has the significant risks and rewards of ownership and (v) the customer has accepted the asset. The Company assesses collectability based primarily on the customer's payment history and on the creditworthiness of the customer. Overall, the adoption of the new standard did not significantly alter the Company's methodology for recognition of revenue.

The following table presents revenues disaggregated by revenue source:

	2021	2020
Product revenue	$ 65,882	$ 48,649
Royalty revenue	—	464
	$ 65,882	$ 49,113

Performance obligations and contract estimates:

Product revenue: The Company's revenue is primarily derived from the sale of insulation, yarn and fabrics for outdoor clothing, gloves, footwear, sleeping bags and home furnishings.

The Company recognizes product revenue at a point in time. Revenue is recognized when customers take control of the asset, which the Company has defined as the point in time at which the customer has the capability of full beneficial use of the asset per the contract. The Company has elected to treat all shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated product and not as a separate performance obligation. For certain contracts, transfer of control does not occur until the product is received by the customer.

When the Company's contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation. The Company determines standalone selling price based on observable selling prices of its products.

Royalty revenue: Royalty revenue consists of agreements with customers to use the Company's intellectual property in exchange for a sales-based royalty. The Company recognizes revenue when the related sales occur, which is consistent with the timing of when the performance obligation is satisfied.

Transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and variable consideration such as early pay discounts and rights of return.

Note 2. Summary of Significant Accounting Policies (Continued)

Net revenue includes gross revenue less sales discounts and product returns, which requires estimates for the portion of these allowances that have yet to be credited. The Company estimates these allowances using the expected value method, which is based upon historical rates.

The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranties: The Company generally provides limited-assurance-type warranties on its products. The warranty period extends for 90 days following transfer of control of the product. Historically, warranty claims have not resulted in material costs incurred. The Company does not consider these warranties to be performance obligations.

Contract balances: An advance deposit may be required based on the contract terms and conditions. Advance payments in excess of revenue recognized represent contract liabilities and are recorded when customers remit contractual cash payments in advance of the Company satisfying performance obligations under contractual arrangements. Advance payments are included in accounts payable and accrued expenses on the consolidated balance sheets. Contract liabilities are derecognized when revenue is recognized, and the performance obligation is satisfied. Contract liabilities as of December 31, 2021 and 2020, were $4,199 and $787, respectively.

Payment terms on invoiced amounts are typically 30-60 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component does not exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing products and not to receive financing from or to provide financing to the customer.

The Company excludes from revenue sales taxes and other government-assessed and imposed taxes on revenue generating activities that are invoiced to customers.

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed as incurred.

Accounts receivable: The Company has receivables that arise from credit sales and are carried at the original invoice amount, less an estimate made for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors relating to specific customers' ability to pay and current economic trends.

Inventories: Inventories, consisting of raw materials and finished goods, are stated at the lower of cost as determined by the "first in, first out" method, or net realizable value. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete.

Equity-based compensation: The Company accounts for equity-based compensation in accordance with ASC 718, Compensation—Stock Compensation, which requires all equity-based payments, including grants of incentive units, to be recognized over the vesting period in the consolidated statement of income as an operating expense, based on fair values of the award at the grant date. For equity-based compensation issued to employees with terms such that the award contains a performance target that can be achieved after the requisite service period, compensation cost is recognized in the period in which it becomes probable that the performance target will be achieved

Impairment of long-lived assets: Long-lived assets, consisting of property and equipment and intangible assets, are tested for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining the extent of impairment, if any, typically requires various estimates and assumptions, including cash flows directly attributable to the asset, the useful life of the asset and residual value, if any. When necessary, internal cash flow estimates, quoted market prices and appraisals are used as appropriate to determine fair value. The Company determined that no impairment of long-lived assets exists as of December 31, 2021 or 2020.

Note 2. Summary of Significant Accounting Policies (Continued)

Goodwill: Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized, rather, the Company evaluates goodwill for impairment on December 31 of each year in accordance with Accounting Standards Update (ASU) 2021-03 Accounting Alternative for Evaluating Triggering Events which was adopted in fiscal year 2020. The Company may elect to perform a qualitative assessment for its reporting unit to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if, as a result of a qualitative assessment, it is not considered more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a market participant would pay for a reporting unit, and is generally estimated using discounted expected future cash flows from the Company's operations. This evaluation is performed on a reporting unit basis. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. The excess of the fair value of a reporting unit over the amount assigned to its identifiable assets and liabilities is the implied fair value of goodwill. The Company performed a qualitative assessment at December 31, 2021, and a quantitative assessment at December 31, 2020. The Company concluded no goodwill impairment charges were required at December 31, 2021 or 2020.

Intangible assets: Intangible assets, other than goodwill, consist of a trade name, customer relationships, and technology. Such intangible assets are being amortized on a straight-line basis over their estimated useful lives or contractual terms of between eight to 20 years.

Deferred financing costs: The Company capitalizes financing costs and fees incurred relating to the procurement of its line of credit and term loan. These costs are amortized over the term of the respective debt agreements on a straight-line basis, which approximates the effective interest method.

Property and equipment: Property and equipment, which include furniture, fixtures and equipment, computer equipment and leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the lesser of their estimated useful lives or the length of the lease. Maintenance and repairs are charged to expense as incurred, and costs of major additions and betterments are capitalized.

Foreign currency translation: The functional currency of the Company's foreign subsidiaries has been determined to be the U.S. dollar. Monetary assets and liabilities are remeasured using exchange rates as of the end of the pertinent period. Nonmonetary assets and liabilities are remeasured using historical exchange rates. Revenue and expenses are translated at the average rates of exchange prevailing during the period. Net foreign currency exchange gains or losses are included in selling, general and administrative expenses in the consolidated statements of income. Foreign currency transaction gains and losses, representing the difference between the exchange rate at the time of the transaction and the exchange rate at the time of payment or receipt, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising costs: Advertising costs are generally charged to operations in the period incurred and are included in selling, general and administrative expenses in the consolidated statements of income. Advertising costs totaled $277 and $227, for the years ended December 31, 2021 and 2020, respectively.

Income taxes: Technologies and PLI are taxed as C corporations and file U.S. federal income tax returns and tax returns in various state jurisdictions. PLI's foreign-owned subsidiaries file income tax returns in their respective countries.

Note 2. Summary of Significant Accounting Policies (Continued)

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and the tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Recognition of deferred tax assets is limited through the provision of a valuation allowance to amounts for which, in the opinion of management, realization is considered more likely than not in future periods.

The Company follows the guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1)retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

The Company expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, the Company expects to elect all the practical expedients available. ASC 842 is expected to impact the Company's financial statements as the Company has certain operating lease arrangements for which it is the lessee.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 eliminates Step 2 of the goodwill impairment test, which requires determining the fair value of assets acquired or liabilities assumed in a business combination. Under the amendments in ASU 2017-04, a goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount.

An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual periods beginning after December 15, 2021. The adoption of this guidance by the Company is not expected to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

(In Thousands Except Share—Related Amounts)

Note 2. Summary of Significant Accounting Policies (Continued)

In July 2021, the FASB issued ASU 2021-07, Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council) to address the concerns from stakeholders about the cost and complexity of determining the fair value of equity-classified share-based awards for private companies. It specifically permits private companies to use 409A valuations prepared under U.S. Treasury regulations to estimate the fair value of certain awards under ASC 718. The update is effective for private companies in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2021-07 on its consolidated financial statements.

Note 3. Inventories

Inventories consist of the following at December 31:

	2021	2020
Raw materials	$ 726	$ 1,079
Finished goods	828	350
	1,554	1,429
Less reserve for obsolescence	(226)	(343)
	$ 1,328	$ 1,086

Note 4. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020	Estimated Useful Life
Machinery and equipment	$ 919	$ 678	1-7 years
Computer equipment	231	202	1-5 years
Office furniture	84	96	1-7 years
Leasehold improvements	522	522	Lesser of the life of lease or estimated useful life
	1,756	1,498	
Less: accumulated depreciation and amortization	(1,060)	(798)	
	$ 696	$ 700	

Depreciation and amortization expense for property and equipment was $262 and $242 for the years ended December 31, 2021 and 2020, respectively.

Note 5. Intangible Assets

Intangible assets other than goodwill consist of the following at December 31:

	2021	2020	Estimated Useful Life
Trade name	$ 16,200	$ 16,200	20 years
Customer relationships	34,900	34,900	15 years
Technology	12,100	12,100	8 years
	63,200	63,200	
Less accumulated amortization	(19,759)	(15,111)	
	$ 43,441	$ 48,089	

(In Thousands Except Share—Related Amounts)

Note 5. Intangible Assets (Continued)

Amortization expense for intangible assets was $4,648 for both of the years ended December 31, 2021 and 2020. Future estimated amortization expense of intangible assets is as follows:

Years ending December 31:		
2022	$	4,648
2023		4,648
2024		4,648
2025		4,270
2026		3,137
Thereafter		22,090
	$	43,441

Note 6. Other Assets

The Company had $750 of advances to a third-party toll manufacturer for the purchase and installation of machinery necessary to produce certain products for the Company. During 2019, the Company assessed the recoverability of this balance and recorded a full allowance on this advance. On June 16, 2020, the Company entered into an agreement with the third-party toll manufacturer to recover $316, of which $65 is expected to be realized and collected at the time the machine is sold back to its original manufacturer with the remaining amount of $251 to be realized and earned as a discount on future orders manufactured by the third-party toll. In accordance with ASC 450, the Company will record these aforementioned amounts when the amounts are determined to be realized. The Company recognized $176 in the accompanying consolidated statement of income during the year ended December 31, 2021. No amounts were recorded in the accompanying consolidated statement of income during 2020.

Note 7. Long-Term Debt and Line of Credit

On August 13, 2021, and December 21, 2021, the Company entered into amendments four and five, respectively (2021 Amendments) to its existing credit agreement. The 2021 Amendments increased its term loan by $47,000, of which $37,000 related to amendment four and $10,000 related to amendment five. The revolving line of credit remained unchanged with a borrowing capacity of $11,000.

The new term loan required quarterly principal payments of approximately $118, beginning March 31, 2022, with a final payment, including all unpaid principal, unpaid and accrued interest and fees, due October 5, 2025. The Company was required to remit excess cash flow, as defined, within 125 days after the end of each fiscal year commencing with the year ended December 31, 2022. The Company utilized the proceeds of the 2021 Amendments to make distributions to the unit holders of VPPH.

In connection with entering into the 2021 Amendments, the Company incurred various lender and third party costs of $661, which are being amortized over the term of the Amended Agreement. Amortization expense of these costs and prior financing costs amounted to $351 and $212, for the years ended December 31, 2021 and 2020, respectively, and is included in interest expense in the accompanying statements of income.

The revolving line of credit was payable in full on October 5, 2025. The Company had an outstanding balance on the line of credit of $5,500 as of December 31, 2021. The Company had no outstanding balance on the line of credit of at December 31, 2020. Amortization expense relating to the deferred financing costs attributable to the revolving line of credit was $36 and $39 for the years ended December 31, 2021 and 2020, respectively.

The term loan and revolving line of credit beared interest at the greater of the one-month London Interbank Offered Rate (LIBOR) or 1.00%, plus the applicable margin, as defined, of 4.50%. A fee of 0.50% is payable for any unused balance on the revolving line of credit.

The Amended Agreement is collateralized by substantially all the assets of the Company and contains various financial and nonfinancial covenants.

(In Thousands Except Share—Related Amounts)

Note 7. Long-Term Debt and Line of Credit (Continued)

The remaining balance of the term loan was subsequently paid off in connection with the acquisition. (See Note 13).

Long-term debt consists of the following at December 31:

	2021	2020
Outstanding term loans	$ 101,605	$ 66,790
Less unamortized deferred financing cost, net	1,105	795
Total debt less unamortized deferred financing costs	100,500	65,995
Less current maturities	470	676
Long-term debt, net of current maturities	100,030	65,319

Future principal payments for long-term debt are as follows as of December 31, 2021:

Years ending December 31:	
2022	$ 470
2023	470
2024	470
2025	100,195
	$ 101,605

In July 2017, the U.K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. If future rates based upon the successor reference rate or a new method of calculating LIBOR are higher than LIBOR rates as currently determined, it may have an adverse effect on Company's business operations, financial condition and/or cash flows. On the other hand, if future rates based upon the successor reference rate (or a new method of calculating LIBOR) are lower than LIBOR rates as currently determined, the lenders under such credit agreements may seek amendments to increase the applicable interest rate margins or invoke their right to require the use of the alternate base rate in place of LIBOR, which could result in an increase to the Company's interest expense.

Note 8. Income Taxes

The Company's provision for income tax is as follows for the years ended December 31:

	2021	2020
Current tax expense (benefit)		
Federal	$ 1,198	$ (92)
State and local	18	13
Foreign	1,413	532
Total current tax expense	2,629	453
Deferred tax expense (benefit)		
Federal	(290)	51
State and local	(29)	(50)
Total deferred tax expense (benefit)	(319)	1
Income tax expense	$ 2,310	$ 454

(In Thousands Except Share—Related Amounts)

Note 8. Income Taxes (Continued)

Significant components of the Company's deferred income tax assets (liabilities) are as follows at December 31:

	2021	2020
Deferred tax assets:		
Accounts receivable	$ 14	$ 14
Inventories	84	73
Deferred rent	1	54
Accrued expenses	109	58
Other	30	73
Total deferred tax assets	238	272
Deferred tax liabilities:		
Amortization of goodwill and intangible assets and transaction costs	(8,067)	(8,437)
Depreciation and amortization of property and equipment	(89)	(90)
Other	(26)	(8)
Total deferred tax liabilities	(8,182)	(8,535)
Net deferred income taxes	$ (7,944)	$ (8,263)

Note 9. Equity-based Compensation

Incentive Units: VPPH entered into agreements with key members of the Company's management to grant each member a predetermined amount of VPPH incentive units that vest on each anniversary of the agreement. The Incentive Units vest over a five-year period. The Company recorded $602 and $414 of equity-based compensation for the years ended December 31, 2021 and 2020, respectively, relating to the Incentive Units. As of December 31, 2021, there was $1,427 of unrecognized equity-based compensation.

For awards granted in 2021, the Company used the Probability-Weighted Expected Return Method (PWERM), whereby the value of the units were estimated based upon the analysis of future values for the Company assuming various possible future liquidity events such as a sale, merger or initial public offering (IPO). Unit value was based upon the probability-weighted present value of an expected exit earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, considering each of the possible future events, as well as the rights and preferences of each unit class.

The PWERM was selected due to the established nature of the Company, the prospect of an exit via a sale, merger or IPO, and the Company's ability to reasonably forecast financial performance.

The material assumptions involved to estimate the fair value of the Company's units utilizing PWERM are the estimated timeline to liquidity, expected EBITDA multiple at the time of a liquidity, the Company's financial position, including cash on hand, the Company's historical and forecasted performance and operating results, and a discount for lack of marketability.

A significant change to these estimates could materially affect the Company's operating results. Compensation expense for Incentive Units is recognized on a straight-line basis over the vesting period.

Incentive Unit holders have no right to vote their incentive units on any matter submitted to the holders of units for vote, consent or approval.

(In Thousands Except Share—Related Amounts)

Note 9. Equity-based Compensation (continued)

As of December 31, 2021, there are 174,800 Incentive Units available for future awards.

Outstanding Incentive Units as of December 31, 2019	2,830,000
Incentive Units Granted	—
Incentive Units Forfeited	(284,800)
Outstanding Incentive Units as of December 31, 2020	2,545,200
Incentive Units Granted	320,000
Incentive Units Forfeited	(40,000)
Outstanding Incentive Units as of December 31, 2021	2,825,200

Prosperity Units: During the year ended December 31, 2021, VPPH entered into Prosperity Unit Agreements with employees of the Company. The Prosperity Unit holders have no right to vote on any matters submitted to the holders of units for vote, consent, or approval. These awards vest upon a change of control as defined by the plan agreement. Based on this, the Prosperity Units are performance-based shares in accordance with ASC 718 whereby no compensation expense is recorded until the achievement of the performance hurdle is deemed probable. There was no compensation expense recorded for the year ended December 31, 2021. Under the plan 300,000 units were authorized. As of December 31, 2021, 217,100 units were outstanding. There were no forfeitures during the year ended December 31, 2021. The fair value of each unit issued under the Prosperity Plan is estimated on the date of grant using PWERM. The estimated grant date fair value of the units granted in 2021 was approximately $300.

Note 10. Retirement/Savings Plan

The Company has an employee retirement/savings plan that covers all full-time employees. The Company's contribution to the plan, as determined by the board of directors, is up to a 4% match of the employee's contribution. For the years ending December 31, 2021 and 2020, the Company contributed $117 and $61, respectively.

Note 11. Commitments and Contingencies

Leases: The Company has a lease for office space expiring in February 2024. The Company also has other various operating leases relating to automobiles, and an office lease relating to two of the Company's foreign subsidiaries.

Minimum annual payments under these leases are as follows at December 31:

2022	$	457
2023		402
2024		126
	$	985

Litigation: The Company is subject to certain legal proceedings, claims and disputes which arise in the ordinary course of business. Although the outcome of these matters cannot be predicted with any certainty, the opinion of management is that these matters will not have a material adverse effect on the Company's financial position and results of operations.

Note 12. Related-Party Transaction

PLI has entered into a management agreement with an advisor (Advisor), which is a related party. The management agreement provides for ongoing strategic, organizational, business, management, technical and financial advisory services for which PLI pays the Advisor a fee equal to the greater of $125 per quarter or 2.5% of PLI's estimated EBITDA, as defined.

Advisory service fees were $625 and $500 for the years ended December 31, 2021 and 2020, respectively, which is included in selling, general and administrative expenses in the consolidated statements of income.

This agreement was terminated at the time of the acquisition. (See Note 13)

Note 13. Subsequent Events

The Company evaluated events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was September 22, 2022, for these consolidated financial statements.

On July 12, 2022, the Company was acquired by Compass Diversified Holdings for approximately $530,000.

Exhibit 99.2

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Unaudited Consolidated Financial Statements
June 30, 2022 and 2021

Contents

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets (Unaudited)
June 30, 2022 and 2021
(In Thousands, Except Share—Related Amounts)

	2022	2021
Assets		
Current assets:		
Cash	**$ 7,977**	$ 9,576
Accounts receivable, net of allowance f or doubtful accounts of $66 and $65, respectively	**2,465**	2,296
Other receivables	**495**	127
Inventories	**1,346**	764
Prepaid expenses and other current assets	**1,567**	1,201
Total current assets	**13,850**	13,964
Property and equipment, net	**1,073**	717
Intangible assets, net	**41,116**	45,766
Goodwill	**61,872**	61,872
Other assets	**239**	253
Total assets	**$ 118,150**	$ 122,572
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and accrued expenses	**10,684**	8,531
Total current liabilities	**10,684**	8,531
Long-term liabilities:		
Long-term debt, less current portion	**91,530**	54,161
Deferred income taxes	**7,270**	7,990
Total long-term liabilities	**98,800**	62,151
Total liabilities	**109,484**	70,682
Commitments and contingencies		
Stockholder's equity:		
Common stock, $0.01 par value; 3,000 shares authorized, issued and outstanding	**—**	—
Additional paid-in-capital	**59,349**	58,702
Accumulated deficit	**(50,683)**	(6,812)
Total stockholder’s equity	**8,666**	51,890
Total liabilities and stockholder’s equity	**$ 118,150**	$ 122,572

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Income (Unaudited)
Six-month Periods Ended June 30, 2022 and June 30, 2021
(In Thousands)

	2022	2021
Net sales	**$ 53,228**	$ 39,937
Cost of goods sold	**21,217**	15,984
Gross profit	**32,011**	23,953
Selling, general and administrative expenses	**12,346**	10,589
Transaction expenses (see Note 13)	**2,365**	—
Total operating expenses	**14,711**	10,589
Income from operations	**17,300**	13,364
Interest expense	**3,051**	1,876
Income before income taxes	**14,249**	11,488
Income tax expense	**1,727**	1,784
Net income	**$ 12,522**	$ 9,704

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity (Unaudited)
Six-month Periods Ended June 30, 2022 and June 30, 2021
(in Thousands, Except Share-Related Amounts)

	Common Stock							
	Shares		Amount		Additional Paid-In Capital		Accumulated Deficit		Total Stockholder's Equity
Balance, December 31, 2020	3,000	$	—	$	58,426	$	(16,516)	$	41,910
Equity-based compensation expense	—		—		276		—		276
Net income	—		—		—		9,704		9,704
Balance, June 30, 2021	3,000	$	—	$	58,702	$	(6,812)	$	51,890
Balance, December 31, 2021	3,000	$	—	$	59,028	$	(63,205)	$	(4,177)
Equity-based compensation expense	—		—		321		—		321
Net income	—		—		—		12,522		12,522
Balance, June 30, 2022	**3,000**	**$**	**—**	**$**	**59,349**	**$**	**(50,683)**	**$**	**8,666**

See notes to consolidated financial statements.

PrimaLoft Technologies Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
Six-month Periods Ended June 30, 2022 and June 30, 2021
(In Thousands)

	2022	2021
Cash flows from operating activities:		
Net income	**$ 12,522**	$ 9,704
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**2,453**	2,449
Deferred financing amortization	**162**	126
Deferred income taxes	**(674)**	(273)
Equity-based compensation expense	**321**	276
Changes in assets and liabilities affecting operating cash flows:		
Accounts receivable	**(556)**	(544)
Other receivables	**(68)**	48
Inventories	**(18)**	322
Prepaid expenses and other current assets	**1,647**	556
Other assets	**(140)**	(64)
Accounts payable and accrued expenses	**505**	4,951
Net cash provided by operating activities	**16,154**	17,551
Cash flows from investing activities:		
Capital expenditures	**(506)**	(142)
Net cash used in investing activities	**(506)**	(142)
Cash flows from financing activities:		
Repayments of term loan—credit agreement	**(9,117)**	(12,000)
Payments on revolving line of credit	**(5,500)**	—
Net cash used in financing activities	**(14,617)**	(12,000)
Net increase in cash	**1,031**	5,409
Cash		
Beginning	**6,946**	4,167
Ending	**$ 7,977**	$ 9,576
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 2,914**	$ 1,751
Taxes	**$ 651**	$ 638

See notes to consolidated financial statements.

Note 1. Organization and Nature of Operations

PrimaLoft Technologies Holdings, Inc (Technologies) owns PrimaLoft, Inc. (PLI) (Technologies and PLI, including all foreign subsidiaries, are collectively referred to herein as the Company). The Company sells insulation, yarn and fabrics for outdoor clothing, gloves, footwear, sleeping bags and home furnishings. The Company has business segments in the United States, Germany, Italy and China through which it sells products manufactured by third parties according to proprietary specifications. A portion of income includes royalties which come from the licensing of intellectual property. PLI operations include, but are not limited to, sales, marketing, research and development, product quality control, procurement and finance. PLI has the following wholly owned subsidiaries: PrimaLoft GmbH, PL VAT Services S .r.l., and PrimaLoft Xiamen Trading Co., Ltd (Xiamen). These wholly owned subsidiaries help support sales recorded at PLI and Xiamen through a sales force, marketing campaigns and customer service centers. Technologies is a wholly owned subsidiary of VP PrimaLoft Holdings, LLC.

Note 2. Summary of Significant Accounting Policies

Basis of consolidation: The consolidated financial statements include the accounts of Technologies, and PLI and its wholly owned subsidiaries (PrimaLoft, GmbH, PL VAT Services, S.r.l. and PrimaLoft Xiamen Trading Co., Ltd). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair value of financial instruments: The carrying value of cash, receivables and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of current and long-term debt approximates fair value as the interest rates on these debt instruments approximate market rates available for similar maturities.

Cash: The Company maintains its cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 per depositor. The Company may have balances above this limit at various times during the six-month periods ended June 30, 2022 and 2021. As of the six-month periods ended June 30, 2022 and 2021, the Company held $5,821 and $2,642, respectively, in foreign bank accounts. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks on its cash balances.
Revenue recognition: The Company follows the provisions of Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

(In Thousands Except Share—Related Amounts)

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue is recognized when control of the promised goods is transferred to the Company's customers, in an amount that reflects the consideration it expects to realize in exchange for those goods. The Company reports amounts billed to customers related to shipping and handling as revenue and includes costs incurred for shipping and handling in cost of sales. Amounts received for unshipped merchandise are not recognized as revenue but rather they are recorded as customer deposits and are included in current liabilities.

Revenue-generating contracts are assessed to identify distinct performance obligations, allocating transaction prices to those performance obligations, and criteria for satisfaction of a performance obligation. The standard allows for recognition of revenue only when the Company have satisfied a performance obligation through transferring control of the promised good or service to a customer. Control, in this instance, may mean the ability to prevent other entities from directing the use of, and receiving benefit from, a good or service. The standard indicates that an entity must determine at contract inception whether it will transfer control of a promised good or service over time or satisfy the performance obligation at a point in time through analysis of the following criteria: (i) the entity has a present right to payment, (ii) the customer has legal title, (iii) the customer has physical possession, (iv) the customer has the significant risks and rewards of ownership and (v) the customer has accepted the asset. The Company assesses collectability based primarily on the customer's payment history and on the creditworthiness of the customer. Overall, the adoption of the new standard did not significantly alter the Company's methodology for recognition of revenue.

The following table presents revenues disaggregated by revenue source for the six month periods ended June 30, 2022 and 2021, are:

	2022	2021
Product revenue	$ 52,719	$ 39,520
Royalty revenue	509	417
	$ 53,228	$ 39,937

Performance obligations and contract estimates:

Product revenue: The Company's revenue is primarily derived from the sale of insulation, yarn and fabrics for outdoor clothing, gloves, footwear, sleeping bags and home furnishings.

The Company recognizes product revenue at a point in time. Revenue is recognized when customers take control of the asset, which the Company has defined as the point in time at which the customer has the capability of full beneficial use of the asset per the contract. The Company has elected to treat all shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated product and not as a separate performance obligation. For certain contracts, transfer of control does not occur until the product is received by the customer.

When the Company's contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation.The Company determines standalone selling price based on observable selling prices of its products.

Royalty revenue: Royalty revenue consists of agreements with customers to use the Company's intellectual property in exchange for a sales-based royalty. The Company recognizes revenue when the related sales occur, which is consistent with the timing of when the performance obligation is satisfied.

Transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and variable consideration such as early pay discounts and rights of return.

Note 2. Summary of Significant Accounting Policies (Continued)

Net revenue includes gross revenue less sales discounts and product returns, which requires estimates for the portion of these allowances that have yet to be credited. The Company estimates these allowances using the expected value method, which is based upon historical rates.

The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranties: The Company generally provides limited-assurance-type warranties on its products. The warranty period extends for 90 days following transfer of control of the product. Historically, warranty claims have not resulted in material costs incurred. The Company does not consider these warranties to be performance obligations.

Contract balances: An advance deposit may be required based on the contract terms and conditions. Advance payments in excess of revenue recognized represent contract liabilities and are recorded when customers remit contractual cash payments in advance of the Company satisfying performance obligations under contractual arrangements. Advance payments are included in accounts payable and accrued expenses on the consolidated balance sheet s. Contract liabilities are derecognized when revenue is recognized, and the performance obligation is satisfied. Contract liabilities as of the six-month periods ended June 30, 2022 and 2021, were $3,087 and $2,382, respectively.

Payment terms on invoiced amounts are typically 30-60 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component does not exist. The primary purpose of the Company’s invoicing terms is to provide customers with simplified and predictable ways of purchasing products and not to receive financing from or to provide financing to the customer.

The Company excludes from revenue sales taxes and other government-assessed and imposed taxes on revenue generating activities that are invoiced to customers.

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed as incurred.

Accounts receivable: The Company has receivables that arise from credit sales and are carried at the original invoice amount, less an estimate made for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors relating to specific customers’ ability to pay and current economic trends.

Inventories: Inventories, consisting of raw materials and finished goods, are stated at the lower of cost as determined by the “first in, first out” method, or net realizable value. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete.

Equity-based compensation: The Company accounts for equity-based compensation in accordance with ASC 718, Compensation—Stock Compensation, which requires all equity-based payments, including grants of incentive units, to be recognized over the vesting period in the consolidated statement of income as an operating expense, based on fair values of the award at the grant date. For equity-based compensation issued to employees with terms such that the award contains a performance target that can be achieved after the requisite service period, compensation cost is recognized in the period in which it becomes probable that the performance target will be achieved.

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: Long-lived assets, consisting of property and equipment and intangible assets, are tested for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining the extent of impairment, if any, typically requires various estimates and assumptions, including cash flows directly attributable to the asset, the useful life of the asset and residual value, if any. When necessary, internal cash flow estimates, quoted market prices and appraisals are used as appropriate to determine fair value. The Company determined that no impairment of long-lived assets exists as of the six- month periods ended June 30, 2022 or 2021.

Goodwill: Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized, rather, the Company evaluates goodwill for impairment as of the end of the reporting period in accordance with Accounting Standards Update (ASU) 2021-03 Accounting Alternative for Evaluating Triggering Events which was adopted in fiscal year 2020. The Company may elect to perform a qualitative assessment for its reporting unit to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if, as a result of a qualitative assessment, it is not considered more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a market participant would pay for a reporting unit, and is generally estimated using discounted expected future cash flows from the Company's operations.

This evaluation is performed on a reporting unit basis. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. The excess of the fair value of a reporting unit over the amount assigned to its identifiable assets and liabilities is the implied fair value of goodwill. The Company concluded no goodwill impairment charges were required at June 30, 2022 or 2021.

Intangible assets: Intangible assets, other than goodwill, consist of a trade name, customer relationships, and technology. Such intangible assets are being amortized over their estimated useful lives or contractual terms of between eight to 20 years.

Deferred financing costs: The Company capitalizes financing costs and fees incurred relating to the procurement of its line of credit and term loan. These costs are amortized over the term of the respective debt agreements on a straight-line basis, which approximates the effective interest method.

Property and equipment: Property and equipment, which include furniture, fixtures and equipment, computer equipment and leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight -line method over the lesser of their estimated useful lives or the length of the lease. Maintenance and repairs are charged to expense as incurred, and costs of major additions and betterments are capitalized.

Foreign currency translation: The functional currency of the Company's foreign subsidiaries has been determined to be the U.S. dollar. Monetary assets and liabilities are remeasured using exchange rates as of the end of the pertinent period. Nonmonetary assets and liabilities are remeasured using historical exchange rates. Revenue and expenses are translated at the average rates of exchange prevailing during the period. Net foreign currency exchange gains or losses are included in selling, general and administrative expenses in the consolidated statements of income. Foreign currency transaction gains and losses, representing the difference between the exchange rate at the time of the transaction and the exchange rate at the time of payment or receipt, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising costs: Advertising costs are generally charged to operations in the period incurred and are included in selling, general and administrative expenses in the consolidated statements of income. Advertising costs totaled $165 and $514, for the six-month periods ended June 30, 2022 and 2021, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: Technologies and PLI are taxed as C corporations and file U.S. federal income tax returns and tax returns in various state jurisdictions. PLI's foreign-owned subsidiaries file income tax returns in their respective countries.

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and the tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Recognition of deferred tax assets is limited through the provision of a valuation allowance to amounts for which, in the opinion of management, realization is considered more likely than not in future periods.

The Company follows the guidance on accounting for uncertainty in income taxes , which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefit its recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

The Company expects to adopt the guidance as of the acquisition date. (See Note 13). ASC 842 is expected to impact the Company's financial statements as the Company has certain operating lease arrangements for which it is the lessee.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. The Company expects to adopt the guidance as of the acquisition date. (See Note 13). The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

(In Thousands Except Share—Related Amounts)

Note 3. Inventories

Inventories consist of the following at June 30:

	2022	2021
Raw materials	$ 789	$ 743
Finished Goods	777	347
	1,566	1,090
Less reserve for obsolescence	(220)	(326)
	$ 1,346	$ 764

Note 4. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021	Estimated Useful Life
Machinery and equipment	$ 844	$ 794	1-7 years
Computer equipment	236	235	1-5 years
Office furniture	99	96	1-7 years
Leasehold improvements	522	522	Lesser of the life of lease or estimated useful life
Construction-in-process	561	3	
	2,262	1,650	
Less: accumulated depreciation and amortization	(1,189)	(933)	
	$ 1,073	$ 717	

Depreciation and amortization expense for property and equipment was $129 and $125 for the six-month periods ended June 30, 2022 and 2021, respectively.

Note 5. Intangible Assets

Intangible assets other than goodwill consist of the following at June 30:

	2022	2021	Estimated Useful Life
Trade name	$ 16,200	$ 16,200	20 years
Customer relationships	34,900	34,900	15 years
Technology	12,100	12,100	8 years
	63,200	63,200	
Less accumulated amortization	(22,084)	(17,434)	
	$ 41,116	$ 45,766	

(In Thousands Except Share—Related Amounts)

Note 5. Intangible Assets (Continued)

Amortization expense for intangible assets was $2,324 for both of the six-month periods ended June 30, 2022 and 2021. Future estimated amortization expense of intangible assets is as follows for the 12 months ending June 30:

2023	$	4,648
2024		4,648
2025		4,648
2026		3,515
2027		3,137
Thereafter		20,520
	$	41,116

Note 6. Other Assets

The Company had $750 of advances to a third-party toll manufacturer for the purchase and installation of machinery necessary to produce certain products for the Company. During 2019, the Company assessed the recoverability of this balance and recorded a full allowance on this advance. On June 16, 2020, the Company entered into an agreement with the third-party toll manufacturer to recover $316, of which $65 is expected to be realized and collected at the time the machine is sold back to its original manufacturer with the remaining amount of $251 to be realized and earned as a discount on future orders manufactured by the third-party toll. In accordance with ASC 450, the Company will record these aforementioned amounts when the amounts are determined to be realized.

The Company recognized $101 and $64, in the accompanying consolidated statement of income during the six months ended June 30, 2022 and 2021, respectively.

Note 7. Long-Term Debt and Line of Credit

On August 13, 2021 and December 21, 2021 the Company entered into amendments four and five, respectively (2021 Amendments) to its existing credit agreement. The 2021 Amendments increased its term loan by $47,000, of which $37,000 related to amendment four and $10,000 related to amendment five. The revolving line of credit remained unchanged with a borrowing capacity of $11,000. The Company utilized the proceeds of the 2021 Amendments to pay dividends to the parent Company amounting to $58,542.

The term loan required quarterly principal payments of approximately $118, beginning March 31, 2022, with a final payment, including all unpaid principal, unpaid and accrued interest and fees, due October 5, 2025. The Company was required to remit excess cash flow, as defined, within 125 days after the end of each fiscal year commencing with the year ended December 31, 2022.

In connection with entering into the original credit agreement and its subsequent amendments, the Company incurred various lender and third-party costs which are being amortized over the term of the agreement. Amortization expense relating to these costs are $147 and $86, for the six-month periods ended June 30, 2022 and 2021, respectively, and is included in interest expense in the accompanying statements of income.

The revolving line of credit was payable in full on October 5, 2025. The Company had no outstanding balance on the line of credit of June 30, 2022 and 2021. Amortization expense relating to the deferred financing costs attributable to the revolving line of credit was $15 and $40 for the six-month periods ended June 30, 2022 and 2021, respectively.

The term loan and revolving line of credit beared interest at the greater of the one-month London Interbank Offered Rate (LIBOR) or 1.00%, plus the applicable margin, as defined, of 4.50%. A fee of 0.50% was payable for any unused balance on the revolving line of credit.

(In Thousands Except Share—Related Amounts)

Note 7. Long-Term Debt and Line of Credit (Continued)

The agreement was collateralized by substantially all the assets of the Company and contains various financial and nonfinancial covenants.

The remaining balance of the term loan was subsequently paid off in connection with the acquisition (see Note 13).

Long-term debt consists of the following at June 30:

	2022	2021
Outstanding term loans	$ 92,488	$ 54,790
Less unamortized deferred financing cost, net	958	629
Total debt less unamortized deferred financing costs	$ 91,530	$ 54,161

In July 2017, the U.K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. If future rates based upon the successor reference rate or a new method of calculating LIBOR are higher than LIBOR rates as currently determined, it may have an adverse effect on Company's business operations, financial condition and/or cash flows. On the other hand, if future rates based upon the successor reference rate (or a new method of calculating LIBOR) are lower than LIBOR rates as currently determined, the lenders under such credit agreements may seek amendments to increase the applicable interest rate margins or invoke their right to require the use of the alternate base rate in place of LIBOR, which could result in an increase to the Company's interest expense.

Note 8. Income Taxes

The Company's provision for income tax is as follows for the six-month periods ended June 30, 2022 and 2021:

	2022	2021
Current tax expense (benefit)		
Federal	$ 417	$ 1,130
State and local	12	7
Foreign	1,972	920
Total current tax expense	2,401	2,057
Deferred tax expense (benefit)		
Federal	(691)	(271)
State and local	17	(2)
Total deferred tax expense (benefit)	(674)	(273)
Income tax expense	$ 1,727	$ 1,784

Note 9. Equity-based Compensation

Incentive Units: VPPH entered into agreements with key members of the Company's management to grant each member a predetermined amount of VPPH incentive units that vest on each anniversary of the agreement. The Incentive Units vest over a five-year period. The Company recorded $321 and $276 of equity-based compensation for the six-month periods ended June 30, 2022 and 2021, respectively, relating to the Incentive Units. As of June 30, 2022, there was $1,054 of unrecognized equity-based compensation.

(In Thousands Except Share—Related Amounts)

Note 9. Equity-based Compensation (Continued)

On the grant date of the Incentive Units the Company used the Probability-Weighted Expected Return Method (PWERM), whereby the value of the units were estimated based upon the analysis of future values for the Company assuming various possible future liquidity events such as a sale, merger or initial public offering (IPO). Unit value was based upon the probability-weighted present value of an expected exit earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, considering each of the possible future events, as well as the rights and preferences of each unit class. The PWERM was selected due to the established nature of the Company, the prospect of an exit via a sale, merger or IPO, and the Company's ability to reasonably forecast financial performance.

The material assumptions involved to estimate the fair value of the Company's members' units utilizing PWERM are the estimated timeline to liquidity, expected EBITDA multiple at the time of a liquidity, the Company's financial position, including cash on hand, the Company's historical and forecasted performance and operating results, and a discount for lack of marketability.

A significant change to these estimates could materially affect the Company's operating results. Compensation expense for Incentive Units is recognized on a straight-line basis over the vesting period.

Incentive Unit holders have no right to vote their incentive units on any matter submitted to the holders of units for vote, consent or approval.

As of June 30 2022, there are 174,800 Incentive Units available for future awards.

Outstanding Incentive Units as of December 31, 2020	2,545,200
Incentive Units Granted	300,000
Incentive Units Forfeited	(40,000)
Outstanding Incentive Units as of June 30, 2021	2,805,200
Outstanding Incentive Units as of December 31, 2021	2,825,200
Incentive Units Granted	—
Incentive Units Forfeited	—
Outstanding Incentive Units as of June 30, 2022	2,825,200

Prosperity Units: On August 26, 2021, the VPPH entered into Prosperity Unit Agreements with employees of the Company. The Prosperity Unit holders have no right to vote on any matters submitted to the holders of units for vote, consent, or approval. These awards vest upon a change of control as defined by the plan agreement. Based on this, the Prosperity Units are performance-based shares in accordance with ASC 718 whereby no compensation expense is recorded until the achievement of the performance hurdle is deemed probable. There was no compensation expense recorded for the six-month period ended June 30, 2022. Under the plan 300,000 units were authorized. As of June 30, 2022, 217,100 units were outstanding.

There were no forfeitures during the six-month period ended June 30, 2022. The f air value of each unit issued under the Prosperity Plan is estimated on the date of grant using PWERM. The estimated grant date fair value of the units granted in 2022 was approximately $300.

(In Thousands Except Share—Related Amounts)

Note 10. Retirement/Savings Plan

The Company has an employee retirement/savings plan that covers all full-time employees. The Company's contribution to the plan, as determined by the board of directors, is up to a 4% match of the employee's contribution. For the six-month periods ending June 30, 2022 and 2021, the Company contributed $93 and $62, respectively.

Note 11. Commitments and Contingencies

Leases: The Company has a lease for office space expiring in February 2024. The Company also has other various operating leases relating to automobiles, and an office lease relating to two of the Company's foreign subsidiaries.

Minimum annual payments under these leases are as follows for the 12 months ending June 30:

Years ending December 31:		
2023	$	400
2024		282
2025		31
	$	713

Litigation: The Company is subject to certain legal proceedings, claims and disputes which arise in the ordinary course of business. Although the outcome of these matters cannot be predicted with any certainty, the opinion of management is that these matters will not have a material adverse effect on the Company's financial position and results of operations.

Note 12. Related-Party Transaction

PLI has entered into a management agreement with an advisor (Advisor), which is a related party. The management agreement provides for ongoing strategic, organizational, business, management, technical and financial advisory services for which PLI pays the Advisor a fee equal to the greater of $125 per quarter or 2.5% of PLI's estimated EBITDA, as defined.

Advisory service fees were $325 and $250 for the six-month periods ended June 30, 2022 and 2021, respectively, which is included in selling, general and administrative expenses in the consolidated statements of income.

This agreement was terminated at the time of the acquisition (See Note 13).

Note 13. Subsequent Events

The Company evaluated events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was September 22, 2022, for these consolidated financial statements.

On July 12, 2022, the Company was acquired by Compass Diversified Holdings for approximately $530,000.

Exhibit 99.3

COMPASS DIVERSIFIED HOLDINGS
PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

The following pro forma condensed combined financial statements give effect to the acquisition of PrimaLoft Technologies Holdings, Inc. ("PrimaLoft") with a total purchase price of approximately $530 million, as further described on the Form 8-K that we filed on July 13, 2022.

The following pro forma condensed combined statements of operations for the year ended December 31, 2021 and the six months ended June 30, 2022 give effect to the acquisition of PrimaLoft as if the acquisition had occurred on January 1, 2021. The proforma condensed combined balance sheet as of June 30, 2022 gives effect to the acquisition of PrimaLoft as if the acquisition was completed on June 30, 2022.

The "as reported" financial information of PrimaLoft is derived from the consolidated historical financial statements of PrimaLoft for comparable periods which are included elsewhere in this Form 8-K. The "as reported" financial information for Compass Diversified Holdings (the "Company" or "Holdings") is derived from the consolidated audited financial statements of the Company as of December 31, 2021 and for the year ended December 31, 2021 as filed on Form 10-K dated February 24, 2022, and the unaudited financial statements of the Company as of June 30, 2022 and for the six months ended June 30, 2022 as filed on Form 10-Q dated August 3, 2022.

Assumptions underlying the pro forma adjustments necessary to reasonably present this unaudited pro forma condensed combined financial information are described in the accompanying notes. The pro forma adjustments described in the accompanying notes have been made based on the available information and, in the opinion of management, are reasonable. The preliminary purchase price has been allocated on a provisional basis to assets acquired and liabilities assumed in connection with the acquisition based on the estimated fair value as of the acquisition date. The unaudited pro forma condensed combined statements of operations reflect the adjustments to the historical consolidated results of operations that are expected to have a continuing effect. The unaudited pro forma condensed combined statements of operations do not include certain items such as transaction costs related to the acquisition. The final purchase price allocation is subject to the final determination of the fair value of assets acquired and liabilities assumed and, therefore, that allocation and the resulting effect on income from operations may differ materially from the unaudited pro forma amounts included herein.

The historical consolidated financial information has been adjusted to give effect to estimated pro forma events that are directly attributable to the acquisition, factually supportable and, with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the consolidated results of operations. The unaudited pro forma condensed combined financial information should not be considered indicative of actual results that would have been achieved had the acquisition occurred on the date indicated and do not purport to indicate results of operations for any future period.

You should read these unaudited pro forma condensed combined financial statements in conjunction with the accompanying notes, the financial statements of PrimaLoft included in this Form 8-K and the consolidated financial statements of the Company, including the notes thereto as previously filed.

Compass Diversified Holdings
Pro Forma Condensed Combined Balance Sheet at June 30, 2022
(unaudited)

(in thousands)	Compass Diversified Holdings as Reported	PrimaLoft as Reported	Pro Forma Adjustments		Pro Forma Combined Compass Diversified Holdings
Assets					
Current assets:					
Cash and cash equivalents	$ 102,709	$ 7,977	$ —		$ 110,686
Accounts receivable, net	268,530	2,465	—		270,995
Inventories	695,687	1,346	630	**A**	697,663
Prepaid expenses and other current assets	66,530	2,062	—		68,592
Current assets held for sale	96,227	—			96,227
Total current assets	1,229,683	13,850	630		1,244,163
Property, plant and equipment, net	182,989	1,073	—		184,062
Goodwill	788,913	61,872	252,721	**A**	1,103,506
Intangible assets, net	860,261	41,116	219,084	**A**	1,120,461
Other non-current assets	141,487	239	872	**D**	142,598
Total assets	$ 3,203,333	$ 118,150	$ 473,307		$ 3,794,790
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$ 110,680	$ —	$ —		$ 110,680
Accrued expenses	181,598	10,684	3,315	**E**	195,597
Due to related party	13,501	—	—		13,501
Other current liabilities	32,286	—	515	**D**	32,801
Current liabilities held for sale	27,270				27,270
Total current liabilities	365,335	10,684	3,830		379,849
Deferred income taxes	79,357	7,270	54,775	**A**	141,402
Long-term debt	1,285,747	91,530	393,428	**B**	1,770,705
Other non-current liabilities	118,048	—	357	**D**	118,405
Total liabilities	1,848,487	109,484	452,390		2,410,361
Stockholders' equity					
Trust preferred shares, no par value	303,918	—	—		303,918
Trust common shares, no par value	1,185,348	—	—		1,185,348
Accumulated other comprehensive income (loss)	(665)	—	—		(665)
Accumulated deficit	(311,092)	8,666	(14,346)	**C, E**	(316,772)
Total stockholders' equity attributable to Holdings	1,177,509	8,666	(14,346)		1,171,829
Noncontrolling interest	177,707	—	35,263	**A**	212,970
Noncontrolling interest held for sale	(370)		—		(370)
Total stockholders' equity	1,354,846	8,666	20,917		1,384,429
Total liabilities and stockholders' equity	$ 3,203,333	$ 118,150	$ 473,307		$ 3,794,790

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

Compass Diversified Holdings
Pro Forma Condensed Combined Statement of Operations
for the year ended December 31, 2021
(unaudited)

(in thousands, except per share data)	**Compass Diversified Holdings as Reported**	**PrimaLoft as Reported**	**Pro Forma Adjustments**		**Pro Forma Combined Compass Diversified Holdings**
Net revenues	$ 1,841,668	$ 65,882	$ —		$ 1,907,550
Cost of revenues	1,115,711	25,729	630	F	1,142,070
Gross Profit	725,957	40,153	(630)		765,480
Operating expenses:					
Selling, general and administrative expense	459,204	16,808	—		476,012
Management fees	46,943	—	5,300	G	52,243
Amortization expense	80,307	4,648	12,577	H	97,532
Operating income	139,503	18,697	(18,507)		139,693
Other income (expense):					
Interest income (expense), net	(58,839)	(4,534)	(4,807)	I	(68,180)
Amortization of debt issuance costs	(2,979)	—	—		(2,979)
Loss on debt extinguishment	(33,305)	—	—		(33,305)
Other income (expense), net	(1,184)	—	—		(1,184)
Income (loss) from continuing operations before income taxes	43,196	14,163	(23,314)		34,045
Provision for income taxes	18,337	2,310	—		20,647
Income (loss) from continuing operations	24,859	11,853	(23,314)		13,398
Less: Income from continuing operations attributable to noncontrolling interest	7,740	—	1,104	J	8,844
Net income (loss) attributable to Holdings from continuing operations	$ 17,119	$ 11,853	$ (24,418)		$ 4,554
Basic and fully diluted loss per share attributable to Holdings from continuing operations	$ (0.76)				$ (0.95)
Weighted average number of shares	65,362				65,362

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

Compass Diversified Holdings
Pro Forma Condensed Combined Statement of Operations
for the six months ended June 30, 2022
(unaudited)

(in thousands, except per share data)	Compass Diversified Holdings as Reported	PrimaLoft as Reported	Pro Forma Adjustments		Pro Forma Combined Compass Diversified Holdings
Net revenues	$ 1,026,110	$ 53,228	$ —		$ 1,079,338
Cost of revenues	613,538	21,217	—		634,755
Gross Profit	412,572	32,011	—		444,583
Operating expenses:					
Selling, general and administrative expense	246,296	12,387	3,315	E	261,998
Management fees	29,337	—	2,650	G	31,987
Amortization expense	42,026	2,324	6,288	H	50,638
Operating income	94,913	17,300	(12,253)		99,960
Other income (expense):					
Interest income (expense), net	(34,938)	(3,051)	(1,620)	I	(39,609)
Amortization of debt issuance cost	(1,731)	—	—		(1,731)
Other income (expense), net	2,773	—	—		2,773
Income (loss) from continuing operations before income taxes	61,017	14,249	(13,873)		61,393
Provision for income taxes	16,108	1,727	—		17,835
Net income (loss) from continuing operations	44,909	12,522	(13,873)		43,558
Less: Net income from continuing operations attributable to noncontrolling interest	8,572	—	1,166	J	9,738
Net income (loss) attributable to Holdings from continuing operations	$ 36,337	$ 12,522	$ (15,039)		$ 33,820
Basic and fully diluted income per share attributable to Holdings from continuing operations	$ 0.19				$ 0.16
Weighted average number of shares	69,804				69,804

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

Compass Diversified Holdings
Notes to Pro Forma Condensed Combined Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The pro forma financial information has been prepared in accordance with Article 11 of Regulation S-X and has been compiled from historical consolidated financial statements prepared in accordance with U.S. GAAP and should be read in conjunction with the Form 10-K for the year ended December 31, 2021 and the Form 10-Q for the quarterly period ended June 30, 2022 for CODI. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of what the combined company's results of operations actually would have been had the Merger been completed as of January 1, 2021. In addition, this pro forma financial information does not purport to project the future operating results of the combined company.

The accompanying unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting in accordance with Accounting Standards Codification 805, ''Business Combinations'' (''ASC 805'') and are based on the annual audited and unaudited interim historical financial information of CODI, and annual audited and unaudited interim historical financial information of PrimaLoft. For purposes of the unaudited pro forma condensed combined balance sheet, the purchase price consideration has been allocated to the assets acquired and liabilities assumed of PrimaLoft based upon preliminary estimate of their fair values as of the acquisition date. Accordingly, the purchase price allocation and related adjustments reflected in the unaudited pro forma condensed combined financial information are preliminary and subject to revision as further analyses are completed and additional information becomes available. The purchase price consideration as well as the estimated fair values of the assets acquired and liabilities assumed will be finalized as soon as practicable.

Management believes that the assumptions used provide a reasonable basis for presenting the significant effects of the Acquisition, and that the pro forma adjustments in the unaudited pro forma condensed combined financial information give appropriate effect to those assumptions.

Pro forma information is intended to reflect the impact of the acquisition of PrimaLoft on CODI's historical financial position and results of operations through adjustments that are directly attributable to the transaction, that are factually supportable and, with respect to the pro forma condensed combined statements of operations that are expected to have a continuing impact. This information in the accompanying footnotes provide a description of each of the pro forma adjustments from each line item in the pro forma condensed combined financial statements together with information explaining how the adjustments were derived or calculated.

Note 2. Purchase Price Allocation

The following table summarizes the preliminary purchase price for the PrimaLoft acquisition (in thousands):

Acquisition Consideration		
Gross purchase price	$	530,000
Working capital adjustment - preliminary		2,257
Cash acquired - preliminary estimate		7,319
Purchase consideration	$	539,576

The purchase price is preliminary and is subject to adjustment based upon the difference between the estimated net working capital to be transferred and the actual amount of working capital transferred on the date of closing. The initial purchase price has been allocated to the acquired assets and assumed liabilities based on estimated fair values. The table below provides the provisional recording of assets acquired and liabilities assumed as of the acquisition date. The amounts recorded for inventory, intangible assets, deferred tax liabilities and goodwill are preliminary pending finalization of valuation efforts.

(in thousands)	Amounts recognized as of the acquisition date Preliminary	
Purchase Consideration	$	539,576
Fair value of identified assets acquired:		
Cash	$	6,951
Accounts receivable, net		2,992
Inventory, net		1,991
Property, plant and equipment		1,042
Intangible assets		260,200
Other current and non-current assets		3,581
Total identifiable assets		276,757
Fair value of liabilities assumed:		
Current liabilities		10,947
Other liabilities		875
Deferred tax liabilities		62,735
Total liabilities assumed		74,557
Net identifiable assets acquired	$	202,200
Goodwill	$	337,376
Transaction costs incurred	$	5,680

The preliminary allocation presented above is based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the identifiable acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates and estimated discount rates. Current and noncurrent assets, property, plant and equipment and current and other liabilities are estimated at their historical carrying values. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. The Company expects the goodwill balance to be deductible for tax purposes.

The identified intangible assets are definite lived intangibles and will be amortized over the estimated useful life assigned to the underlying intangible asset. The intangible assets preliminarily recorded in connection with the Primaloft acquisition are as follows (in thousands):

Intangible Assets	Amount		Estimated Useful Life
Customer Relationships	$	182,000	15 years
Tradename		48,200	20 years
Technology		29,500	11 years
In-process research and development		500	N/a
	$	260,200	

Note 3. Pro Forma Adjustments

Balance Sheet

The following adjustments correspond to those included in the pro forma unaudited condensed combined balance sheet as of June 30, 2022:

A. The following reflects the adjustments necessary to reflect: (i) the allocation of the purchase price to inventory, intangible assets, goodwill and the related deferred tax liability resulting from the step up in basis, and; (ii) the assignment of noncontrolling shareholder interest derived from the equity value contributed by noncontrolling shareholders. The adjustment to inventory represents the estimated adjustment to step up PrimaLoft's finished goods inventory to fair value. The fair value was determined based on the estimated selling price less the selling costs and a normal profit margin on those selling efforts. After the acquisition, the step-up in inventory value will increase cost of revenues over approximately one month as the inventory is sold. This increase is reflected in the pro forma condensed combined statements of operations for the year ending December 31, 2021.

(in thousands)		**June 30, 2022**
Inventory	$	630
Intangible assets		219,084
Goodwill		252,721
Deferred tax liability		(54,775)
Noncontrolling interest		(35,263)
	$	382,397

B. On July 12, 2022 the Company entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”) with the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and a letter of credit issuer, which Credit Agreement amended and restated that certain Second Amended and Restated Credit Agreement originally dated as of March 23, 2021 (as previously amended, the “Prior Credit Agreement”). The Credit Agreement provides for (i) revolving loans, swing line loans and letters of credit (the “Revolving Line of Credit”) up to a maximum aggregate amount of $600 million (the “Revolving Loan Commitment”), and (ii) a $400 million term loan (the “Term Loan”). The Company used the initial proceeds from the Credit Agreement to pay all amounts outstanding under the Prior Credit Agreement, pay fees and expenses incurred in connection with the Credit Agreement and fund the acquisition of PrimaLoft

The following reflects the (i) the redemption of PrimaLoft's historical indebtedness, and (ii) the issuance of the Term Loan and the drawdown on the Revolving Line of Credit to reflect the financing of the PrimaLoft acquisition.

(in thousands)		**PrimaLoft Acquisition**
Term loan	$	400,000
Revolving credit facility		84,958
Total CODI acquisition financing		484,958
Redemption of PrimaLoft debt		(91,530)
	$	393,428

C. Represents the elimination of historical stockholders' equity of PrimaLoft. The elimination of historical additional-paid-in-capital has been combined with accumulated deficit in the accompanying condensed combined pro forma balance sheet as of June 30, 2022 to conform with the presentation of the Company's stockholders' equity.

(in thousands)	PrimaLoft	
Common stock	$	—
Additional-paid-in-capital		59,349
Retained earnings		(50,683)
Total Stockholders' equity	$	8,666

D. To reflect the adoption of Accounting Standards Update No. 2016-02, Leases ("Topic 842").

(in thousands)	June 30, 2022	
Right-of-use-asset	$	872
Lease liability - current	$	515
Lease liability - non-current		357
	$	872

E. Represents transaction costs incurred by the seller and accrued by PrimaLoft at June 30, 2022 and transactions costs incurred by the buyer subsequent to June 30, 2022. The transaction costs incurred by the seller are not a continuing expense of the combined entities and have been excluded from the Pro Forma Condensed Combined Financial Statements. The transaction costs incurred by the buyer were expensed on July 12, 2022 and are reflected as an expense of the combined entities in the Pro Forma Condensed Combined Financial Statements.

(in thousands)	June 30, 2022	
Elimination of seller transaction costs	$	(2,365)
Buyer transaction costs		5,680
Transaction costs - net	$	3,315

Statement of Operations

The following adjustments correspond to those included in the unaudited pro forma condensed combined statements of operations for all periods presented:

F. Inventory valuation adjustment - to record the amortization of the inventory step-up recorded in connection with the purchase price allocation. The pro forma condensed combined statements of operations for the year ended December 31, 2021 is adjusted to increase cost of sales to reflect the amount of inventory expected to be sold within one year of the acquisition date. After the acquisition, the step-up in inventory value will increase cost of revenues over approximately one month as the inventory is sold.

(in thousands)	For the year ended December 31, 2021	
Amortization of inventory step-up	$	630

G. Management fee - to record the annual management fee payable to Compass Group Management (our Manager) calculated as 1% of the aggregate purchase price of PrimaLoft.

(in thousands)	For the year ended December 31, 2021		For the six months ended June 30, 2022	
Management Fee	$	5,300	$	2,650

H. Amortization expense - to record the adjustment to amortization expense for the revised intangible assets associated with the preliminary allocation of the purchase price. See Note 2 for the detail on intangible assets acquired.

(in thousands)	For the year ended December 31, 2021	For the six months ended June 30, 2022
Historical amortization expense	$ (4,648)	$ (2,324)
Revised amortization expense	17,225	8,612
	$ 12,577	$ 6,288

I. Interest expense - to record the interest expense associated with the $400 million Term Loan and the revolver borrowings used to fund the acquisition, offset by lower commitment fees (unused fees) on the revolving credit facility. The annual interest rate assumed was 1.97% for the term loan and revolving credit facility based on the average rate at June 30, 2022, and the commitment fee was 0.25%. The pro forma adjustment reflects the the redemption of PrimaLoft's historical indebtedness as of the acquisition date.

(in thousands)	
Term loan borrowings	$ 400,000
	1.97 %
Annual interest expense - term loan	$ 7,880
Revolver borrowings	$ 84,958
	1.97 %
	1,674
Less: Commitment fee	$ 84,958
	0.25 %
	212
Annual interest expense - revolver	$ 1,462

(in thousands)	For the year ended December 31, 2021	For the six months ended June 30, 2022
Historical interest expense	$ (4,534)	$ (3,051)
Additional CODI interest expense	9,341	4,671
	$ 4,807	$ 1,620

J. To record the noncontrolling interest associated with PrimaLoft's net income for the periods presented.

(in thousands)	For the year ended December 31, 2021	For the six months ended June 30, 2022
PrimaLoft net income	$ 11,853	$ 12,522
Noncontrolling interest ownership percentage	9.3 %	9.3 %
	$ 1,104	$ 1,166

Note 3. Earnings Per Share

Basic and fully diluted earnings per Trust common share is computed using the two-class method which requires companies to allocate participating securities that have rights to earnings that otherwise would have been available to common shareholders as a separate class of securities in calculating earnings per share. The Company has granted Allocation Interests that contain participating rights to receive profit allocations upon the occurrence of certain events, and has issued preferred shares that have rights to distributions when, and if, declared by the Company's Board of Directors. The calculation of basic and fully diluted earnings per Trust common share is computed by dividing income available to common shareholders by the weighted average number of Trust common shares outstanding during the period. Earnings per common share reflects the effect of distributions that were declared and paid to holders of the Allocation Interests, and distributions that were paid or cumulative on preferred shares during the period.

Reconciliation of pro forma net income (loss) from continuing operations available to common shares of Holdings

The following table reconciles net income (loss) attributable to the common shares of Holdings:

(in thousands)	**Year ended December 31, 2021**	**Six months ended June 30, 2022**
Pro forma net income (loss) from continuing operations attributable to Holdings	$ 4,554	$ 33,820
Less: Distributions paid - Allocation Interests	34,058	—
Less: Distributions paid - Preferred Shares	24,181	12,091
Less: Accrued distributions - Preferred Shares	2,869	2,869
Pro forma net loss from continuing operations attributable to Holdings	$ (56,554)	$ 18,860

Pro forma earnings per share - continuing operations

(in thousands, except per share data)	**Year ended December 31, 2021**	**Six months ended June 30, 2022**
Pro forma net loss from continuing operations attributable to Holdings	$ (56,554)	$ 18,860
Less: Effect of Contribution based profit - Holding Event	5,361	7,884
Pro forma loss from Holdings attributable to common shares	$ (61,915)	$ 10,976
Basic and diluted weighted average common shares of Holdings	65,362	69,804
Basic and fully diluted pro forma income (loss) per share attributable to Holdings		
Continuing operations	$ (0.95)	$ 0.16