

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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 3, 2021

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

Delaware
(State or other jurisdiction
of incorporation)

001-34927
(Commission
File Number)

57-6218917
(I.R.S. Employer
Identification No.)

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

Delaware
(State or other jurisdiction
of incorporation)

001-34926
(Commission
File Number)

20-3812051
(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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- 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

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.

Section 1 Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement

Compass Group Diversified Holdings LLC (the "Company") and Compass Diversified Holdings ("Holdings" and, together with the Company, collectively "CODI," "us" or "we") acquires and manages small to middle market businesses in the ordinary course of its business. The following description relates to the recent divestiture of one such business.

Liberty Safe

On July 16, 2021, as previously disclosed in the Current Report on Form 8-K filed by CODI on July 19, 2021, the Company, as majority stockholder of Liberty Safe Holding Corporation ("Liberty") and as Sellers Representative, entered into a definitive Stock Purchase Agreement (the "Purchase Agreement") with Independence Buyer, Inc. ("Buyer"), Liberty and the other holders of stock and options of Liberty to sell to Buyer all of the issued and outstanding securities of Liberty, the parent company of the operating entity, Liberty Safe and Security Products, Inc.

August 3, 2021, Buyer and the Company, as Sellers Representative, entered into the Amendment to Stock Purchase Agreement (the "Amendment") which amended the Purchase Agreement to, among other things, provide that, immediately prior to the closing, certain investors in Liberty will, instead of selling all of the shares of Liberty owned by them to Buyer, contribute a portion of such shares (the "Rollover Shares") to an indirect parent company of Buyer in exchange for equity securities of such entity.

The foregoing brief description of the Purchase Agreement and Amendment is not meant to be exhaustive and is qualified in its entirety by the full text of the Purchase Agreement, which is incorporated herein by reference to Exhibit 2.1 to CODI's Current Report on Form 8-K filed on July 19, 2021, and the Amendment, which is attached hereto as Exhibit 2.1 to this Current Report on Form 8-K.

Section 8 Other Events

Item 8.01 Other Events

On August 3, 2021, Buyer completed the acquisition of all the issued and outstanding securities of Liberty (other than the Rollover Shares) pursuant to the Purchase Agreement and Amendment (the "Transaction"). The sale price of Liberty was based on an aggregate total enterprise value of \$147.5 million, subject to customary adjustments. After these adjustments, as well as for an allocation to Liberty's non-controlling shareholders and the payment of transaction expenses, CODI received approximately \$127 million of total proceeds from the sale at closing. This amount was in respect of its debt and equity interests in Liberty (which was acquired by CODI on March 31, 2010) and the payment of accrued interest. As previously announced, CODI expects to record a gain of approximately \$75 million to \$85 million from the sale. The proceeds will be used for general corporate purposes and to fund the previously announced special distribution of \$0.88 per common share in connection with CODI's anticipated tax reclassification.

On August 3, 2021, CODI issued a press release announcing the closing of the Liberty sale. The foregoing description of the press release is qualified in its entirety by reference to the complete text of the press release furnished as Exhibit 99.1 hereto, which is hereby incorporated by reference herein.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description
2.1	<u>Amendment to Stock Purchase Agreement, dated August 3, 2021, by and among Independence Buyer, Inc. and Compass Group Diversified Holdings LLC, as the Sellers Representative.*</u>
99.1	<u>Press Release dated August 3, 2021 announcing the closing of the sale of Liberty.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Schedules and similar attachments have been omitted in reliance on Instruction 4 of Item 1.01 of Form 8-K and Item 601(a)(5) of Regulation S-K. The registrant will provide, on a supplemental basis, a copy of any omitted schedule or attachment to the SEC or its staff upon request.

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: August 3, 2021

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: August 3, 2021

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Chief Financial Officer

AMENDMENT TO STOCK PURCHASE AGREEMENT

This AMENDMENT TO STOCK PURCHASE AGREEMENT (this “Amendment”), dated as of August 3, 2021, is entered into by and among Compass Group Diversified Holdings LLC, a Delaware limited liability company (“**Sellers Representative**”), and Independence Buyer, Inc., a Delaware corporation (the “**Buyer**”). Buyer and Sellers Representative are each referred to herein as a “**Party**” and collectively as the “**Parties**”. Unless otherwise defined herein, all defined terms used in this Amendment shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, Buyer, Sellers Representative, Liberty Safe Holding Corporation, a Delaware corporation, and the Sellers parties thereto entered into that certain Stock Purchase Agreement, dated as of July 16, 2021 (the “**Purchase Agreement**”);

WHEREAS, Section 11.9 of the Purchase Agreement provides that the Purchase Agreement may be amended, subject to certain limitations, only in a writing signed by Sellers Representative and the Buyer; and

WHEREAS, the Parties desire to enter into this Amendment to amend certain provisions of the Purchase Agreement, as more fully set forth in this Amendment.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Amendment.

- a. The definition of “**Initial Purchase Price**” is amended and restated in its entirety as follows:

“**Initial Purchase Price**” means \$147,500,000 plus (i) the sum of (A) the Estimated Cash and (B) the Closing Date Working Capital Adjustment Amount (if positive), minus (ii) the sum of (A) the absolute value of the Closing Date Working Capital Adjustment Amount (if negative), (B) the Estimated Company Debt, (C) the Estimated Selling Expenses, (D) the Adjustment Escrow Amount, (E) the Reserve Amount and (F) the Aggregate Rollover Value.

- b. Section 2.1 of the Purchase Agreement is amended and restated in its entirety as follows:

Purchase and Sale of the Shares. Upon the terms and subject to the conditions set, forth in this Agreement, at the Closing, the Stockholders agree to sell, transfer and deliver to the Buyer the Shares (other than the Rollover Shares), free and clear of all Liens (other than Liens that relate to the transferability of securities under any applicable securities Laws), and the Buyer agrees to purchase and accept the Shares (other than the Rollover Shares) from the Stockholders for the consideration described in Section 2.2. The treatment of the Options shall be governed by Section 2.3(f).

- c. Section 2.2(a) of the Purchase Agreement is amended and restated in its entirety as follows:

subject to the adjustment provisions set forth in Section 2.3, in full consideration for the transfer of the Shares (other than the Rollover Shares), pay (or cause to be paid to) each Stockholder, by wire transfer of immediately available funds to the account or accounts designated in writing by the Sellers Representative to the Buyer at least two (2) Business Days prior to the Closing Date, such Stockholder's Allocable Portion of the Distribution Amount.

- d. Section 3.1(b)(i) of the Purchase Agreement is amended and restated in its entirety as follows:

stock certificates (or affidavits of loss in customary form) representing all Shares (other than the Rollover Shares), endorsed in blank or accompanied by duly executed assignment documents executed by the applicable Seller;

- e. The following paragraph is added as a new Section 2.4:

Section 2.04. Rollover Shares. Prior to the Closing, the Stockholders (the "**Rollover Stockholders**") set forth on Exhibit C have entered have entered into contribution and exchange agreements with Buyer's indirect parent entities (the "**Rollover Agreements**"), pursuant to which such Rollover Stockholders will contribute the number of shares set forth opposite such Rollover Stockholder's name on Exhibit C (such Shares, the "**Rollover Shares**") to Buyer's parent entities in exchange for equity securities of such parent entities as provided therein (the "**Rollover**"). Exhibit C also sets forth the value for each Rollover Stockholder's Rollover Shares (the "**Rollover Value**") and the aggregate Rollover Value for all Rollover Stockholders (such aggregate amount, the "**Aggregate Rollover Value**").

- f. Section 5.2(a) of the Purchase Agreement is amended and restated in its entirety as follows:

The authorized capital stock of the Company consists of (i) 1,500,000 shares of common stock, par value \$0.001 per share, of which 631,040.25 shares are issued and outstanding as of the date hereof. As of the date hereof, the Company has

granted or issued and has outstanding Options under the Stock Plan relating to 37,961 shares of common stock, par value \$0.001, of the Company, and Options relating to up to 5,016 shares of common stock, par value \$0.001, of the Company remain available for grant under the Stock Plan. All Options shall become vested and exercisable as of the Closing. All of the issued and outstanding Shares have been duly authorized, are validly issued, fully paid, and nonassessable, and, prior to the Rollover, are held of record by the respective Sellers as set forth in Section 5.2(a) of the Disclosure Schedule. Except as set forth in Section 5.2(a) of the Disclosure Schedule, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Company to issue, sell, or otherwise cause to become outstanding any of its capital stock or any other Equity Interests of the Company. Except as set forth in Section 5.2(a) of the Disclosure Schedule, there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. Immediately prior to the Closing and the Rollover, the Shares held by Sellers will constitute all of the issued and outstanding Equity Interests of the Company. Except for the Stockholders' Agreement and as set forth in Section 5.2(a) of the Disclosure Schedule, there are no voting trusts or other agreements or understandings to which the Company is a party or by which the Company is bound with respect to the voting, transfer or other disposition of its equity. None of the Acquired Companies has violated, in any material respect, any applicable Laws, including any federal or state securities laws, or any preemptive or other similar rights of any Person in connection with the issuance, repurchase or redemption of any of its Equity Interests or other securities.

- g. References in the Purchase Agreement to Section 2.2(e) shall be amended and restated to refer to Section 2.3(e).
- h. Annex I attached hereto is added as "Exhibit C" to the Purchase Agreement.
- i. Schedule II to the Purchase Agreement is hereby amended and restated in its entirety as set forth on Annex II attached hereto.
- j. Section 7.7(c) of the Purchase Agreement is amended and restated in its entirety as follows:

Within two (2) Business Days following the Closing, the Buyer shall, and shall cause the Company and the Company Subsidiaries to, obtain, maintain and fully pay for an irrevocable "tail" officers' and directors' liability insurance policy naming the Indemnitees as direct beneficiaries with a claims period of at least six (6) years from the Closing Date in respect of acts or omissions occurring on or prior to the Closing Date (such policy, the "**D&O Tail Policy**"), and such D&O Tail Policy must contain terms with respect to coverage and be in an amount not less favorable than the officers' and directors' liability insurance policy maintained

by the Company and the Company Subsidiaries in existence on the Effective Date.

2. Ratification of the Purchase Agreement. Except as otherwise expressly provided herein, all of the terms and conditions of the Purchase Agreement are ratified and shall remain unchanged and continue in full force and effect. From and after the due execution and delivery of this Amendment by the Parties, references in the Purchase Agreement and the Ancillary Agreements to “this Agreement”, “the Agreement” and terms of similar import shall be deemed to refer to the Purchase Agreement as amended hereby.
3. Amendment. This Amendment may be amended or modified only by an instrument in writing duly executed by the Sellers Representative (on behalf of the Sellers) and the Buyer.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment, or have caused this Amendment to be executed, as on the day and year first above written.

BUYER:

INDEPENDENCE BUYER, INC.

By: /s/ Justin Hillenbrand

Name: Justin Hillenbrand

Title: President

SELLERS REPRESENTATIVE:

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham

Name: Ryan J. Faulkingham

Title: Chief Financial Officer



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Compass Diversified Completes Sale of Liberty Safe

WESTPORT, Conn., – August 3, 2021 – Compass Diversified (NYSE: CODI) (“CODI”), an owner of leading middle market businesses, today announced that it has completed the sale of its majority owned subsidiary, Liberty Safe Holding Corporation, the parent company of Liberty Safe and Security Products, Inc. (“Liberty”) to an affiliate of Monomoy Capital Partners (“Monomoy”), a middle market private investment firm which invests in the debt and equity of manufacturing, distribution and consumer product businesses.

The sale price of Liberty was based on an aggregate enterprise value of \$147.5 million plus estimated cash and working capital adjustments subject to customary post-closing true-ups. After these adjustments, as well as for an allocation to Liberty’s non-controlling shareholders and the payment of transaction expenses, CODI received approximately \$127 million of total proceeds from the sale at closing. This amount was in respect of its debt and equity interests in Liberty and the payment of accrued interest. As previously announced, CODI expects to record a gain of approximately \$75 million to \$85 million from the sale.

Net proceeds will be used for general corporate purposes and to fund the previously announced special distribution of \$0.88 per common share in connection with CODI’s anticipated tax reclassification.

Elias Sabo, CEO of Compass Diversified, stated, “Since acquiring Liberty in 2010, we have taken a number of steps to scale the business and cement Liberty’s leading status among its customers and dealer network. Together with management, we achieved a strong return on our investment in Liberty through a long-term approach to value creation enabled by the flexibility of our permanent capital structure. We thank the Liberty team for their significant contributions and look forward to their continued success.”

Lincoln International LLC acted as financial advisor and Squire Patton Boggs (US) LLP acted as legal counsel to CODI. Ropes & Gray LLP acted as legal advisor to Monomoy.

About Compass Diversified (“CODI”)

CODI owns and manages a diverse set of highly defensible North American middle market businesses. Each of its current subsidiaries is a leader in its niche market.

Leveraging its permanent capital base, long-term disciplined approach and actionable expertise, CODI maintains controlling ownership interests in each of its subsidiaries, maximizing its ability to impact long-term cash flow generation and value creation. CODI provides both debt and equity capital for its subsidiaries, contributing to their financial and operating flexibility. CODI utilizes the cash flows generated by its subsidiaries to invest in its long-term growth and has consistently generated strong returns through its culture of transparency, alignment and accountability.

Our nine majority-owned subsidiaries are engaged in the following lines of business:

- The design and marketing of purpose-built technical apparel and gear serving a wide range of global customers (**5.11**);
- The manufacture of quick-turn, small-run and production rigid printed circuit boards (**Advanced Circuits**);
- The design and manufacture of custom packaging, insulation and componentry (**Altor Solutions**);
- The manufacture of engineered magnetic solutions for a wide range of specialty applications and end-markets (**Arnold Magnetic Technologies**);
- The design and marketing of dial-based closure systems that deliver performance fit across footwear, headwear and medical bracing products (**BOA Technology**);
- The design and marketing of wearable baby carriers, strollers and related products (**Ergobaby**);
- The design and manufacture of baseball and softball equipment and apparel (**Marucci Sports**);
- The manufacture and marketing of portable food warming systems used in the foodservice industry, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets (**Sterno**); and
- The design, manufacture and marketing of airguns, archery products, optics and related accessories (**Velocity Outdoor**).

Forward Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to the expectations of gains to be realized in connection with the sale of Liberty. Words such as “believes,” “expects,” “anticipates,” “intends,” “projects,” “assuming,” and “future” or similar expressions, are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in

predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements, and some of these factors are enumerated in the risk factor discussion in the Form 10-K filed by CODI with the SEC for the year ended December 31, 2020 and other filings with the SEC. Except as required by law, CODI undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.