Compass Diversified Holdings
Form 10-Q
August 05, 2015
Table of Contents

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

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015
Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

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

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

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

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

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

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

Exchange Act

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

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

As of August 1, 2015, there were 54,300,000 shares of Compass Diversified Holdings outstanding.

Table of Contents

COMPASS DIVERSIFIED HOLDINGS
QUARTERLY REPORT ON FORM 10-Q
For the period ended June 30, 2015
TABLE OF CONTENTS

Table of Contents

NOTE TO READER

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

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

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contains both historical and forward-looking statements. We may, in some cases, use words such as “project,” “predict,” “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “should,” “would, “potentially,” or “may,” or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control, including, among other things:

- our ability to successfully operate our businesses on a combined basis, and to effectively integrate and improve future acquisitions;
- our ability to remove CGM and CGM’s right to resign;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of our indebtedness;
- our cash flow available for distribution and reinvestment and our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation if and when due;
- our ability to make and finance future acquisitions;
- our ability to implement our acquisition and management strategies;
- the regulatory environment in which our businesses operate;
- trends in the industries in which our businesses operate;
- changes in general economic or business conditions or economic or demographic trends in the United States and other countries in which we have a presence, including changes in interest rates and inflation;
- environmental risks affecting the business or operations of our businesses;
- our and CGM’s ability to retain or replace qualified employees of our businesses and CGM;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, whether as a result of new information, future events or otherwise, except as required by law.

Table of Contents

PART I
FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

Compass Diversified Holdings
Condensed Consolidated Balance Sheets

(in thousands)	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$25,379	$23,703
Accounts receivable, less allowances of $5,115 at June 30, 2015 and $5,200 at December 31, 2014	161,015	157,535
Inventories	125,232	111,214
Prepaid expenses and other current assets	28,149	28,347
Total current assets	339,775	320,799
Property, plant and equipment, net	111,521	115,871
Equity method investment (refer to Note E)	242,948	245,214
Goodwill	350,958	359,180
Intangible assets, net	467,626	487,220
Deferred debt issuance costs, less accumulated amortization of $2,362 at June 30, 2015 and $1,233 at December 31, 2014	10,448	11,197
Other non-current assets	7,420	7,949
Total assets	$1,530,696	$1,547,430
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$73,439	$62,099
Accrued expenses	54,251	63,378
Due to related party	6,124	6,193
Current portion, long-term debt	3,250	3,250
Other current liabilities	3,894	6,311
Total current liabilities	140,958	141,231
Deferred income taxes	96,820	97,731
Long-term debt, less original issue discount	503,532	485,547
Other non-current liabilities	15,775	14,587
Total liabilities	757,085	739,096
Stockholders’ equity		
Trust shares, no par value, 500,000 authorized; 54,300 shares issued and outstanding at June 30, 2015 and December 31, 2014	825,321	825,321
Accumulated other comprehensive income (loss)	(1,840)	(2,542)
Accumulated deficit	(94,889)	(55,348)
Total stockholders’ equity attributable to Holdings	728,592	767,431
Noncontrolling interest	45,019	40,903
Total stockholders’ equity	773,611	808,334
Total liabilities and stockholders’ equity	$1,530,696	$1,547,430

See notes to condensed consolidated financial statements.

5

Table of Contents

Compass Diversified Holdings
Condensed Consolidated Statements of Operations
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
(in thousands, except per share data)				
Net sales	$241,025	$269,084	$463,167	$515,132
Service revenues	43,702	—	78,831	—
Total net revenues	284,727	269,084	541,998	515,132
Cost of sales	166,830	186,542	324,362	356,238
Cost of service revenues	31,936	—	59,759	—
Gross profit	85,961	82,542	157,877	158,894
Operating expenses:				
Selling, general and administrative expense	45,540	48,080	89,568	94,253
Management fees	6,791	5,023	13,649	9,758
Amortization expense	9,415	7,678	19,428	15,027
Impairment expense	258	—	9,165	—
Operating income	23,957	21,761	26,067	39,856
Other income (expense):				
Interest expense, net	(3,125)	(4,810)	(12,843)	(9,382)
Amortization of debt issuance costs	(545)	(583)	(1,090)	(1,153)
Loss on debt extinguishment	—	(2,143)	—	(2,143)
Gain (loss) on equity method investment	11,181	—	(2,266)	—
Other income, net	940	106	633	290
Income before income taxes	32,408	14,331	10,501	27,468
Provision for income taxes	5,833	2,012	9,213	7,776
Net income	26,575	12,319	1,288	19,692
Less: Net income attributable to noncontrolling interest	2,118	6,600	1,733	9,314
Net income (loss) attributable to Holdings	$24,457	$5,719	$(445)	$10,378
Basic and fully diluted income (loss) per share attributable to Holdings (refer to Note K)	$0.40	$0.11	$(0.06)	$0.19
Weighted average number of shares of trust stock outstanding – basic and fully diluted	54,300	48,300	54,300	48,300
Cash distributions declared per share (refer to Note K)	$0.36	$0.36	$0.72	$0.72

See notes to condensed consolidated financial statements.

Table of Contents

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
(in thousands)				
Net income	$26,575	$12,319	$1,288	$19,692
Other comprehensive income (loss)				
Foreign currency translation adjustments	447	83	373	52
Pension benefit liability, net	405	21	329	43
Total comprehensive income, net of tax	$27,427	$12,423	$1,990	$19,787

See notes to condensed consolidated financial statements.

Table of Contents

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

(in thousands)	Number of Shares	Amount	Accumulated Deficit	Accum. Other Comprehensive Income (Loss)	Stockholders' Equity Attrib. to Holdings	Non-Controlling Interest	Total Stockholders' Equity
Balance — January 1, 2015	54,300	$ 825,321	$ (55,348)	$ (2,542)	$ 767,431	$ 40,903	$ 808,334
Net income (loss)	—	—	(445)	—	(445)	1,733	1,288
Total comprehensive income, net	—	—	—	702	702	—	702
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	1,883	1,883
Effect of subsidiary stock options exercise	—	—	—	—	—	500	500
Distributions paid	—	—	(39,096)	—	(39,096)	—	(39,096)
Balance — June 30, 2015	54,300	$ 825,321	$ (94,889)	$ (1,840)	$ 728,592	$ 45,019	$ 773,611

See notes to condensed consolidated financial statements.

Table of Contents

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

	Six months ended June 30,	
(in thousands)	2015	2014
Cash flows from operating activities:		
Net income	$1,288	$19,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	12,817	9,507
Amortization expense	19,428	15,027
Impairment expense	9,165	—
Amortization of debt issuance costs and original issue discount	1,425	1,699
Loss on debt extinguishment	—	2,143
Unrealized loss on interest rate swap	1,867	273
Noncontrolling stockholder stock based compensation	1,883	2,969
Loss on equity method investment	2,266	—
Excess tax benefit from subsidiary stock options exercised	—	(1,662)
Deferred taxes	(1,257)	(2,935)
Other	500	228
Changes in operating assets and liabilities, net of acquisition:		
Increase in accounts receivable	(1,959)	(24,105)
Increase in inventories	(14,021)	(5,056)
Increase in prepaid expenses and other current assets	(2,126)	(3,389)
Increase (decrease) in accounts payable and accrued expenses	991	(3,071)
Net cash provided by operating activities	32,267	11,320
Cash flows from investing activities:		
Acquisitions, net of cash acquired	517	(43,014)
Purchases of property and equipment	(9,039)	(7,601)
Payment of interest rate swap	(995)	(996)
Other investing activities	268	29
Net cash used in investing activities	(9,249)	(51,582)
Cash flows from financing activities:		
Borrowings under credit facility	71,000	388,000
Repayments under credit facility	(53,350)	(307,000)
Distributions paid	(39,096)	(34,776)
Net proceeds provided by noncontrolling shareholders	500	1,750
Debt issuance costs	(295)	(7,370)
Excess tax benefit from subsidiary stock options exercised	—	1,662
Other	(419)	(35)
Net cash (used in) provided by financing activities	(21,660)	42,231
Foreign currency impact on cash	318	151
Net increase in cash and cash equivalents	1,676	2,120
Cash and cash equivalents — beginning of period	23,703	113,229
Cash and cash equivalents — end of period	$25,379	$115,349

See notes to condensed consolidated financial statements.

Table of Contents

Compass Diversified Holdings
Notes to Condensed Consolidated Financial Statements (unaudited)
June 30, 2015

Note A — Organization and Business Operations
Compass Diversified Holdings, a Delaware statutory trust (the "Trust” or "Holdings"), was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings, LLC, a Delaware limited liability company (the “Company” or "CODI"), was also formed on November 18, 2005 with equity interests which were subsequently reclassified as the “Allocation Interests”. The Trust and the Company were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. In accordance with the amended and restated Trust Agreement, dated as of April 25, 2006 (the “Trust Agreement”), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company’s amended and restated operating agreement, dated as of April 25, 2006 (as amended and restated, the “LLC Agreement”)) of the Company and, pursuant to the LLC Agreement, the Company has, outstanding, the identical number of Trust Interests as the number of outstanding shares of the Trust. The Company is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.
The Company is a controlling owner of nine businesses, or reportable operating segments, at June 30, 2015. The segments are as follows: CamelBak Acquisition Corp. (“CamelBak”), The Ergo Baby Carrier, Inc. (“Ergobaby”), Liberty Safe and Security Products, Inc. (“Liberty Safe” or “Liberty”), Compass AC Holdings, Inc. (“ACI” or “Advanced Circuits”), American Furniture Manufacturing, Inc. (“AFM” or “American Furniture”), AMT Acquisition Corporation (“Arnold” or “Arnold Magnetics”), Clean Earth Holdings, Inc. ("Clean Earth"), Candle Lamp Company, LLC ("SternoCandleLamp") and Tridien Medical, Inc. (“Tridien”). Refer to Note D for further discussion of the operating segments. The Company also owns a non-controlling interest of approximately 41% in Fox Factory Holding Corp. (“FOX”) which is accounted for as an equity method investment. Compass Group Management LLC, a Delaware limited liability company (“CGM” or the “Manager”), manages the day to day operations of the Company and oversees the management and operations of our businesses pursuant to a management services agreement (“MSA”).

Note B — Presentation and Principles of Consolidation
The condensed consolidated financial statements for the three and six month periods ended June 30, 2015 and June 30, 2014, are unaudited, and in the opinion of management, contain all adjustments necessary for a fair presentation of the condensed consolidated financial statements. Such adjustments consist solely of normal recurring items. Interim results are not necessarily indicative of results for a full year or any subsequent interim period. The condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.
Seasonality
Earnings of certain of the Company’s operating segments are seasonal in nature. Earnings from CamelBak are typically higher in the spring and summer months as this corresponds with warmer weather in the Northern Hemisphere and an increase in hydration related activities. Earnings from Liberty are typically lowest in the second quarter due to lower demand for safes at the onset of summer. Earnings from AFM are typically highest in the months of January through April of each year, coinciding with homeowners’ tax refunds. Earnings from Clean Earth are typically lower in the winter months due to reduced levels of construction and development activity in the Northeastern United States.
Consolidation
The condensed consolidated financial statements include the accounts of Holdings and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The results of operations of FOX are included in the Company's historical condensed consolidated results of operations through

July 10, 2014, the date on which our investment in FOX fell below 50% and the FOX entity was deconsolidated.

Table of Contents

Recently Adopted Accounting Pronouncements

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

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard. The new standard outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In April 2015, the FASB issued an accounting standard update intended to simplify the presentation of debt issuance costs in the balance sheet. The new guidance requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Accordingly, the standard is effective for the Company on January 1, 2016.

Note C — Acquisitions

Acquisition of Clean Earth Holdings, Inc.

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

Headquartered in Hatboro, Pennsylvania, Clean Earth provides environmental services for a variety of contaminated materials including soils, dredged material, hazardous waste and drill cuttings. Clean Earth analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, oil and gas, infrastructure, industrial and dredging. Treatment includes thermal desorption, dredged material stabilization, bioremediation, physical treatment/screening and chemical fixation. Before the company accepts contaminated materials, it identifies a third party "beneficial reuse" site such as commercial redevelopment or landfill capping where the materials will be sent after they are treated. Clean Earth holds the largest market share in the contaminated materials and dredged material management market and operates 14 permitted facilities in the Eastern U.S. Revenues from the environmental recycling facilities are generally recognized at the time of treatment.

The Company made loans to and purchased a 98% controlling interest in Clean Earth. The purchase price, including proceeds from noncontrolling interest, was approximately $251.4 million. The Company funded its portion of the acquisition through drawings on its 2014 Revolving Credit Facility and cash on hand. Clean Earth management invested in the transaction along with the Company representing an approximate 2% initial noncontrolling interest on a primary and fully diluted basis. The fair value of the noncontrolling interest was determined based on the enterprise value of the acquired entity multiplied by the ratio of the number of shares acquired by the minority holders to total shares. The transaction was accounted for as a business combination. CGM acted as an advisor to the Company in the acquisition and will continue to provide integration services during the first year of the Company's ownership of Clean Earth. CGM will receive integration service fees of approximately $2.5 million which is payable quarterly during a twelve month period as services are rendered beginning in the quarter ended December 31, 2014.

Table of Contents

The results of operations of Clean Earth have been included in the consolidated results of operations since the date of acquisition. Clean Earth's results of operations are reported as a separate operating segment. The table below provides the recording of assets acquired and liabilities assumed as of the acquisition date.

Clean Earth	
(in thousands)	
Amounts recognized as of the acquisition date	
Assets:	
Cash	$3,683
Accounts receivable [(1)]	41,821
Property, plant and equipment [(2)]	43,437
Intangible assets	135,939
Goodwill	109,738
Other current and noncurrent assets	8,697
Total assets	$343,315
Liabilities and noncontrolling interest:	
Current liabilities	$27,205
Other liabilities	149,760
Deferred tax liabilities	61,299
Noncontrolling interest	2,275
Total liabilities and noncontrolling interest	$240,539
Net assets acquired	$102,776
Noncontrolling interest	2,275
Intercompany loans to business	148,248
	$253,299
Acquisition Consideration	
Purchase price	$243,000
Working capital adjustment	6,616
Cash	3,683
Total purchase consideration	$253,299
Less: Transaction costs	1,935
Purchase price, net	$251,364

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

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

12

Table of Contents

The Company incurred $1.9 million of transaction costs in conjunction with the Clean Earth acquisition during the year ended December 31, 2014 which was included in selling, general and administrative expense in the consolidated statements of income in 2014. The goodwill of $109.7 million reflects the strategic fit of Clean Earth into the Company's niche industrial businesses. The goodwill is not expected to be deductible for tax purposes.
The values assigned to the identified intangible assets were determined by discounting the estimated future cash flows associated with these assets to their present value. The intangible assets recorded in connection with the Clean Earth acquisition are as follows (in thousands):

Intangible assets	Amount	Estimated Useful Life
Customer relationships	$25,730	15 years
Permits and Airspace	93,209	10 - 20 years
Trade name	17,000	20 years
	$135,939	

Acquisition of SternoCandleLamp

On October 10, 2014, the Company, through its wholly owned subsidiary business, Sternocandlelamp Holdings, Inc., entered into a membership interest purchase agreement (the “Sterno Purchase Agreement”) with Candle Lamp Holdings, LLC (the “Seller”), and Candle Lamp Company, LLC (“SternoCandleLamp”) pursuant to which the Sternocandlelamp Holdings, Inc. acquired all of the issued and outstanding equity of SternoCandleLamp (the “Acquisition”). Headquartered in Corona, California, SternoCandleLamp is the leading manufacturer and marketer of portable food warming fuel and creative table lighting solutions for the food service industry. SternoCandleLamp’s product line includes wick and gel chafing fuels, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps. The purchase price was approximately $160.0 million. In addition to its equity investment in SternoCandleLamp, the Company provided loans totaling approximately $91.6 million to SternoCandleLamp as part of the transaction. The transaction is accounted for as a business combination. CGM acted as an advisor to the Company in the acquisition and will continue to provide integration services during the first year of the Company's ownership of SternoCandleLamp. CGM will receive integration service fees of $1.5 million which is payable quarterly over a twelve month period as services are rendered beginning in the quarter ending December 31, 2014.

Table of Contents

The results of operations of SternoCandleLamp have been included in the consolidated results of operations since the date of acquisition. SternoCandleLamp's results of operations are reported as a separate operating segment. The table below provides the recording of assets acquired and liabilities assumed as of the acquisition date.

SternoCandleLamp	
(in thousands)	
Amounts recognized as of the acquisition date	
Assets:	
Accounts receivable (1)	$18,534
Inventory (2)	19,932
Property, plant and equipment (3)	18,004
Intangible assets	90,950
Goodwill	33,717
Other current and non-current assets	1,734
Total assets	$182,871
Liabilities:	
Current liabilities	20,120
Other liabilities	91,647
Total liabilities	$111,767
Net assets acquired	71,104
Intercompany loans to business	91,647
	$162,751
Acquisition Consideration	
Purchase price	$161,500
Working capital adjustment	1,251
Total purchase consideration	$162,751
Less: Transaction costs	2,765
Purchase price, net	$159,986

(1) Includes $18.8 million of gross contractual accounts receivable of which $0.2 million was not expected to be collected. The fair value of accounts receivable approximates book value acquired.

(2) Includes $2.0 million in inventory basis step-up, which was charged to cost of goods sold during the year ended December 31, 2014.

(3) Includes $6.9 million of property, plant and equipment basis step-up.

The Company incurred $2.8 million of transaction costs in conjunction with the SternoCandleLamp acquisition during the year ended December 31, 2014, which was included in selling, general and administrative expense in the consolidated statements of income during that period. The goodwill of $33.7 million reflects strategic fit of SternoCandleLamp into the Company's niche industrial businesses. The goodwill is expected to be deductible for tax purposes.

Table of Contents

The values assigned to the identified intangible assets were determined by discounting the estimated future cash flows associated with these assets to their present value. The intangible assets recorded in connection with the SternoCandleLamp acquisition are as follows (in thousands):

Intangible assets	Amount	Estimated Useful Life
Customer relationships	$60,140	10 years
Trade name	30,810	Indefinite
	$90,950	

Unaudited pro forma information

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

(in thousands)	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Net sales	$343,867	$650,534
Operating income	27,400	45,507
Net income	13,740	19,591
Net income attributable to Holdings	7,114	10,262
Basic and fully diluted net income per share attributable to Holdings	$0.14	$0.19

Other acquisitions

Clean Earth

On December 15, 2014, the Company's Clean Earth subsidiary completed the acquisition of American Environmental Services, Inc. ("AES") for a purchase price of approximately $16.1 million after the settlement of the working capital adjustment related to the acquisition of $0.5 million during the second quarter of 2015. AES provides environmental services, managing hazardous and nonhazardous waste from off-site generators. AES has two fully permitted hazardous waste facilities located in Calvert City, Kentucky and Morgantown, West Virginia, serving industrial and government customers across the region. The acquisition expands Clean Earth's customer base and geographic market penetration. The purchase price of AES was allocated to the assets acquired and liabilities assumed based on the estimated fair value as of December 15, 2014, with the excess purchase price allocated to goodwill.

FOX

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

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

Table of Contents

Note D — Operating Segment Data

At June 30, 2015, the Company had nine reportable operating segments. Each operating segment represents a platform acquisition. The Company’s operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. A description of each of the reportable segments and the types of products and services from which each segment derives its revenues is as follows:

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

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

- Liberty Safe is a designer, manufacturer and marketer of premium home and gun safes in North America. From it’s over 314,000 square foot manufacturing facility, Liberty produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles. Liberty is headquartered in Payson, Utah.

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

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

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

- Clean Earth provides environmental services for a variety of contaminated materials including soils, dredged material, hazardous waste and drill cuttings. Clean Earth analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, oil and gas, infrastructure, industrial and dredging. Clean Earth is headquartered in Hatboro, Pennsylvania and operates 14 facilities in the eastern United States.

-

SternoCandleLamp is a manufacturer and marketer of portable food warming fuel and creative table lighting solutions for the food service industry. SternoCandleLamp's products include wick and gel chafing fuels, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps. SternoCandleLamp is headquartered in Corona, California.

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

The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The results of operations of each of the operating segments are included in consolidated operating results as of their date of acquisition. FOX was an operating segment of the Company until July 10, 2014, when FOX was deconsolidated and became an equity method investment. The results of operations of FOX are included in the disaggregated and other financial data presented for the three and six months ended June 30, 2014.

16

Table of Contents

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

A disaggregation of the Company's consolidated revenue and other financial data for the three and six months ended June 30, 2015 and 2014 is presented below (in thousands):

Net sales of operating segments	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
CamelBak	$42,574	$40,879	$79,496	$79,649
Ergobaby	21,492	19,467	42,160	39,039
FOX	—	86,373	—	142,481
Liberty	24,756	18,957	50,609	47,852
ACI	23,082	21,286	44,500	42,148
American Furniture	42,427	32,651	83,352	67,491
Arnold Magnetics	29,360	32,767	60,548	63,446
Clean Earth	43,702	—	78,831	—
SternoCandleLamp	38,366	—	66,970	—
Tridien	18,968	16,704	35,532	33,026
Total	284,727	269,084	541,998	515,132
Reconciliation of segment revenues to consolidated revenues:				
Corporate and other	—	—	—	—
Total consolidated revenues	$284,727	$269,084	$541,998	$515,132

International Revenues	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
CamelBak	$7,075	$8,817	$16,797	$19,015
Ergobaby	12,274	10,588	23,230	21,693
FOX	—	47,231	—	79,306
Arnold Magnetics	10,645	15,321	23,014	29,588
	$29,994	$81,957	$63,041	$149,602

Table of Contents

Profit (loss) of operating segments [1]	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
CamelBak	$7,284	$5,829	$11,635	$11,684
Ergobaby	5,641	4,228	11,047	8,558
FOX	—	11,736	—	16,483
Liberty	2,764	(2,247)	4,168	(537)
ACI	6,766	5,179	12,487	10,581
American Furniture	1,549	1,017	3,225	2,137
Arnold Magnetics	1,720	2,636	3,474	4,060
Clean Earth	1,594	—	40	—
SternoCandleLamp	3,923	—	5,579	—
Tridien	1,005	523	(7,687)	1,158
Total	32,246	28,901	43,968	54,124
Reconciliation of segment profit to consolidated income (loss) before income taxes:				
Interest expense, net	(3,125)	(4,810)	(12,843)	(9,382)
Other income, net	940	106	633	290
Gain (loss) on equity method investment	11,181	—	(2,266)	—
Corporate and other [2]	(8,834)	(9,866)	(18,991)	(17,564)
Total consolidated income before income taxes	$32,408	$14,331	$10,501	$27,468

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

(2) Primarily relates to management fees expensed and payable to CGM and corporate overhead expenses during 2015 and 2014.

Accounts receivable	June 30, 2015	December 31, 2014
CamelBak	$28,868	$23,346
Ergobaby	11,134	9,671
Liberty	13,265	11,376
ACI	6,703	5,730
American Furniture	21,627	16,641
Arnold Magnetics	16,666	15,664
Clean Earth	41,317	52,059
SternoCandleLamp	18,412	21,113
Tridien	8,138	7,135
Total	166,130	162,735
Reconciliation of segment to consolidated totals:		
Corporate and other	—	—
Total	166,130	162,735
Allowance for doubtful accounts	(5,115)	(5,200)
Total consolidated net accounts receivable	$161,015	$157,535

	Goodwill		Identifiable Assets		Depreciation and Amortization Expense			
	June 30,	December 31,	June 30,	December 31,	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015 (1)	2014 (1)	2015	2014	2015	2014
Goodwill and identifiable assets of operating segments								
CamelBak	$5,546	$5,546	$208,278	$207,831	$3,183	$3,475	$6,291	$6,849
Ergobaby	41,664	41,664	63,767	65,309	870	957	1,720	1,906
FOX	—	—	—	—	—	2,495	—	4,533
Liberty	32,828	32,828	29,020	34,139	640	1,557	2,232	3,081
ACI	57,615	57,615	17,712	19,334	724	1,278	1,481	2,558
American Furniture	—	—	33,889	27,810	59	41	115	100
Arnold Magnetics	51,767	51,767	78,824	77,610	2,185	2,113	4,378	4,211
Clean Earth	111,339	110,633	193,308	203,938	5,067	—	10,459	—
SternoCandleLamp	33,716	33,716	125,856	126,302	2,156	—	3,620	—
Tridien	7,834	16,762	15,582	14,844	574	633	1,194	1,296
Total	342,309	350,531	766,236	777,117	15,458	12,549	31,490	24,534
Reconciliation of segment to consolidated total:								
Corporate and other identifiable assets	—	—	252,487	253,599	252	—	757	—
Amortization of debt issuance costs and original issue discount	—	—	—	—	712	835	1,425	1,699
Goodwill carried at Corporate level (2)	8,649	8,649	—	—	—	—	—	—
Total	$350,958	$359,180	$1,018,723	$1,030,716	$16,422	$13,384	$33,672	$26,233

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

(2) Represents goodwill resulting from purchase accounting adjustments not “pushed down” to the ACI segment. This amount is allocated back to the respective segment for purposes of goodwill impairment testing.

Note E - Equity Method Investment

Investment in FOX

FOX is a designer, manufacturer and marketer of high-performance ride dynamic products used primarily for bicycles, side-by-side vehicles, on-road vehicles with off-road capabilities, off-road vehicles and trucks, all-terrain vehicles, snowmobiles, specialty vehicles and applications, and motorcycles. FOX’s products offer innovative design, performance, durability and reliability that enhance ride dynamics by improving performance and control. FOX is headquartered in Scotts Valley, California. In July 2014, FOX, a former majority owned subsidiary of the Company that is publicly traded on the NASDAQ Stock Market under the ticker “FOXF,” used a registration statement on Form S-1 under the Securities Act filed with the Securities and Exchange Commission (the "SEC") for a public offering of its common stock (the "FOX Secondary Offering"). CODI sold 4,466,569 shares of FOX common stock in connection with the FOX Secondary Offering. As a result of the sale of the shares by the Company in the FOX Secondary

Offering, the Company’s ownership interest in FOX decreased to approximately 41%, which resulted in the deconsolidation of the FOX operating segment in the Company’s consolidated financial statements effective as of the date of the FOX Secondary Offering. Subsequent to the sale of the shares of FOX common stock by the Company, the Company owns approximately 15.1 million shares of FOX common stock.

The Company has elected to account for its investment in FOX at fair value using the equity method beginning on the date the investment became subject to the equity method of accounting. The Company uses the equity method of accounting when it has the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. For equity method investments which the Company has elected to measure at fair value, unrealized gains and losses are reported in the consolidated statement of operations as gain (loss) from equity method investments. The equity method investment in FOX had a fair value of $242.9 million on June 30, 2015 based on the closing price of FOX shares on that date. The Company recognized

Table of Contents

a gain of $11.2 million for the three months ended June 30, 2015, and a loss of $2.3 million for the six months ended June 30, 2015, respectively, due to the change in the fair value of the FOX investment.

The condensed balance sheet information and results of operations of the Company's FOX investment are summarized below (in thousands):

Condensed Balance Sheet information

	June 30, 2015	December 31, 2014
Current assets	$154,320	$112,609
Non-current assets	144,273	145,828
	$298,594	$258,437
Current liabilities	$83,596	$60,825
Non-current liabilities	79,922	68,806
Stockholders' equity	135,075	128,806
	$298,593	$258,437

Condensed Results of Operations [(1)]

	Three months ended June 30, 2015	Six months ended June 30, 2015
Net revenue	$97,171	$164,959
Gross profit	29,868	48,651
Operating income	10,537	12,076
Net income	$6,763	$7,533

(1) The results of operations for FOX for the three and six months ended June 30, 2014 are included in the results of operations of the Company in the accompanying condensed consolidation statements of income as the Company did not begin accounting for FOX as an equity method investment until July 10, 2014, the date that the Company's ceased holding a majority ownership interest in FOX.

Note F — Property, Plant and Equipment and Inventory

Property, plant and equipment

Property, plant and equipment is comprised of the following at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Machinery and equipment	$136,155	$127,035
Office furniture, computers and software	14,372	12,322
Leasehold improvements	9,305	10,419
Buildings and land	23,733	25,271
	183,565	175,047
Less: accumulated depreciation	(72,044)	(59,176)
Total	$111,521	$115,871

Depreciation expense was $6.3 million and $12.8 million for the three and six months ended June 30, 2015, and $4.6 million and $9.5 million for the three and six months ended June 30, 2014, respectively.

Table of Contents

Inventory

Inventory is comprised of the following at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Raw materials and supplies	$56,586	$49,727
Work-in-process	12,870	10,632
Finished goods	63,700	59,442
Less: obsolescence reserve	(7,924)	(8,587)
Total	$125,232	$111,214

Note G — Goodwill and Other Intangible Assets

As a result of acquisitions in prior years, the Company has significant intangible assets on its balance sheet that include goodwill and indefinite-lived intangibles (primarily trade names). Goodwill represents the difference between purchase cost and the fair value of net assets acquired in business acquisitions. Indefinite lived intangible assets are not amortized unless their useful life is determined to be finite. Long-lived intangible assets are subject to amortization using the straight-line method. The Company's goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually as of March 31st or more frequently if facts and circumstances warrant by comparing the fair value of each reporting unit to its carrying value. Each of the Company's businesses represents a reporting unit, except Arnold, which comprises three reporting units.

Goodwill

2015 Interim goodwill impairment testing

In January 2015, one of Tridien's largest customer's informed the company that they would not renew their existing purchase agreement when it expires on September 30, 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill and indefinite-lived intangible asset impairment analysis. The result of the first step of the impairment test indicated that the fair value of Tridien was less than its carrying value; therefore, it was necessary to perform the second step of the impairment test. The Company estimated the fair value of the Tridien reporting unit using a weighted average of an income and market approach. The income approach was based on the present value of expected future cash flows, including terminal value, utilizing a market-based weighted average cost of capital ("WACC") of 15.7%. The market approach was based on earnings multiple data and guideline public companies. Based on the second step of the impairment test, the Company concluded on a preliminary basis during the quarter ended March 31, 2015 that the implied fair value of goodwill for Tridien was less than its carrying amount, resulting in impairment of the carrying amount of Tridien's goodwill of $8.9 million as of January 31, 2015. The Company completed the interim goodwill impairment testing of Tridien during the three months ended June 30, 2015 and recorded additional impairment expense of $0.2 million related to the Tridien technology and patent intangible assets.

2015 Annual goodwill impairment testing

The Company uses a qualitative approach to test goodwill for impairment by first assessing qualitative factors to determine whether it is more-likely than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step evaluation including, in part, the macroeconomic environment, industry and market specific conditions, financial performance, operating costs and cost impacts, as well as issues or events specific to the reporting unit. The Company evaluated the qualitative factors of each reporting unit to determine if the fair values of the reporting units exceed their respective carrying values for the 2015 annual goodwill impairment testing. The Company determined that Liberty and two of Arnold's three reporting units, Permanent Magnets and Assemblies ("PMAG") and Flexible Magnets ("Flexmag"), required further quantitative testing (Step 1) since the Company could not conclude that the fair value of the Liberty and the two Arnold reporting units exceeded their carrying values based solely on qualitative factors. Results of the quantitative analysis indicated that the fair value of these reporting units exceeds their carrying value.

Table of Contents

A reconciliation of the change in the carrying value of goodwill for the six months ended June 30, 2015 and the year ended December 31, 2014, is as follows (in thousands):

	Six months ended June 30, 2015	Year ended December 31, 2014
Beginning balance:		
Goodwill	$412,083	$299,514
Accumulated impairment losses	(52,903)	(52,903)
	359,180	246,611
Impairment losses (1)	(8,928)	—
Acquisition of businesses (2)	—	157,864
Adjustments to purchase accounting (3)	706	—
Deconsolidation of subsidiary (4)	—	(45,295)
Total adjustments	(8,222)	112,569
Ending balance:		
Goodwill	412,789	412,083
Accumulated impairment losses	(61,831)	(52,903)
	$350,958	$359,180

(1) Impairment loss relates to the impairment of the Tridien goodwill during the quarter ended March 31, 2015.

(2) Acquisition of businesses relates to the acquisition of Clean Earth in August 2014, SternoCandleLamp in October 2014, the add-on acquisition of AES by Clean Earth in December 2014, and the add-on acquisition of Sport Truck by FOX in March 2014. The $12.0 million of goodwill from the Sport Truck acquisition is included in the amount of $45.3 million that was deconsolidated during the year ended December 31, 2014.

(3) The $0.7 million in purchase accounting adjustments relate to adjustments made to the final purchase price allocation for Clean Earth during the first quarter of 2015 to record deferred tax amounts based on the state tax rate in effect for the state in which each of the intangible assets is utilized ($1.0 million), and adjustments to the purchase price allocation of AES during the first and second quarter of 2015 ($0.3 million, including the final settlement of working capital of $0.5 million received by Clean Earth).

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

Other intangible assets

2015 Annual indefinite lived impairment testing

The Company uses a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. The Company evaluated the qualitative factors of each reporting unit that maintains indefinite lived intangible assets in connection with the annual impairment testing for 2015. Results of the qualitative analysis indicate that the carrying value of the Company's indefinite lived intangible assets did not exceed their fair value.

2015 long-lived asset impairment

The Company evaluates long-lived assets for potential impairment whenever events occur or circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. As noted above, Tridien's expected loss of a large customer at the end of the third quarter of 2015 triggered an interim goodwill impairment which resulted in Tridien recognizing impairment of both the goodwill and the technology and patent intangible asset. The Company completed the interim impairment testing during the second quarter of 2015 and recognized $0.2 million of impairment expense

Table of Contents

related to the technology and patent intangible asset during the three months ended June 30, 2015 in the condensed consolidated statements of operations.
Other intangible assets are comprised of the following at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014	Weighted Average Useful Lives
Customer relationships	$266,975	$266,976	12
Technology and patents	56,494	56,731	8
Trade names, subject to amortization [(1)]	24,722	7,595	17
Licensing and non-compete agreements	7,856	7,856	5
Permits and airspace	98,419	98,406	13
Distributor relations and other	606	606	5
	455,072	438,170	
Accumulated amortization:			
Customer relationships	(86,809)	(75,813)	
Technology and patents	(30,212)	(26,906)	
Trade names, subject to amortization	(3,974)	(3,763)	
Licensing and non-compete agreements	(7,695)	(7,499)	
Permits and airspace	(7,822)	(3,104)	
Distributor relations and other	(606)	(606)	
Total accumulated amortization	(137,118)	(117,691)	
Trade names, not subject to amortization [(1)]	149,672	166,741	
Total intangibles, net	$467,626	$487,220	

(1) The trade name for Clean Earth was determined to be subject to amortization, resulting in a reclass from trade names not subject to amortization during the first quarter of 2015 as part of the finalization of the purchase price allocation for Clean Earth.

Amortization expense related to intangible assets was $9.4 million and $19.4 million for the three and six months ended June 30, 2015, respectively, and $7.7 million and $15.0 million for the three and six months ended June 30, 2014, respectively. Estimated charges to amortization expense of intangible assets over the next five years, is as follows (in thousands):

July 1, 2015 through Dec. 31, 2015	$20,294
2016	38,368
2017	35,451
2018	32,974
2019	31,556
	$158,643

Note H — Debt

2014 Credit Agreement

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

2014 Credit Facility is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its consolidated subsidiaries. The Company amended the 2014 Credit Facility in June 2015, primarily to allow for intercompany loans to, and the acquisition of, Canadian-based companies on an unsecured basis, and to modify provisions that would allows for early termination of a "Leverage Increase Period," thereby providing additional flexibility as to the timing of subsequent acquisitions. The Company incurred additional debt issuance costs of approximately $0.3 million in connection with the amendment that was recorded as deferred debt issuance costs and will be amortized over the remaining term of the 2014 Credit Facility.

2014 Revolving Credit Facility

The 2014 Revolving Credit Facility will become due in June 2019. The Company can borrow, prepay and reborrow principal under the 2014 Revolving Credit Facility from time to time during its term. Advances under the 2014 Revolving Credit Facility can be either LIBOR rate loans or base rate loans. LIBOR rate revolving loans bear interest at a rate per annum equal to the London Interbank Offered Rate (the “LIBOR Rate”) plus a margin ranging from 2.00% to 2.75% based on the ratio of consolidated net indebtedness to adjusted consolidated earnings before interest expense, tax expense and depreciation and amortization expenses (the “Consolidated Leverage Ratio”). Base rate revolving loans bear interest at a fluctuating rate per annum equal to the greatest of (i) the prime rate of interest, or (ii) the Federal Funds Rate plus 0.50% (the “Base Rate”), plus a margin ranging from 1.00% to 1.75% based upon the Consolidated Leverage Ratio.

2014 Term Loan Facility

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

Use of Proceeds

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

Other

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

Debt Issuance Costs

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

Table of Contents

2011 Credit Agreement

On October 27, 2011, the Company entered into the 2011 Credit Facility with a group of lenders led by TD Securities for a $515 million credit facility, with an optional $135 million increase (the "2011 Credit Facility"). The 2011 Credit Facility provided for (i) a revolving line of credit of $290 million which was subsequently increased to $320 million (the "2011 Revolving Credit Facility"), and (ii) a $225 million term loan which was subsequently increased to $279 million (the "2011 Term Loan Facility"). The 2011 Revolving Credit Facility was set to mature in October 2016, and the 2011 Term Loan Facility required quarterly payments of approximately $0.71 million, with the final payment of all remaining outstanding principle and interest due in October 2017. The Company was required to pay commitment fees of 1% per annum of the unused portion of the 2011 Revolving Credit Facility. The 2011 Credit Facility was terminated in June 2014.

The following table provides the Company’s debt holdings at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Revolving Credit Facility	$189,000	$169,725
Term Loan	321,750	323,375
Original issue discount	(3,968)	(4,303)
Total debt	$506,782	$488,797
Less: Current portion, term loan facilities	(3,250)	(3,250)
Long term debt	$503,532	$485,547

Net availability under the 2014 Revolving Credit Facility was approximately $206.4 million at June 30, 2015. Letters of credit outstanding at June 30, 2015 totaled approximately $4.6 million. At June 30, 2015, the Company was in compliance with all covenants as defined in the 2014 Credit Facility.

Note I — Derivative Instruments and Hedging Activities

On September 16, 2014, the Company purchased an interest rate swap (“New Swap”) with a notional amount of $220 million. The New Swap is effective April 1, 2016 through June 6, 2021, the termination date of the 2014 Term Loan. The agreement requires the Company to pay interest on the notional amount at the rate of 2.97% in exchange for the three-month LIBOR rate. At June 30, 2015 and December 31, 2014, this Swap had a fair value loss of $9.2 million and $7.4 million, respectively, principally reflecting the present value of future payments and receipts under the agreement.

On October 31, 2011, the Company purchased a three-year interest rate swap (the “Swap”) with a notional amount of $200 million effective January 1, 2014 through March 31, 2016. The agreement requires the Company to pay interest on the notional amount at the rate of 2.49% in exchange for the three-month LIBOR rate, with a floor of 1.5%. At June 30, 2015 and December 31, 2014, the Swap had a fair value loss of $1.5 million and $2.5 million, respectively. At June 30, 2015 the Company's interest rate swaps had a fair value loss of $10.7 million, of which $1.5 million was included in current liabilities and $9.2 million was included in other non-current liabilities in the condensed consolidated balance sheet, with its periodic mark-to-market value reflected as a component of interest expense.

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

Table of Contents

Note J — Fair Value Measurement

The following table provides the assets and liabilities carried at fair value measured on a recurring basis at June 30, 2015 and December 31, 2014 (in thousands):

	Fair Value Measurements at June 30, 2015			
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
Equity method investment - FOX	$242,948	$242,948	$—	$—
Liabilities:				
Call option of noncontrolling shareholder (1)	(25)	—	—	(25)
Put option of noncontrolling shareholders (2)	(50)	—	—	(50)
Interest rate swaps	(10,700)	—	(10,700)	—
Total recorded at fair value	$232,173	$242,948	$(10,700)	$(75)

(1) Represents a noncontrolling shareholder’s call option to purchase additional common stock in Tridien.

(2) Represents put options issued to noncontrolling shareholders in connection with the Liberty acquisition.

	Fair Value Measurements at December 31, 2014			
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
Equity method investment - FOX	$245,214	$245,214	$—	$—
Liabilities:				
Call option of noncontrolling shareholder (1)	(25)	—	—	(25)
Put option of noncontrolling shareholders (2)	(50)	—	—	(50)
Interest rate swaps	(9,828)	—	(9,828)	—
Total recorded at fair value	$235,311	$245,214	$(9,828)	$(75)

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2015 through June 30, 2015 and from January 1, 2014 through June 30, 2014 are as follows (in thousands):

	2015	2014
Balance at January 1	$(75)	$(75)
Contingent consideration - Sport Truck (1)	—	(19,035)
Balance at March 31	$(75)	$(19,110)
Balance at June 30	$(75)	$(19,110)

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

Valuation Techniques

The Company has not changed its valuation techniques in measuring the fair value of any of its other financial assets and liabilities during the period. For details of the Company’s fair value measurement policies under the fair value hierarchy, refer to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Table of Contents

2014 Term Loan

At June 30, 2015, the carrying value of the principal under the Company's outstanding 2014 Term Loan, including the current portion, was $321.8 million, which approximates fair value because it has a variable interest rate that reflects market changes in interest rates and changes in the Company's net leverage ratio. The estimated fair value of the outstanding 2014 Term Loan is based on quoted market prices for similar debt issues and is, therefore, classified as Level 2 in the fair value hierarchy.

Nonrecurring Fair Value Measurements

The following table provides the assets carried at fair value measured on a non-recurring basis as of June 30, 2015. There were no assets carried at fair value measured on a non-recurring basis as of December 31, 2014.

	Fair Value Measurements at June 30, 2015				Expense Three months ended	Six months ended
(in thousands)	Carrying Value	Level 1	Level 2	Level 3	June 30, 2015	June 30, 2015
Technology [(1)]	$313	$—	$—	$313	$237	$237
Goodwill [(1)]	$7,834	$—	$—	$7,834	$21	$8,928

(1) Represents the fair value of the respective assets at the Tridien business segment subsequent to the goodwill and long-lived asset impairment charge recognized during the three and six months ended June 30, 2015. Refer to "Note G - Goodwill and Other Intangible Assets" for further discussion regarding the impairment and valuation techniques applied.

Note K — Stockholders' Equity

Trust Shares

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

Allocation Interests

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

Earnings per share

Prior to the termination of the Supplemental Put Agreement, basic and diluted earnings per share attributable to Holdings were calculated on a weighted average basis. Since the termination of the Supplemental Put Agreement, basic and diluted earnings per share is calculated using the two-class method which requires the Company to allocate participating securities that have rights to earnings that otherwise would have been available only to Trust shareholders as a separate class of securities in calculating earnings per share. The Allocation Interests are considered participating securities that contain participating rights to receive profit allocations upon the occurrence of a Holding Event or Sale Event. The calculation of basic and diluted earnings per share for the three and

Table of Contents

six months ended June 30, 2015 and 2014 reflects the incremental increase during the period in the profit allocation distribution to Holders related to Holding Events.
Basic and diluted earnings per share for the three and six months ended June 30, 2015 and 2014 is calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss) attributable to Holdings	$24,457	$5,719	$(445)	$10,378
Less: Effect of contribution based profit - Holding Event	2,951	573	2,779	1,196
Net income from Holdings attributable to Trust shares	$21,506	$5,146	$(3,224)	$9,182
Basic and diluted weighted average shares outstanding	54,300	48,300	54,300	48,300
Net income (loss) per share - basic and fully diluted	$0.40	$0.11	$(0.06)	$0.19

Distributions

- On January 29, 2015, the Company paid a distribution of $0.36 per share to holders of record as of January 22, 2015. This distribution was declared on January 8, 2015.
- On April 29, 2015, the Company paid a distribution of $0.36 per share to holders of record as of April 22, 2015. This distribution was declared on April 9, 2015.
- On July 29, 2015, the Company paid a distribution of $0.36 per share to holders of record as of July 22, 2015. This distribution was declared on July 9, 2015.

Note L — Warranties
The Company's CamelBak, Ergobaby, Liberty and Tridien operating segments estimate their exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. A reconciliation of the change in the carrying value of the Company's warranty liability for the six months ended June 30, 2015 and the year ended December 31, 2014 is as follows (in thousands):

	Six months ended June 30, 2015	Year ended December 31, 2014
Warranty liability:		
Beginning balance	$2,540	$5,815
Accrual	497	3,025
Warranty payments	(196)	(2,420)
Deconsolidation of subsidiary	—	(3,880)
Ending balance	$2,841	$2,540

Note M — Noncontrolling Interest

Noncontrolling interest represents the portion of the Company's majority-owned subsidiary's net income (loss) and equity that is owned by noncontrolling shareholders. The following tables reflect the Company's ownership percentage of its majority owned operating segments and related noncontrolling interest balances as of June 30, 2015 and

December 31, 2014:

28

Table of Contents

	% Ownership [1] June 30, 2015		% Ownership [1] December 31, 2014	
	Primary	Fully Diluted	Primary	Fully Diluted
CamelBak	89.9	79.7	89.9	79.7
Ergobaby	81.0	74.2	81.0	74.3
Liberty	96.2	84.6	96.2	84.8
ACI	69.4	69.3	69.4	69.3
American Furniture	99.9	89.7	99.9	99.9
Arnold Magnetics	96.7	87.3	96.7	87.5
Clean Earth	97.5	87.6	97.9	86.2
SternoCandleLamp	100.0	90.3	100.0	91.7
Tridien	81.3	65.4	81.3	65.4

(1) The principal difference between primary and diluted percentages of our operating segments is due to stock option issuances of operating segment stock to management of the respective businesses.

	Noncontrolling Interest Balances	
(in thousands)	June 30, 2015	December 31, 2014
CamelBak	$ 15,929	$ 14,932
Ergobaby	16,182	14,783
Liberty	2,726	2,547
ACI	2,537	790
American Furniture	276	260
Arnold Magnetics	2,016	1,950
Clean Earth	3,674	2,672
SternoCandleLamp	375	125
Tridien	1,204	2,744
Allocation Interests	100	100
	$ 45,019	$ 40,903

Note N — Income taxes

Each fiscal quarter the Company estimates its annual effective tax rate and applies that rate to its interim pre-tax earnings. In this regard, the Company reflects the full year’s estimated tax impact of certain unusual or infrequently occurring items and the effects of changes in tax laws or rates in the interim period in which they occur.

The computation of the annual estimated effective tax rate in each interim period requires certain estimates and significant judgment, including the projected operating income for the year, projections of the proportion of income earned and taxed in other jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, as additional information is obtained or as the tax environment changes.

Table of Contents

The reconciliation between the Federal Statutory Rate and the effective income tax rate for the six months ended June 30, 2015 and 2014 are as follows:

	Six months ended June 30,	
	2015	2014
United States Federal Statutory Rate	35.0 %	35.0 %
State income taxes (net of Federal benefits)	5.8	(7.9)
Foreign income taxes	(0.6)	(2.1)
Expenses of Compass Group Diversified Holdings, LLC representing a pass through to shareholders (1)	16.0	8.7
Effect of loss on equity method investment (2)	7.6	—
Impact of subsidiary employee stock options	2.9	0.6
Domestic production activities deduction	(3.9)	(2.8)
Effect of impairment expense	21.1	—
Non-recognition of NOL carryforwards at subsidiaries	7.9	(0.9)
Other	(4.1)	(2.3)
Effective income tax rate	87.7 %	28.3 %

(1) The effective income tax rate for the six months ended June 30, 2015 and 2014 includes a significant loss at the Company's parent, which is taxed as a partnership.

(2) The equity method investment in FOX is held at the Company's parent, which is taxed as a partnership, resulting in the gain or loss on the investment as a reconciling item in deriving the effective tax rate.

Note O — Defined Benefit Plan

In connection with the acquisition of Arnold, the Company has a defined benefit plan covering substantially all of Arnold’s employees at its Lupfig, Switzerland location. The benefits are based on years of service and the employees’ highest average compensation during the specific period.

The unfunded liability of $3.0 million is recognized in the consolidated balance sheet as a component of other non-current liabilities at June 30, 2015. Net periodic benefit cost consists of the following for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Service cost	$172	$118	$334	$236
Interest cost	51	75	98	151
Expected return on plan assets	(85)	(83)	(134)	(280)
Effect of curtailment	(901)	—	(901)	—
Net periodic benefit cost	$(763)	$110	$(603)	$107

During the second quarter of 2015, Arnold recognized a curtailment gain as a result of the termination of certain employees at the Switzerland location who were participants in the defined benefit plan. The termination of the employees resulted in a decrease in the accumulated benefit obligation liability and a curtailment gain of $0.9 million. The curtailment gain was recognized in other comprehensive income during the three months ended June 30, 2015. During the three and six months ended June 30, 2015, per the terms of the pension agreement, Arnold contributed $0.1 million and $0.2 million, respectively, to the plan. For the remainder of 2015, the expected contribution to the plan will be approximately $0.3 million.

Table of Contents

The plan assets are pooled with assets of other participating employers and are not separable; therefore the fair values of the pension plan assets at June 30, 2015 were considered Level 3.

Note P - Commitments and Contingencies
Legal Proceedings
Tridien
Tridien's subsidiary, AMF Support Services, Inc. ("AMF") is subject to a workers' compensation claim in the State of California, being adjudicated by the Riverside County Workers' Compensation Appeals Board. Tridien is a majority owned subsidiary of the Company. The claim is the result of an industrial accident that occurred on March 2, 2013, and the injuries sustained by a contract employee working at Tridien's Corona, California facility. The employee is seeking workers' compensation benefits from AMF, as the special employer, and the staffing company who employed the worker, as the general employer. The employee has also alleged that the employee's injuries are the result of the employer's "serious and willful misconduct", and has made a claim under California Labor Code § 4553 for damages. If proven, the "serious and willful" penalty is fixed by statute at either $0 or 50% of the value of all workers' compensation benefits paid as a result of the injury and is not insurable. The underlying workers' compensation claims are still being adjudicated. On July 8, 2015, the California District Attorney's Office for the County of Riverside filed a complaint against Tridien in Superior Court of California, County of Riverside, alleging that Tridien committed a violation of Labor Code section 6425(a), a felony, by willfully and unlawfully violating an occupational safety and health standard, order, and special order, or Health and Safety Code section 25910, to wit, 8 CCR 4353(a) and 8 CCR 348(a), and that such violation caused the injuries resulting from the March 2, 2013 industrial accident referenced above. At this stage, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from these proceedings. Accordingly, no amounts in respect of this matter have been provided in the Company's accompanying financial statements. The Company believes it has meritorious defenses to all the foregoing allegations and will continue to vigorously defend against the claims.

In the normal course of business, the Company and its subsidiaries are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, the Company does not believe that any unfavorable outcomes will have a material adverse effect on the Company's consolidated financial position or results of operations.
Note Q - Subsequent Events

Acquisition of Manitoba Harvest

On July 10, 2015, FHF Holdings Ltd., a majority owned subsidiary of the Company, and 1037269 B.C. Ltd., a wholly owned subsidiary of FHF Holdings Ltd. (together, the “Buyer”), closed on the acquisition of all the issued and outstanding capital stock of Fresh Hemp Foods Ltd. (“Manitoba Harvest”) pursuant to a stock purchase agreement (the “Manitoba Harvest Purchase Agreement”) among Manitoba Harvest, Mike Fata, as the Stockholders’ Representative and the Signing Stockholders (as such term is defined in the Manitoba Harvest Purchase Agreement), entered into previously on June 5, 2015. Subsequent to the closing, 1037269 B.C. Ltd. merged with and into Manitoba Harvest.

Headquartered in Winnipeg, Manitoba, Manitoba Harvest is a pioneer and global leader in branded, hemp-based foods. Manitoba Harvest’s award-winning products are currently carried in about 7,000 retail stores across the U.S. and Canada. The Company made loans to and purchased an initial common equity ownership interest in Manitoba Harvest of 87% for a purchase price of approximately $104.4 million (C$132.5 million). Acquisition-related costs were approximately $1.1 million (C$1.4 million). The Company funded the transaction through drawings under its revolving credit facility. The Company provided a credit facility to FHF Holdings Ltd. (the “Borrower”) upon closing of the acquisition, pursuant to which a revolving loan commitment and term loans were made available to the Borrower (the “Manitoba Harvest Credit Agreement”). The initial amount outstanding under these facilities at the close of the Transaction was approximately $23.6 million (C$30 million). The loans to the Borrower are guaranteed by the

Borrower's subsidiaries, including Manitoba Harvest. CGM will receive integration service fees of approximately $1.0 million during the first year of ownership, which will be payable quarterly as services are rendered, beginning September 30, 2015.

Sale of CamelBak

On August 3, 2015, the Company sold its majority owned subsidiary, CamelBak, based on a total enterprise value of $412.5 million. The Company’s share of the net proceeds, at closing, after accounting for the redemption of CamelBak’s noncontrolling holders

Table of Contents

and the payment of transaction expenses totaled $367.8 million. The Company anticipates recording a gain on the sale of CamelBak ranging between $150 million and $170 million for the quarter ended September 30, 2015. CGM’s profit allocation is expected to range from approximately $30 million to $34 million and is anticipated to be paid in the fourth quarter of 2015. The sale of CamelBak did not meet the criteria for the assets of CamelBak to be classified as held for sale at June 30, 2015.

The transaction is subject to typical escrow requirements and adjustments for certain changes in the working capital of CamelBak. The Stock Purchase Agreement contains customary representations, warranties, covenants and indemnification provisions.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Item 2 contains forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control. Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ, including those discussed in the sections entitled "Forward-Looking Statements" included elsewhere in this Quarterly Report as well as those risk factors discussed in the section entitled "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2014.

Overview

Compass Diversified Holdings, a Delaware statutory trust ("Holdings" or the "Trust"), was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings, LLC, a Delaware limited liability Company (the "Company"), was also formed on November 18, 2005. The Trust and the Company (collectively "CODI") were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The Trust is the sole owner of 100% of the Trust Interests, as defined in our LLC Agreement, of the Company. Pursuant to the LLC Agreement, the Trust owns an identical number of Trust Interests in the Company as exist for the number of outstanding shares of the Trust. Accordingly, our shareholders are treated as beneficial owners of Trust Interests in the Company and, as such, are subject to tax under partnership income tax provisions. The Company is the operating entity with a board of directors whose corporate governance responsibilities are similar to that of a Delaware corporation. The Company's board of directors oversees the management of the Company and our businesses and the performance of Compass Group Management LLC ("CGM" or our "Manager"). Certain persons who are employees and partners of our Manager receive a profit allocation as owners of 58.8% of the Allocation Interests in us, as defined in our LLC Agreement.

The Trust and the Company were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. We characterize small to middle market businesses as those that generate annual cash flows of up to $60 million. We focus on companies of this size because of our belief that these companies are often more able to achieve growth rates above those of their relevant industries and are also frequently more susceptible to efforts to improve earnings and cash flow.

In pursuing new acquisitions, we seek businesses with the following characteristics:

- North American base of operations;
- stable and growing earnings and cash flow;
- maintains a significant market share in defensible industry niche (i.e., has a "reason to exist");
- solid and proven management team with meaningful incentives;
- low technological and/or product obsolescence risk; and
- a diversified customer and supplier base.

Our management team's strategy for our businesses involves:

- utilizing structured incentive compensation programs tailored to each business to attract, recruit and retain talented managers to operate our businesses;
- regularly monitoring financial and operational performance, instilling consistent financial discipline, and supporting management in the development and implementation of information systems to effectively achieve these goals;
- assisting management in their analysis and pursuit of prudent organic cash flow growth strategies (both revenue and cost related);
- identifying and working with management to execute attractive external growth and acquisition opportunities; and
- forming strong subsidiary level boards of directors to supplement management in their development and implementation of strategic goals and objectives.

We are dependent on the earnings of, and cash receipts from our businesses to meet our corporate overhead and management fee expenses and to pay distributions. These earnings and distributions, net of any minority interests in these businesses, are generally available:

- first, to meet capital expenditure requirements, management fees and corporate overhead expenses;

- second, to fund distributions from the businesses to the Company; and
- third, to be distributed by the Trust to shareholders.

Table of Contents

Recent Events

Acquisition of Manitoba Harvest

On July 10, 2015, we closed on the acquisition of all of the issued and outstanding capital stock of Fresh Hemp Foods Ltd. ("Manitoba Harvest") pursuant to a stock purchase agreement entered into on June 5, 2015. Headquartered in Winnipeg, Manitoba, Manitoba Harvest is a pioneer and global leader in branded, hemp-based foods. Manitoba Harvest's award-winning products are currently carried in about 7,000 retail stores across the U.S. and Canada.

The purchase price was approximately $104.4 million (C$132.5 million), and acquisition related costs were approximately $1.1 million (C$1.4 million). We funded the acquisition through drawings on our 2014 Revolving Credit Facility. CGM acted as an advisor to us on the deal and will continue to provide integration services during the first year of our ownership of Manitoba Harvest. CGM will receive integration service fees of approximately $1.0 million, which will be payable quarterly as services are rendered, beginning September 30, 2015.

Sale of CamelBak

On August X, 2015, we sold our majority owned subsidiary, CamelBak, for a total enterprise value of $412.5 million. Our share of the net proceeds, at closing, after accounting for the redemption of CamelBak's noncontrolling holders and the payment of transaction expenses totaled $367.8 million. The Company anticipates recording a gain on the sale of CamelBak ranging between $150 million and $170 million for the quarter ended September 30, 2015. CGM's profit allocation is expected to range from approximately $30 million to $34 million and is anticipated to be paid in the fourth quarter of 2015. The sale of CamelBak did not meet the criteria for the assets of CamelBak to be classified as held for sale at June 30, 2015.

The transaction is subject to adjustments for certain changes in the working capital of CamelBak. The Stock Purchase Agreement contains customary representations, warranties, covenants and indemnification provisions.

2015 Outlook

We continue to see an increase in middle market deal flow in the first half of 2015 relative to 2014, both in terms of quantity and quality, in part due to attractive valuations for sellers. High valuation levels continue to be driven by the availability of debt capital with favorable terms and financial and strategic buyers seeking to deploy available equity capital.

Results of Operations

We were formed on November 18, 2005 and acquired our existing businesses (segments) at June 30, 2015 as follows:

May 16, 2006	August 1, 2006	August 31, 2007	March 31, 2010	September 16, 2010
Advanced Circuits	Tridien	American Furniture	Liberty Safe	Ergobaby
August 24, 2011	March 5, 2012	August 26, 2014	October 10, 2014	
CamelBak	Arnold Magnetics	Clean Earth	SternoCandleLamp	

In the following results of operations, we provide (i) our actual consolidated results of operations for the three and six months ended June 30, 2015 and 2014, which includes the historical results of operations of our businesses (operating segments) from the date of acquisition and (ii) comparative results of operations for each of our businesses on a stand-alone basis for the three and six months ended June 30, 2015 and 2014. On July 10, 2014 our ownership interest in FOX decreased to 41% and as a result, beginning July 10, 2014 FOX no longer met the requirements for inclusion in our consolidated Results of Operations.

In the table below we remove the results of operations of FOX that are included in our historical condensed consolidated results of operations through July 10, 2014, in order to provide a meaningful comparison of the combined results of operations of our majority-owned businesses for the three and six month periods ended June 30, 2015 and 2014.

Table of Contents

Consolidated Results of Operations – Compass Diversified Holdings and Compass Group Diversified Holdings LLC

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014		
(in thousands)	Consolidated Results of Operations	Consolidated Results of Operations	Less: FOX (three months)	Consolidated Results less FOX
Net sales	$284,727	$269,084	$86,373	$182,711
Cost of sales	198,766	186,542	59,420	127,122
Gross profit	85,961	82,542	26,953	55,589
Selling, general and administrative expense	45,540	48,080	13,543	34,537
Fees to manager	6,791	5,023	—	5,023
Amortization of intangibles	9,415	7,678	1,674	6,004
Impairment expense	258	—	—	—
Operating income	$23,957	$21,761	$11,736	$10,025

	Six months ended June 30, 2015	Six Months Ended June 30, 2014		
(in thousands)	Consolidated Results of Operations	Consolidated Results of Operations	Less: FOX (six months)	Consolidated Results less FOX
Net sales	$541,998	$515,132	$142,481	$372,651
Cost of sales	384,121	356,238	98,511	257,727
Gross profit	157,877	158,894	43,970	114,924
Selling, general and administrative expense	89,568	94,253	24,452	69,801
Fees to manager	13,649	9,758	—	9,758
Amortization of intangibles	19,428	15,027	3,035	11,992
Impairment expense	9,165	—	—	—
Operating income	$26,067	$39,856	$16,483	$23,373

Three months ended June 30, 2015 compared to three months ended June 30, 2014

Net sales

On a consolidated basis, net of FOX, net sales for the three months ended June 30, 2015 increased by approximately $102.0 million or 55.8%. Our acquisitions of Clean Earth and SternoCandleLamp in August and October 2014, respectively, contributed $82.1 million of the total increase. During the three months ended June 30, 2015 compared to 2014, we also saw notable sales increases at American Furniture ($9.8 million), and Liberty ($5.8 million) offset in part by decreased sales at Arnold Magnetics ($3.4 million). Refer to “Results of Operations - Our Businesses” for a more detailed analysis of net sales by business segment.

We do not generate any revenues apart from those generated by the businesses we own. We may generate interest income on the investment of available funds, but we expect such earnings to be minimal. Our investment in our businesses is typically in the form of loans from the Company to such businesses, as well as equity interests in those companies. Cash flows coming to the Trust and the Company are the result of interest payments on those loans, amortization of those loans and dividends on our equity ownership. However, on a consolidated basis these items will be eliminated.

Cost of sales

On a consolidated basis, net of FOX, cost of sales increased approximately $71.6 million during the three month period ended June 30, 2015, compared to the corresponding period in 2014. The 2014 acquisitions had cost of sales of $60.6 million during the three months ended June 30, 2015. Gross profit as a percentage of sales was approximately 30.2% in the three months ended June 30, 2015 compared to 30.4% in 2014. Refer to “Results of Operations - Our Businesses” for a more detailed analysis of cost of sales by business segment.

Table of Contents

Selling, general and administrative expense

On a consolidated basis, net of FOX, selling, general and administrative expense increased approximately $11.0 million during the three month period ended June 30, 2015, compared to the corresponding period in 2014. The increase in expenses in the 2015 quarter compared to 2014 is principally the result of including the expenses from our 2014 acquisitions ($11.2 million). Refer to “Results of Operations - Our Businesses” for a more detailed analysis of selling, general and administrative expense by business segment. At the corporate level, selling, general and administrative expense decreased $0.2 million in the three months ended June 30, 2015, compared to the same period in 2014.

Fees to manager

Pursuant to the Management Services Agreement, we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the three months ended June 30, 2015, we incurred approximately $6.8 million in expense for these fees compared to $5.0 million for the corresponding period in 2014. The $1.8 million increase in the three months ended June 30, 2015 is principally due to the increase in consolidated net assets resulting from the acquisitions of Clean Earth and SternoCandleLamp during the third and fourth quarter of 2014.

Impairment expense

In January 2015, one of Tridien's largest customers informed the Company that it would not renew its purchase agreement when it expires on September 30, 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill and indefinite-lived asset impairment analysis which resulted in impairment of the Tridien goodwill of $8.9 million during the first quarter of 2015. We completed the impairment testing during the second quarter of 2015 and recorded an additional $0.3 million in impairment expense related to goodwill and long-lived assets.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales

On a consolidated basis, net of FOX, net sales for the six months ended June 30, 2015 increased by approximately $169.3 million or 45.4%. Our acquisitions of Clean Earth and SternoCandleLamp in August and October 2014, respectively, contributed $145.8 million of the total increase. During the six months ended June 30, 2015 compared to 2014, we also saw notable sales increases at American Furniture ($15.9 million), and Ergobaby ($3.1 million) offset in part by decreased sales at Arnold Magnetics ($2.9 million). Refer to “Results of Operations - Our Businesses” for a more detailed analysis of net sales by business segment.

Cost of sales

On a consolidated basis, net of FOX, cost of sales increased approximately $126.4 million during the six month period ended June 30, 2015, compared to the corresponding period in 2014. The 2014 acquisitions had cost of sales of $110.8 million during the six months ended June 30, 2015. Gross profit as a percentage of sales was approximately 29.1% in the six months ended June 30, 2015 compared to 30.8% in 2014. Refer to “Results of Operations - Our Businesses” for a more detailed analysis of cost of sales by business segment.

Selling, general and administrative expense

On a consolidated basis, net of FOX, selling, general and administrative expense increased approximately $19.8 million during the six month period ended June 30, 2015, compared to the corresponding period in 2014. The increase in expenses in the 2015 quarter compared to 2014 is principally the result of including the expenses from our 2014 acquisitions ($20.2 million). Refer to “Results of Operations - Our Businesses” for a more detailed analysis of selling, general and administrative expense by business segment. At the corporate level, selling, general and administrative expense was flat in the six months ended June 30, 2015, compared to the same period in 2014.

Fees to manager

Pursuant to the Management Services Agreement, we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the six months ended June 30, 2015, we incurred approximately $13.6 million in expense for these fees compared to $9.8 million for the corresponding period in 2014. The $3.9 million increase in the six months ended June 30, 2015 is principally due to the increase in consolidated net assets resulting from the acquisitions of Clean Earth and SternoCandleLamp during the third and fourth quarter of 2014.

Table of Contents

Impairment expense

In January 2015, one of Tridien's largest customers informed the Company that it would not renew its purchase agreement when it expires on September 30, 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill and indefinite-lived asset impairment analysis which resulted in impairment of the Tridien goodwill of $8.9 million during the first quarter of 2015. We completed the impairment testing during the second quarter of 2015 and recorded an additional $0.3 million in impairment expense related to goodwill and long-lived assets.

Results of Operations — Our Businesses

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

The following discussion reflects a comparison of the historical results of operations of each of our businesses for the three and six month periods ending June 30, 2015 and June 30, 2014 on a stand-alone basis. For the 2014 acquisitions, the following discussion reflects pro forma results of operations for the three and six months ended June 30, 2014 as if we had acquired the businesses on January 1, 2014. Where appropriate, relevant pro forma adjustments are reflected as part of the historical operating results. We believe this is the most meaningful comparison of the operating results for each of our business segments. The following results of operations at each our businesses are not necessarily indicative of the results to be expected for a full year.

Branded Products Businesses
CamelBak
Overview
CamelBak, headquartered in Petaluma, California, is a premier designer and manufacturer of personal hydration products for outdoor, recreation and military applications. CamelBak offers a broad range of recreational and military personal hydration packs, reusable water bottles, specialty military gloves and performance accessories. On August 24, 2011, we made loans to, and purchased a controlling interest in, CamelBak for approximately $258.6 million, representing approximately 90% of the equity in CamelBak.

As the leading supplier of hydration products to specialty outdoor, cycling and military retailers, CamelBak maintains the leading market share position in recreational markets for hands-free hydration packs and the leading market share position for reusable water bottles in specialty channels. CamelBak is also the dominant supplier of hydration packs to the military, with a leading market share in post-issue hydration packs. Over its more than 25-year history, CamelBak has developed a reputation as the preferred supplier for the hydration needs of the most demanding athletes and warfighters. Across its markets, CamelBak is respected for its innovation, leadership and authenticity.
Historical Financial Performance
On August 3, 2015, we sold CamelBak to Vista Outdoor Inc. for an enterprise value of $412.5 million. After costs, fees and noncontrolling interest, we received approximately $367.8 million closing and expect to record a gain on the sale of CamelBak during the third quarter of 2015 ranging between $150 million and $170 million.
Results of Operations
The table below summarizes the income from operations data for CamelBak for the three and six month periods ended June 30, 2015 and June 30, 2014.

Table of Contents

(in thousands)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net sales	$42,574	$40,879	$79,496	$79,649
Cost of sales	23,673	23,500	45,363	45,365
Gross profit	18,901	17,379	34,133	34,284
Selling, general and administrative expense	9,314	9,247	17,892	17,994
Fees to manager	125	125	250	250
Amortization of intangibles	2,178	2,178	4,356	4,356
Income from operations	$7,284	$5,829	$11,635	$11,684

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 were approximately $42.6 million, an increase of $1.7 million, or 4.1%, compared to the same period in 2014. The increase in net sales is a result of an increase in gross sales in Hydration systems ($2.3 million), Accessories ($0.6 million) and Gloves ($1.1 million), offset in part by a decrease in gross sales in Bottles ($1.4 million). The increase in Hydration systems sales during the three months ended June 30, 2015 compared to the same period in 2014 is primarily attributable to the timing of shipments of certain pack shipments as a result of the West Coast port congestion, which delayed shipments during the fourth quarter of 2014 and the first quarter of 2015, while the increase in Gloves sales is due to greater demand during the quarter from Military customers. The decrease in sales of Bottles during the three months ended June 30, 2015 compared to 2014 is due to the timing of certain customer promotions relative to the prior year.

Sales of Hydration systems and Bottles represented approximately 85% of gross sales for the three months ended June 30, 2015 compared to 88% for the same period in 2014. Military sales were approximately 21% of gross sales for the three months ended June 30, 2015 compared to 17% for the same period in 2014. International sales were approximately 16% of gross sales for the the three months ended June 30, 2015 as compared to 21% of gross sales for the three months ended June 30, 2014. The increase in Military sales is attributable to the increase in Glove sales and the timing of certain hydration orders.

Cost of sales

Cost of sales for the three months ended June 30, 2015 was approximately $23.7 million compared to approximately $23.5 million in the same period of 2014. Gross profit as a percentage of sales increased to 44.4% for the quarter ended June 30, 2015 from 42.5% in the quarter ended June 30, 2014. The increase in gross profit as a percentage of sales is principally attributable to a more favorable product mix during the quarter and a reduction in revenue derived from close-out sales as compared to the second quarter of 2014.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2015 increased slightly to $9.3 million or 21.9% of net sales compared to $9.2 million or 22.6% of net sales for the same period of 2014. This increase is primarily attributable to the increase in sales for the 2015 quarter as compared to the same period in 2014.

Income from operations

Income from operations for the three months ended June 30, 2015 was approximately $7.3 million, an increase of $1.5 million when compared to the same period in 2014, based on the factors described above.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales

Net sales for the six months ended June 30, 2015 were approximately $79.5 million, a decrease of $0.2 million, or 0.2%, compared to the same period in 2014. The decrease in net sales is a result of a decrease in gross sales in Hydration systems ($0.3 million), and Bottles ($0.6 million), offset in part by an increase in sales of Accessories ($0.9 million) and Gloves ($1.1 million). The

Table of Contents

decrease in Bottle sales during the six months ended June 30, 2015 compared to the same period in 2014 is primarily attributable to the timing of certain customer promotions relative to the prior year, while the decrease in sales of Hydration systems during the six months ended June 30, 2015 compared to 2014 is due to the timing of shipments for certain pack models and the impact on revenue as a result of the strong U.S.Dollar during the period.

Sales of Hydration systems and Bottles represented approximately 85% of gross sales for the six months ended June 30, 2015 compared to 88% for the same period in 2014. Military sales were approximately 20% of gross sales for the six months ended June 30, 2015 compared to 18% for the same period in 2014. International sales were approximately 21% of gross sales for the six months ended June 30, 2015 as compared to 24% for the six months ended June 30, 2014. The increase in Military sales for the period is attributable to the increase in Glove sales and initial sales of CamelBak's Chem Bio Reservoir™ X (CBR-X) product to the U.S. Military during the second quarter of 2015.

Cost of sales

Cost of sales for both the six months ended June 30, 2015 and June 30, 2014 were approximately $45.4 million. Gross profit as a percentage of sales decreased to 42.9% for the six months ended June 30, 2015 from 43.0% in the six months ended June 30, 2014. The decrease is principally attributable to the strengthening of the U.S. dollar versus the Euro and the British Pound, as well as increased freight costs due to expediting shipments via air freight to mitigate the impact of the West Coast port congestion.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2015 decreased slightly to approximately $17.9 million or 22.5% of net sales compared to $18.0 million or 22.6% of net sales for the same period of 2014. This decrease is primarily attributable to the slightly lower sales for 2015 as compared to the same period in 2014.

Income from operations

Income from operations for the six months ended June 30, 2015 was flat at $11.6 million when compared to the same period in 2014, based on the factors described above.

Ergobaby

Overview

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

On September 16, 2010, we made loans to and purchased a controlling interest in Ergobaby for approximately $85.2 million, representing approximately 84% of the equity in Ergobaby.

On November 18, 2011, Ergobaby acquired all the outstanding stock of Orbit Baby for $17.5 million. Orbit Baby produces and markets a premium line of infant travel systems. Orbit Baby's high-quality products include stroller frames, seats, car seats and bassinets that are interchangeable using a patented hub ring.

Results of Operations

The table below summarizes the income from operations data for Ergobaby for the three and six month periods ended June 30, 2015 and June 30, 2014.

Table of Contents

(in thousands)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net sales	$21,492	$19,467	$42,160	$39,039
Cost of sales	7,348	7,079	14,503	14,261
Gross profit	14,144	12,388	27,657	24,778
Selling, general and administrative expense	7,745	7,279	15,084	14,459
Fees to manager	125	125	250	250
Amortization of intangibles	633	756	1,276	1,511
Income from operations	$5,641	$4,228	$11,047	$8,558

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 were $21.5 million, an increase of $2.0 million or 10.4% compared to the same period in 2014. During the three months ended June 30, 2015, international sales were approximately $12.3 million, representing an increase of $1.7 million over the corresponding period in 2014. International baby carrier and accessory sales increased by approximately $1.5 million and international infant travel systems sales increased by approximately $0.2 million during the quarter ended June 30, 2015 as compared to the comparable quarter in 2014. Domestic sales were $9.2 million in the second quarter of 2015 reflecting an increase of $0.3 million over the corresponding period in 2014. The growth in domestic sales in the second quarter of 2015 compared to the same period in 2014 is attributable to increased sales of baby carrier and accessories ($0.8 million) to national and specialty retail accounts, offset by a decrease in domestic revenues for infant travel systems and accessories ($0.5 million). The increase in baby carrier sales was attributable to the demand for the Ergobaby's 360 four position carrier, which was launched domestically in late Q2 2015. The decrease in infant travel systems and accessories sales was primarily attributable to higher revenues in the three month period ended June 30, 2014, the quarter following the launch of the new Orbit Baby G3 infant travel system, which includes stroller bases, various seats and accessories, into the domestic market. Baby carriers and accessories represented 84.1% of sales in the three months ended June 30, 2015 compared to 81.8% in the same period in 2014.

Cost of sales

Cost of sales was approximately $7.3 million for the three months ended June 30, 2015, as compared to $7.1 million for the three months ended June 30, 2014, an increase of $0.2 million. The increase in cost of sales was primarily attributable to higher sales compared to the prior period. Gross profit as a percentage of sales was 65.8% for the quarter ended June 30, 2015 compared to 63.6% for the same period in 2014. The 220 basis point increase is primarily attributable to product sales mix, with a larger percentage of higher margin baby carrier sales as compared to the prior period.

Selling, general and administrative expenses

Selling, general and administrative expense for the three months ended June 30, 2015 increased to approximately $7.7 million or 36.0% of net sales compared to $7.3 million or 37.4% of net sales for the same period of 2014. The $0.4 million increase in the three months ended June 30, 2015 compared to the same period in 2014 was primarily attributable to increases in employee related costs, due to increased headcount, an increase in product development related expenses, an increase in variable distribution expenses due to higher domestic revenues, and an increase in travel related expenses, partially offset by a reduction in foreign currency translation expense.

Income from operations

Income from operations for the three months ended June 30, 2015 increased $1.4 million, to $5.6 million, compared to $4.2 million for the same period of 2014, based on the factors described above.

Table of Contents

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 were $42.2 million, an increase of $3.1 million or 8.0% compared to the same period in 2014. During the six months ended June 30, 2015, international sales were approximately $23.2 million, representing a decrease of $1.5 million over the corresponding period in 2014. International baby carrier and accessory sales increased by approximately $1.0 million, and international infant travel systems sales increased by approximately $0.5 million during the first half of 2015 as compared to the first half of 2014. Domestic sales were $18.9 million in the first six months of 2015 reflecting an increase of $1.6 million over the corresponding period in 2014. The growth in domestic sales in the first six months of 2015 compared to the same period in 2014 is attributable to increased sales of baby carrier and accessories ($3.4 million) to national and specialty retail accounts, offset by a decrease in domestic revenues for infant travel systems and accessories ($1.9 million). The increase in baby carrier sales was attributable to the demand for the Ergobaby's 360 four position carrier, which was domestically available late Q2 2015. The decrease in infant travel systems and accessories sales was primarily attributable to higher revenues in the six month period ended June 30, 2014 in which Ergobaby launched the new Orbit Baby G3 infant travel system, which includes stroller bases, various seats and accessories, into the domestic market. Baby carriers and accessories represented 84.0% of sales in the six months ended June 30, 2015 compared to 79.6% in the same period in 2014.

Cost of sales
Cost of sales was approximately $14.5 million for the six months ended June 30, 2015 as compared to $14.3 million for the six months ended June 30, 2014. The increase in cost of sales was primarily attributable to higher sales compared to the prior period. Gross profit as a percentage of sales was 65.6% for the six months ended June 30, 2015 compared to 63.5% for the same period in 2014. The 211 basis point increase is primarily attributable to product sales mix, with a larger percentage of higher margin baby carrier sales as compared to the prior period.

Selling, general and administrative expenses
Selling, general and administrative expense for the six months ended June 30, 2015 increased to approximately $15.1 million or 35.8% of net sales compared to $14.5 million or 37.0% of net sales for the same period of 2014. The $0.6 million increase in the six months ended June 30, 2015 compared to the same period in 2014 was primarily attributable to increases in employee related costs due to increased headcount, an increase in variable expenses due to higher domestic revenues, and an increase in rent expenses as a result of a new office lease, partially offset by a reduction in marketing expenses.

Income from operations
Income from operations for the six months ended June 30, 2015 increased $2.4 million, to $11.0 million, compared to $8.6 million for the same period of 2014, based on the factors described above.

Liberty Safe
Overview
Based in Payson, Utah and founded in 1988, Liberty Safe is the premier designer, manufacturer and marketer of home and gun safes in North America. From its over 314,000 square foot manufacturing facility, Liberty Safe produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles ranging from an entry level product to good, better and best products. Products are marketed under the Liberty brand, as well as a portfolio of licensed and private label brands, including Remington, Cabela's and John Deere. Liberty Safe's products are the market share leader and are sold through an independent dealer network ("Dealer sales") in addition to various sporting goods, farm and fleet and home improvement retail outlets ("Non-Dealer sales"). Liberty has the largest independent dealer network in the industry. Historically, approximately 60% of Liberty Safe's net sales are Non-Dealer sales and 40% are Dealer sales.

We made loans to and purchased a controlling interest in Liberty Safe for approximately $70.2 million in March 2010, representing approximately 96% of the equity in Liberty.

Table of Contents

Results of Operations

The table below summarizes the income from operations data for Liberty Safe for the three and six month periods ended June 30, 2015 and June 30, 2014.

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$24,756	$18,957	$50,609	$47,852
Cost of sales	18,172	17,188	38,255	40,084
Gross profit	6,584	1,769	12,354	7,768
Selling, general and administrative expense	3,431	2,919	6,692	6,128
Fees to manager	125	125	250	250
Amortization of intangibles	264	972	1,244	1,927
Income (loss) from operations	$2,764	$(2,247)	$4,168	$(537)

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the quarter ended June 30, 2015 increased approximately $5.8 million or 30.6% compared to the corresponding quarter ended June 30, 2014. Non-Dealer sales were approximately $12.8 million in the three months ended June 30, 2015 compared to $8.9 million for the three months ended June 30, 2014 representing an increase of $3.9 million or 43.1%. Dealer sales totaled approximately $11.9 million in the three months ended June 30, 2015 compared to $10.0 million in the same period in 2014, representing an increase of $1.9 million or 19.9%. The increase in second quarter 2015 sales is attributable to a return to a more normalized level of market demand following the abnormal industry cycle in 2013 and 2014, particularly the market softening experienced during 2014. Liberty Safe has increased its production output to meet the current demand, and has reached targeted manufacturing output levels during the second quarter of 2015. Liberty Safe’s sales backlog was approximately $7.3 million at June 30, 2015 compared to approximately $6.0 million at June 30, 2014.

Cost of sales

Cost of sales for the three months ended June 30, 2015 increased approximately $1.0 million when compared to the same period in 2014. Gross profit as a percentage of net sales totaled approximately 26.6% and 9.3% for the quarters ended June 30, 2015 and June 30, 2014, respectively. The significant increase in gross profit as a percentage of sales during the three months ended June 30, 2015 compared to the same period in 2014 is attributable to favorable cost variances as a result of improved manufacturing efficiencies due to greater volume output, the effect of a price increase implemented in the first quarter of 2015, and an increase in the reserve for inventory during the three months ended June 30, 2014 which negatively impacted gross margin in that quarter.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2015 increased to approximately $3.4 million or 13.9% of net sales compared $2.9 million or 15.4% of net sales for the same period of 2014. The $0.5 million increase is primarily attributable to a higher level of dealer co-op advertising during the three months ended June 30, 2015.

Income (loss) from operations

Income from operations increased $5.0 million during the three months ended June 30, 2015 to $2.8 million compared to a loss from operations of $2.2 million during the same period in 2014, principally as a result of the increase in sales and gross profit, as described above.

Table of Contents

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 increased approximately $2.8 million or 5.8% compared to the corresponding period ended June 30, 2014. Non-Dealer sales were approximately $27.5 million in the six months ended June 30, 2015 compared to $25.9 million for the six months ended June 30, 2014 representing an increase of $1.6 million or 6.2%. Dealer sales totaled approximately $23.1 million in the six months ended June 30, 2015 compared to $21.9 million in the same period in 2014, representing an increase of $1.2 million or 5.3%. Higher production output coupled with the increase in market demand has facilitated the year over year sales growth. The increase in 2015 sales is attributable to a return to a more normalized level of market demand following the abnormal industry cycle in 2013 and 2014, particularly the market softening experienced during 2014. Liberty Safe has increased its production output to meet the current demand, and has reached targeted manufacturing output levels during the second quarter of 2015. Liberty Safe's sales backlog was approximately $7.3 million at June 30, 2015 compared to approximately $6.0 million at June 30, 2014.

Cost of sales
Cost of sales for the six months ended June 30, 2015 decreased approximately $1.8 million when compared to the same period in 2014. Gross profit as a percentage of net sales totaled approximately 24.4% and 16.2% for the six months ended June 30, 2015 and June 30, 2014, respectively. The significant increase in gross profit as a percentage of sales during the six months ended June 30, 2015 compared to the same period in 2014 is attributable to favorable cost variances as a result of improved manufacturing efficiencies due to greater volume output, the effect of a price increase implemented in the first quarter of 2015, and an increase in the reserve for inventory during the three months ended June 30, 2014 which negatively impacted gross margin in the prior period.

Selling, general and administrative expense
Selling, general and administrative expense for the six months ended June 30, 2015 increased to approximately $6.7 million or 13.2% of net sales compared to $6.1 million or 12.8% of net sales for the same period of 2014. The $0.6 million increase is primarily attributable to a higher level of dealer co-op advertising and certain administrative expenses during the six months ended June 30, 2015.

Income (loss) from operations
Income from operations increased $4.7 million during the six months ended June 30, 2015 to $4.2 million compared to a loss from operations of $0.5 million during the same period in 2014, principally as a result of the increase in sales and gross profit, as described above.

Niche Industrial Businesses
Advanced Circuits
Overview
Advanced Circuits is a provider of small-run, quick-turn and volume production PCBs to customers throughout the United States. Collectively, small-run and quick-turn PCBs represented approximately 53% of Advanced Circuits' gross revenues in 2015. Small-run and quick-turn PCBs typically command higher margins than volume production PCBs given that customers require high levels of responsiveness, technical support and timely delivery of small-run and quick-turn PCBs and are willing to pay a premium for them. Advanced Circuits is able to meet its customers' demands by manufacturing custom PCBs in as little as 24 hours, while maintaining over 98.0% error-free production rates and real-time customer service and product tracking 24 hours per day.
We purchased a controlling interest in Advanced Circuits on May 16, 2006.
Results of Operations

The table below summarizes the income from operations data for Advanced Circuits for the three and six month periods ended June 30, 2015 and June 30, 2014.

Table of Contents

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$23,082	$21,286	$44,500	$42,148
Cost of sales	12,514	11,666	24,381	22,847
Gross profit	10,568	9,620	20,119	19,301
Selling, general and administrative expense	3,426	3,549	6,872	6,937
Fees to manager	125	125	250	250
Amortization of intangibles	251	767	510	1,533
Income from operations	$6,766	$5,179	$12,487	$10,581

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales
Net sales for the three months ended June 30, 2015 increased approximately $1.8 million to $23.1 million as compared to the three months ended June 30, 2014. During the three months ended June 30, 2015, gross sales in Long-Lead Time PCBs increased by $1.3 million, and gross sales in Quick-Turn Small-Run and Quick-Turn Production PCBs increased by $0.7 million when compared to the three months ended June 30, 2014. Sales from Quick-Turn Small-Run and Quick-Turn Production PCBs represented approximately 52.2% of gross sales in the second quarter of 2015 compared to 54.0% during the same period of 2014.

Cost of sales
Cost of sales for the three months ended June 30, 2015 increased approximately $0.8 million compared to the comparable period in 2014. Gross profit as a percentage of sales increased 60 basis points during the three months ended June 30, 2015 (45.8% at June 30, 2015 compared to 45.2% at June 30, 2014) primarily as a result of sales mix.

Selling, general and administrative expense
Selling, general and administrative expenses were approximately $3.4 million in the three months ended June 30, 2015 as compared to $3.5 million for the three months ended June 30, 2014. Selling, general and administrative expenses represented 14.8% of net sales for the three months ended June 30, 2015 compared to 16.7% of net sales in the prior year period. The decrease in selling, general and administrative expenses is primarily due to the $0.1 million relating to unsuccessful acquisition costs recognized in the prior year period.

Income from operations
Income from operations for the three months ended June 30, 2015 was approximately $6.8 million compared to $5.2 million in the same period in 2014, an increase of approximately $1.6 million, principally as a result of the factors described above, as well as a decrease in amortization expense of $0.5 million due to certain intangible assets being fully amortized during the prior year.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 increased approximately $2.4 million to $44.5 million as compared to the six months ended June 30, 2014. During the six months ended June 30, 2015, gross sales increased in Long-Lead Time PCBs by $1.8 million, Assembly sales increased by $0.3 million, and Quick-Turn Production and Small-Run PCBs increased by $0.4 million when compared to the six months ended June 30, 2014. Sales from Quick-Turn production and Small-Run PCBs represented approximately 53.1% of gross sales in the first six months of 2015 compared to 55.4% during the same period of 2014.

Cost of sales

Cost of sales for the six months ended June 30, 2015 increased approximately $1.5 million compared to the comparable period in 2014. Gross profit as a percentage of sales decreased 60 basis points during the six months ended June 30, 2015 (45.2% at June 30, 2015 compared to 45.8% at June 30, 2014) primarily as a result of sales mix.

Table of Contents

Selling, general and administrative expense

Selling, general and administrative expenses were approximately $6.9 million in both the six months ended June 30, 2015 and 2014. Selling, general and administrative expenses represented 15.4% of net sales for the six months ended June 30, 2015 compared to 16.5% of net sales in the prior year period.

Income from operations

Income from operations for the six months ended June 30, 2015 was approximately $12.5 million compared to $10.6 million in the same period in 2014, an increase of approximately $1.9 million, principally as a result of the factors described above, as well as a decrease in amortization expense of $1.0 million as a result of certain intangible assets being fully amortized during the prior year.

American Furniture

Overview

Founded in 1998 and headquartered in Ecru, Mississippi, American Furniture is a leading U.S. manufacturer of upholstered furniture, focused exclusively on the promotional segment of the furniture industry. American Furniture offers a broad product line of stationary and motion furniture, including sofas, loveseats, sectionals, recliners and complementary products, sold primarily at retail price points ranging between $199 and $1,499. American Furniture is a low-cost manufacturer and is able to ship most products in its line in a short period of time to meet its customer's demands. American Furniture's products are adapted from established designs in the following categories: (i) motion and recliner; and (ii) stationary.

We purchased a controlling interest in American Furniture in August 2007.

Results of Operations

The table below summarizes the income (loss) from operations data for American Furniture for the three and six month periods ended June 30, 2015 and June 30, 2014.

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$42,427	$32,651	$83,352	$67,491
Cost of sales	38,584	29,702	75,394	61,078
Gross profit	3,843	2,949	7,958	6,413
Selling, general and administrative expense	2,281	1,919	4,707	4,250
Fees to manager	—	—	—	—
Amortization of intangibles	13	13	26	26
Income from operations	$1,549	$1,017	$3,225	$2,137

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 increased approximately $9.8 million, or 29.9% over the corresponding three months ended June 30, 2014. During the three months ended June 30, 2015, stationary product gross sales increased by approximately $5.5 million and motion and recliner product gross sales increased approximately $4.1 million compared to the same period in 2014. This increase in sales for both product lines is principally attributable to a combination of increases in average unit price and an increase in the number of orders received from, and amount of products shipped to, American Furniture's top twenty-five customers.

Cost of sales

Cost of sales increased approximately $8.9 million in the three months ended June 30, 2015 compared to the same period of 2014. Gross profit as a percentage of sales was 9.1% in the three months ended June 30, 2015 compared to 9.0% for the same period in 2014. A favorable sales mix enabled gross margins to increase in the 2015 quarter. In addition, as a result of the increase in

Table of Contents

production levels during the second quarter of 2015, AFM experienced favorable volume variances as a result of the increase in production levels offset slightly by negative overhead absorption variances during the second quarter of 2015.

Selling, general and administrative expense
Selling, general and administrative expense was $2.3 million for the three months ended June 30, 2015 as compared to $1.9 million in the same period of 2014. Selling, general and administrative costs as a percentage of sales were 5.4% in the second quarter of 2015 compared to 5.9% in 2014. The increase in selling, general and administrative expense during the quarter was primarily due to the overall increase in revenue resulting in higher sales commissions, as well as an increase in salaries and outside services versus the comparable quarter in 2014.

Income from operations
Income from operations was approximately $1.5 million for the three months ended June 30, 2015 compared to $1.0 million in the three months ended June 30, 2014, an increase of $0.5 million, principally due to the factors described above.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 increased approximately $15.9 million, or 23.5% over the corresponding six months ended June 30, 2014. During the six months ended June 30, 2015, stationary product gross sales increased by approximately $8.8 million and motion and recliner product gross sales increased approximately $6.9 million compared to the same period in 2014. This increase in sales for both product lines is principally attributable to a combination of increases in average unit price and an increase in the number of orders received from, and amount of products shipped to, American Furniture's top twenty-five customers.

Cost of sales
Cost of sales increased approximately $14.3 million in the six months ended June 30, 2015 compared to the same period of 2014, primarily as a result of the increase in revenue during the first half of 2015. Gross profit as a percentage of sales was 9.5% in both the six months ended June 30, 2015 and 2014.

Selling, general and administrative expense
Selling, general and administrative expense was $4.7 million for the six months ended June 30, 2015 as compared to $4.3 million in the same period of 2014. Selling, general and administrative costs as a percentage of sales were 5.6% in the first quarter of 2015 compared to 6.3% in 2014. The increase in selling, general and administrative expense was primarily attributable to the overall increase in revenue resulting in higher sales commissions during the first half of 2015.

Income from operations
Income from operations was approximately $3.2 million for the six months ended June 30, 2015 compared to $2.1 million in the six months ended June 30, 2014, an increase of $1.1 million, principally due to the factors described above.

Arnold Magnetics
Overview
Founded in 1895 and headquartered in Rochester, New York, Arnold Magnetics is a manufacturer of engineered, application specific permanent magnets. Arnold products are used in applications such as general industrial, reprographic systems, aerospace and defense, advertising and promotional, consumer and appliance, energy, automotive and medical technology. Arnold is the largest U.S. manufacturer of engineered magnets as well as only

one of two domestic producers to design, engineer and manufacture rare earth magnetic solutions. Arnold operates a 70,000 sq. ft. manufacturing assembly and distribution facility in Rochester, New York with nine additional facilities worldwide, in countries including the United Kingdom, Switzerland and China. Arnold serves customers via three primary product sectors:

- Permanent Magnet and Assemblies and Reprographics (“PMAG”) (approximately 72% of net sales) – High performance magnets for precision motor/generator sensors as well as beam focusing applications and reprographic applications;

46

Table of Contents

- Flexmag (approximately 20% of net sales) – Flexible bonded magnets for advertising, consumer and industrial applications; and
- Precision Thin Metals (approximately 8% of net sales) – Ultra thin metal foil products utilizing magnetic and non-magnetic alloys.

On March 5, 2012, we made loans to and purchased a controlling interest in Arnold for approximately $131 million, representing approximately 96.6% of the equity in Arnold Magnetics.

Results of Operations

The table below summarizes the income from operations data for Arnold Magnetics for the three and six month periods ended June 30, 2015 and June 30, 2014.

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$29,360	$32,767	$60,548	$63,446
Cost of sales	23,116	24,960	47,296	48,393
Gross profit	6,244	7,807	13,252	15,053
Selling, general and administrative expense	3,519	4,171	7,767	8,994
Fees to manager	125	125	250	250
Amortization of intangibles	880	875	1,761	1,749
Income from operations	$1,720	$2,636	$3,474	$4,060

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 were approximately $29.4 million, a decrease of $3.4 million compared to the same period in 2014. The decrease in net sales is a result of a decrease in net sales in the PMAG product sector ($3.8 million) offset by an increase in the Precision Thin Metals ($0.3 million) and Flexmag ($0.1 million) product sectors. PMAG sales represented approximately 71% of net sales for the three months ended June 30, 2015 compared to 75% for the three months ended June 30, 2014. The decrease in PMAG sales during the three months ended June 30, 2015 compared to the same period in 2014 is principally attributable to lower sales of the reprographic application of the PMAG division, as well as weaker economic conditions in Europe, primarily in the oil and gas sector, which is a component of PMAG. The increase in Flexmag sales is the result of increased customer demand during the quarter. The increase in Precision Thin Metals sales is attributable to positive steps taken over the last year by management to identify new customers and applications.

International sales were $10.6 million during the three months ended June 30, 2015 compared to $15.3 million during the same period in 2014, a decrease of $4.7 million or 30.5%. The decrease in international sales is due to a decrease in sales in the PMAG sector as noted above.

Cost of sales

Cost of sales for the three months ended June 30, 2015 were approximately $23.1 million compared to approximately $25.0 million in the same period of 2014. Gross profit as a percentage of sales decreased from 23.8% for the quarter ended June 30, 2014 to 21.3% in the quarter ended June 30, 2015. The decrease is principally attributable to decreased margins in the PMAG sector due to volume reductions, offset in part by an increase in margin in the Flexmag and Precision Thin Metals sectors. The increase in margins in the Flexmag and Precision Thin Metals sector are due to a more favorable customer/product sales mix during the three months ended June 30, 2015 compared to the same period in 2014, as well as the positive impact of new customers and applications and increased production efficiencies in the Precision Thin Metals sector.

Selling, general and administrative expense

Selling, general and administrative expense in the three month period ended June 30, 2015 was $3.5 million as compared to approximately $4.2 million for the three months ended June 30, 2014. The decrease in expense is primarily attributable to headcount

Table of Contents

reduction implemented during the first and third quarter of 2014, which reduced the employee related expenses incurred in the three months ended June 30, 2015 as compared to the prior year.

Income from operations
Income from operations for the three months ended June 30, 2015 was approximately $1.7 million, a decrease of $0.9 million when compared to the same period in 2014, principally as a result of the factors described above.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 were approximately $60.5 million, a decrease of $2.9 million compared to the same period in 2014. The decrease in net sales is a result of a decrease in sales in the PMAG product sector ($4.6 million), offset by an increase in net sales in the Precision Thin Metals sector ($1.5 million) and Flexmag sector ($0.2 million). PMAG sales represented approximately 72% of net sales for the six months ended June 30, 2015 compared to 76% for the six months ended June 30, 2014. The decrease in PMAG sales during the six months ended June 30, 2015 compared to the same period in 2014 is principally attributable to lower sales of the reprographic application of the PMAG division, as well as weaker economic conditions in Europe, primarily in the oil and gas sector, which is a component of PMAG. The increase in Flexmag sales is the result of increased customer demand during the quarter. The increase in Precision Thin Metals sales is attributable to positive steps taken over the last year by management to identify new customers and applications.

International sales were $23.0 million during the six months ended June 30, 2015 compared to $29.6 million during the same period in 2014, a decrease of $6.6 million or 22.2%. The decrease in international sales is due to a decrease in sales in the PMAG sector as noted above.

Cost of sales
Cost of sales for the six months ended June 30, 2015 were approximately $47.3 million compared to approximately $48.4 million in the same period of 2014. Gross profit as a percentage of sales decreased from 23.7% for the six months ended June 30, 2014 to 21.9% in the six months ended June 30, 2015. The decrease is principally attributable to decreased margins in the PMAG sector due to volume reductions, offset in part by an increase in margin in the Flexmag and Precision Thin Metals sectors. The increase in margins in the Flexmag and Precision Thin Metals sector are due to a more favorable customer/product sales mix during the six months ended June 30, 2015 compared to the same period in 2014, as well as the positive impact of new customers and applications and increased production efficiencies in the Precision Thin Metals sector.

Selling, general and administrative expense
Selling, general and administrative expense in the six month period ended June 30, 2015 was $7.8 million as compared to approximately $9.0 million for the six months ended June 30, 2014. The decrease in expense is primarily attributable to headcount reduction implemented during the third quarter of 2014, which reduced the employee related expenses incurred in the six months ended June 30, 2015 as compared to the prior year.

Income from operations
Income from operations for the six months ended June 30, 2015 was approximately $3.5 million, a decrease of $0.6 million when compared to the same period in 2014, principally as a result of the factors described above.

Clean Earth

Overview

Founded in 1990 and headquartered in Hatboro, Pennsylvania, Clean Earth is a provider of environmental services for a variety of contaminated materials. Clean Earth provides a one-stop shop solution that analyzes, treats, documents and recycles waste streams generated in multiple end-markets such as power, construction, commercial development, oil and gas, infrastructure, industrial and dredging. Historically, the majority of Clean Earth's revenues have been generated by contaminated soils which includes environmentally impacted soils, drill cuttings and other materials which are treated at one of its nine permitted soil treatment facilities. Clean Earth also operates three RCRA Part B hazardous waste facilities. The remaining revenue has been generated by dredge material, which consists of sediment removed from the floor of a body of water for navigational purposes and/or environmental remediation of contaminated waterways and is treated at one of its two permitted dredge processing facilities.

Table of Contents

Approximately 98% of the material processed by Clean Earth is beneficially reused for such purposes as daily landfill cover, industrial and brownfield redevelopment projects.

On August 26, 2014, we made loans to and purchased a controlling interest in Clean Earth for approximately $251.4 million, representing approximately 98% of the equity in Clean Earth.

Results of Operations and Pro forma Results of Operations

The table below summarizes the income from operations data for Clean Earth for the three month period ended June 30, 2015 and the pro forma income from operations data for the three month period ended June 30, 2014.

(in thousands)	Three months ended June 30, 2015	June 30, 2014 (Pro forma)	Six months ended June 30, 2015	June 30, 2014 (Pro forma)
Service revenues	$43,702	$37,111	$78,831	$68,053
Cost of services [(a)]	31,936	23,962	59,759	47,166
Gross profit	11,766	13,149	19,072	20,887
Selling, general and administrative expense [(b)]	7,016	6,219	12,448	10,459
Fees to manager [(c)]	125	125	250	250
Amortization of intangibles [(d)]	3,031	2,881	6,334	5,762
Income from operations	$1,594	$3,924	$40	$4,416

Pro-forma results of operations of Clean Earth for the three and six months ended June 30, 2014 include the following pro-forma adjustments, applied to historical results as if we acquired Clean Earth on January 1, 2014:

(a) Cost of services was increased $0.3 million and $0.6 million in the three months and six months ended June 30, 2014, respectively, for additional depreciation expense associated the fair value step up of property, plant and equipment, resulting from the purchase price allocation in connection with our acquisition.

(b) Selling, general and administrative costs were increased by approximately $0.2 million and $0.4 million in the three and six months ended June 30, 2014 representing an adjustment for additional expense related to stock options issued to management.

(c) Represents management fees that would have been payable to the Manager in the three and six months ended June 30, 2014.

(d) Represents an increase in amortization of intangible assets totaling $2.4 million and $4.9 million in the three and six months ended June 30, 2014, respectively, for additional amortization expense associated with the fair value step up of intangible assets resulting from the purchase price allocation in connection with our acquisition.

Three months ended June 30, 2015 compared to the pro forma three months ended June 30, 2014.

Service revenues

Service revenues for the three months ended June 30, 2015 were approximately $43.7 million, an increase of $6.6 million or 17.8% compared to the same period in 2014. The increase in service revenues is principally the result of the Clean Earth's December 2014 acquisition of all of the assets of American Environmental Services, Inc ("AES") which operates two RCRA Part B hazardous waste facilities, and growth at its existing RCRA Part B facility. For the three months ended June 30, 2015, contaminated soil volume increased 18% as compared to the same period last year principally attributable to increased commercial development activity in the Greater Washington, D. C. area, and hazardous waste volume increased 96% primarily as a result of the AES acquisition. Revenue from dredged material decreased for the three months ended June 30, 2015 as compared to the same period in 2014 due to the timing of new bidding activity. Contaminated soils represented approximately 62% of net sales for the three months ended June 30, 2015 compared to 59% of net sales for the same period in 2014.

Cost of services

Cost of services for the three months ended June 30, 2015 were approximately $31.9 million compared to approximately $24.0 million in the same period of 2014. Gross profit as a percentage of sales decreased from 35.4% for the three month period ended

Table of Contents

June 30, 2014 to 26.9% for the same period ended June 30, 2015. The 850 basis points decrease in gross margin during the three months ended June 30, 2015 was primarily due to the mix of services provided during the second quarter of 2015 as compared to the prior year, with a reduction in revenue from dredge material as well as decreased margins from contaminated soils due to increased depreciation expense and equipment rental expense.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2015 increased to approximately $7.0 million or 16.1% of service revenues compared to $6.2 million or 16.8% of service revenues for the same period in 2014. The $0.8 million increase in selling, general and administrative expenses in the three months ended June 30, 2015 compared to 2014 is primarily attributable to the acquisition of AES in December 2014, increased stock compensation expense and integration services fees associated with the acquisition of Clean Earth, as well as compensation expense associated with increased employee headcount.

Amortization expense

Amortization expense for the three months ended June 30, 2015 was $3.0 million, an increase of $0.2 million compared to the three months ended June 30, 2014. The increase is due to additional amortization expense in 2015 from the AES acquisition.

Income from operations

Income from operations for the three months ended June 30, 2015 was approximately $1.6 million as compared to income from operations of $3.9 million for the three months ended June 30, 2014, a decrease of $2.3 million, primarily as a result of those factors described above.

Six months ended June 30, 2015 compared to the pro forma six months ended June 30, 2014

Service revenues

Service revenues for the six months ended June 30, 2015 were approximately $78.8 million, an increase of $10.8 million or 13.7% compared to the same period in 2014. The increase in service revenues is principally the result of the Clean Earth’s December 2014 acquisition of all of the assets of American Environmental Services, Inc ("AES") which operates two RCRA Part B hazardous waste facilities, and growth at its existing RCRA Part B facility. For the six months ended June 30, 2015, contaminated soil volume increased 19% as compared to the same period last year principally attributable to increased commercial development activity in the Greater Washington, D. C. area, and hazardous waste volume increased 123% primarily as a result of the AES acquisition. Revenue from dredged material decreased for the six months ended June 30, 2015 as compared to the same period in 2014 due to the timing of new bidding activity. Contaminated soils represented approximately 59% of net sales for both the six months ended June 30, 2015 and June 30, 2014.

Cost of services

Cost of services for the six months ended June 30, 2015 were approximately $59.8 million compared to approximately $47.2 million in the same period of 2014. Gross profit as a percentage of sales decreased from 30.7% for the six month period ended June 30, 2014 to 24.2% for the same period ended June 30, 2015. The 650 basis points decrease in gross margin during the six months ended June 30, 2015 was primarily due to the mix of services provided during the six months ended June 30, 2015 as compared to the prior year, with a reduction in revenue from dredge material as well as decreased margins from contaminated soils due to increased depreciation expense and equipment rental expense.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2015 increased to approximately $12.4 million or 15.8% of service revenues compared to $10.5 million or 15.4% of service revenues for the same period in 2014. The $2.0 million increase in selling, general and administrative expenses in the six months ended June 30, 2015 compared to 2014 is primarily attributable to the acquisition of AES in December 2014, increased stock compensation expense and integration services fees associated with the acquisition of Clean Earth, as well as compensation expense associated with increased employee headcount.

Amortization expense

Amortization expense for the six months ended June 30, 2015 was $6.3 million, an increase of $0.6 million compared to the six months ended June 30, 2014. The increase is due to additional amortization expense in 2015 from the AES acquisition ($0.3 million) and an increase in the amortization of airspace, which is recognized based on usage rather than over the estimated useful life of the asset.

Table of Contents

Income from operations

Income from operations for the six months ended June 30, 2015 was approximately $0.04 million as compared to income from operations of $4.4 million for the six months ended June 30, 2014, a decrease of $4.4 million, primarily as a result of those factors described above.

SternoCandleLamp

Overview

SternoCandleLamp, headquartered in Corona, California, is a manufacturer and marketer of portable food warming fuel and creative table lighting solutions for the food service industry. SternoCandleLamp offers a broad range of wick and gel chafing fuels, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps. SternoCandleLamp was formed in 2012 with the merger of two manufacturers and marketers of portable food warming fuel products, The Sterno Group LLC and the Candle Lamp Company, LLC.

On October 10, 2014, we made loans to and purchased all of the equity of SternoCandleLamp for approximately $160.0 million.

Results of Operations

The table below summarizes the income from operations data for SternoCandleLamp for the three and six months ended June 30, 2015 and the pro forma income from operations data for the three and six month period ended June 30, 2014.

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014 (Pro forma)	June 30, 2015	June 30, 2014 (Pro forma)
Net sales	$38,366	$37,672	$66,970	$67,349
Cost of sales	28,645	28,922	51,034	52,400
Gross Profit	9,721	8,750	15,936	14,949
Selling, general and administrative expenses	4,169	3,603	7,791	6,911
Management fees (a)	125	125	250	250
Amortization of intangibles (b)	1,504	1,503	2,316	3,007
Income from operations	$3,923	$3,519	$5,579	$4,781

Pro-forma results of operations of SternoCandleLamp for the three and six months ended June 30, 2014 include the following pro-forma adjustments, applied to historical results as if we acquired SternoCandleLamp on January 1, 2014:

(a) Represents management fees that would have been payable to the Manager in the three and six months ended June 30, 2014.

(b) Represents an increase in amortization of intangible assets totaling $1.0 million and $1.9 million, respectively, in the three and six months ended June 30, 2014 for additional amortization expense associated the fair value step up of intangible assets resulting from the purchase price allocation in connection with our acquisition.

Three months ended June 30, 2015 compared to the pro forma three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 were approximately $38.4 million, an increase of $0.7 million or 1.8% compared to the same period in 2014. The decrease in net sales is primarily a result of the timing of orders from one of SternoCandleLamp's larger customers.

Table of Contents

Cost of sales
Cost of sales for the three months ended June 30, 2015 were approximately $28.6 million compared to approximately $28.9 million in the same period of 2014. Gross profit as a percentage of sales increased from 23.2% for the three months ended June 30, 2014 to 25.3% for the same period ended June 30, 2015. The increase in gross margin during the three months ended June 30, 2015 primarily reflects labor and manufacturing efficiencies during the second quarter of 2015 as compared to the second quarter of 2014, and favorable sales mix.

Selling, general and administrative expense
Selling, general and administrative expense for the three months ended June 30, 2015 and 2014 was approximately $4.2 million and $3.6 million, respectively. The increase is primarily a result of integration services fees incurred during the three months ended June 30, 2015. Selling, general and administrative expense represented 10.9% of net sales for the three months ended June 30, 2015 as compared to 9.6% of net sales for the same period in 2014.

Income from operations
Income from operations for the three months ended June 30, 2015 was approximately $3.9 million, an increase of $0.4 million when compared to the same period in 2014, as a result of those factors described above as well as a decrease in amortization expense as a result of the finalization of the purchase price allocation for SternoCandleLamp in the three months ended March 31, 2015.

Six months ended June 30, 2015 compared to the pro forma six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 were approximately $67.0 million, a decrease of $0.4 million or 0.6% compared to the same period in 2014. The decrease in net sales is primarily a result of the timing of orders from one of SternoCandleLamp's larger customers.

Cost of sales
Cost of sales for the six months ended June 30, 2015 were approximately $51.0 million compared to approximately $52.4 million in the same period of 2014. Gross profit as a percentage of sales increased from 22.2% for the six months ended June 30, 2014 to 23.8% for the same period ended June 30, 2015. The increase in gross margin during the six months ended June 30, 2015 primarily reflects greater labor and manufacturing efficiencies during the first half of 2015 as compared to the first half of 2014 as SternoCandleLamp continued to integrate the acquisition of Sterno by CandleLamp, and favorable sales mix.

Selling, general and administrative expense
Selling, general and administrative expense for the six months ended June 30, 2015 and 2014 was approximately $7.8 million and $6.9 million, respectively. The increase is primarily a result of integration services fees incurred during the six months ended June 30, 2015. Selling, general and administrative expense represented 11.6% of net sales for the six months ended June 30, 2015 as compared to compared to 10.3% of net sales for the same period in 2014.

Income from operations
Income from operations for the six months ended June 30, 2015 was approximately $5.6 million, an increase of $0.8 million when compared to the same period in 2014, due to those factors described above as well as a decrease in amortization expense as a result of the finalization of the purchase price allocation for SternoCandleLamp in the first quarter of 2015.

Tridien
Overview

Tridien, headquartered in Coral Springs, Florida, is a leading designer and manufacturer of powered and non-powered medical therapeutic support services and patient positioning devices serving the acute care, long-term care and home health care markets. Tridien is one of the nation's leading designers and manufacturers of specialty therapeutic support surfaces with manufacturing operations in multiple locations to better serve a national customer base.

Table of Contents

Tridien, together with its subsidiary companies, provides customers the opportunity to source leading surface technologies from the designer and manufacturer.

Tridien develops products both independently and in partnership with large distribution intermediaries. Medical distribution companies then sell or rent the therapeutic support surfaces, sometimes in conjunction with bed frames and accessories to one of three end markets: (i) acute care, (ii) long term care and (iii) home health care. The level of sophistication largely varies for each product, as some patients require simple foam mattress beds ("non-powered" support surfaces) while others may require electronically controlled, low air loss, lateral rotation, pulmonary therapy or alternating pressure surfaces ("powered" support surfaces). The design, engineering and manufacturing of all products is completed in-house (with the exception of PrimaTech products, which are manufactured in Taiwan) and are FDA compliant. Tridien historically receives approximately two-thirds of its revenues from its three largest customers.

We purchased a controlling interest in Tridien in August 2006.

Results of Operations

The table below summarizes the income from operations data for Tridien for the three and six month periods ended June 30, 2015 and June 30, 2014

	Three months ended		Six months ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net sales	$18,968	$16,704	$35,532	$33,026
Cost of sales	14,777	13,027	28,134	25,700
Gross profit	4,191	3,677	7,398	7,326
Selling, general and administrative expense	2,435	2,622	4,895	5,104
Fees to manager	88	88	175	175
Amortization of intangibles	405	444	850	889
Impairment expense	258	—	9,165	—
Income (loss) from operations	$1,005	$523	$(7,687)	$1,158

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net sales

Net sales for the three months ended June 30, 2015 were approximately $19.0 million compared to approximately $16.7 million for the same period in 2014, an increase of $2.3 million or 13.6%. Sales of non-powered products (including patient positioning devices) totaled $14.7 million during the three months ended June 30, 2015 representing an increase of $0.8 million compared to the same period in 2014. Sales of powered products totaled $4.3 million during the three months ended June 30, 2015 representing an increase of $1.5 million compared to the same period in 2014. The increase in non-powered product sales in the three months ended June 30, 2015 compared to the same period in 2014 is principally the result of increased sales to one of Tridien's larger customers, whose contract is expiring in the fourth quarter of 2015. Improved powered products sales in the three months ended June 30, 2015 compared to the same period in 2014 is principally the result of increased sales of recently developed products.

Cost of sales

Cost of sales increased approximately $1.8 million for the three months ended June 30, 2015 compared to the same period in 2014. Gross profit as a percentage of sales was approximately 22.1% in the three month period ended June 30, 2015 compared to 22.0% in the same period of 2014. The increase in cost of sales is attributable to the increase in powered product sales for the period, which have higher margins than non-powered products.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2015 was approximately $2.4 million as compared to $2.6 million for the same period in 2014. There were no notable changes in the components of these costs during the current quarter.

53

Table of Contents

Impairment expense

In January 2015, one of Tridien's largest customers informed the Company that it would not renew its purchase agreement when it expires during the fourth quarter of 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill and indefinite-lived asset impairment analysis. The result of this impairment analysis (step 1) indicated that goodwill was impaired. The preliminary results of the step 2 impairment analysis resulted in a write down of goodwill of $8.9 million during the first quarter of 2015. We completed the step 2 impairment analysis during the second quarter of 2015 and recognized an additional $0.3 million in impairment expense, primarily related to the technology and patent long-lived asset.

Income from operations
Income from operations was approximately $1.0 million in the three months ended June 30, 2015 as compared to $0.5 million in the three months ended June 30, 2014, an increase of $0.5 million due primarily to the factors described above.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net sales
Net sales for the six months ended June 30, 2015 were approximately $35.5 million compared to approximately $33.0 million for the same period in 2014, an increase of $2.5 million or 7.6%. Sales of non-powered products (including patient positioning devices) totaled $28.5 million during the six months ended June 30, 2015 representing an increase of $1.8 million compared to the same period in 2014. Sales of powered products totaled $7.0 million during the six months ended June 30, 2015 representing an increase of $0.6 million compared to the same period in 2014. The increase in non-powered product sales in the six months ended June 30, 2015 compared to the same period in 2014 is principally the result of increased sales to two of Tridien's largest customers, one of whose contract is expiring in the fourth quarter of 2015. Improved powered products sales in the six months ended June 30, 2015 compared to the same period in 2014 is principally the result of increased sales of recently developed products.

Cost of sales
Cost of sales increased approximately $2.4 million for the six months ended June 30, 2015 compared to the same period in 2014. Gross profit as a percentage of sales was approximately 20.8% in the six month period ended June 30, 2015 compared to 22.2% in the same period of 2014. The decrease in gross profit as a percentage of sales was primarily due to an unfavorable product sales mix and higher raw material and production costs incurred during the six months ended June 30, 2015 compared to the same period in 2014.

Selling, general and administrative expense
Selling, general and administrative expense for the six months ended June 30, 2015 was approximately $4.9 million as compared to $5.1 million for the same period in 2014. There were no notable changes in the components of these costs during the current quarter.

Impairment expense

In January 2015, one of Tridien's largest customers informed the Company that it would not renew its purchase agreement when it expires in the fourth quarter of 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill and indefinite-lived asset impairment analysis. The result of this impairment analysis (step 1) indicated that goodwill was impaired. The results of the step 2 impairment analysis resulted in a write down of goodwill of $8.9 million and a write down of long-lived intangible assets of $0.2 million.

Income (loss) from operations
Loss from operations was approximately $7.7 million in the six months ended June 30, 2015 as compared to income from operations of approximately $1.2 million in the six months ended June 30, 2014, a decrease of approximately $8.9 million due primarily to the goodwill impairment.

Liquidity and Capital Resources

The change in cash and cash equivalents is as follows:

Table of Contents

(in thousands)	Six months ended June 30, 2015	June 30, 2014
Cash provided by operations	$32,267	$11,320
Cash used in investing activities	(9,249)	(51,582)
Cash (used in) provided by financing activities	(21,660)	42,231
Effect of exchange rates on cash and cash equivalents	318	151
Increase in cash and cash equivalents	$1,676	$2,120

Cash Flow from Operating Activities

For the six months ended June 30, 2015, cash flows provided by operating activities totaled approximately $32.3 million, which represents a $20.9 million increase compared to cash provided by operations of $11.3 million during the six month period ended June 30, 2014. This increase is principally the result of a decrease in cash used for working capital in the six months ended June 30, 2015 as compared to the same period in 2014 ($18.5 million). Cash used for short term working capital assets was $14.4 million lower in the six months ended June 30, 2015 as compared to the same period in 2014, primarily as a result of the seasonality of FOX in 2014 which is not reflected in 2015 after the deconsolidation of FOX during the third quarter of 2014, and the effect of the acquisition of Clean Earth and SternoCandleLamp in the third and fourth quarter of 2014, respectively.

Cash Flow from Investing Activities

Cash flows used in investing activities for the six months ended June 30, 2015 totaled approximately $9.2 million, compared to $51.6 million used in investing activities in the same period of 2014. The 2014 investing activities include FOX's acquisition of Sport Truck ($41.0 million) and an add-on acquisition at Liberty, which comprise the majority of cash used in investing activities in the first half of 2014. Capital expenditures in the six months ended June 30, 2015 were $9.0 million as compared to $7.6 million during the six months ended June 30, 2014, with the increase primarily due to capital expenditures at our 2014 acquisitions, Clean Earth and SternoCandleLamp. We expect capital expenditures for the remainder of 2015 to be approximately $10 million to $15 million.

Cash Flow from Financing Activities

Cash flows used in financing activities totaled approximately $21.7 million during the six months ended June 30, 2015 principally reflecting payment of our shareholder distribution ($39.1 million) offset by net borrowings under the 2014 Credit Facility ($17.7 million). Cash flows provided by financing activities during the six months ended June 30, 2014 were approximately $42.2 million principally reflecting borrowings by FOX to finance their acquisition of Sport Truck ($42.0 million) offset in part by our shareholder distribution ($34.8 million) and the result of entering a new credit agreement in June 2014.

At June 30, 2015, we had approximately $25.4 million of cash and cash equivalents on hand. The majority of our cash is in non-interest bearing checking accounts or invested in short-term money market accounts and is maintained in accordance with the Company's investment policy, which identifies allowable investments and specifies credit quality standards.

Table of Contents

As of June 30, 2015, we had the following outstanding loans due from each of our businesses:

(in thousands)	
CamelBak	$99,128
Ergobaby	$28,648
Liberty	$31,312
Advanced Circuits	$63,745
American Furniture	$23,885
Arnold Magnetics	$73,100
Clean Earth	$152,835
SternoCandleLamp	$83,042
Tridien	$12,231

Each loan to our businesses has a scheduled maturity and each business is entitled to repay all or a portion of the principal amount of the outstanding loans, without penalty, prior to maturity.

Our primary source of cash is from the receipt of interest and principal on the outstanding loans to our businesses. Accordingly, we are dependent upon the earnings of and cash flow from these businesses, which are available for (i) operating expenses; (ii) payment of principal and interest under our 2014 Credit Facility; (iii) payments to CGM due pursuant to the Management Services Agreement and the LLC Agreement; (iv) cash distributions to our shareholders; and (v) investments in future acquisitions. Payments made under (iii) above are required to be paid before distributions to shareholders and may be significant and exceed the funds held by us, which may require us to dispose of assets or incur debt to fund such expenditures.

We believe that we currently have sufficient liquidity and capital resources to meet our existing obligations, including quarterly distributions to our shareholders, as approved by our Board of Directors, over the next twelve months. The quarterly distribution for the three months ended June 30, 2015 was paid on July 29, 2015 and totaled $19.5 million.

On June 6, 2014 we entered in a new credit facility, the 2014 Credit Facility replacing our existing 2011 Credit Facility entered into in October 2011. The 2014 Credit Facility provides for (i) revolving loans, swing line loans and letters of credit up to an maximum aggregate amount of $400 million and matures in June 2019, and (ii) a $325 million term loan. Our 2014 Term Loan requires quarterly payments of $0.8 million with a final payment of the outstanding principal balance due in June 2021. (Refer to Note H to the Condensed Consolidated Financial Statements for a complete description of our 2014 Credit Facility.) We amended the 2014 Credit Facility in June 2015, primarily to allow us to make intercompany loans to, and acquire, Canadian-based companies on an unsecured basis, and to modify provisions that would allows for early termination of a "Leverage Increase Period," thereby providing us with additional flexibility as to the timing of subsequent acquisitions.

We had $206.4 million in net availability under the 2014 Revolving Credit Facility at June 30, 2015. $4.6 million in outstanding borrowings under the 2014 Revolving Credit Facility at June 30, 2015 reflected outstanding letters of credit.

The following table reflects required and actual financial ratios as of June 30, 2015 included as part of the affirmative covenants in our 2014 Credit Facility:

Description of Required Covenant Ratio	Covenant Ratio Requirement	Actual Ratio
Fixed Charge Coverage Ratio	greater than or equal to 1.5:1.0	3.61:1.0

Total Debt to EBITDA Ratio	less than or equal to 4.25:1.0	3.04:1.0

We intend to use the availability under our 2014 Credit Facility and cash on hand to pursue acquisitions of additional businesses to the extent permitted under our 2014 Credit Facility, to fund distributions and to provide for other working capital needs.

Table of Contents

Subsequent Events - Liquidity and Capital Resources

On July 10, 2015, we closed on the acquisition of approximately 87% of the outstanding common stock of Fresh Hemp Foods Ltd. (“Manitoba Harvest”). The purchase price was approximately $104.4 million (C$132.5 million), and acquisition related costs were approximately $1.1 million (C$1.4 million). We funded the acquisition through drawings on our Revolving Credit Facility.

On August 3, 2015, we sold our majority owned subsidiary, CamelBak, based on a total enterprise value of $412.5 million. Our share of the net proceeds, at closing, after accounting for the redemption of CamelBak’s noncontrolling holders and the payment of transaction expenses totaled $367.8 million. CGM’s profit allocation is expected to range from approximately $30 million to $34 million and is anticipated to be paid in the fourth quarter of 2015. We expect to use the proceeds from the sale of CamelBak to paydown the outstanding amount on the 2014 Revolving Credit Facility so that subsequent to the sale of CamelBak, we expect to have no outstanding borrowings under its revolving credit facility.

Interest Expense
We recorded interest expense totaling $12.8 million for the six months ended June 30, 2015 compared to $9.4 million for the comparable period in 2014.

The components of interest expense and periodic interest charges on outstanding debt are as follows (in thousands):

	Six months ended June 30,			
	2015		2014	
Interest on credit facilities	$9,838		$7,288	
Unused fee on Revolving Credit Facility	606		1,248	
Amortization of original issue discount	335		546	
Unrealized losses (gains) on interest rate derivatives [(1)]	1,867		273	
Letter of credit fees	63		19	
Other	137		23	
Interest expense	$12,846		$9,397	
Average daily balance of debt outstanding	$517,503		$310,632	
Effective interest rate	5.0	%	6.1	%

[(1)] On September 16, 2014, we purchased an interest rate swap (the “New Swap”) with a notional amount of $220 million effective April 1, 2016 through June 6, 2021. The agreement requires us to pay interest on the notional amount at the rate of 2.97% in exchange for the three-month LIBOR rate. At June 30, 2015, the New Swap had a fair value loss of $10.7 million, reflecting the present value of future payments and receipts under the agreement and is reflected as a component of interest expense and other non-current liabilities. In the above table, we provide the effective interest rate on outstanding debt, which includes the mark-to-market loss on the New Swap. The effective interest rate for incurred debt for the six months ended June 30, 2015 after elimination of the New Swap, which has a term that does not begin until April 1, 2016, is 4.3%. Refer to Note I - Derivatives and Hedging Activities of the condensed consolidated financial statements.

Income Taxes
We incurred income tax expense of $9.2 million with an effective tax rate of 87.7% during the six months ended June 30, 2015 compared to $7.8 million with an effective income tax rate of 28.3% during the same period in 2014. Non-deductible costs at the corporate level, including the loss on our equity method investment in FOX in the six months ended June 30, 2015 and the effect of the impairment loss at our Tridien subsidiary, account for the majority

of the remaining difference in our effective income tax rates in both periods.

Table of Contents

The components of income tax expense as a percentage of income from continuing operations before income taxes for the six months ended June 30, 2015 and 2014 are as follows:

	Six months ended June 30,	
	2015	2014
United States Federal Statutory Rate	35.0 %	35.0 %
State income taxes (net of Federal benefits)	5.8	(7.9)
Foreign income taxes	(0.6)	(2.1)
Expenses of Compass Group Diversified Holdings, LLC representing a pass through to shareholders [1]	16.0	8.7
Effect of loss on equity method investment [2]	7.6	—
Impact of subsidiary employee stock options	2.9	0.6
Domestic production activities deduction	(3.9)	(2.8)
Effect of impairment expense	21.1	—
Non-recognition of NOL carryforwards at subsidiaries	7.9	(0.9)
Other	(4.1)	(2.3)
Effective income tax rate	87.7 %	28.3 %

[1] The effective income tax rate for the six months ended June 30, 2015 and 2014 includes a significant loss at the Company's parent, which is taxed as a partnership.

[2] The equity method investment in FOX is held at the Company's parent, which is taxed as a partnership, resulting in the gain or loss on the investment being a reconciling item in deriving our effective tax rate.

Reconciliation of Non-GAAP Financial Measures

U.S. GAAP refers to generally accepted accounting principles in the United States. From time to time we may publicly disclose certain “non-GAAP” financial measures in the course of our investor presentations, earnings releases, earnings conference calls or other venues. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented. Non-GAAP financial measures are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These measures are not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

The tables below reconcile the most directly comparable GAAP financial measures to Earnings before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”), Adjusted EBITDA, and Cash Flow Available for Distribution and Reinvestment (“CAD”).

Reconciliation of Net income (Loss) to EBITDA and Adjusted EBITDA

EBITDA –EBITDA is calculated as income (loss) from continuing operations before interest expense, income tax expense (benefit), depreciation expense and amortization expense. Amortization expenses consist of amortization of intangibles and debt charges, including debt issuance costs, discounts, etc.

Adjusted EBITDA – Adjusted EBITDA is calculated utilizing the same calculation as described above in arriving at EBITDA further adjusted by; (i) non-controlling stockholder compensation, which generally consists of non-cash stock option expense; (ii) successful acquisition costs, which consist of transaction costs (legal, accounting , due diligences, etc.,) incurred in connection with the successful acquisition of a business expensed during the period in compliance with ASC 805; (iii) management fees, which reflect fees due quarterly to our Manager in connection with our Management Services Agreement (“MSA’), as well as Integration Services Fees paid by newly acquired companies; (iv) impairment charges, which reflect write downs to goodwill or

Table of Contents

other intangible assets; (v) gains or losses recorded in connection with our equity method investment; and (vi) gains or losses recorded in connection with the sale of fixed assets.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors and reflect important financial measures as they exclude the effects of items which reflect the impact of long-term investment decisions, rather than the performance of near term operations. When compared to income (loss) from continuing operations these financial measures are limited in that they do not reflect the periodic costs of certain capital assets used in generating revenues of our businesses or the non-cash charges associated with impairments. This presentation also allows investors to view the performance of our businesses in a manner similar to the methods used by us and the management of our businesses, provides additional insight into our operating results and provides a measure for evaluating targeted businesses for acquisition.

We believe these measurements are also useful in measuring our ability to service debt and other payment obligations. EBITDA and Adjusted EBITDA are not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

The following table reconciles EBITDA and Adjusted EBITDA to income (loss) from continuing operations, which we consider to be the most comparable GAAP financial measure (in thousands):

Table of Contents

Adjusted EBITDA
Six months ended June 30, 2015

	Corporate	CamelBak	Ergobaby	Liberty	Advanced Circuits	American Furniture	Arnold Magnetics	Clean Earth	Sterno Candle Lamp	Tridien	Consolidated
Net income (loss)	$(7,607)	$5,324	$5,474	$1,422	$6,150	$2,202	$(65)	$(4,526)	$1,163	$(8,249)	$1,288
Adjusted for:											
Provision (benefit) for income taxes	(285)	3,656	3,268	499	3,230	38	(138)	(1,874)	819	—	9,213
Interest expense, net	12,645	—	—	—	—	—	—	198	—	—	12,843
Intercompany interest	(24,736)	3,065	2,145	2,185	2,901	993	3,487	5,942	3,483	535	—
Depreciation and amortization	618	6,538	1,880	2,301	1,666	115	4,554	10,706	3,735	1,222	33,335
EBITDA	(19,365)	18,583	12,767	6,407	13,947	3,348	7,838	10,446	9,200	(6,492)	56,679
(Gain) loss on sale of fixed assets	—	—	—	7	11	—	—	139	—	1	158
Non-controlling shareholder compensation	—	458	358	125	12	16	68	596	250	—	1,883
Impairment expense	—	—	—	—	—	—	—	—	—	9,165	9,165
Integration services fee	—	—		—	—	—	—	1,250	750	—	2,000
Loss on equity method investment	2,266	—	—	—	—	—	—	—		—	2,266
Management fees	11,724	250	250	250	250	—	250	250	250	175	13,649
Adjusted EBITDA (1)	$(5,375)	$19,291	$13,375	$6,789	$14,220	$3,364	$8,156	$12,681	$10,450	$2,849	$85,800

Adjusted EBITDA
Six months ended June 30, 2014

	Corporate	CamelBak	Ergobaby	Liberty	Advanced Circuits	American Furniture	Arnold Magnetics	Clean Earth	Sterno Candle Lamp	Tridien	Consolida
Net income (loss) (1)	$(6,864)	$3,342	$3,564	$(1,762)	$4,828	$998	$443			$620	$5,169
Adjusted for:											
Provision (benefit) for income taxes	—	2,967	2,356	(1,219)	2,200	—	(215)			—	6,089
Interest expense, net	9,023	5	8	4	(1)	—	(2)			—	9,037

Not Applicable Not Applicable

Intercompany interest	(18,646)	5,115	2,541	2,290	3,365	1,123	3,615	597	—
Depreciation and amortization	58	7,146	2,096	3,218	2,743	117	4,390	1,300	21,068
Loss on debt extinguishment	2,143	—	—	—	—	—	—	—	2,143
EBITDA	(14,286)	18,575	10,565	2,531	13,135	2,238	8,231	2,517	43,506
(Gain) loss on sale of fixed assets	—	6	—	17	—	—	39	(3)	59
Non-controlling shareholder compensation	—	473	270	201	12	—	66	25	1,047
Management fees	8,333	250	250	250	250	—	250	175	9,758
Adjusted EBITDA [(1)]	$(5,953)	$19,304	$11,085	$3,095	$13,397	$2,238	$8,586	$2,714	$54,466

[(1)] As a result of the deconsolidation of our FOX subsidiary in July 2014, Net income does not include Net income from FOX of $14.5 million for the period January 1, 2014 through June 30, 2014, and Adjusted EBITDA does not include Adjusted EBITDA from FOX of $24.1 million for the period January 1, 2014 through June 30, 2014.

60

Table of Contents

Reconciliation of net income to CAD

CAD is a non-GAAP measure that we believe provides additional, useful information to evaluate our ability to make anticipated quarterly distributions. CAD is not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

The following table reconciles cash receipts and payments that are not reflected on our income statement to net income (loss) and cash flows provided by (used in) operating activities, which we consider the most directly comparable GAAP financial measures in order to provide an additional measure of management’s estimate of CAD.

(in thousands)	Six Months Ended June 30, 2015	June 30, 2014
Net income	$1,288	$19,692
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	32,245	24,534
Impairment expense	9,165	—
Amortization of debt issuance costs and original issue discount	1,425	1,699
Loss on debt extinguishment	—	2,143
Unrealized (gain) loss on interest rate and foreign currency hedges	1,867	273
Excess tax benefit from subsidiary stock option exercise [1]	—	(1,662)
Loss on equity method investment	2,266	—
Noncontrolling shareholder charges	1,883	2,969
Deferred taxes	(1,257)	(2,935)
Other	500	228
Changes in operating assets and liabilities	(17,115)	(35,621)
Net cash provided by operating activities	32,267	11,320
Plus:		
Unused fee on revolving credit facility [2]	606	1,174
Excess tax benefit from subsidiary stock option exercise [1]	—	1,662
Integration services fee (3)	2,000	—
Changes in operating assets and liabilities	17,115	35,621
Other	—	96
Less:		
Payments on swap	995	996
Maintenance capital expenditures: [4]		
Compass Group Diversified Holdings LLC	—	—
Advanced Circuits	257	335
American Furniture	147	145
Arnold	975	1,464
CamelBak	953	1,418
Clean Earth	3,536	—
Ergobaby	934	115
Fox	—	2,241
Liberty	200	433
SternoCandleLamp	627	—
Tridien	550	492
FOX CAD [5]	—	15,039
Other	342	70
Estimated cash flow available for distribution and reinvestment	$42,472	$27,125
Distribution paid in April 2015/2014	$(19,548)	$(17,388)
Distribution paid in July 2015/2014	(19,548)	(17,388)
	$(39,096)	$(34,776)

[1] Represents the non-cash excess tax benefit at FOX related to the exercise of stock options.
[2] Represents the commitment fee on the unused portion of the revolving credit facilities.
[3] Represents fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership, payable quarterly.

Table of Contents

(4) Represents maintenance capital expenditures that were funded from operating cash flow, net of proceeds from the sale of property, plant and equipment, and excludes growth capital expenditures of approximately $0.9 million and $1.0 million for the six months ended June 30, 2015 and 2014.
(5) Represents FOX CAD during the six months ended June 30, 2014. The amount includes approximately $23.1 million of EBITDA, less: $3.6 million of cash taxes, $1.9 million of management fees, $2.2 million of maintenance capital expenditures and $0.3 million of interest expense.

Earnings of certain of our operating segments are seasonal in nature. Earnings from Liberty are typically lowest in the second quarter due to lower demand for safes at the onset of summer. Earnings from CamelBak are typically higher in the spring and summer months than other months as this corresponds with warmer weather in the Northern Hemisphere and an increase in hydration related activities. Earnings from Clean Earth are typically lower during the winter months due to the limits on outdoor construction and dredging because of the colder weather in the Northeastern United States.

Related Party Transactions

Equity method investment in FOX
As of July 10, 2014, our ownership interest in FOX decreased from 53% to approximately 41% after we sold shares in a secondary offering by FOX. Since we no longer hold a majority interest in FOX, we account for our investment in FOX at fair value utilizing the equity method of accounting. We elected to measure our investment in FOX at fair value, with unrealized gains and losses reflected in the consolidated statement of operations as income (loss) from equity method investments.

The following table reflects the year to date activity from our investment in FOX (in thousands):

	2015
Balance January 1, 2015	$245,214
Mark-to-market adjustment - March 31, 2015	(13,447)
Balance March 31, 2015	$231,767
Mark-to-market adjustment - June 30, 2015	11,181
Balance at June 30, 2015	$242,948

Contractual Obligations and Off-Balance Sheet Arrangements
We have no special purpose entities or off balance sheet arrangements, other than operating leases entered into in the ordinary course of business.
Long-term contractual obligations, except for our long-term debt obligations, are generally not recognized in our consolidated balance sheet. Non-cancelable purchase obligations are obligations we incur during the normal course of business, based on projected needs.
The table below summarizes the payment schedule of our contractual obligations at June 30, 2015:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations (1)	$612,298	$16,763	$43,980	$230,978	$320,577
Operating lease obligations (2)	93,281	15,145	24,789	17,089	36,258
Purchase obligations (3)	266,562	169,499	49,563	47,500	—
Total (4)	$972,141	$201,407	$118,332	$295,567	$356,835

(1)

Reflects commitment fees and letter of credit fees under our 2014 Revolving Credit Facility and amounts due, together with interest on our 2014 Term Loan Facility.

Table of Contents

(2) Reflects various operating leases for office space, manufacturing facilities and equipment from third parties with various lease terms running from one to fourteen years.

(3) Reflects non-cancelable commitments as of June 30, 2015, including: (i) shareholder distributions of $78.2 million; (ii) estimated management fees of $23.8 million per year over the next five years, and (iii) other obligations including amounts due under employment agreements. Distributions to our shareholders are approved by our Board of Directors each quarter. The amount ultimately approved as future quarterly distributions may differ from the amount included in this schedule.

(4) The contractual obligation table does not include approximately $0.7 million in liabilities associated with unrecognized tax benefits as of June 30, 2015 as the timing of the recognition of this liability is not certain. The amount of the liability is not expected to significantly change in the next twelve months.

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. These critical accounting estimates are reviewed periodically by our independent auditors and the audit committee of our board of directors.

Except as set forth below, our critical accounting estimates have not changed materially from those disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended December 31, 2014, as filed with the SEC.

2015 Interim Impairment Testing - Goodwill, Indefinite-lived Intangible Assets and Long-Lived Assets

In January 2015, one of Tridien's largest customer's informed the company that they would not renew their existing purchase agreement when it expires on September 30, 2015. This customer represented 20% of Tridien's sales in 2014. The expected lost sales and net income were significant enough to trigger an interim goodwill impairment analysis as of January 31, 2015. The result of the first step of the impairment test indicated that the fair value of Tridien was less than its carrying value therefore it was necessary to perform the second step of the impairment test. We estimated the fair value of the Tridien reporting unit using a weighted average of an income and market approach. The income approach was based on the present value of expected future cash flows, including terminal value, utilizing a market-based weighted average cost of capital ("WACC") of 15.7%. The market approach was based on earnings multiple data and guideline public companies. The determination of fair value involves the use of significant estimates and assumptions, including revenue growth rates, operating margins, working capital requirements, capital expenditures, tax rates and terminal growth rates. Due to the inherent uncertainty associated with forming these estimates, actual results could differ from those estimates. Future events and changing market conditions may impact our assumptions as to future revenue growth rates, operating margins, market-based WACC and other factors that may result in changes in the estimates of Tridien's fair value.

Based on the second step of the impairment test, we concluded that the implied fair value of goodwill for Tridien was less than its carrying amount, resulting in impairment of the carrying amount of Tridien's goodwill of $8.9 million as of January 31, 2015. We completed our interim goodwill impairment testing of Tridien during the three months ended June 30, 2015, and in addition to the goodwill impairment expense recorded during the first quarter of 2015, we recorded an impairment of Tridien's technology and patents intangible asset of $0.2 million resulting from the Step 2 testing. Tridien's remaining goodwill balance subsequent to the impairment charge is $7.8 million, and Tridien's technology and patent intangible asset balance after the impairment charge was $0.4 million, which is being amortized over a remaining useful life of five years.

2015 Annual Impairment Testing - Goodwill and Indefinite-lived Intangible Assets

Goodwill

Goodwill represents the excess amount of the purchase price over the fair value of the assets acquired. Our goodwill and indefinite lived intangible assets are tested for impairment on an annual basis as of March 31st, and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment or one level below the operating segment. Each of our businesses represents a reporting unit except Arnold, which is comprised of three reporting units, and each reporting unit is included in our annual impairment test with the exception of American Furniture, which has no goodwill or indefinite lived intangible assets, and Tridien, which was tested for impairment in January 2015 as a result of a triggering event.

Table of Contents

We use a qualitative approach to test goodwill for impairment by first assessing qualitative factors to determine whether it is more-likely than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment testing. The qualitative factors we consider include, in part, the general macroeconomic environment, industry and market specific conditions for each reporting unit, financial performance including actual versus planned results and results of relevant prior periods, operating costs and cost impacts, as well as issues or events specific to the reporting unit. At March 31, 2015, we determined that Liberty and two of the three reporting units at Arnold, PMAG and Flexmag, required further quantitative testing (step 1) because we could not conclude that the fair value of the reporting units exceeds their carrying value based on qualitative factors alone. For the reporting units that were tested qualitatively, the results of the qualitative analysis indicated that the fair value of those reporting units exceeded their carrying value.

In the first step of the goodwill impairment test, we compare the fair value of each reporting unit to its carrying amount. We estimate the fair value of our reporting units using either an income approach or a market approach, or, where applicable, a weighting of the two methods. Under the income approach, we estimate the fair value of a reporting unit based on the present value of future cash flows. Cash flow projections are based on Management's estimate of revenue growth rates and operating margins and take into consideration industry and market conditions as well as company specific economic factors. The discount rate used is based on the weighted average cost of capital adjusted for the relevant risk associated with the business specific characteristics and the uncertainty associated with the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on market multiples of revenue and earnings derived from comparable public companies with operating and investment characteristics that are similar to the report unit. We weigh the fair value derived from the market approach depending on the level of comparability of these public companies to the reporting unit. When market comparables are not meaningful or available, we estimate the fair value of the reporting unit using only the income approach. For the step 1 quantitative impairment test at Liberty, we utilized both the income approach and the market approach, with a 50% weighting assigned to each method. The weighted average cost of capital used in the income approach at Liberty was 13.8%. For the step 1 quantitative impairment test at the PMAG and Flexmag reporting units of Arnold, we used only an income approach as we determined that the guideline public company comparables for both units were not representative of these reporting units' markets. In the income approach, we used a weighted average cost of capital of 13.6% for PMAG and 14.6% for Flexmag. Results of the quantitative testing of the Liberty reporting unit and Arnold's PMAG and Flexmag reporting units indicated that the fair value of these reporting units exceeded their carrying value.

Indefinite-lived intangible assets

We use a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. Our indefinite-lived intangible assets consist of trade names with a carrying value of approximately $149.7 million. The results of the qualitative analysis of our indefinite lived intangible assets, which we completed during the quarter ended June 30, 2015, indicated that the fair value of the indefinite lived intangible assets exceeded their carrying value.

Recent Accounting Pronouncements

Refer to Footnote B to our condensed consolidated financial statements.

ITEM 3. – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk since December 31, 2014 with the exception of entering into the New Swap as explained below. For a further discussion of our exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

At June 30, 2015 we have several derivative instruments in the form of forward contracts and options that hedge the value of the Eurodollar. The nominal value of these instruments total approximately $1.8 million. Mark-to-market gains or losses from these instruments were not material during the three and six months ended June 30, 2015.

ITEM 4. – CONTROLS AND PROCEDURES

Table of Contents

As required by Exchange Act Rule 13a-15(b), Holdings' Regular Trustees and the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, conducted an evaluation of the effectiveness of Holdings' and the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of June 30, 2015. Based on that evaluation, the Holdings' Regular Trustees and the Chief Executive Officer and Chief Financial Officer of the Company concluded that Holdings' and the Company's disclosure controls and procedures were effective as of June 30, 2015.

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
Legal proceedings associated with the Company’s and Holdings’ business together with legal proceedings for the businesses have not changed materially, except as noted below in relation to Tridien, from those disclosed in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the SEC on March 2, 2015.

Tridien's subsidiary, AMF Support Services, Inc. ("AMF") is subject to a workers' compensation claim in the State of California, being adjudicated by the Riverside County Workers' Compensation Appeals Board. Tridien is a majority owned subsidiary of the Company. The claim is the result of an industrial accident that occurred on March 2, 2013, and the injuries sustained by a contract employee working at Tridien's Corona, California facility. The employee is seeking workers' compensation benefits from AMF, as the special employer, and the staffing company who employed the worker, as the general employer. The employee has also alleged that the employee's injuries are the result of the employer's "serious and willful misconduct", and has made a claim under California Labor Code § 4553 for damages. The claim was initiated on September 13, 2013. If proven, the "serious and willful" penalty is fixed by statute at either $0 or 50% of the value of all workers' compensation benefits paid as a result of the injury and is not insurable. The underlying workers' compensation claims are still being adjudicated. On July 8, 2015, the California District Attorney's Office for the County of Riverside filed a complaint against Tridien in Superior Court of California, County of Riverside, alleging that Tridien committed a violation of Labor Code section 6425(a), a felony, by willfully and unlawfully violating an occupational safety and health standard, order, and special order, or Health and Safety Code section 25910, to wit, 8 CCR 4353(a) and 8 CCR 348(a), and that such violation caused the injuries resulting from the March 2, 2013 industrial accident referenced above. At this stage, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from these proceedings. Accordingly, no amounts in respect of this matter have been provided in the Company's accompanying financial statements. We believe we have meritorious defenses to all the foregoing allegations and will continue to vigorously defend against the claims.

ITEM 1A. RISK FACTORS

There have been no material changes in those risk factors and other uncertainties associated with the Company and Holdings discussed in the section entitled “Risk Factors” disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 2, 2015.

Table of Contents

ITEM 6. Exhibits

Exhibit Number	Description
10.1	First Amendment to Credit Agreement dated June 29, 2015, by and among Compass Group Diversified Holdings LLC, the Lenders signatory thereto, U.S. Bank National Association and Bank of America, N.A. (incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 2, 2015 (File No. 001-34926)) .
10.2	Stock Purchase Agreement dated as of July 24, 2015, by and among Vista Outdoor Inc., CBAC Holdings, LLC and CamelBak Acquisition Corp. (incorporated by reference to exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 27, 2015 (File No. 001-34927))
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant
32.1*+	Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*+	Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*	Filed herewith.
+	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

Table of Contents

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 thereunto duly authorized.

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham
Ryan J. Faulkingham
Regular Trustee

Date: August 5, 2015

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 thereunto duly authorized.

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham
Ryan J. Faulkingham
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 5, 2015

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
10.1	First Amendment to Credit Agreement dated June 29, 2015, by and among Compass Group Diversified Holdings LLC, the Lenders signatory thereto, U.S. Bank National Association and Bank of America, N.A. (incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 2, 2015 (File No. 001-34926)) .
10.2	Stock Purchase Agreement dated as of July 24, 2015, by and among Vista Outdoor Inc., CBAC Holdings, LLC and CamelBak Acquisition Corp. (incorporated by reference to exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 27, 2015 (File No. 001-34927))
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant
32.1*+	Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*+	Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

\+ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.