Compass Group Diversified Holdings LLC
Form 424B3
November 12, 2010

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This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but it is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any other jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-159339

Subject to Completion, dated November 11, 2010
PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated April 12, 2010)

4,300,000 Shares

EACH SHARE REPRESENTS
ONE BENEFICIAL INTEREST
IN COMPASS DIVERSIFIED HOLDINGS

We are offering 4,300,000 shares of Compass Diversified Holdings, which we refer to as the trust. Each share of the trust represents one undivided beneficial interest in the trust property. The purpose of the trust is to hold 100% of the limited liability company interests, which we refer to as the trust interests, of Compass Group Diversified Holdings LLC, which we refer to as the company. Each beneficial interest in the trust corresponds to one trust interest of the company.

The shares trade on the New York Stock Exchange under the symbol CODI. On November 10, 2010. the closing price of the shares on the New York Stock Exchange was $17.45.

You should read this prospectus supplement and the accompanying prospectus carefully before you invest. Investing in our shares involves risks. See the section entitled Risk Factors, beginning on page S-11 of this prospectus supplement and in the documents we file with the Securities and Exchange Commission that are incorporated in this prospectus supplement and the accompanying prospectus by reference for certain risks and uncertainties you should consider.

	Per Share	***Total***
Public offering price	$	$
Underwriting discount and commissions	$	$

Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 645,000 shares in the aggregate from us at the public offering price, less the underwriting discount and commissions, within 30 days of the date of this prospectus supplement to cover overallotments, if any.

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

The underwriters expect to deliver the shares in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about November , 2010.

Joint Book-Running Managers

MORGAN STANLEY *UBS INVESTMENT BANK*

Co-Managers

BB&T CAPITAL MARKETS
A Division of Scott & Stringfellow, LLC
CJS SECURITIES, INC.
JANNEY MONTGOMERY SCOTT
MORGAN KEEGAN & COMPANY, INC.
SUNTRUST ROBINSON HUMPHREY
TD SECURITIES

Prospectus Supplement dated November , 2010

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NOTE TO READER

In reading this prospectus supplement, references to:

the trust and Holdings refer to Compass Diversified Holdings;

the company refer to Compass Group Diversified Holdings LLC;

manager or CGM refer to Compass Group Management LLC;

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

the LLC Agreement refer to the Third Amended and Restated Operating Agreement of the company dated as of November 1, 2010; and

CODI, we, us and our refer to the trust, the company and our businesses together.

ABOUT THIS PROSPECTUS SUPPLEMENT

We provide information to you about our shares in two separate documents: (1) this prospectus supplement, which describes the specific terms of this offering of our shares and adds to and updates the information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus, and (2) the accompanying prospectus, which provides general information about shares we may offer from time to time. If the information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading Incorporation of Certain Information by Reference.

The accompanying prospectus was filed with the Securities and Exchange Commission (SEC) as part of a registration statement on Form S-3 (File No. 333-159339), which became effective on June 1, 2009, as subsequently amended by a post-effective amendment which became effective on April 12, 2010, registering securities of up to a maximum aggregate initial offering price of $200,000,000. Pursuant to the provisions of Rule 429 under the Securities Act of 1933, as amended (the Securities Act), the accompanying prospectus also relates to the securities of up to a maximum aggregate initial offering price of $139,435,000 registered but not sold by certain selling shareholders under a registration statement on Form S-3 (Registration No. 333-147218), which became effective on November 26, 2007. As of November 11, 2010, an aggregate of $144,417,500 of the shares have been sold under the combined registration statement. Accordingly, this prospectus supplement relates to aggregate securities of up to the maximum aggregate initial offering price of $195,017,500.

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

Our shares are being offered for sale only in places where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of our shares in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of our shares and the distribution of this prospectus supplement and the accompanying prospectus outside the United States.

This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than its respective date.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

our ability to successfully operate our businesses on a combined basis, and to effectively integrate and improve 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, profit allocation when due and to pay the supplemental put price 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. A description of some of the risks that could cause our actual results to differ appears under the section Risk Factors and elsewhere in this prospectus supplement or incorporated herein by reference. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

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

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PROSPECTUS SUPPLEMENT SUMMARY

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

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BUSINESS

Compass Diversified Holdings, a Delaware statutory trust, which we refer to as the trust, was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings LLC, a Delaware limited liability company, which we refer to as the company, was also formed on November 18, 2005. The trust and the company were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The trust is the sole owner of 100% of the trust interests, as defined in our LLC Agreement, of the company. Pursuant to that 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 an operating entity with a board of directors whose corporate governance responsibilities are similar to that of a Delaware corporation. The company s board of directors oversees the management of the company and our businesses and the performance of Compass Group Management LLC, which we refer to as our manager or CGM. Our manager is the sole owner of our allocation interests, as defined in our LLC Agreement.

Overview

We acquire controlling interests in businesses that we believe operate in industries with long-term macroeconomic growth opportunities, and that have positive and stable cash flows, face minimal threats of technological or competitive obsolescence and have strong management teams largely in place.

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

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

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

- provide ongoing strategic and financial support for their businesses;
- maintain a long-term outlook as to the ownership of those businesses where such an outlook is required for maximization of our shareholders return on investment; and
- consummate transactions efficiently without being dependent on third-party financing on a transaction-by-transaction basis.

In particular, we believe that our outlook on length of ownership may alleviate the concern that many private company operators and parent companies may have with regard to their businesses going through multiple sale processes in a short period of time. We also believe this outlook both reduces the risk that businesses may be sold at unfavorable points in the overall market cycle and enhances our ability to develop a comprehensive strategy to grow the earnings and cash flows of our businesses, which we expect will better enable us to meet our long-term objective of paying distributions to our shareholders and increasing shareholder value. Finally, we have found that our ability to acquire businesses without the cumbersome delays and conditions typical of third party transactional financing can be very appealing to sellers of businesses who are interested in confidentiality and certainty to close.

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

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In terms of the businesses in which we have a controlling interest as of September 30, 2010, we believe that these businesses have strong management teams, operate in strong markets with defensible market niches and maintain long standing customer relationships. We believe that the strength of this model, which provides for significant industry, customer and geographic diversity, will become even more apparent in the current challenging economic environment.

The following is a brief summary of the businesses in which we own a controlling interest at September 30, 2010.

Advanced Circuits

Compass AC Holdings, Inc. (Advanced Circuits or ACI), headquartered in Aurora, Colorado, is a provider of prototype, quick-turn and production rigid printed circuit boards, or PCBs , throughout the United States. PCBs are a vital component of virtually all electronic products. The prototype and quick-turn portions of the PCB industry are characterized by customers requiring high levels of responsiveness, technical support and timely delivery. We made loans to and purchased a controlling interest in Advanced Circuits, on May 16, 2006, for approximately $81.0 million. As of September 30, 2010, we own approximately 76% of the outstanding stock of Advanced Circuits on a primary basis and approximately 68% on a fully diluted basis.

American Furniture

AFM Holding Corporation (American Furniture or AFM) headquartered in Ecru, Mississippi, is a leader in the manufacturing of low-cost upholstered stationary and motion furniture, including sofas, loveseats, sectionals, recliners and complementary products to the promotional furniture market. We made loans to and purchased a controlling interest in AFM on August 31, 2007 for approximately $97.0 million. As of September 30, 2010, we own approximately 94% of AFM s outstanding stock on a primary basis and approximately 87% on a fully diluted basis.

ERGObaby

ERGO Baby Intermediate Holding Corporation (ERGObaby), headquartered in Pukalani, Hawaii (Maui), is a premier designer, marketer and distributor of babywearing products and accessories. We made loans to and purchased a controlling interest in ERGObaby on September 16, 2010 for approximately $85.2 million. As of September 30, 2010, we own approximately 84% of the outstanding stock of ERGObaby on a primary and fully diluted basis.

Fox Factory

Fox Factory Holding Corp. headquartered in Watsonville, California, is a designer, manufacturer and marketer of high end suspension products for mountain bikes, all-terrain vehicles, snowmobiles and other off-road vehicles, collectively referred to as power sports. Fox acts both as a tier one supplier to leading action sport original equipment manufacturers (OEM) and provides after-market products to retailers and distributors (Aftermarket). Fox s products are recognized as the industry s performance leaders by retailers and end-users alike. We made loans to and purchased a controlling interest in Fox, on January 4, 2008, for approximately $80.4 million. As of September 30, 2010, we own approximately 75% of the outstanding common stock on a primary basis and approximately 67% on a fully diluted basis.

HALO

HALO Lee Wayne LLC, operating under the brand names of HALO and Lee Wayne (HALO), headquartered in Sterling, Illinois, serves as a one-stop shop for approximately 40,000 customers providing design, sourcing, management and fulfillment services across all categories of its customer promotional product needs in effectively communicating a logo or marketing message to a target audience. HALO has established itself as a leader in the promotional products and marketing industry through its focus on service through its approximately 700 account executives. We made loans to and purchased a controlling interest in HALO on February 28, 2007 for approximately $62.0 million. As of September 30, 2010, we own approximately 89% of the outstanding common stock on a primary basis and approximately 73% on a fully diluted basis.

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Liberty Safe

Liberty Safe Holding Corporation (Liberty Safe), headquartered in Payson, Utah, is the premier designer, manufacturer and marketer of home and gun safes in North America. We made loans to and purchased a controlling interest in Liberty Safe on March 31, 2010 for approximately $70.2 million. As of September 30, 2010, we own approximately 96% of the outstanding stock of Liberty Safe on a primary basis and approximately 88% on a fully diluted basis.

Staffmark

CBS Personnel Holdings Inc., (CBS Personnel , which was rebranded as Staffmark in February 2009) headquartered in Cincinnati, Ohio, is a provider of temporary staffing services in the United States. In order to provide its more than 6,400 clients with tailored staffing services to fulfill their human resources needs, Staffmark also offers employee leasing services, permanent staffing and temporary-to-permanent placement services. We made loans to and purchased a controlling interest in CBS Personnel on May 16, 2006, for approximately $128.0 million.

On January 21, 2008, CBS Personnel acquired Staffmark Investment LLC for approximately $133.8 million, including fees and transaction costs. Like CBS Personnel, Staffmark Investment LLC was one of the leading providers of commercial staffing services in the United States, providing staffing services in 30 states. CBS Personnel repaid $80.0 million in Staffmark Investment LLC indebtedness and issued $47.9 million in CBS Personnel common stock for all the equity interests in Staffmark Investment LLC.

In April 2009, the Company amended the Staffmark intercompany credit agreement which, among other things, recapitalized a portion of Staffmark s long-term debt by exchanging $35.0 million of unsecured debt for Staffmark common stock. Our ownership percentage of the outstanding capital stock of Staffmark is approximately 76% on a primary basis and approximately 69% on a fully diluted basis as of September 30, 2010.

Tridien Medical

Tridien Medical, formerly known as Anodyne Medical Device, Inc. (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 and is able to manufacture products in multiple locations to better serve a national customer base. We made loans to and purchased a controlling interest in Tridien on August 1, 2006 for approximately $31.0 million. As of September 30, 2010, we own approximately 74% of the outstanding capital stock on a primary basis and approximately 62% on a fully diluted basis.

RECENT DEVELOPMENTS

On October 14, 2010 the Company provided written notice to The NASDAQ Stock Market LLC of its intention to transfer the listing of its shares to the New York Stock Exchange, which we refer to as the NYSE, and to voluntarily delist its shares from the NASDAQ Global Select Market in connection with the transfer. The Company s shares commenced trading on the NYSE under the stock symbol CODI on November 1, 2010.

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Current Organizational Structure[1]

(1) In this chart, the percentage holdings shown in respect of the trust reflect the ownership of the trust immediately prior to the completion of this offering.
(2) Following this offering, our public shareholders will own approximately 86.2% of the trust shares (or approximately 86.4% if the underwriters overallotment option is exercised in full), and CGI Diversified Holdings, LP (CGI) holding through CGI Magyar Holdings, LLC will own approximately 13.8% of the trust shares (or approximately 13.6% if the underwriters overallotment option is exercised in full) and will continue to be our largest shareholder. Mr. Massoud is not a director, officer or member of CGI Diversified Holdings, LP or any of its affiliates.
(3) Owned by members of our Manager, including Mr. Massoud as managing member.
(4) Mr. Massoud is the managing member.
(5) The Allocation Interests, which carry the right to receive a profit allocation, represent less than a 0.1% equity interest in the company.
(6) Mr. Day is a non-managing member.

SUMMARY FINANCIAL DATA

The following table sets forth selected historical and other data of the company and should be read in conjunction with the more detailed consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. It should also be read in conjunction with the unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2010.

Selected financial data below includes the results of operations, cash flow and balance sheet data of the company for the nine months ended September 30, 2010 and 2009, as well as for the years ended December 31, 2009, 2008, 2007 and 2006. We were incorporated on November 18, 2005 (inception). Financial data included for the year ended December 31, 2005 includes minimal activity experienced from inception to December 31, 2005. We completed our initial public offering, which we refer to as our IPO, on May 16, 2006 and used the proceeds of the IPO and separate private placement transactions that closed in conjunction with our IPO, and from our third party credit facility, to purchase controlling interests in our initial businesses.

The operating results for Crosman Acquisition Corporation (Crosman) are reflected as discontinued operations in 2006 and are not included in the operating data below. The operating results for Aeroglide Holdings, Inc. (Aeroglide) are reflected as discontinued operations in 2008 and 2007 and as such are not included in the operating data below. The operating results for Silvue Technologies Group, Inc. (Silvue) are reflected as discontinued operations in 2008, 2007 and 2006 and as such are not included in the operating data below. Financial data included below only includes activity in our current operating subsidiaries from their respective dates of acquisition. Net income and gains on the sales of Crosman, Aeroglide and Silvue are reflected below in income and gain from discontinued operations.

	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(unaudited)						
	(in thousands)						
Statements of Operations Data:							
Net sales	$ 1,218,708	$ 886,681	$ 1,248,740	$ 1,538,473	$ 841,791	$ 395,173	$
Cost of sales	962,459	693,842	976,991	1,196,206	636,008	307,014	
Gross profit	256,249	192,839	271,749	342,267	205,783	88,159	
Operating expenses:							
Staffing	60,996	56,144	74,279	102,438	56,207	34,345	
Selling, general and administrative	129,037	108,093	145,948	165,768	94,426	31,605	1
Supplemental put expense (reversal)	18,630	(8,518)	(1,329)	6,382	7,400	22,456	
Management fees	11,383	9,825	13,100	15,205	10,120	4,158	
Amortization expense	21,069	18,614	24,609	24,605	12,679	5,814	
Impairment expense(3),(4)	42,435	59,800	59,800				
Operating income (loss)	(27,301)	(51,119)	(44,658)	27,869	24,951	(10,219)	(1)
	(45,447)	(39,595)	(39,645)	3,817	10,051	(27,973)	(1)

Income (loss) from continuing operations							
Income and gain from discontinued operations				77,970	41,314	9,831	
Net income (loss)	(45,447)	(39,595)	(39,645)	81,787	51,365	(18,142)	(1)
Net income (loss) attributable to noncontrolling interest	2,041	(15,005)	(13,375)	3,493	10,997	1,107	
Net income (loss) attributable to Holdings(1),(2)	$ (47,488)	$ (24,590)	$ (26,270)	$ 78,294	$ 40,368	$ (19,249)	$ (1)
Basic and fully diluted income (loss) per share attributable to Holdings:							
Continuing operations	$ (1.19)	$ (0.73)	$ (0.76)	$ 0.01	$ (0.04)	$ (2.29)	$
Discontinued operations				2.47	1.50	0.77	
Basic and fully diluted income (loss) per share attributable to Holdings	$ (1.19)	$ (0.73)	$ (0.76)	$ 2.48	$ 1.46	$ (1.52)	$
Cash Flow Data:							
Cash provided by operating activities	$ 28,827	$ 21,434	$ 20,213	$ 40,549	$ 41,772	$ 20,563	$
Cash used in investing activities	(178,385)	(3,615)	(4,982)	(24,793)	(114,158)	(362,286)	
Cash (used in) provided by financing activities	142,531	(68,295)	(81,209)	(37,561)	184,882	351,073	100
Net (decrease) increase in cash and cash equivalents	(7,027)	(50,476)	(65,978)	(21,885)	112,352	9,610	100

(1) Includes gains on the sales of Aeroglide and Silvue in 2008 of $34.0 million and $39.4 million, respectively, and Crosman in 2007 of $36.0 million.

(2) Includes a charge to net income of $10.0 million for distributions made at the subsidiary (ACI) level in excess of cumulative earnings in 2007.

(3) Includes $50.0 million of goodwill impairment and $9.8 million of other indefinite-lived intangible asset impairment (related to the CBS Personnel trade name) recorded at our Staffmark reporting unit in 2009. These impairments were recorded in connection with our annual goodwill impairment test.

(4) Includes $41.4 million of goodwill impairment and $1.0 million of other indefinite-lived intangible asset impairment (related to the American Furniture trade name) recorded at our American Furniture reporting unit in 2010.

	September 30, 2010 (unaudited)	December 31, 2009	2008	2007	2006	2005
	(in thousands)					
Balance Sheet Data:						
Current assets	$ 373,458	$ 275,027	$ 335,201	$ 299,241	$ 135,121	$ 3,408
Total assets	1,027,749	831,012	984,336	828,002	496,382	3,408
Current liabilities	189,727	129,887	139,370	106,613	155,534	3,309
Long-term debt	173,800	74,000	151,000	148,000		
Total liabilities	509,803	322,946	440,458	373,285	221,934	3,309
Noncontrolling interests	92,897	70,905	79,431	21,867	17,734	100
Shareholders equity (deficit) attributable to Holdings	425,049	437,161	464,447	432,850	255,711	(1)

The table below details cash receipts and payments that are not reflected on our income statement in order to provide an additional measure of management s estimate of cash flow available for distribution and reinvestment, which we refer to as CAD. CAD is a non-GAAP measure that we believe provides additional information to our shareholders in order to enable them to evaluate our ability to make anticipated quarterly distributions. It is not necessarily comparable with similar measures provided by other entities. We believe that our future CAD, together with our cash balances and access to cash via our revolving credit facility, will be sufficient to meet our anticipated distributions over the next twelve months. For a discussion of certain risks related to, and restrictions on, our ability to pay such distributions, see the section entitled Dividend and Distribution Policy. The table below reconciles CAD to net income and to cash flow provided by operating activities, which we consider to be the most directly comparable financial measure calculated and presented in accordance with GAAP.

	Nine Months Ended September 30, 2010 (unaudited)	2009	Year Ended December 31, 2009	2008
	(in thousands)			
Net income (loss)	$ (45,447)	$ (39,595)	$ (39,645)	$ 81,787
Adjustment to reconcile net income (loss) to cash provided by operating activities:				
Depreciation and amortization	27,984	24,989	32,996	35,021
Supplemental put expense (reversal)	18,630	(8,518)	(1,329)	6,382
Noncontrolling stockholders charges and other	8,209	1,378	1,555	3,376
Deferred taxes	(5,115)	(28,107)	(24,964)	(8,911)
Gains on sales of businesses				(73,363)
Amortization of debt issuance costs	1,329	1,343	1,776	1,969
Loss on debt repayment		3,652	3,652	

Impairment expense	42,435	59,800	59,800	
Other	245	(254)	107	381
Changes in operating assets and liabilities	(19,443)	6,746	(13,735)	(6,093)
Net cash provided by operating activities	28,827	21,434	20,213	40,549

	Nine Months Ended September 30, 2010 (unaudited)	Nine Months Ended September 30, 2009 (unaudited)	Year Ended December 31, 2009	Year Ended December 31, 2008
	(in thousands)			
Add (deduct):				
Unused fee on revolving credit facility(1)	2,378	2,581	3,454	3,139
Successful acquisition expense(2)	3,970			
Staffmark integration and restructuring expenses		4,022	4,076	8,826
Interest income due from noncontrolling shareholders at ACI(3)			(1,047)	
Changes in operating assets and liabilities	19,443	(6,746)	13,735	6,093
Less:				
Maintenance capital expenditures(4):				
Advanced Circuits	228	159	251	983
Aeroglide				210
American Furniture	173	488	501	1,438
ERGObaby	62			
Fox	651	334	741	1,601
Halo	442	405	496	795
Liberty	259			
Silvue				
Staffmark	2,166	400	901	1,589
Tridien	722	395	513	1,425
Estimated cash flow available for distribution and reinvestment	$ 49,915	$ 19,110	$ 37,028	$ 50,566
Distribution paid in April	$ (14,238)	$ (10,719)	$ (10,719)	$ (10,246)
Distribution paid in July	(14,238)	(12,452)	(12,452)	(10,246)
Distribution paid in October	(14,238)	(12,452)	(12,452)	(10,718)
Distribution paid in January			(12,452)	(10,718)
Total distributions	$ (42,714)	$ (35,623)	$ (48,075)	$ (41,928)

(1) Represents the commitment fee on the unused portion of the Revolving Credit Facility.
(2) Represents transaction costs for successful acquisitions that were expensed during the period.
(3) Represents interest income on loans to Advanced Circuits management.
(4) Represents maintenance capital expenditures that were funded from operating cash flow and excludes approximately $3.5 million of growth capital expenditures for the year ended December 31, 2009.

Cash flows of certain of our businesses are seasonal. Cash flows from American Furniture are typically highest in the months of January through April of each year, coinciding with homeowners tax refunds. Cash flows from Staffmark are typically lower in the first quarter of each year than in other quarters due to reduced seasonal demand for temporary staffing services and to lower gross margins during that period associated with the front-end loading of certain taxes and other payments associated with payroll paid to their employees. Cash flows from HALO are typically highest in the months of September through December of each year primarily as the result of calendar sales and holiday promotions. HALO generates approximately two-thirds of its operating income in the months of September through December.

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THE OFFERING

Shares offered by us in this offering	4,300,000 shares(1)
Shares outstanding after this offering	46,175,000 shares(2)
Use of proceeds	We estimate that our net proceeds from the sale of the shares in this offering by us will be approximately $ (or approximately $ if the underwriters overallotment option is exercised in full), after deducting underwriting discounts and commissions and our estimated public offering costs, at a public offering price of $ per share. We intend to use our net proceeds from this offering for general corporate purposes and pending such application, repayment of debt under our revolving credit facility. See the section entitled Use of Proceeds for more information about the use of the proceeds of this offering.
New York Stock Exchange symbol	CODI
Dividend and distribution policy	We intend to declare and pay regular quarterly cash distributions on all outstanding shares, based on distributions received by the trust on the trust interests in the company. The declaration and amount of any distributions will be subject to the approval of the company s board of directors, which will include a majority of independent directors, and will be based on the results of operations of our businesses and the desire to provide sustainable levels of distributions to our shareholders. Any cash distribution paid by the company to the trust will, in turn, be paid by the trust to its shareholders. See the section entitled Dividend and Distribution Policy in this prospectus supplement for a discussion of our intended distribution rate. Our ability to pay regular quarterly cash distributions is subject to a number of risks. See the section entitled Risk Factors for a discussion of certain of these risks and see the section entitled Material U.S. Federal Income Tax Considerations in the accompanying prospectus for more information about the tax treatment of distributions by the trust and the company.
Shares of the trust	Each share of the trust represents an undivided beneficial interest in the trust property, and each share of the trust corresponds to one underlying trust interest of the company owned by the trust. Unless the trust is dissolved, it must remain the sole holder of 100% of the trust interests, and at all times the company will have outstanding the identical number of trust interests as the number of outstanding shares of the trust. If the trust is dissolved, each share of the trust will be exchanged for one trust interest in the company. Each outstanding share of the trust is entitled to one vote on any matter with respect to which the trust, as a holder of trust interests in the company, is entitled to vote. The company, as the sponsor of the trust, will provide to our shareholders proxy materials to enable our shareholders to exercise, in

(1) Excludes shares that may be issued to the underwriters pursuant to their overallotment option. If the underwriters exercise their overallotment option in full, the total number of shares offered by us will be 4,945,000. We had 41,875,000 shares outstanding at November 10, 2010.
(2) The number of shares that will be outstanding after this offering is based on the number of shares outstanding on November 10, 2010 and assumes no exercise by the underwriters of their over allotment option.

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	proportion to their percentage ownership of outstanding shares, the voting rights of the trust, and the trust will vote its trust interests in the same proportion as the vote of holders of shares. The allocation interests do not grant to our manager voting rights with respect to the company except in certain limited circumstances. See the section entitled Description of Shares in the accompanying prospectus for information about the material terms of the shares, the trust interests and the allocation interests.
Material U.S. federal income tax considerations	Subject to the discussion in Material U.S. Federal Income Tax Considerations in the accompanying prospectus, neither the trust nor the company will incur U.S. federal income tax liability; rather, each holder of trust shares will be required to take into account his or her allocable share of trust income, gain, loss, deduction and other items. The trust is treated as a partnership for U.S. federal income tax purposes, and will issue a Schedule K-1 to shareholders. See the section entitled Supplemental Material U.S. Federal Income Tax Considerations in this prospectus supplement and the section entitled Material U.S. Federal Income Tax Considerations in the accompanying prospectus for information about the potential U.S. federal income tax consequences of the purchase, ownership and disposition of our shares.
Risk factors	Investing in our shares involves risks. See the section entitled Risk Factors and read this prospectus supplement carefully before making an investment decision with the respect to the shares or the company.

RISK FACTORS

An investment in our shares involves risk. You should carefully read and consider all of the risks described in our Annual Report on Form 10-K for the year ended December 31, 2009, as supplemented by the discussion below, before making a decision to invest in our shares. If any of the following events occur, our financial condition, business and results of operations (including cash flows) may be materially adversely affected. In that event, the market price of our shares could decline, we may be unable to pay distributions on our shares and you could lose all or part of your investment.

Risks Related to this Offering

Our earnings and cash distributions may affect the market price of our shares.

Generally, the market price of our shares may be based, in part, on the market s perception of our growth potential and our current and potential future cash distributions, whether from operations, sales, acquisitions or refinancings, and on the value of our businesses. For that reason, our shares may trade at prices that are higher or lower than our net asset value per share. If we do not maintain our current level of distributions due to our lack of sufficient cash flows or other factors, the market price of our shares may be materially adversely affected. There are various risks and uncertainties with respect to our having sufficient cash flows for distributions and reinvestment, including risks with respect to the performance of our businesses. In addition, should we retain operating cash flow for investment purposes or working capital reserves instead of distributing the cash flows to our shareholders, the retained funds, while increasing the value of our underlying assets, may materially adversely affect the market price of our shares. Our failure to meet market expectations with respect to earnings and cash distributions could materially adversely affect the market price of our shares. See the section entitled Dividend and Distribution Policy for more information about restrictions on our ability to make cash distributions.

If the market price of our shares declines, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the market price of our shares will not fluctuate or decline significantly, including a decline below the public offering price, in the future.

We have broad discretion in using the net proceeds of this offering. Our failure to effectively use these proceeds could adversely affect our ability to earn profits.

We intend to use the net proceeds for general corporate purposes, including add-on acquisitions to our existing businesses and the acquisition of other businesses or to make distributions to our shareholders, and pending such application, repayment of debt under our revolving credit facility. If we fail to identify desirable acquisition targets, or fail to effectively consummate such acquisitions, or we use the net proceeds to fund distributions, our ability to earn profits could be adversely affected.

Future sales of shares may cause the market price of our shares to decline.

We cannot predict what effect, if any, future sales of our shares, or the availability of shares for future sales, will have on the market price of our shares. Sales of substantial amounts of our shares in the public market following this offering, or the perception that such sales could occur, could materially adversely affect the market price of our shares and may make it more difficult for you to sell your shares at a time and price which you deem appropriate. A decline below the offering price is possible. After the consummation of this offering, there will be 46,175,000 shares of the trust issued and outstanding (or 46,820,000 shares if the underwriters exercise their overallotment option in full).

We and our officers, directors and certain of our affiliates have agreed that, with limited exceptions, we and they will not directly or indirectly, without the prior written consent of Morgan Stanley & Co. Incorporated, on behalf of the underwriters, offer to sell, sell or otherwise dispose of any shares for a period of 90 days after the date of this prospectus.

We may issue additional debt and equity securities which are senior to our shares as to distributions and in liquidation, which could materially adversely affect the market price of our shares and result in dilution to our shareholders.

In the future, we may attempt to increase our capital resources by entering into additional debt or debt-like financing that is secured by all or up to all of our assets, or by issuing debt or equity securities, which could include issuances of commercial paper, medium-term notes, senior notes, subordinated notes or equity securities, including preferred securities. In addition, we may issue our shares as consideration for future acquisitions. In the event of our liquidation, our lenders and holders of our debt securities would receive a distribution of our available assets before distributions to our shareholders. Any preferred securities, if issued, may have a preference with respect to distributions upon liquidation, which could further limit our ability to make distributions to our shareholders. Because our decision to incur debt and issue securities in any future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financing. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the value of your shares and diluting your interest in us. In addition, we can change our leverage strategy from time to time without shareholder approval, which could materially adversely affect the market share price of our shares.

The market price, trading volume and marketability of our shares may, from time to time, be significantly affected by numerous factors beyond our control, which may materially adversely affect the market price of your shares and our ability to raise capital through future equity financings.

The market price and trading volume of our shares may fluctuate significantly. Many factors that are beyond our control may significantly affect the market price and marketability of our shares and may materially adversely affect our ability to raise capital through equity financings. These factors include: price and volume fluctuations in the stock markets generally which create highly variable and unpredictable pricing of equity securities; significant volatility in the market price and trading volume of securities of companies in the sectors in which our businesses operate, which may not be related to the operating performance of these companies and which may not reflect the performance of our businesses; changes and variations in our earnings and cash flows; any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts; changes in regulation or tax law; operating performance of companies comparable to us; general economic trends and other external factors including inflation, interest rates, and costs and availability of raw materials, fuel and transportation; and loss of a major funding source.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 4,300,000 shares in this offering will be approximately $ (or approximately $ if the underwriters overallotment option is exercised in full) after deducting underwriting discounts and commissions of approximately $ (or approximately $ if the underwriters overallotment option is exercised in full) and estimated public offering costs of approximately $. We intend to use the net proceeds from this offering for general corporate purposes, including to fund acquisitions, if and when identified and consummated, and pending such application, repayment of debt under our revolving credit facility, or to make distributions to our shareholders.

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CAPITALIZATION

The following table sets forth our unaudited capitalization, assuming no exercise of the underwriters overallotment option and the application of the estimated net proceeds to us of such sale (after deducting underwriting discounts and commissions and our estimated offering costs). As Adjusted reflects the application of our net proceeds of this offering. This table should be read in conjunction with Use of Proceeds, and our condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

	At September 30, 2010	
	Actual	**As Adjusted**
	(unaudited)	
	(in thousands)	
Cash and cash equivalents	$ 24,468	$
Current maturities of long term debt	2,000	
Long-term debt, excluding current maturities	173,800	
Total debt	175,800	
Stockholders equity		
Trust shares, no par value; 500,000,000 authorized; 41,875,000 shares issued and outstanding and 46,175,000 issued and outstanding as adjusted for the offering[(1)]		
Total stockholders equity	517,946	
Total capitalization	693,746	

(1) Each share of the trust represents one undivided beneficial interest in the trust property.

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PRICE RANGE OF SHARES AND DISTRIBUTIONS

Our shares trade on the New York Stock Exchange under the symbol CODI. On November 10, 2010, the last reported sale price of our shares on the New York Stock Exchange was $17.45 per share. The following table sets forth, for the periods indicated, the high and low sale prices of the shares as reported on the NASDAQ Global Select Market until November 1, 2010, at which time our shares began trading on the New York Stock Exchange, and thereafter on the New York Stock Exchange.

	Low Sale Price	High Sale Price	Distributions
2010:			
Fourth Quarter (through November 10)	$ 15.92	$ 18.16	$
Third Quarter	13.03	16.30	0.34
Second Quarter	11.00	16.30	0.34
First Quarter	11.45	16.08	0.34
2009:			
Fourth Quarter	$ 9.87	$ 13.33	$ 0.34
Third Quarter	7.94	11.15	0.34
Second Quarter	7.63	10.32	0.34
First Quarter	6.89	12.20	0.34
2008:			
Fourth Quarter	$ 7.52	$ 14.44	$ 0.34
Third Quarter	9.51	14.64	0.34
Second Quarter	10.75	13.75	0.325
First Quarter	10.89	15.58	0.325

As of November 10, 2010, there were 41,875,000 of our shares issued and outstanding. As of November 10, 2010, there were 14 holders of record; however, we believe there are more than 20,000 holders of our shares.

DIVIDEND AND DISTRIBUTION POLICY

The company s board of directors intends to declare and pay regular quarterly cash distributions on all outstanding shares. The company s board of directors intends to set each distribution on the basis of the current results of operations of our businesses and other resources available to the company, including the company s revolving credit facility, and the desire to provide sustainable levels of distributions to our shareholders.

Our distribution policy is based on the predictable and stable cash flows of our businesses and our intention to provide sustainable levels of distributions to our shareholders while reinvesting a portion of our cash flows in our businesses or in the acquisition of new businesses. If we successfully implement our strategy, we expect to maintain and increase the level of our distributions to shareholders in the future.

The declaration and payment of any future distribution will be subject to the approval of a majority of the company s board of directors. The board of directors will at all times include a majority of independent directors. The company s board of directors will take into account such matters as general business conditions, our financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of distributions by us to our shareholders or by our subsidiaries to us, and any other factors that the board of directors deems relevant. However, even in the event that the company s board of directors were to decide to declare and pay distributions, our ability to pay such distributions may be adversely impacted due to unknown liabilities, government regulations, financial covenants of the debt of the company, funds needed for acquisitions and to satisfy short- and long-term working capital needs of our businesses, or if our businesses do not generate sufficient earnings and cash flow to support the payment of such distributions. In particular, we may incur debt in the future to acquire new businesses, which debt will have substantial payment obligations, which must be satisfied before we can make distributions. These factors could affect our ability to continue to make distributions. See the section entitled Risk Factors for more information about these risks and other risks affecting us and our businesses.

We may use cash flow from our businesses, the capital resources of the company, including borrowings under the company s revolving credit facility, or a reduction in equity to pay a distribution. See the section entitled Material U.S. Federal Income Tax Considerations for more information about the tax treatment of distributions to our shareholders.

Restrictions on Distribution Payments

We are dependent upon the ability of our businesses to generate earnings and cash flow and to make distributions to us in the form of interest and principal payments on indebtedness and distributions on equity to enable us to, first, satisfy our financial obligations, including payments under our revolving credit facility, the management fee, profit allocation and put price, and, second, make distributions to our shareholders. There is no guarantee that we will continue to make quarterly distributions. Our ability to make quarterly distributions may be subject to certain restrictions, including:

- the operating results of our businesses which are impacted by factors outside of our control including competition, inflation and general economic conditions;

- the ability of our businesses to make distributions to us, which may be subject to limitations under laws of the jurisdictions in which they are incorporated or organized;