

Compass Diversified Holdings
Form 8-K
March 13, 2018

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 13, 2018

COMPASS DIVERSIFIED HOLDINGS

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

001-34927
(Commission

File Number)

57-6218917
(I.R.S. Employer

Identification No.)

COMPASS GROUP DIVERSIFIED

HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

001-34926
(Commission

File Number)
301 Riverside Avenue

Second Floor

Westport, CT 06880

20-3812051
(I.R.S. Employer

Identification No.)

(Address of principal executive offices and zip code)

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

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

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

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

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

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 1.01 Entry into a Material Definitive Agreement

The information set forth below under Item 3.03 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 1.01.

Item 3.03 Material Modification to Rights of Security Holders

On March 13, 2018, Compass Diversified Holdings (the "Trust") and Compass Group Diversified Holdings LLC (the "Company" and, together with the Trust, "CODI") issued 4,000,000 of the Trust's 7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Shares (the "Series B Preferred Shares") pursuant to a previously announced underwritten public offering. Each Series B Preferred Share corresponds to one underlying 7.875% Series B Fixed-to-Floating Rate Cumulative Trust Preferred Interest (the "Series B Trust Preferred Interest") of the Company that was issued simultaneously to the Trust.

On March 13, 2018, in connection with the issuance of the Series B Preferred Shares and the Series B Trust Preferred Interests, CODI executed a share designation (the "Share Designation") and a trust interest designation (the "Trust Interest Designation") to create and fix the rights, preferences and powers of the Series B Preferred Shares and the Series B Trust Preferred Interests, respectively. Each of the Share Designation, which constitutes part of the Second Amended and Restated Trust Agreement of the Trust, and the Trust Interest Designation, which constitutes part of the Fifth Amended and Restated Operating Agreement of the Company, became effective on March 13, 2018.

Holders of Series B Preferred Shares will be entitled to receive cumulative cash distributions on the Series B Preferred Shares at a rate equal to (1) 7.875% per annum of the liquidation preference per share for the initial distribution period and each subsequent quarterly distribution period from the original issue date of the Series B Preferred Shares to, but excluding, April 30, 2028, and (2) the then applicable three-month LIBOR plus a spread of 4.985% per annum of the liquidation preference per share for each quarterly distribution period from April 30, 2028 through the redemption date of the Series B Preferred Shares.

Unless full cumulative distributions on the Series B Preferred Shares have been or contemporaneously are declared and paid or declared and set apart for payment on the Series B Preferred Shares for all past distribution periods, no distribution may be declared or paid or set apart for payment on the common shares or junior shares, other than distributions paid in junior shares or options, warrants or rights to subscribe for or purchase junior shares, and CODI may not directly or indirectly repurchase, redeem or otherwise acquire for consideration common shares (or any junior shares). These restrictions are not applicable during the initial distribution period, which is the period from the original issue date to but excluding July 30, 2018.

The Company, at its option, may cause the Trust to redeem the Series B Preferred Shares, in whole or in part, at any time on or after April 30, 2028 at a price of \$25.00 per Series B Preferred Share, plus accumulated and unpaid distributions thereon (whether or not authorized) to, but excluding, the redemption date. Holders of the Series B Preferred Shares will have no right to require the redemption of the Series B Preferred Shares.

If a Tax Redemption Event (as defined in the Trust Interest Designation) occurs prior to April 30, 2028, the Company, at its option, may cause the Trust to redeem the Series B Preferred Shares, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such Tax Redemption Event, out of funds received by the Trust on the corresponding Series B Trust Preferred Interests and legally available therefor, at a price of \$25.25 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the redemption date.

If a Fundamental Change (as defined in the Share Designation) occurs, unless, prior to or concurrently with the time the board of directors of the Company is required to cause the Trust to make an offer to repurchase the Series B

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Preferred Shares, the board of directors of the Company has caused the Company to provide a redemption notice with respect to all of the outstanding Series B Preferred Shares, the board of directors of the Company will cause the Trust to make an offer to repurchase the Series B Preferred Shares, out of funds received by the Trust on the corresponding Series B Trust Preferred Interests, at a purchase price of \$25.25 per Series B Preferred Share, plus any accumulated and unpaid distributions thereon (whether or not authorized or declared) to, but excluding, the date

of purchase. If (i) a Fundamental Change occurs and (ii) CODI does not give notice prior to the 31st day following the Fundamental Change to repurchase or redeem all the outstanding Series B Preferred Shares, the distribution rate per annum on the Series B Preferred Shares will increase by 5.00%, beginning on the 31st day following such Fundamental Change. Following any such increase in the distribution rate per annum, CODI will be under no further obligation to offer to repurchase or redeem any Series B Preferred Shares.

The terms of the Series B Trust Preferred Interests are designed to mirror those of the Series B Preferred Shares.

The description of the terms of the Series B Preferred Shares and corresponding Series B Trust Preferred Interests in this Item 3.03 is qualified in its entirety by reference to the Share Designation, the form of 7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Share certificate and the Trust Interest Designation, which are included as Exhibits 3.1, 4.1 and 3.2, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

The information set forth above under Item 3.03 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 5.03.

Item 8.01 Other Events

On March 13, 2018, CODI closed the sale of 4,000,000 of the Trust's Series B Preferred Shares. The Series B Preferred Shares offered by CODI were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (Registration No. 333- 214949) (the "Registration Statement"). The offer and sale of the Series B Preferred Shares are described in CODI's prospectus dated December 7, 2016, constituting a part of the Registration Statement, as supplemented by a prospectus supplement dated March 6, 2018. The following documents are being filed with this Current Report on Form 8-K and shall be incorporated by reference into the Registration Statement: (i) validity opinion with respect to the Series B Preferred Shares and their underlying Series B Trust Preferred Interests of the Company; and (ii) tax opinion with respect to the Series B Preferred Shares.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

- 3.1 Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares
- 3.2 Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests
- 4.1 Form of 7.875% Series B Fixed-to-Floating Rate Cumulative Preferred Share Certificate.
- 5.1 Legality Opinion of Richards, Layton & Finger, P.A. as to the Trust.
- 5.2 Legality Opinion of Richards, Layton & Finger P.A. as to the Company.
- 8.1 Opinion of Squire Patton Boggs (US) LLP regarding certain tax matters.

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- 23.1 Consent of Richards, Layton & Finger, P.A. (contained in Exhibits 5.1 and 5.2 hereto).
- 23.2 Consent of Squire Patton Boggs (US) LLP (contained in Exhibit 8.1 hereto).

SIGNATURES

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

Date: March 13, 2018

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Regular Trustee

SIGNATURES

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

Date: March 13, 2018

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Chief Financial Officer