

Compass Group Diversified Holdings LLC
Form S-3
May 19, 2009

As filed with the Securities and Exchange Commission on May 18, 2009

Registration No. 333-[]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
COMPASS DIVERSIFIED HOLDINGS
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

57-6218917
(I.R.S. Employer
Identification Number)

COMPASS GROUP DIVERSIFIED HOLDINGS LLC
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-3812051
(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)

I. Joseph Massoud
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security Being Registered	Amount Being Registered	Maximum Offering Price Per Security (1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Shares representing beneficial interests in Compass Diversified Holdings			\$200,000,000	\$11,160
Non-management interests of Compass Group Diversified Holdings LLC			(2)	(3)
Total			\$200,000,000	\$11,160

- (1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended.
- (2) Each share representing one beneficial interest in Compass Diversified Holdings corresponds to one underlying non-management interest of Compass Group Diversified Holdings LLC. If the trust is dissolved, each share representing a beneficial interest in Compass Diversified Holdings will be exchanged for a non-management interest of Compass Group Diversified Holdings LLC.
- (3) Pursuant to Rule 457(i) under the Securities Act, no registration fee is payable with respect to the non-management interests of Compass Group Diversified Holdings LLC because no additional consideration will be received by Compass Diversified Holdings upon exchange of the shares representing beneficial interests in Compass Diversified Holdings.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

Shares

Each Share Represents One Beneficial Interest in Compass Diversified Holdings

Compass Diversified Holdings may sell, from time to time, shares of the trust, each representing one undivided beneficial interest in the trust property. The purpose of the trust is to hold 100% of 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. We may offer for sale the shares covered by this prospectus directly to purchasers or through underwriters, broker-dealers or agents, in public or private transactions, at prevailing market prices or at privately negotiated prices. For additional information on the methods of sale, you should refer to the section of this prospectus entitled Plan of Distribution.

The shares trade on the Nasdaq Global Select Market under the symbol CODI. On May 18, 2009, the closing price of the shares on the Nasdaq Global Select Market was \$9.06 per share.

We will provide more specific information about the terms of an offering of these shares in supplements or term sheets to this prospectus. This prospectus may not be used to offer or sell shares unless accompanied by a prospectus supplement or term sheet. You should read this prospectus, the prospectus supplements and term sheets carefully before you invest. If any underwriters, broker-dealers or agents are involved in any offering, the names of such underwriters, broker-dealers or agents and any applicable commissions or discounts will be described in the applicable prospectus supplement or term sheet relating to the offering.

Investing in our shares involves risks. See the description of Risk Factors which begins on page 2.

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

The date of this prospectus is , 2009

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus may be used only for the purpose for which it has been published, and no person has been authorized to give any information not contained in this prospectus. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any jurisdiction where the offer is not permitted.

NOTE TO READER

In reading this registration statement, references to:

the trust 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;

initial businesses refer to, collectively, CBS Personnel Holdings, Inc., Crosman Acquisition Corporation, Compass AC Holdings, Inc. and Silvue Technologies Group, Inc.

the trust agreement refer to the Amended and Restated Agreement of the Trust dated as of April 25, 2006, as amended by the third amendment dated as of December 21, 2007;

the LLC agreement refer to the Second Amended and Restated Operating Agreement of the company dated as of January 9, 2007; and

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

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this shelf process, we may sell the shares covered by this prospectus in one or more offerings as described under Plan of Distribution in this prospectus.

PROSPECTUS SUPPLEMENT OR TERM SHEET

This prospectus provides you with a general description of the shares that we may offer. Each time that we offer shares, we will provide a prospectus supplement or term sheet that will contain specific information about the terms of that offering. The prospectus supplement or term sheet may also add to, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a prospectus supplement or term sheet. You should read both this prospectus and any accompanying prospectus supplement or term sheet together with the additional information described under the heading Incorporation of Certain Documents by Reference.

The prospectus supplement or term sheet to be attached to the front of this prospectus will describe: the applicable public offering price, the price paid for the shares, the net proceeds, the manner of distribution and any underwriting compensation and the other specific material terms related to the offering of shares covered by this prospectus.

For more detail on the terms of the shares offered, see Description of Shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled 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. Pursuant to those sections, we may obtain a safe harbor for forward-looking statements by identifying those statements and by accompanying those statements with cautionary statements, which identify factors that could cause actual results to differ from those expressed in the forward-looking statements. We may, in some cases, use words such as project, predict, believe, anticipate, plan, expect, estimate, intend, should, would, could, 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 prospectus 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 any future acquisitions;

our ability to remove our manager and our manager's right to resign;

our trust and 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 our ability to make distributions in the future to our shareholders;

our ability to pay the management fee, profit allocation and put price 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 our manager's ability to retain or replace qualified employees of our businesses and our manager;

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 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 may not occur. These forward-looking statements are made as of the date of this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements after the completion of this offering, whether as a result of new information, future events or otherwise, except as required by law.

SUMMARY

This prospectus summary highlights information contained elsewhere in this prospectus and in the documents we file with the Securities and Exchange Commission that are incorporated by reference in this prospectus. 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 the entire prospectus and the information incorporated by reference in this prospectus carefully, 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 Securities and Exchange Commission, before making an investment decision. Further, unless the context otherwise indicates, numbers in this prospectus have been rounded and are, therefore, approximate.

Overview

Compass Diversified Holdings, which we refer to as the trust, acquires and owns its businesses through a Delaware limited liability company, Compass Group Diversified Holdings LLC, which we refer to as the company and, together with the trust, CODI, us and we. See the section entitled Description of Shares for more information about certain terms of the shares, trust interests and allocation interests.

The trust offers investors an opportunity to participate in the ownership and growth of middle market businesses that traditionally have been owned and managed by private equity firms or other financial investors, large conglomerates or private individuals or families. Through the ownership of a diversified group of middle market businesses, we also offer investors an opportunity to diversify their portfolio risk while participating in the cash flows of our businesses through the receipt of quarterly distributions.

We acquire and manage middle market businesses based in North America that generate annual cash flows of up to \$60 million. We seek to acquire controlling ownership interests in such businesses in order to maximize our ability to work actively with the management teams of those businesses. Our model for creating shareholder value is to be disciplined in identifying and valuing businesses, to work closely with management of the businesses we acquire to grow the cash flows of those businesses, and to exit opportunistically businesses when we believe that doing so will maximize returns. We currently own six businesses in six distinct industries and we believe that these businesses will continue to produce stable and growing cash flows over the long term, enabling us to meet our objectives of growing distributions to our shareholders, independent of any incremental acquisitions we may make, and investing in the long-term growth of the company.

Our Manager

We have entered into a management services agreement with Compass Group Management LLC, who we refer to as our manager or CGM, pursuant to which our manager manages the day-to-day operations and affairs of the company and oversees the management and operations of our businesses. While working for a subsidiary of Compass Group Investments, Inc., our management team originally oversaw the acquisition and operations of each of our initial businesses and Anodyne Medical Device, Inc. prior to our acquiring them from Compass Group Investments, Inc.

Corporate Structure

The trust is a Delaware statutory trust. Our principal executive offices are located at Sixty One Wilton Road, Second Floor, Westport, Connecticut 06880, and our telephone number is 203-221-1703. Our website is at www.compassdiversifiedholdings.com. The information on our website is not incorporated by reference and is not part of this prospectus.

Each share of the trust represents one undivided beneficial interest in the trust property. The purpose of the trust is to hold the trust interests of the company, which is one of two classes of equity interests in the company the trust interests, of which 100% are held by the trust, and allocation interests, of which 100% are held by our manager. The trust has the authority to issue shares in one or more series. See the section entitled Description of Shares for more information about the shares, trust interests and allocation interests.

RISK FACTORS

An investment in our shares involves a high degree of risk. You should carefully read and consider all of the risks described below, together with all of the other information contained or referred to in this prospectus, 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.

See Item IA Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, as amended, which is incorporated by reference into this prospectus. For information on incorporating our filings into this prospectus, see Incorporation Of Certain Documents By Reference below.

USE OF PROCEEDS

Unless indicated otherwise in the applicable prospectus supplement or term sheet, we expect to use the net proceeds from our sale of shares under this prospectus for general corporate purposes, including to fund new acquisitions, when and if identified. Additional information on the use of net proceeds from the sale of securities offered by this prospectus may be set forth in the prospectus supplement or term sheet relating to such offering.

PLAN OF DISTRIBUTION

We may sell shares in any one or more of the following ways from time to time: (i) through agents; (ii) to or through underwriters; (iii) through brokers or dealers; (iv) directly by us to purchasers, including through a specific bidding, auction or other process; or (v) through a combination of any of these methods of sale. The applicable prospectus supplement or term sheet will contain the terms of the transaction, name or names of any underwriters, dealers, agents and the respective amounts of shares underwritten or purchased by them, the public offering price of the shares, and the applicable agent's commission, dealer's purchase price or underwriter's discount. Any dealers or agents participating in the distribution of the shares may be deemed to be underwriters, and compensation received by them on resale of the shares may be deemed to be underwriting discounts.

Any initial offering price, dealer purchase price, discount or commission may be changed from time to time.

The shares may be distributed from time to time in one or more transactions, at negotiated prices, at a fixed price or fixed prices (that may be subject to change), at market prices prevailing at the time of sale, at various prices determined at the time of sale or at prices related to prevailing market prices.

Offers to purchase shares may be solicited directly by us or by agents designated by us from time to time. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act of 1933, as amended, which we refer to as the Securities Act, of the shares so offered and sold.

If underwriters are utilized in the sale of any shares in respect of which this prospectus is being delivered, such shares will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. Shares may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more underwriters. If any underwriter or underwriters are utilized in the sale of shares, unless otherwise indicated in the applicable prospectus supplement, the obligations of the underwriters are subject to certain conditions precedent and the underwriters will be obligated to purchase all such shares if any are purchased.

If a dealer is utilized in the sale of shares in respect of which this prospectus is delivered, we will sell shares to the dealer as principal. The dealer may then resell such shares to the public at varying prices to be determined by such dealer at the time of resale. Transactions through brokers or dealers may include block trades in which brokers or dealers will attempt to sell shares as agent but may position and resell as principal to facilitate the transaction, or in crosses in which the same broker or dealer acts as agent on both sides of the trade. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the shares so offered and sold.

Offers to purchase shares may be solicited directly by us and the sale thereof may be made by us directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof.

If so indicated in the applicable prospectus supplement or term sheet, we may authorize agents and underwriters to solicit offers by certain institutions to purchase shares from us at the public offering price set forth in the applicable prospectus supplement or term sheet pursuant to delayed delivery contracts providing for payment and delivery on the date or dates stated in the applicable prospectus supplement. Such delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement.

Agents, underwriters and dealers may be entitled under relevant agreements with us to indemnification by us against certain liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which such agents underwriters and dealers may be required to make in respect thereof. The terms and conditions of any indemnification or contribution will be described in the applicable prospectus supplement or term sheet.

We may also sell shares through various arrangements involving mandatorily or optionally exchangeable securities, and this prospectus may be delivered in connection with those sales.

We may enter into derivative, sale or forward sale transactions with third parties, or sell shares not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement or term sheet indicates, in connection with those transactions, the third parties may sell shares covered by this prospectus and the applicable prospectus supplement or term sheet, including in short sale transactions and by issuing shares not covered by this prospectus but convertible into or exchangeable for or representing beneficial interests in such shares, or the return of which is derived in whole or in part from the value of such shares. If so, the third party may use shares received under those sales, forward sale or derivative arrangements or shares pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of shares, and may use shares received from us in settlement of those transactions to close out any related open borrowings of shares. The third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment).

Underwriters, broker-dealers or agents may receive compensation in the form of commissions, discounts or concessions from us. Underwriters, broker-dealers or agents may also receive compensation from the purchasers of shares for whom they act as agents or to whom they sell as principals, or both. Compensation as to a particular underwriter, broker-dealer or agent might be in excess of customary commissions and will be in amounts to be negotiated in connection with transactions involving shares. In effecting sales, broker-dealers engaged by us may arrange for other broker-dealers to participate in the resales.

Agents, underwriters and dealers may engage in transactions with, or perform services for, us or our manager and our respective subsidiaries in the ordinary course of business.

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying shares as long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the shares in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the shares originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the shares to be higher than it would be otherwise. If commenced, the underwriters may discontinue any of the activities at any time. An underwriter may carry out these transactions on the Nasdaq Global Select Market, in the over-the-counter market or otherwise.

The place and time of delivery for the shares will be set forth in the accompanying prospectus supplement or term sheet for such shares.

DESCRIPTION OF SHARES

General

The following descriptions of the trust agreement and the LLC agreement are subject to the provisions of the Delaware Statutory Trust Act and the Delaware Limited Liability Company Act. Certain provisions of the trust agreement and the LLC agreement are intended to be consistent with the Delaware General Corporation Law, which we refer to as the DGCL, and the powers of the company, the governance processes and the rights of the trust as the holder of the trust interests and the shareholders of the trust are generally intended to be similar in many respects to those of a typical Delaware corporation under the DGCL, with certain exceptions.

The statements that follow are subject to and are qualified in their entirety by reference to all of the provisions of each of the trust agreement and the LLC agreement, which will govern your rights as a holder of the shares and the trust's rights as a holder of trust interests. Forms of the trust agreement and the LLC agreement have been filed with the SEC as exhibits to our Forms 8-K filed on December 21, 2007 and January 10, 2007, respectively.

Shares in the Trust

Each share of the trust represents one undivided beneficial interest in the trust property and each share of the trust corresponds to one underlying trust interest held by the trust. Unless the trust is dissolved, it must remain the 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. Pursuant to the trust agreement, the trust is authorized to issue up to 500,000,000 shares and the company is authorized to issue a corresponding number of trust interests. As of May 1, 2009, the trust had 31,525,000 shares outstanding and the company had an equal number of corresponding trust interests outstanding. All shares and trust interests will be fully paid and nonassessable upon payment thereof.

Equity Interests in the Company

The company is authorized, pursuant to action by the company's board of directors, to issue up to 500,000,000 trust interests in one or more series. In addition to the trust interests, the company is authorized, pursuant to action by the company's board of directors, to issue up to 1,000 allocation interests. In connection with the formation of the company, our manager acquired 100% of the allocation interests so authorized and issued. All allocation interests are fully paid and nonassessable. Other than the allocation interests held by our manager, the company is not authorized to issue any other allocation interests.

Distributions

General

The company, acting through its board of directors, may declare and pay quarterly distributions on the interests of the company. Any distributions so declared will be paid on such interests in proportion to the number of such interests held by the holders thereof. The members of our manager currently have a nominal indirect equity interest in the company, which is subject to dilution if additional shares, including the shares offered hereby, are offered in the future. The company's board of directors may, in its sole discretion and at any time, declare and pay distributions from the cash flow available for distributions to the holders of its interests.

Upon receipt of any distributions declared and paid by the company, the trust will, pursuant to the terms of the trust agreement, distribute within five business days the whole amount of such distributions in cash to its shareholders, in proportion to their percentage ownership of the trust on the related record date. The record date for distributions by the company will be the same as the record date for corresponding distributions by the trust.

In addition, under the terms of the LLC agreement, the company will pay a profit allocation to our manager, as holder of the allocation interests. See "Certain Relationships and Related Party Transactions" in our definitive Proxy Statement on Schedule 14A filed with the SEC on April 13, 2009, which is incorporated by reference into this prospectus, for more information about the profit allocation to our manager.

Voting and Consent Rights

General

Each outstanding share is entitled to one vote on any company matter with respect to which the trust is entitled to vote, as provided in the LLC agreement and as detailed below. Pursuant to the terms of the LLC agreement and the trust agreement, the company will act at the direction of the trust only with respect to those matters subject to vote by the holders of trust interests of the company. The company, as sponsor of the trust, will provide to the trust, for transmittal to shareholders of the trust, the appropriate form of proxy to enable shareholders of the trust to direct, in proportion to their percentage ownership of the shares, the trust's vote with respect to the trust interests. The trust will vote its trust interests in the same proportion as the vote of holders of the shares. For purposes of this summary, the voting rights of holders of the trust interests of the company that effectively will be exercised by the shareholders of the trust by proxy will be referred to as the voting rights of the holders of the shares.

The LLC agreement provides that the holders of trust interests are entitled, at the annual meeting of members of the company, to vote for the election of all of the directors other than any director appointed by our manager. Because neither the trust agreement nor the LLC agreement provides for cumulative voting rights, the holders of a plurality of the voting power of the then outstanding shares represented at a shareholders meeting will effectively be able to elect all the directors of the company standing for election.

The LLC agreement further provides that holders of allocation interests will not be entitled to any voting rights, except that holders of allocation interests will have, in accordance with the terms of the LLC agreement:

voting or consent rights in connection with certain anti-takeover provisions, as discussed below;

a consent right with respect to the amendment or modification of the provisions providing for distributions to the holders of allocation interests;

a consent right to any amendment to the provision entitling the holders of allocation interests to appoint directors who will serve on the board of directors of the company;

a consent right with respect to any amendment of the provision of the LLC agreement governing amendments thereof; and

a consent right with respect to any amendment that would adversely affect the holders of allocation interests.

Board of Directors Appointee

As holder of the allocation interests, our manager has the right to appoint one director (or two directors if the board size is increased to nine or more directors) to the company's board of directors. No such appointed director on the company's board of directors will be required to stand for election by the shareholders. No such appointed director who is also a member of the company's management will receive any compensation (other than reimbursements that are permitted for directors) or will have any special voting rights.

Right to Bring a Derivative Action and Enforcement of the Provisions of the LLC Agreement by Holders of the Shares and Our Manager

The trust agreement and the LLC agreement both provide that holders of shares representing at least ten percent of the outstanding shares shall have the right to directly institute a legal proceeding against the company to enforce the provisions of the LLC agreement. In addition, the trust agreement and the LLC agreement provide that holders of shares representing at least ten percent of the outstanding shares have the right to cause the trust to institute any legal proceeding for any remedy available to the trust, including the bringing of a derivative action in the place of the company under Section 18-1001 of the Delaware Limited Liability Company Act relating to the right to bring derivative actions. Holders of shares will have the right to direct the time, method and place of conducting such legal proceedings brought by the trust. Our manager, as holder of the allocation interests, has the right to directly institute proceedings against the company to enforce the provisions of the LLC agreement.

Acquisition Exchange and Optional Purchase

The trust agreement and the LLC agreement provide that, if at any time more than 90% of the then outstanding shares are beneficially owned by one person, who we refer to as the acquirer and which time we refer to as the control date, such acquirer has the right to cause the trust, acting at the direction of the company's board of directors, to mandatorily exchange all shares then outstanding for an equal number of trust interests, which we refer to as an acquisition exchange, and dissolve the trust. The company, as sponsor of the trust, will cause the transfer agent of the shares to mail a copy of notice of such acquisition exchange to the shareholders of the trust at least 30 days prior to the exchange of shares for trust interests. Upon the completion of such acquisition exchange, each holder of shares immediately prior to the completion of the acquisition exchange will be admitted to the company as a member in respect of an equal number of trust interests and the trust will cease to be a member of the company.

The LLC agreement provides that, following such exchange, the acquirer shall have the right to purchase at the offer price, as defined in the LLC agreement, from the other holders of trust interests for cash all, but not less than all, of the outstanding trust interests that the acquirer does not own as of the control date. While this provision of the LLC agreement provides for a fair price requirement, the LLC agreement does not provide members with appraisal rights to which shareholders of a Delaware corporation would be entitled under Section 262 of the DGCL. The acquirer can exercise its right to effect such purchase by delivering notice to the company and the transfer agent of its election to make the purchase not less than 60 days prior to the control. The company will cause the transfer agent to mail the notice of the purchase to the record holders of the trust interests at least 30 days prior to the control date. We refer to the date of purchase as the purchase date.

Voluntary Exchange

The trust agreement and the LLC agreement provide that in the event the company's board of directors determines that:

the trust or the company, or both, is, or is reasonably likely to be, treated as a corporation for United States federal income tax purposes, or

the existence of the trust otherwise results, or is reasonably likely to result, in a material tax detriment to the trust, the holders of shares, the company or any of the members,

the company, as sponsor of the trust, may cause the trust to exchange all shares then outstanding for an equal number of trust interests and dissolve the trust. We refer to such an exchange as a voluntary exchange. The company, as sponsor of the trust, will cause the transfer agent for the shares to mail a copy of notice of such voluntary exchange to the shareholders of the trust at least 30 days prior to the exchange of shares for trust interests. Upon the completion of such voluntary exchange, each holder of shares immediately prior to the completion of the voluntary exchange will be admitted to the company as a member in respect of an equal number of trust interests and the trust will cease to be a member of the company.

Election by the Company

In circumstances where the trust has been dissolved, the LLC agreement provides that the company's board of directors may, without the consent or vote of holders of trust interests, cause the company to elect to be treated as a corporation for United States federal income tax purposes only if the board receives an opinion from a nationally recognized financial adviser to the effect that the market valuation of the company is expected to be significantly lower as a result of the company continuing to be treated as a partnership for United States federal income tax purposes than if the company instead elected to be treated as a corporation for United States federal income tax purposes.

Dissolution of the Trust and the Company

The LLC agreement provides for the dissolution and winding up of the company upon the occurrence of: the adoption of a resolution by a majority vote of the company's board of directors approving the dissolution, winding up and liquidation of the company and the approval of such action by the affirmative vote of a majority of the outstanding trust interests entitled to vote thereon;

the unanimous vote of the outstanding trust interests to dissolve, wind up and liquidate the company;

a judicial determination that an event has occurred that makes it not reasonably practical to carry on the business of the company in conformity with the LLC agreement as determined in accordance with Section 18-802 of the Delaware Limited Liability Company Act; or

the termination of the legal existence of the last remaining member of the Company or the occurrence of any other event that terminates the continued membership of the last remaining member of the Company, unless the company is continued without dissolution in a manner provided under the LLC agreement or the Delaware Limited Liability Company Act.

The trust agreement provides for the dissolution and winding up of the trust upon the occurrence of: an acquisition exchange or a voluntary exchange;

the filing of a certificate of cancellation of the company or its failure to revive its charter within 10 days following revocation of the company's charter;

the entry of a decree of judicial dissolution by a court of competent jurisdiction over the company or the trust; or

the written election of the company.

We refer to these events as dissolution events. Following the occurrence of a dissolution event with respect to the trust, each share will be mandatorily exchanged for a trust interest of the company. Upon dissolution of the company in accordance with the terms of the LLC agreement, the then holders of trust interests will be entitled to share in the assets of the company legally available for distribution following payment to creditors in accordance with the positive balance in such holders' tax-based capital accounts required by the LLC agreement, after giving effect to all contributions, distributions and allocations for all periods.

Anti-Takeover Provisions

Certain provisions of the management services agreement, the trust agreement and the LLC agreement may make it more difficult for third parties to acquire control of the trust and the company by various means. These provisions could deprive the shareholders of the trust of opportunities to realize a premium on the shares owned by them. In addition, these provisions may adversely affect the prevailing market price of the shares. These provisions are intended to:

protect our manager and its economic interests in the company;

protect the position of our manager and its rights to manage the business and affairs of the company under the management services agreement;

enhance the likelihood of continuity and stability in the composition of the company's board of directors and in the policies formulated by the board of directors;

discourage certain types of transactions which may involve an actual or threatened change in control of the trust and the company;

discourage certain tactics that may be used in proxy fights;

encourage persons seeking to acquire control of the trust and the company to consult first with the company's board of directors to negotiate the terms of any proposed business combination or offer; and

reduce the vulnerability of the trust and the company to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of the outstanding shares or that is otherwise unfair to shareholders of the trust.

Anti-Takeover Effects of the Management Services Agreement

The limited circumstances in which our manager may be terminated means that it will be very difficult for a potential acquirer of the company to take over the management and operation of our business. Under the terms of the management services agreement, our manager may only be terminated by the company in certain limited circumstances.

Furthermore, our manager has the right to resign and terminate the management services agreement upon 90 days notice. Upon the termination of the management service agreement, seconded officers, employees, representatives and delegates of our manager and its affiliates who are performing the services that are the subject of the management services agreement will resign their respective position with the company and cease to work at the date of our manager's termination or at any other time as determined by our manager. Any appointed director may continue serving on the company's board of directors subject to our manager's continued ownership of the allocation interests.

If we terminate the management services agreement, the company and the trust will agree, and the company will agree to cause its businesses, to cease using the term Compass, including any trademarks based on the name of the company and trust owned by our manager, entirely in their businesses and operations within 180 days of such termination. This agreement would require the trust, the company and its businesses to change their names to remove any reference to the term Compass or any trademarks owned by our manager.

Anti-Takeover Provisions in the Trust Agreement and the LLC Agreement

A number of provisions of the trust agreement and the LLC agreement also could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the trust and the company. The trust agreement and the LLC agreement prohibit the merger or consolidation of the trust and the company with or into any limited liability company, corporation, statutory trust, business trust or association, real estate investment trust, common-law trust or any other unincorporated business, including a partnership, or the sale, lease or exchange of all or substantially all of the trust's or the company's property or assets unless, in each case, the company's board of directors adopts a resolution by a majority vote approving such action and unless (i) in the case of the company, such action is approved by the affirmative vote of the holders of a majority of each of the outstanding trust interests and allocation interests entitled to vote thereon or (ii) in the case of the trust, such action is approved by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote thereon.

In addition, the trust agreement and the LLC agreement each contain provisions based on Section 203 of the DGCL which prohibit the company and the trust from engaging in a business combination with an interested shareholder unless (i) in the case of the company, such business combination is approved by the affirmative vote of the holders of 66 2/3% of each of the outstanding trust interests and allocation interests or (ii) in the case of the trust, such business combination is approved by the affirmative vote of the holders of 66 2/3% of the outstanding shares, in each case, excluding shares or interests, as the case may be, held by the interested shareholder or any affiliate or associate of the interested shareholder.

Subject to the right of our manager to appoint directors and any successor in the event of a vacancy, the LLC agreement authorizes the company's board of directors to fill vacancies. This provision could prevent a shareholder of the trust from effectively obtaining an indirect majority representation on the company's board of directors by permitting the existing board of directors to increase the number of directors and to fill the vacancies with its own nominees. The LLC agreement also provides that directors may be removed, with or without cause, only by the affirmative vote of holders of 85% of the outstanding trust interests that so elected or appointed such director. An appointed director may only be removed by our manager, as holder of the allocation interests.

The trust agreement and the LLC agreement do not permit holders of the shares to act by written consent. Instead, shareholders may only take action via proxy, which, when the action relates to the trust's exercise of its rights as a member of the company, may be presented at a duly called annual or special meeting of members of the company and will constitute the vote of the trust. For so long as the trust remains a member of the company, the trust will act by written consent, including to vote its trust interests in a manner that reflects the vote by proxy of the holders of the shares. Furthermore, the trust agreement and the LLC agreement provide that special meetings may only be called by the chairman of the company's board of directors or by resolution adopted by the company's board of directors.

The trust agreement and the LLC agreement also provide that members, or holders of shares, seeking to bring business before an annual meeting of members or to nominate candidates for election as directors at an annual meeting of members of the company, must provide notice thereof in writing to the company not less than 120 days and not more than 150 days prior to the anniversary date of the preceding year's annual meeting of members or as otherwise required by requirements of the Exchange Act. In addition, the member or holder of shares furnishing such notice must be a member or shareholder, as the case may be, of record on both (i) the date of delivering such notice and (ii) the record date for the determination of members or shareholders, as the case may be, entitled to vote at such meeting. The trust agreement and the LLC agreement specify certain requirements as to the form and content of a member's or shareholder's notice, as the case may be. These provisions may preclude members or holders of shares from bringing matters before holders of shares at an annual meeting or from making nominations for directors at an annual or special meeting.

The company's board of directors is divided into three classes serving staggered three-year terms, which effectively requires at least two election cycles for a majority of the company's board of directors to be replaced. See our definitive Proxy Statement on Schedule 14A filed on April 13, 2009, which is incorporated by reference into this prospectus, for more information about the company's board. In addition, our manager will have certain rights with respect to appointing one or more directors, as discussed above.

Authorized but unissued shares are available for future issuance, without approval of the shareholders of the trust. These additional shares may be utilized for a variety of purposes, including future public offerings to raise additional capital or to fund acquisitions, as well as option plans for employees of the company or its businesses. The existence of authorized but unissued shares could render more difficult or discourage an attempt to obtain control of the trust by means of a proxy contest, tender offer, merger or otherwise.

In addition, the company's board of directors has broad authority to amend the trust agreement and the LLC agreement, as discussed below. The company's board of directors could, in the future, choose to amend the trust agreement or the LLC agreement to include other provisions which have the intention or effect of discouraging takeover attempts.

Amendment of the LLC Agreement

The LLC agreement (including the distribution provisions thereof) may be amended only by a majority vote of the board of directors of the company, except that amending the following provisions requires an affirmative vote of at least a majority of the outstanding shares:

the purpose or powers of the company;

the authorization of an increase in trust interests;

the distribution rights of the trust interests;

the voting rights of the trust interests;

the provisions regarding the right to acquire trust interests after an acquisition exchange described above;

the right of holders of shares to enforce the LLC agreement or to institute any legal proceeding for any remedy available to the trust;

the hiring of a replacement manager following the termination of the management services agreement;

the merger or consolidation of the company, the sale, lease or exchange of all or substantially all of the company's assets and certain other business combinations or transactions;

the right of holders of trust interests to vote on the dissolution, winding up and liquidation of the company; and

the provision of the LLC agreement governing amendments thereof.

In addition, our manager, as holder of the allocation interests, will have the rights specified above under Voting and Consent Rights.

Amendment of the Trust Agreement

The trust agreement may be amended by the company, as sponsor of the trust, and the regular trustees acting at the company's direction. However, the company may not, without the affirmative vote of a majority of the outstanding shares, enter into or consent to any amendment of the trust agreement that would:

cause the trust to fail or cease to qualify for the exemption from the status of an investment company under the Investment Company Act;

cause the trust to issue a class of equity securities other than the shares (as described above under Shares in the Trust), or issue any debt securities or any derivative securities or amend the provision of the trust agreement prohibiting any such issuances;

affect the exclusive and absolute right of our shareholders to direct the voting of the trust, as a member of the company, with respect to all matters reserved for the vote of members of the company pursuant to the LLC agreement;

effect the merger or consolidation of the trust, effect the sale, lease or exchange of all or substantially all of the trust's property or assets and certain other business combinations or transactions;

amend the distribution rights of the shares;

increase the number of authorized shares; or

amend the provision of the trust agreement governing the amendment thereof.

Trustees

Messrs. Alan B. Offenberg and James J. Bottiglieri currently serve as the regular trustees of the trust, and BNY Mellon Trust of Delaware currently serves as the Delaware trustee of the trust.

Transfer Agent and Registrar

The transfer agent and registrar for the shares and the trust interests is BNY Mellon Shareowner Services.

Listing

Our shares are listed on the Nasdaq Global Select Market under the symbol CODI.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of material U.S. federal income tax considerations associated with the purchase, ownership and disposition of shares by U.S. holders (as defined below) and non-U.S. holders (as defined below). The following summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, currently applicable United States Treasury Regulations, which we refer to as Regulations, and judicial and administrative rulings as of the date hereof. This summary is not binding upon the Internal Revenue Service, which we refer to as the IRS, and no rulings have been or will be sought from the IRS regarding any matters discussed in this summary. In that regard, there can be no assurance that positions taken with respect to, for example, the status of the trust as a publicly traded partnership exempt from taxation as a corporation will not be challenged by the IRS. In addition, legislative, judicial or administrative changes may be forthcoming that could alter or modify the tax consequences, possibly on a retroactive basis.

This summary deals only with shares of the trust that are held as capital assets by holders who acquire the shares upon original issuance and does not address (except to the limited extent described below) special situations, such as those of:

brokers and dealers in securities or currencies;

financial institutions;

regulated investment companies;

real estate investment trusts;

tax-exempt organizations;

insurance companies;

persons holding shares as a part of a hedging, integrated or conversion transaction or a straddle, or as part of any other risk reduction transaction;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; or

persons liable for alternative minimum tax.

A U.S. holder of shares means a beneficial owner of shares that is, for U.S. federal income tax purposes: an individual citizen or resident of the United States;

a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

a partnership (or other entity treated as a partnership for tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, the interests in which are owned only by U.S. persons;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a federal, state or local court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

A non-U.S. holder of shares means a beneficial owner of shares that is not a U.S. holder.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of the trust, the tax treatment of any non-U.S. partner in such partnership (or other entity) will generally depend upon the status of the partner and the activities of the partnership. If you are a non-U.S. partner of a partnership (or similarly treated entity) that acquires and holds shares of the trust, we urge you to consult your own tax adviser.

No statutory, administrative or judicial authority directly addresses many of the U.S. federal income tax issues pertaining to the treatment of shares or instruments similar to the shares. As a result, we cannot assure you that the IRS or the courts will agree with the positions described in this summary. A different treatment of the shares, the trust or the company from that described below could adversely affect the amount, timing, character, and manner for reporting of income, gain or loss in respect of an investment in the shares. **If you are considering the purchase of shares, we urge you to consult your own tax adviser concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of shares, as well as any consequences to you arising under the laws of any other taxing jurisdiction.**

Status of the Trust

The trust is intended to be treated as a publicly traded partnership exempt from taxation as a corporation. For purposes of applying the qualifying income tests, the trust's share of the company's income will be treated as received

directly by the trust and will retain the same character as it had in the hands of the company.

If the trust were not treated as a publicly traded partnership exempt from taxation as a corporation and, instead, were to be classified as an association taxable as a corporation, the trust would be subject to federal income tax on any taxable income at regular corporate tax rates, thereby reducing the amount of cash available for distribution to the shareholders.

In that event, the holders of shares would not be entitled to take into account their distributive shares of the trust's deductions in computing their taxable income, nor would they be subject to tax on their respective shares of the trust's income. Distributions to a holder would be treated as (i) dividends to the extent of the trust's current or accumulated earnings and profits, (ii) a return of basis to the extent of each holder's basis in its shares, and (iii) gain from the sale or exchange of property to the extent that any remaining distribution exceeds the holder's basis in its shares. Overall, treatment of the trust as an association taxable as a corporation may substantially reduce the anticipated benefits of an investment in the trust.

A publicly traded partnership (as defined in Section 7704 of the Code) is any partnership the interests in which are traded on an established securities market or which are readily tradable on a secondary market (or the substantial equivalent thereof). A publicly traded partnership is treated as a corporation unless 90% or more of its gross income each year is qualifying income (generally, passive-type income) and the partnership is not required to register as an investment company under the Investment Company Act of 1940.

Qualifying income includes dividends, interest and capital gains from the sale or other disposition of stocks and bonds held as capital assets. We intend to restrict the sources of our income so that more than 90% of our gross income for each taxable year will constitute qualifying income within the meaning of Section 7704(d) of the Code.

Under current law and assuming full compliance with the terms of the trust agreement (and other relevant documents) and based upon factual representations made by us and assuming that we satisfied the qualifying income tests for earlier years (in light of the risks discussed in the second following paragraph), in the opinion of Squire, Sanders & Dempsey L.L.P., the trust will be classified as a publicly traded partnership exempt from taxation as a corporation for U.S. federal income tax purposes. The factual representations made by us upon which Squire, Sanders & Dempsey L.L.P. has relied include: (a) the trust has not elected and will not elect to be treated as a corporation for U.S. federal income tax purposes; (b) the trust is not required to register as an investment company under the Investment Company Act of 1940; and (c) for each taxable year, more than 90% of the gross income of the trust will consist of dividends, interest (other than interest derived in the conduct of a financial or insurance business or interest the determination of which depends in whole or in part on the income or profits of any person) and gains from the sale of stock or debt instruments which are held as capital assets.

Squire, Sanders & Dempsey L.L.P. will have no obligation to advise us of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in, or differing IRS interpretation of, the applicable law. Our taxation as a publicly traded partnership exempt from taxation as a corporation will depend on our ability to meet, on a continuing basis, through actual operating results, the qualifying income exception (as described above), the compliance with which will not be reviewed by Squire, Sanders & Dempsey L.L.P. on an ongoing basis. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy the qualifying income exception. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

There can be no assurance that the IRS will not successfully assert that the trust should be treated as a publicly traded partnership taxable as a corporation. No ruling has been or will be sought from the IRS, and the IRS has made no determination, as to the status of the trust for U.S. federal income tax purposes or whether the company will have sufficient qualifying income under Section 7704(d) of the Code. Whether the company or the trust will continue to meet the qualifying income exception is dependent on the company's continuing activities and the nature of the income generated by those activities. In this regard, while the company does not anticipate realizing any management fee income, the treatment of income earned by our manager from offsetting management services agreements between our manager and the operating businesses is uncertain. The company's board of directors will use its best efforts to cause the company to conduct its activities in such a manner that the trust continues to meet the qualifying income exception.

If the trust fails to satisfy the qualifying income exception described above (other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable period of time after the discovery of such failure and with respect to which certain adjustments are made), the trust will be treated as if it had (i) transferred all of its assets, subject to its liabilities, to a newly-formed corporation on the first day of the year in which it fails to satisfy the exception, in return for stock in that corporation, and (ii) then distributed that stock to the holders of shares

in liquidation of their beneficial interests in the trust. This contribution and liquidation should be tax-free to holders and the trust so long as the trust, at that time, does not have liabilities in excess of its tax basis in its assets. Thereafter, the trust would be treated as a corporation for U.S. federal income tax purposes.

The discussion below is based on the opinion of Squire, Sanders & Dempsey L.L.P. that the trust will be classified as a publicly traded partnership exempt from taxation as a corporation for U.S. federal income tax purposes.

Status of the Company

The Company is intended to be treated as a partnership for federal income tax purposes.

Tax Considerations for U.S. Holders

Tax Treatment of the Trust

As a publicly traded partnership exempt from taxation as a corporation, the trust itself will not be subject to U.S. federal income tax, although it will file an annual partnership information return with the IRS, which information return will report the results of its activities. That information return also will contain schedules reflecting allocations of profits or losses (and items thereof) to shareholders of the trust.

Tax Treatment of Trust Income to Holders

Each partner of a partnership is required to take into account its share of items of income, gain, loss, deduction and other items of the partnership. Each holder of shares will directly or indirectly own a pro rata share of trust interests in the company, and thus will be required to include on its tax return its allocable share of trust income, gain, loss, deduction and other items without regard to whether the holder receives corresponding cash distributions. Thus, holders of shares may be required to report taxable income without a corresponding current receipt of cash if the trust were to recognize taxable income and not make cash distributions.

The trust's taxable income is expected to consist mostly of interest income, capital gains and dividends. Interest income will be earned upon the funds loaned by the company to the operating subsidiaries and from temporary investments of the company, and will be taxable to the holders at ordinary income rates. Capital gains will be reported upon the sale of stock or assets by the company, and will be taxed to the holders at the appropriate capital gains rates. Any dividends received by the company from its domestic corporate holdings generally will constitute qualified dividend income, which will, under current law (which, without additional Congressional action, will expire with respect to dividends received after December 31, 2010), qualify for a reduced rate of tax. Any dividends received by the company that do not constitute qualified dividend income will be taxed to holders at the tax rates generally applicable to ordinary income. Dividend income of the company from its domestic operating subsidiaries that is allocated to corporate holders of shares will qualify for the dividends received deduction.

Allocation of Company Profits and Losses

Under Section 704 of the Code, the determination of a partner's distributive share of any item of income, gain, loss, deduction, or credit of a partnership shall be governed by the partnership agreement unless the allocation so provided lacks substantial economic effect and is not otherwise in accordance with the partner's interests in the partnership. Accordingly, a holder's share of the company's items of income, gain, loss, deduction, and credit will be determined by the trust agreement, unless the allocations under the trust agreement are determined not to have substantial economic effect and is not otherwise in accordance with the partner's interests in the partnership. Subject to the discussion below in this section and under Tax Considerations for U.S. Holders, Allocations Among Holders and Section 754 Elections, we believe that the allocations under the trust agreement should be considered to have substantial economic effect. If the allocations were found to lack substantial economic effect, the allocations nonetheless should be deemed to be made in accordance with the partners' interests in the partnership, a facts and circumstances analysis of the underlying economic arrangement of the company's members.

In general, under the trust agreement, items of ordinary income and loss will be allocated ratably among the holders based on the number of trust interests held. Allocations of capital gains realized by the company will be made first to the manager to the extent of any profit allocation to our manager. Thereafter gains and losses will be allocated to the other holders in proportion to their ownership interests in the company. The total amount of losses allocated to the other holders will not exceed the amount of losses allocated to the manager. The amount of losses allocated to the other holders will be 24,987,676.

Specialty Retail (1.85%)

The Home Depot, Inc.

96,954 7,671,970

Office Depot, Inc.^(a)

129,348 534,207

Staples, Inc.

437,175 4,957,565

Tiffany & Co.

70,915 6,109,327

The TJX Cos., Inc.

41,340 2,507,271

21,780,340

See Notes to Schedule of Investments.

First Quarter Report (Unaudited) | March 31, 2014

Schedule of Investments
As of March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Textiles, Apparel & Luxury Goods (0.86%)		
Kate Spade & Co. ^(a)	49,068	\$ 1,819,932
Lululemon Athletica, Inc. ^(a)	11,650	612,674
NIKE, Inc., Class B	62,128	4,588,774
PVH Corp.	24,930	3,110,516
		10,131,896
CONSUMER STAPLES (4.44%)		
Beverages (1.21%)		
The Coca-Cola Company	84,000	3,247,440
Diageo PLC ^(b)	46,460	5,788,451
PepsiCo, Inc.	62,100	5,185,350
		14,221,241
Food & Staples Retailing (1.58%)		
Costco Wholesale Corp.	65,226	7,284,440
CVS Caremark Corp.	76,500	5,726,790
Whole Foods Market, Inc.	110,598	5,608,424
		18,619,654
Food Products (0.81%)		
Kellogg Co.	30,600	1,918,926
Mead Johnson Nutrition Co.	71,300	5,927,882
Whitewave Foods Co. ^(a)	60,196	1,717,994
		9,564,802
Household Products (0.65%)		
The Procter & Gamble Co.	95,000	7,657,000
Personal Products (0.19%)		
The Estee Lauder Cos., Inc., Class A	33,326	2,228,843
ENERGY (14.06%)		
Energy Equipment & Services (4.95%)		
Baker Hughes, Inc.	139,950	9,099,549
Dril-Quip, Inc. ^(a)	44,320	4,968,272
Oceaneering International, Inc.	71,675	5,150,565
Schlumberger Ltd.	257,772	25,132,770
Weatherford International Ltd. ^(a)	801,353	13,911,488

58,262,644

Oil, Gas & Consumable Fuels (9.11%)

Anadarko Petroleum Corp.	32,898	2,788,434
Arch Coal, Inc.	1,960,666	9,450,410
BP PLC ^(b)	223,450	10,747,956
Chesapeake Energy Corp.	453,393	11,615,929
Chevron Corp.	54,000	6,421,140
Cobalt International Energy, Inc. ^(a)	193,032	3,536,346

See Notes to Schedule of Investments.

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Liberty All-Star[®] Equity Fund

Schedule of Investments

As of March 31, 2014 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Oil, Gas & Consumable Fuels (continued)		
ConocoPhillips	92,600	\$ 6,514,410
CONSOL Energy, Inc.	122,942	4,911,533
Devon Energy Corp.	226,106	15,133,275
Exxon Mobil Corp.	44,775	4,373,622
Occidental Petroleum Corp.	88,000	8,385,520
Peabody Energy Corp.	596,066	9,739,718
Royal Dutch Shell PLC ^(b)	152,675	11,154,436
WPX Energy, Inc. ^(a)	136,844	2,467,297
		107,240,026
FINANCIALS (27.14%)		
Capital Markets (5.38%)		
The Charles Schwab Corp.	324,100	8,857,653
Franklin Resources, Inc.	85,600	4,637,808
The Goldman Sachs Group, Inc.	37,450	6,136,182
Invesco Ltd.	133,575	4,942,275
Morgan Stanley	405,034	12,624,910
State Street Corp.	205,875	14,318,606
T. Rowe Price Group, Inc.	64,682	5,326,563
UBS AG	313,400	6,493,648
		63,337,645
Commercial Banks (5.49%)		
Barclays PLC ^(b)	263,601	4,138,536
BB&T Corp.	205,000	8,234,850
Comerica, Inc.	70,225	3,637,655
First Republic Bank	90,032	4,860,828
Huntington Bancshares, Inc.	232,402	2,317,048
KeyCorp	176,125	2,508,020
The PNC Financial Services Group, Inc.	70,666	6,147,942
Regions Financial Corp.	427,593	4,750,558
SunTrust Banks, Inc.	452,203	17,993,157
Wells Fargo & Co.	202,500	10,072,350
		64,660,944
Consumer Finance (2.35%)		
American Express Co.	46,500	4,186,395
Capital One Financial Corp.	98,700	7,615,692

Visa, Inc., Class A	73,268	15,815,631
		27,617,718
Diversified Financial Services (6.43%)		
Bank of America Corp.	1,169,708	20,118,978
Citigroup, Inc.	396,439	18,870,496
CME Group, Inc.	60,544	4,480,861
ING US, Inc.	159,425	5,782,345

See Notes to Schedule of Investments.

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Schedule of Investments
As of March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Diversified Financial Services (continued)		
JPMorgan Chase & Co.	434,645	\$ 26,387,298
		75,639,978
Insurance (6.15%)		
ACE Ltd.	86,700	8,588,502
The Allstate Corp.	111,842	6,328,020
American International Group, Inc.	287,216	14,363,672
Assured Guaranty Ltd.	242,789	6,147,417
Axis Capital Holdings Ltd.	156,000	7,152,600
The Hartford Financial Services Group, Inc.	229,380	8,090,233
MetLife, Inc.	313,725	16,564,680
Willis Group Holdings PLC	115,350	5,090,396
		72,325,520
Real Estate Investment Trusts (0.92%)		
American Tower Corp.	120,360	9,853,873
Columbia Property Trust, Inc.	35,337	962,933
		10,816,806
Real Estate Management & Development (0.42%)		
Zillow, Inc., Class A ^(a)	56,285	4,958,709
HEALTH CARE (10.50%)		
Biotechnology (1.90%)		
Alexion Pharmaceuticals, Inc. ^(a)	6,998	1,064,606
BioMarin Pharmaceutical, Inc. ^(a)	80,245	5,473,511
Celgene Corp. ^(a)	43,715	6,102,614
Gilead Sciences, Inc. ^(a)	83,823	5,939,698
Pharmacyclics, Inc. ^(a)	37,530	3,761,257
		22,341,686
Health Care Equipment & Supplies (2.30%)		
Becton, Dickinson & Co.	43,350	5,075,418
Edwards Lifesciences Corp. ^(a)	88,872	6,591,636
Hologic, Inc. ^(a)	344,000	7,396,000
Zimmer Holdings, Inc.	84,500	7,992,010
		27,055,064

Health Care Providers & Services (1.99%)		
Brookdale Senior Living, Inc. ^(a)	103,973	3,484,135
Catamaran Corp. ^(a)	205,607	9,202,969
Cigna Corp.	70,375	5,892,499
Laboratory Corp. of America Holdings ^(a)	48,350	4,748,454

23,328,057

Health Care Technology (1.34%)		
athenahealth, Inc. ^(a)	38,700	6,201,288

See Notes to Schedule of Investments.

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Liberty All-Star[®] Equity Fund

Schedule of Investments

As of March 31, 2014 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Health Care Technology (continued)		
Cerner Corp. ^(a)	170,168	\$ 9,571,950
		15,773,238
Life Sciences Tools & Services (0.76%)		
Illumina, Inc. ^(a)	19,900	2,958,334
Thermo Fisher Scientific, Inc.	50,000	6,012,000
		8,970,334
Pharmaceuticals (2.21%)		
Abbott Laboratories	107,925	4,156,192
Allergan, Inc.	52,255	6,484,845
Johnson & Johnson	84,500	8,300,435
Teva Pharmaceutical Industries Ltd. ^(b)	134,200	7,091,128
		26,032,600
INDUSTRIALS (6.48%)		
Aerospace & Defense (1.82%)		
The Boeing Co.	15,455	1,939,448
Bombardier, Inc., Class B	834,458	3,098,593
Precision Castparts Corp.	55,812	14,107,041
Textron, Inc.	57,407	2,255,521
		21,400,603
Building Products (0.41%)		
Masco Corp.	218,425	4,851,219
Construction & Engineering (0.40%)		
Fluor Corp.	60,709	4,718,911
Electrical Equipment (0.35%)		
Eaton Corp. PLC	55,500	4,169,160
Machinery (1.27%)		
Caterpillar, Inc.	68,000	6,757,160
Navistar International Corp. ^(a)	97,762	3,311,199

Parker Hannifin Corp.	41,150	4,926,066
		14,994,425
Professional Services (0.49%)		
Verisk Analytics, Inc., Class A ^(a)	96,200	5,768,152
Trading Companies & Distributors (1.50%)		
Fastenal Co.	242,255	11,948,017
United Rentals, Inc. ^(a)	59,400	5,639,436
		17,587,453

See Notes to Schedule of Investments.

First Quarter Report (Unaudited) | March 31, 2014

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Schedule of Investments
As of March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Transportation Infrastructure (0.24%)		
Aegean Marine Petroleum Network, Inc.	281,245	\$ 2,773,076
INFORMATION TECHNOLOGY (17.35%)		
Communications Equipment (1.99%)		
Cisco Systems, Inc.	321,000	7,193,610
QUALCOMM, Inc.	206,000	16,245,160
		23,438,770
Computers & Peripherals (1.89%)		
Hewlett-Packard Co.	592,500	19,173,300
Strataysys Ltd. ^(a)	28,501	3,023,671
		22,196,971
Electronic Equipment & Instruments (1.71%)		
Corning, Inc.	316,500	6,589,530
LG Display Co. Ltd. ^{(a)(b)}	18,097	226,213
TE Connectivity Ltd.	220,325	13,265,768
		20,081,511
Internet Software & Services (4.62%)		
Equinix, Inc. ^(a)	37,345	6,902,850
Facebook, Inc. ^(a)	80,761	4,865,043
Google, Inc., Class A ^(a)	24,046	26,799,507
LinkedIn Corp., Class A ^(a)	48,522	8,973,659
Rackspace Hosting, Inc. ^(a)	208,341	6,837,751
		54,378,810
Semiconductors & Semiconductor Equipment (1.77%)		
Altera Corp.	69,541	2,520,166
ARM Holdings PLC ^(b)	139,420	7,106,237
Intel Corp.	236,125	6,094,386
Micron Technology, Inc. ^(a)	217,545	5,147,115
		20,867,904
Software (5.37%)		
Microsoft Corp.	345,775	14,173,318
Oracle Corp.	191,025	7,814,833

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Salesforce.com, Inc. ^(a)	394,258	22,508,189
ServiceNow, Inc. ^(a)	61,900	3,709,048
Splunk, Inc. ^(a)	84,700	6,055,203
Symantec Corp.	134,732	2,690,598
VMware, Inc., Class A ^(a)	57,600	6,221,952
		63,173,141

MATERIALS (1.55%)

Chemicals (0.99%)

EI du Pont de Nemours & Co.	95,000	6,374,500
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See Notes to Schedule of Investments.

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Liberty All-Star[®] Equity Fund

Schedule of Investments

As of March 31, 2014 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Chemicals (continued)		
The Sherwin-Williams Co.	26,793	\$ 5,281,704
		11,656,204
Metals & Mining (0.56%)		
Alcoa, Inc.	127,565	1,641,762
Freeport-McMoRan Copper & Gold, Inc.	75,660	2,502,076
Silver Wheaton Corp.	109,820	2,492,914
		6,636,752
UTILITIES (0.54%)		
Electric Utilities (0.54%)		
Entergy Corp.	80,975	5,413,179
FirstEnergy Corp.	28,355	964,920
		6,378,099
TOTAL COMMON STOCKS		
(COST OF \$923,520,476)		1,140,684,290
EXCHANGE TRADED FUND (0.10%)		
Exchange Traded Fund (0.10%)		
iShares [®] Russell 1000 Value	11,845	1,143,042
TOTAL EXCHANGE TRADED FUND		
(COST OF \$1,103,205)		1,143,042
	PAR VALUE	MARKET VALUE
SHORT TERM INVESTMENT (2.52%)		
REPURCHASE AGREEMENT (2.52%)		
Repurchase agreement with State Street Bank & Trust Co., dated 3/31/14, due 04/01/14	\$ 29,597,000	\$ 29,597,000
at 0.01%, collateralized by Federal Home Loan Mortgage Corp., 3.00%, 03/15/43, market value		
of \$30,200,406 and par value of \$33,380,000. (Repurchase proceeds of \$29,597,008).		

(COST OF \$29,597,000)

TOTAL INVESTMENTS (99.55%)

(COST OF \$954,220,681)^(c)

1,171,424,332

OTHER ASSETS IN EXCESS OF LIABILITIES (0.45%)

5,342,631

NET ASSETS (100.00%)

\$ 1,176,766,963

NET ASSET VALUE PER SHARE

(176,415,903 SHARES OUTSTANDING)

\$ 6.67

See Notes to Schedule of Investments.

First Quarter Report (Unaudited) | March 31, 2014

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Schedule of Investments
As of March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

- (a) Non-income producing security.
 (b) American Depositary Receipt.
 (c) Cost of investments for federal income tax purposes is \$961,172,501.

Gross unrealized appreciation and depreciation at March 31, 2014 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 272,702,584
Gross unrealized depreciation	(62,450,753)
Net unrealized appreciation	\$ 210,251,831

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.

See Notes to Schedule of Investments.

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*March 31, 2014 (Unaudited)***Security Valuation**

Equity securities including common stocks and exchange traded funds are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the NASDAQ Stock Market LLC (NASDAQ), which are valued at the NASDAQ official closing price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Short-term debt obligations maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Repurchase agreements are valued at cost, which approximates fair value. Investments for which market quotations are not readily available are valued at fair value as determined in good faith under consistently applied procedures approved by and under the general supervision of the Fund's Board of Trustees.

Foreign Securities

The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible devaluation of currencies, the inability to repatriate foreign currency, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers. For the period ended March 31, 2014, the Fund only held American Depositary Receipts and did not hold any securities denominated in foreign currencies.

Security Transactions

Security transactions are recorded on trade date. Cost is determined and gains/(losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Repurchase Agreements

The Fund engages in repurchase agreement transactions with institutions that the Fund's investment advisor has determined are creditworthy. The Fund, through its custodian, receives delivery of underlying securities collateralizing a repurchase agreement. Collateral is at least equal, at all times, to the value of the repurchase obligation, including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays or restrictions upon a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. These collateral agreements mitigate the counterparty credit risk by providing for a single net settlement with a counterparty of all financial transactions covered by the agreement in an event of default as defined under such agreement.

Repurchase agreements are entered into by the Fund under a Master Repurchase Agreement (MRA) which permits the Fund, under certain circumstances, including an event of default (such as bankruptcy or insolvency), to offset payables

and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due or from the Fund.

Notes to Schedule of Investments
March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

Income Recognition

Interest income is recorded on the accrual basis. Premiums and discounts are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date.

The Fund estimates components of distributions from real estate investment trusts (REITs). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. Once the REIT reports annually the tax character of its distributions, the Fund revises its estimates. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

Fair Value Measurements

The Fund discloses the classification of its fair value measurements following a three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Valuation techniques used to value the Fund's investments by major category are as follows:

Equity securities and exchange-traded funds, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by a third party pricing vendor on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the mean of the most recent quoted bid and ask prices on such day and are generally categorized as Level 2 in the hierarchy. Repurchase agreements are valued at cost, which approximates fair value, and are categorized as Level 2 in the hierarchy.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments.

These inputs are categorized in the following hierarchy under applicable financial accounting standards:

- Level 1** Unadjusted quoted prices in active markets for identical investments, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;
- Level 2** Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

March 31, 2014 (Unaudited)

Level 3 Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2014. The Fund recognizes transfers between the levels as of the beginning of the annual period in which the transfer occurred.

Valuation Inputs

Investments in Securities at

Value*	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 1,140,684,290	\$	\$	\$ 1,140,684,290
Exchange Traded Fund	1,143,042			1,143,042
Short Term Investment		29,597,000		29,597,000
Total	\$ 1,141,827,332	\$ 29,597,000	\$	\$ 1,171,424,332

* See Schedule of Investments for industry classifications.

For the period ended March 31, 2014, the Fund did not have any transfers between Level 1 and Level 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value during the period.

Indemnification

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund. Also, under the Fund's organizational documents and by contract, the Trustees and Officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be minimal.

Description of Lipper Benchmark

And Market Indices
March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

Dow Jones Industrial Average

A price-weighted measure of 30 U.S. blue-chip companies.

Lipper Large-Cap Core Mutual Fund Average

The average of funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's U.S. domestic equity large-cap floor. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500® Index.

NASDAQ Composite Index

Measures all NASDAQ domestic and international based common type stocks listed on the NASDAQ Stock Market.

Russell 1000® Growth Index

Measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index.

Russell 1000® Value Index

Measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index.

Russell 3000® Index

Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

S&P 500® Index

A large cap U.S. equities index that includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

An investor cannot invest directly in an index.

INVESTMENT ADVISOR

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College Station, Texas 77842-3170
1-800-LIB-FUND (1-800-542-3863)

www.computershare.com

A description of the Fund's proxy voting policies and procedures is available (i) on the Securities and Exchange Commission's (SEC) website at www.sec.gov, and (ii) without charge, upon request, by calling 1-800-542-3863. Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30th is available from the SEC's website at www.sec.gov.

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its own common stock in the open market.

LEGAL COUNSEL

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1601 K Street, NW
Washington, DC 20006

TRUSTEES

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Edmund J. Burke
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* Member of the Audit Committee

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This report is transmitted to shareholders of Liberty All-Star® Equity Fund for their information. It is not a prospectus or other document intended for use in the purchase of Fund shares.

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