

Compass Group Diversified Holdings LLC
Form DEF 14A
March 31, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant To Section 14(A) Of The
Securities Exchange Act Of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) of § 240.14a-12

COMPASS DIVERSIFIED HOLDINGS

(Name of Registrant as Specified In Its Charter)

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Form, Schedule or Registration Statement No.:

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Compass Diversified Holdings
Compass Group Diversified Holdings LLC
Notice of Annual Meeting of Shareholders

April 5, 2011

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders, which will be held on Thursday, May 19, 2011 at 9:00 a.m., Eastern Time, at the Hilton Rye Town, 699 Westchester Avenue, Rye Brook, New York 10573.

The proxy statement contains important information about the Annual Meeting, the proposals we will consider and how you can vote your shares. The Securities and Exchange Commission has adopted a Notice and Access rule that allows companies to deliver a Notice of Internet Availability of Proxy Materials, which we refer to as the Notice of Internet Availability, to shareholders in lieu of a paper copy of the proxy statement and related materials and the Company's Annual Report to Shareholders, which we refer to as the Proxy Materials. The Notice of Internet Availability provides instructions as to how shareholders can access the Proxy Materials online, contains a listing of matters to be considered at the meeting, and sets forth instructions as to how shares can be voted. Shares must be voted either by telephone, online or by completing and returning a proxy card. **Shares cannot be voted by marking, writing on and/or returning the Notice of Internet Availability. Any Notices of Internet Availability that are returned will not be counted as votes.** Instructions for requesting a paper copy of the Proxy Materials are set forth on the Notice of Internet Availability.

Your vote is very important to us. We encourage you to promptly complete, sign, date and return the enclosed proxy card, which contains instructions on how you would like your shares to be voted. **Please submit your proxy regardless of whether you will attend the Annual Meeting.** This will help us ensure that your vote is represented at the Annual Meeting. Signing this proxy will not prevent you from voting in person should you be able to attend the meeting, but will assure that your vote is counted, if for any reason, you are unable to attend.

On behalf of the board of directors and the management of Compass Group Diversified Holdings LLC, I extend our appreciation for your investment in Compass Diversified Holdings. We look forward to seeing you at the Annual Meeting.

Sincerely,

C. Sean Day
Chairman of the Board of Directors

**Compass Diversified Holdings
Compass Group Diversified Holdings LLC**

April 5, 2011

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held On Thursday, May 19, 2011**

Compass Diversified Holdings 2011 Annual Meeting of Shareholders will be held on Thursday, May 19, 2011 at 9:00 a.m., Eastern Time, at the Hilton Rye Town, 699 Westchester Avenue, Rye Brook, New York 10573, for the following purposes:

to elect two directors to our board of directors, each to serve for a three-year term;

to conduct an advisory vote on executive compensation;

to conduct an advisory vote on whether the shareholder advisory vote on executive compensation should occur every one, two or three years;

to vote on a proposal to ratify the selection of Grant Thornton LLP to serve as the independent auditor for Compass Diversified Holdings and Compass Group Diversified Holdings LLC for the fiscal year ending December 31, 2011; and

to transact such other business as may properly come before the meeting.

These matters are more fully described in the enclosed proxy statement. The board of directors recommends that you vote FOR the election of the director nominees, FOR the approval of the executive compensation program, FOR the occurrence of the shareholder vote to approve the executive compensation program to occur every two years, and FOR the ratification of the independent auditor.

Shareholders of record at the close of business on March 24, 2011 will be entitled to notice of, and to vote at, the Annual Meeting and at any subsequent adjournments or postponements. The share register will not be closed between the record date and the date of the Annual Meeting. A list of shareholders entitled to vote at the Annual Meeting is available for inspection at our principal executive offices at Sixty One Wilton Road, Westport, Connecticut 06880. The notice of annual meeting, proxy statement and proxy are first being mailed or provided to shareholders on or about April 5, 2011.

To be sure that your shares are properly represented at the meeting, whether or not you attend, please promptly complete, sign, date and return the enclosed proxy card in the accompanying pre-addressed envelope or submit your vote by telephone or online. We must receive your proxy no later than 5:00 p.m., Eastern Time, on May 18, 2011.

You will be required to bring certain documents with you to be admitted to the Annual Meeting. Please read carefully the sections in the proxy statement on attending and voting at the Annual Meeting to ensure that you comply with these requirements.

By order of the board of directors.

Sincerely,

Carrie W. Ryan
Secretary

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Compass Diversified Holdings, a Delaware statutory trust, which we refer to as the Trust, owns its businesses and investments through Compass Group Diversified Holdings LLC, a Delaware limited liability company, which we refer to as the Company. Except where the context indicates otherwise, we, us, and our refer to the Company and the Trust. References to shareholders refer to shareholders of Compass Diversified Holdings.

**COMPASS DIVERSIFIED HOLDINGS
COMPASS GROUP DIVERSIFIED HOLDINGS LLC
Sixty One Wilton Road
Westport, Connecticut 06880
PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS**

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Compass Group Diversified Holdings LLC, which we refer to as the Company, a Delaware limited liability company, for the 2011 Annual Meeting of Shareholders of Compass Diversified Holdings, which we refer to as the Trust, to be held on May 19, 2011 at 9:00 a.m., Eastern Time, at the Hilton Rye Town, 699 Westchester Avenue, Rye Brook, New York 10573 and for any adjournments or postponements of the 2011 Annual Meeting of Shareholders. We refer to the 2011 Annual Meeting of Shareholders as the Annual Meeting. The notice of Annual Meeting, proxy statement and proxy are first being mailed or provided to shareholders on or about April 5, 2011.

PURPOSE OF MEETING

As described in more detail in this proxy statement, the Annual Meeting is being held for the following purposes:
to elect two directors to our board of directors, each to serve for a three-year term;

to conduct an advisory vote on executive compensation;

to hold an advisory vote on whether the shareholder advisory vote on executive compensation should occur every one, two or three years;

to vote on a proposal to ratify the selection of Grant Thornton LLP to serve as the independent auditor for the Trust and the Company for the fiscal year ending December 31, 2011; and

to transact such other business as may properly come before the meeting.

ATTENDING AND VOTING AT THE ANNUAL MEETING

Broadridge Financial Solutions, Inc., which we refer to as Broadridge, has been selected as our inspector of election. As part of its responsibilities, Broadridge is required to independently verify that you are a shareholder of Compass Diversified Holdings eligible to attend the Annual Meeting, and to determine whether you may vote in person at the Annual Meeting. Therefore, it is very important that you follow the instructions below to gain entry to the Annual Meeting.

Notice and Access

The SEC has adopted a Notice and Access rule that allows companies to deliver a Notice of Internet Availability of Proxy Materials, which we refer to as the Notice of Internet Availability, to shareholders in lieu of a paper copy of the proxy statement and related materials and the Company's Annual Report to Shareholders, which we refer to as the Proxy Materials. The Notice of Internet Availability provides instructions as to how shareholders can access the Proxy Materials online, contains a listing of matters to be considered at the meeting, and sets forth instructions as to how shares can be voted. Shares must be voted either by telephone, online or by completing and returning a proxy card. **Shares cannot be voted by marking, writing on and/or returning the Notice of Internet Availability. Any Notices of Internet Availability that are returned will not be counted as votes.** Instructions for requesting a paper copy of the Proxy Materials are set forth on the Notice of Internet Availability.

Important Notice Regarding Availability of Proxy Materials for the Annual Meeting to be Held on May 19, 2011:

The Proxy Materials are available at www.proxyvote.com. Enter the 12-digit control number located on the Notice of Internet Availability or proxy card.

Check-in Procedure for Attending the Annual Meeting

Shareholders of Record. The documents you will need to provide to be admitted to the Annual Meeting depend on whether you are a shareholder of record or you represent a shareholder of record.

Individuals. If you are a shareholder of record holding shares in your own name, you must bring to the Annual Meeting a form of government-issued photo identification (e.g., a driver's license or passport). Trustees who are individuals and named as shareholders of record are in this category.

Individuals Representing a Shareholder of Record. If you attend on behalf of a shareholder of record, whether such shareholder is an individual, corporation, trust or partnership:

you must bring to the Annual Meeting a form of government-issued photo identification (e.g., a driver's license or passport); AND

either:

a letter from that shareholder of record authorizing you to attend the Annual Meeting on their behalf;
OR

we must have received by 5:00 p.m., Eastern Time, on May 18, 2011 a duly executed proxy card from the shareholder of record appointing you as proxy.

Beneficial Owners. If your shares are held by a bank or broker (often referred to as "holding in street name") you should go to the Beneficial Owners check-in area at the Annual Meeting. Because you hold in street name, your name does not appear on the share register of the Trust. The documents you will need to provide to be admitted to the Annual Meeting depend on whether you are a beneficial owner or you represent a beneficial owner.

Individuals. If you are a beneficial owner, you must bring to the Annual Meeting:

either:

a form of government-issued photo identification (e.g., a driver's license or passport); AND

a legal proxy that you have obtained from your bank or broker; OR

your most recent brokerage account statement or a recent letter from your bank or broker showing that you own shares of Compass Diversified Holdings.

Individuals Representing a Beneficial Owner. If you attend on behalf of a beneficial owner, you must bring to the Annual Meeting:

a letter from the beneficial owner authorizing you to represent its shares at the Annual Meeting; AND

the identification and documentation specified above for individual beneficial owners.

Voting in Person at the Annual Meeting

Shareholders of Record. Shareholders of record may vote their shares in person at the Annual Meeting by ballot. Each proposal has a separate ballot. You must properly complete, sign, date and return the ballots to the inspector of election at the Annual Meeting to vote in person. To receive ballots, you must bring with you the documents described below:

Individuals. You will receive ballots at the check-in table when you present your identification. If you have already returned your proxy card to us and do not want to change your votes, you do not need to complete the ballots. If you do complete and return the ballots to us, your proxy card will be automatically revoked.

Individuals Voting on Behalf of Another Individual. If you will vote on behalf of another individual who is a shareholder of record, **we must have received by 5:00 p.m., Eastern Time, on May 18, 2011** a duly executed proxy card from such individual shareholder of record appointing you as his or her proxy. If we have received the proxy card, you will receive ballots at the check-in table when you present your

identification.

Individuals Voting on Behalf of a Legal Entity. If you represent a shareholder of record that is a legal entity, you may vote that legal entity's shares if it authorizes you to do so. The documents you must provide to receive ballots at the check-in table depend on whether you are representing a corporation, trust, partnership or other legal entity.

If you represent a corporation, you must:

bring to the Annual Meeting a letter or other document from the corporation, on the corporation's letterhead and signed by an officer of the corporation, that authorizes you to vote the corporation's shares on its behalf; OR

we must have received by 5:00 p.m., Eastern Time, on May 18, 2011 a duly executed proxy card from the corporation appointing you as its proxy.

If you represent a trust, partnership or other legal entity, we must have received by 5:00 p.m., Eastern Time, on May 18, 2011 a duly executed proxy card from the legal entity appointing you as its proxy. A letter or other document will not be sufficient for you to vote on behalf of a trust, partnership or other legal entity other than a corporation.

Beneficial Owners. If you hold your shares in street name, these proxy materials are being forwarded to you by your bank, broker or their appointed agent. Because your name does not appear on the share register of the Trust, you will not be able to vote in person at the Annual Meeting unless you request a legal proxy from your bank or broker and bring it with you to the Annual Meeting.

Individuals. As an individual, the legal proxy will have your name on it. You must present the legal proxy at check-in to the inspector of election at the Annual Meeting to receive your ballots.

Individuals Voting on Behalf of a Beneficial Owner. Because the legal proxy will not have your name on it, to receive your ballots you must:

present the legal proxy at check-in to the inspector of election at the Annual Meeting; AND

bring to the Annual Meeting a letter from the person or entity named on the legal proxy that authorizes you to vote its shares at the Annual Meeting.

APPOINTMENT OF PROXY

Shareholders of Record. We encourage you to appoint a proxy to vote on your behalf by promptly submitting the enclosed proxy card, which is solicited by our Board and which, when properly completed, signed, dated and returned to us, will ensure that your shares are voted as you direct. We strongly encourage you to return your completed proxy to us regardless of whether you will attend the Annual Meeting to ensure that your vote is represented at the Annual Meeting.

PLEASE RETURN YOUR PROXY CARD TO US IN THE ACCOMPANYING ENVELOPE, OR SUBMIT YOUR VOTE BY TELEPHONE OR ONLINE, NO LATER THAN 5:00 P.M., EASTERN TIME, ON MAY 18, 2011. IF WE DO NOT RECEIVE YOUR PROXY CARD BY THAT TIME, YOUR PROXY WILL NOT BE VALID. IN THIS CASE, UNLESS YOU ATTEND THE ANNUAL MEETING, YOUR VOTE WILL NOT BE REPRESENTED.

The persons named in the proxy card have been designated as proxies by our Board. The designated proxies are officers of the Company. They will vote as directed by the completed proxy card.

Shareholders of record may appoint another person to attend the Annual Meeting and vote on their behalf by crossing out the Board-designated proxies, inserting such other person's name on the proxy card and returning the duly executed proxy card to us. When the person you appoint as proxy arrives at the Annual Meeting, the inspector of election will verify such person's authorization to vote on your behalf by reference to your proxy card. If you would like to appoint a person as proxy other than those designated by our Board, you must do so by using the proxy card, as described above.

If you wish to change your vote, you may do so by revoking your proxy before the Annual Meeting. Please see APPOINTMENT OF PROXY Revocation of Proxy below for more information.

Beneficial Owners. If you hold your shares in street name, these proxy materials are being forwarded to you by your bank, broker or their appointed agent. You should also have received a voter instruction card instead of a proxy card. Your bank or broker will vote your shares as you instruct on the voter instruction card. We strongly encourage you to promptly complete and return your voter instruction card to your bank or broker in accordance with their instructions so that your shares are voted. As described above, you may also request a legal proxy from your bank or broker to vote in person at the Annual Meeting.

Voting by the Designated Proxies

The persons who are the designated proxies will vote as you direct in your proxy card or voter instruction card. Please note that proxy cards returned without voting directions, and without specifying a proxy to attend the Annual Meeting and vote on your behalf, will be voted by the proxies designated by our Board in accordance with the

recommendations of our Board. Our Board recommends:

a vote **FOR** each of the two nominees for director, each to serve for a three-year term (Proposal 1);

a vote **FOR** the approval of the compensation of our executive officers as disclosed in the proxy statement (Proposal 2);

A vote **FOR** the approval of the proposal that the shareholder advisory vote on executive compensation occur every two years (Proposal 3); and

a vote **FOR** the proposal to ratify the selection of Grant Thornton LLP as the Trust's and the Company's independent auditor for the fiscal year ending December 31, 2011 (Proposal 4).

If any other matter properly comes before the Annual Meeting, your proxies will vote on that matter in their discretion.

Revocation of Proxy

You may revoke or change your proxy before the Annual Meeting by:

sending us a duly executed written notice of revocation prior to the Annual Meeting;

attending the Annual Meeting and voting in person; OR

ensuring that we receive from you, **prior to 5:00 p.m., Eastern Time, on May 18, 2011** a new proxy card with a later date, including receipt of a new proxy card submitted online.

Any written notice of revocation must be sent to the attention of Carrie W. Ryan, Secretary, Compass Group Diversified Holdings LLC, Sixty One Wilton Road, Westport, Connecticut 06880 or by facsimile to (203) 221-8253.

APPROVAL OF PROPOSALS AND SOLICITATION

Each shareholder who owned shares of Trust stock on March 24, 2011, the record date for the determination of shareholders entitled to vote at the Annual Meeting, is entitled to one vote for each share of Trust stock. On March 24, 2011, we had 46,725,000 shares of Trust stock issued and outstanding that were held by more than 20,000 beneficial holders.

Quorum

Under the Amended and Restated Trust Agreement of the Trust, dated April 25, 2006, as amended, which we refer to as the Trust Agreement, the shareholders present in person or by proxy holding a majority of the outstanding shares of Trust stock entitled to vote shall constitute a quorum at a meeting of shareholders of Compass Diversified Holdings. Holders of shares of Trust stock are the only shareholders entitled to vote at the Annual Meeting. Shares represented by proxies that are marked "abstain" will be counted as shares present for purposes of determining the presence of a quorum. Shares of Trust stock that are represented by broker non-votes will be counted as shares present for purposes of determining the presence of a quorum. A broker non-vote occurs when the broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power to vote on that proposal without specific voting instructions from the beneficial owner. Proposals 1, 2 and 3 described in this proxy are non-discretionary items and Proposal 4 described in this proxy is a discretionary item.

If the persons present or represented by proxies at the Annual Meeting do not constitute a majority of the holders of outstanding Trust stock entitled to vote as of the record date, we will postpone the Annual Meeting to a later date.

Approval of Proposals

For the election of directors (Proposal 1) and for the advisory vote on the frequency of the shareholder advisory vote on executive compensation (Proposal 3), the affirmative vote of at least a plurality of the votes cast on each such proposal is required. The advisory vote on executive compensation (Proposal 2) requires the affirmative vote of at least a majority of the outstanding shares present in person or represented by proxy at the annual meeting. Because your votes on Proposal 2 and Proposal 3 are advisory, they will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation and determining the frequency of conducting an advisory vote on executive compensation. For the approval of the proposal to ratify the selection of Grant Thornton LLP as the independent auditor for the Trust and the Company (Proposal 4), the affirmative vote of at least a majority of the outstanding shares present in person or represented by proxy at the Annual Meeting is required. An abstention will not be counted as a vote cast. With the exception of certain business combinations, as such term is defined in the Trust Agreement, any other proposal that properly comes before the Annual Meeting must be approved by the affirmative vote of at least a majority of the outstanding shares present in person or represented by proxy at the annual meeting. A broker non-vote would also not be counted as a vote cast.

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Proposal 4 is a discretionary item. New York Stock Exchange (NYSE) member brokers that do not receive instructions from beneficial owners may vote your shares in their discretion. Proposals 1, 2 and 3 are non-discretionary items and member brokers may not vote on the proposal without specific voting instructions from beneficial owners, resulting in a broker non-vote.

Under the terms of the Third Amended and Restated Operating Agreement of Compass Group Diversified Holdings LLC, dated as of November 1, 2010, which we refer to as the LLC Agreement, and the Trust Agreement, with respect to those matters subject to vote by the members of the Company, the Company will act at the direction of the Trust. The Trust Agreement requires Compass

Diversified Holdings to vote 100% of the limited liability interests of the Company, or the LLC interests, of which it is the sole holder, in the same proportion as the vote of holders of the Trust stock. In this way the voting rights of members of the Company will effectively be exercised by the shareholders of the Trust by proxy. The LLC Agreement provides that the members are entitled, at the annual meeting of members of the Company, to vote for the election of all of the directors other than the director appointed by our manager, Compass Group Management LLC, which we refer to as our Manager. At this meeting, Class II directors will be elected in accordance with the LLC Agreement. See PROPOSAL 1: ELECTION OF DIRECTORS Board Composition for a description of Class II directors. The Trust will vote its LLC interests as directed at the Company's annual members meeting promptly following the tabulation of votes cast at this Annual Meeting.

All votes will be tabulated by Broadridge, the proxy tabulator and inspector of election appointed for the Annual Meeting. Broadridge will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Solicitation of Proxies

We will bear the cost of the solicitation of proxies, including the preparation, printing and mailing of this proxy statement and the proxy card. We have also retained Broadridge to distribute copies of these proxy materials to banks, brokers, fiduciaries and custodians, or their agents holding shares in their names on behalf of beneficial owners so that they may forward these proxy materials to our beneficial owners.

We may supplement the original solicitation of proxies by mail with solicitation by telephone, telegram and other means by directors, officers and/or employees of our Manager. We will not pay any additional compensation to these individuals for any such services.

PROPOSAL 1: ELECTION OF DIRECTORS

Board Composition

Our board of directors, which we sometimes refer to as our Board, consists of seven directors, six of whom were initially appointed by our Manager at the time of our initial public offering, and five of whom are the Company's independent directors. Our Board has the ability to decrease or increase the size of the board of directors to no less than five or up to thirteen directors, respectively. Six of our directors are elected by our shareholders and one director is appointed by our Manager. The Board is divided into three classes serving staggered three year terms. The terms of office of Classes I, II and III expire at different times in annual succession, with one class being elected at each annual meeting of shareholders. Messrs. Bottiglieri and Burns are Class II members and are up for re-election at this year's Annual Meeting. Messrs. Day and Ewing are Class III members and will serve until the 2012 Annual Meeting. Messrs. Edwards and Lazarus are Class I members and will serve until the 2013 Annual Meeting.

Pursuant to the LLC Agreement, as holder of the allocation interests, our Manager has the right to appoint one director to the Company's board of directors. Mr. Offenberg, our chief executive officer, has been appointed as the Manager's appointed director and is currently serving as the director appointed by our Manager. Any appointed director will not be required to stand for election by the shareholders.

Director Independence

Pursuant to our governing documents, our Board will consist of at least a majority of independent directors at all times. Our Board has reviewed the materiality of any relationship that each of our directors has with the Trust or the Company, either directly or indirectly. Based on this review, the Board has determined that the following directors are independent directors as defined by the New York Stock Exchange: Messrs. Burns, Day, Edwards, Ewing and Lazarus.

Election of Directors

The Class II directors will be elected at the Annual Meeting and will serve a term that expires at our 2014 Annual Meeting. Messrs. Bottiglieri and Burns have been nominated for re-election as Class II directors. Each of Mr. Bottiglieri and Mr. Burns was nominated by the board of directors upon the recommendation of the nominating and corporate governance committee.

The following paragraphs describe the business experience and education of Messrs. Bottiglieri and Burns.

James J. Bottiglieri has served as a director of the Company since December 2005, as well as its chief financial officer since its inception on November 18, 2005. Mr. Bottiglieri has also been an executive vice president of our Manager since 2005. Previously, Mr. Bottiglieri was the senior vice president/controller of WebMD Corporation. Prior to that, Mr. Bottiglieri was with Star Gas Corporation and a predecessor firm to KPMG LLP. Mr. Bottiglieri serves as a director for all of our subsidiary companies, except Staffmark Holdings, Inc. and Liberty Safe and Security Products, Inc. Mr. Bottiglieri also serves on the board of directors, audit committee and nominating and corporate governance committee of Horizon Technology Finance Corporation, a NASDAQ listed company. Mr. Bottiglieri is a graduate of Pace University.

As the chief financial officer of the Company, as well as a director for several of our subsidiary companies, Mr. Bottiglieri brings to our Board an intimate understanding of our business and operations and the business and operations of our subsidiaries. Mr. Bottiglieri provides the Board with Company-specific experience and expertise, in addition to his substantial expertise in accounting, tax and other financial matters.

Gordon M. Burns has served as a director of the Company since May 2008. Mr. Burns has been a private investor since 1998. Previously, he was responsible for investment banking at UBS Securities and before that was a managing director at Salomon Brothers Inc. Mr. Burns is a graduate of Yale University and the Harvard Business School. Mr. Burns served on the board of directors and audit committee of Aztar Corporation, a NYSE listed company, from 1998 through 2007.

Mr. Burns brings to our Board extensive knowledge of investment and financing activities, having significant experience in such fields. He has also been involved with several public and private companies as they have gone through important transitions, including mergers and acquisitions, divestitures, and management succession. Our Board benefits from the insights gleaned from these experiences.

The following paragraphs describe the business experience and education of our Class I and III directors and the Manager's appointed director (not standing for re-election).

Harold S. Edwards has served as a director of the Company since April 2006. Mr. Edwards has been the president and chief executive officer of Limoneira Company, a NASDAQ listed company, since November 2004. Previously, Mr. Edwards was the president of Puritan Medical Products, a division of Airgas Inc. Prior to that, Mr. Edwards held management positions with Fisher

Scientific International, Inc., Cargill, Inc., Agribands International and the Ralston Purina Company. Mr. Edwards is currently a member of the boards of directors of Limoneira Company and Calavo Growers, Inc., which is also a NASDAQ listed company. Mr. Edwards is a graduate of Lewis and Clark College and The Thunderbird School of Global Management.

Mr. Edwards' experience as a chief executive officer and senior executive across a variety of industries allows him to bring a hands on management perspective to our board of directors, particularly in the areas of operations, executive compensation, succession planning and issues confronting a diversified array of companies.

Mark H. Lazarus has served as a director of the Company since April 2006. Mr. Lazarus has been the president and chief executive officer of NBCUniversal Sports Cable Group since January 2011. Previously, Mr. Lazarus was a senior sports adviser for Comcast Corporation, a NASDAQ listed company, since December 2010, the president, media and marketing, of CSE, a sports and entertainment company from 2008 through 2010, and the president of Turner Entertainment Group from 2003 through 2008. Prior to that, Mr. Lazarus served in a variety of other roles for Turner Broadcasting and also worked for Backer, Spielvogel, Bates, Inc. and NBC Cable. Mr. Lazarus is a graduate of Vanderbilt University. Mr. Lazarus served on the board of directors of Cincinnati Bell, a NYSE listed company, from 2009 through 2011.

Mr. Lazarus' extensive experience in the media industry provides the Board with an important perspective in the areas of marketing and use of media by our Company and its subsidiaries. Mr. Lazarus' management and leadership experience provides the Board with guidance on the skills necessary to lead and properly manage our subsidiaries.

C. Sean Day has served as chairman of the board of directors of the Company since April 2006. Mr. Day has been the president of Seagin International, and he was the chairman of our Manager's predecessor from 1999 to 2006. Previously, Mr. Day was with Navios Corporation and Citicorp Venture Capital. Mr. Day is currently the chairman of the boards of directors of Teekay Corporation; Teekay Offshore GP LLC, the general partner of Teekay Offshore Partners LP; Teekay GP L.L.C., the general partner of Teekay LNG Partners LP; Teekay Tankers Limited and a member of the board of directors of Kirby Corporation, all NYSE listed companies. Mr. Day is a graduate of the University of Capetown and Oxford University.

Mr. Day's experiences as both an operating executive and investor are invaluable to our Board, and enable him to effectively serve as our chairman. Furthermore, Mr. Day's substantial experience as a director of other companies, both public and private, adds an important dimension to our Board and provides valuable insight on governance practices and risk management. In addition, his leadership experience and knowledge of global investment decisions and related risks provides the Board with an important global perspective.

D. Eugene Ewing has served as a director of the Company since April 2006. Mr. Ewing has been the managing member of Deeper Water Consulting, LLC, a private wealth and business consulting company since March, 2004. Previously, Mr. Ewing was with the Fifth Third Bank. Prior to that, Mr. Ewing was a partner in Arthur Andersen LLP. Mr. Ewing is on advisory boards for the business schools at Northern Kentucky University and the University of Kentucky. Mr. Ewing is also the chairman of the board of directors of Staffmark Holdings, Inc. and a director of a private trust company located in Wyoming and a private consulting company located in California. Mr. Ewing is a graduate of the University of Kentucky.

As a former partner with a respected independent registered public accounting firm, Mr. Ewing brings to our Board and his role as chairman of our audit committee substantial experience with complex accounting and reporting issues, SEC filings and corporate transactions. Mr. Ewing's experience in these areas has allowed him to become, as the chairman of our audit committee, a strong financial leader.

Alan B. Offenber has served as a director and chief executive officer of the Company since February 2011. Mr. Offenber has also been a partner of our Manager and its predecessor since 1998. Previously, Mr. Offenber was with Trigen Energy, Creditanstalt-Bankverein and GE Capital. Mr. Offenber currently serves as a director and the chairman of American Furniture Manufacturing, Inc. and Liberty Safe and Security Products, Inc. Mr. Offenber is a graduate of Tulane University and the Northeastern University Graduate School of Business.

Mr. Offenber brings extensive experience in management, private equity and operating finance to our board of directors. Mr. Offenber's knowledge and experience of the Company, as well as the Company's subsidiaries, provides the Board with an intricate understanding of the Company's business, history and organization that is critical to the

overall functioning of the Board.

Recommendation of the Board

Our board of directors recommends that you vote **FOR** the election of Messrs. Bottiglieri and Burns to our Board as Class II directors for a term ending at our 2014 Annual Meeting.

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PROPOSAL 2 ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with applicable SEC rules.

Our compensation policy is designed to enable us to attract, motivate, reward and retain the management talent required to achieve our objectives, and thereby increase shareholder value. Please see the section titled Compensation Discussion and Analysis and the related compensation tables below for additional details about our executive compensation policy, including information about the fiscal year 2010 compensation of our named executive officers.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officer and the philosophy, policies and practices described in this proxy statement. We believe our overall compensation policy accomplishes our compensation goals of attracting and retaining a qualified and talented chief financial officer. Accordingly, we will ask our shareholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officer, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission.

The say-on-pay vote is advisory, and therefore not binding on the Company, the compensation committee or our board of directors. Our board of directors and our compensation committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider the results of the vote in future compensation deliberations and evaluate whether any actions are necessary to address shareholder concerns.

Recommendation of the Board

Our board of directors recommends that you vote **FOR** the resolution approving the compensation of our executive officer as disclosed in this proxy statement.

PROPOSAL 3 FREQUENCY OF ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

The Dodd-Frank Act also enables our shareholders to indicate how frequently we should seek an advisory vote on the compensation of our named executive officer, as disclosed pursuant to the SEC's compensation disclosure rules. By voting on this Proposal 3, shareholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two, or three years. After careful consideration of this Proposal, our board of directors has determined that an advisory vote on executive compensation that occurs every two years is the most appropriate alternative for our Company.

Our Board has determined that an advisory vote on executive compensation that occurs every two years is the most appropriate alternative for our Company, and therefore our Board recommends that you vote for a two-year interval for the advisory vote on executive compensation. The board believes that an advisory vote on "say on pay" every other year represents an appropriate balance between receiving shareholder input and the need for stability and continuity with respect to corporate policies. By holding the vote every other year, we can achieve our goal of attracting and retaining a qualified and talented chief financial officer while receiving frequent shareholder input into our compensation policy and objectives.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting when you vote in response to the resolution set forth below.

RESOLVED, that the option of once every one year, two years, or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold a shareholder vote to approve the compensation of the named executive officer, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission.

While this vote is advisory and non-binding in nature, it is the intention of the Board to adopt a policy to seek an advisory vote on the compensation of our named executive officers with the frequency desired by our shareholders as expressed by their vote on this proposal. Shareholders should be aware that they are not voting for or against the board's recommendation to hold an advisory vote on executive compensation every two years. Rather, shareholders will be casting votes to recommend an advisory vote on executive compensation every year, once every two years or once every three years, or they may abstain entirely from voting.

Recommendation of the Board

Our board of directors recommends that you vote **FOR** future advisory votes on the compensation of our executive officer to occur every two years.

PROPOSAL 4 -RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR**General**

Our Board has recommended and asks that you ratify the selection of Grant Thornton LLP as independent auditor for the Company and the Trust for the fiscal year ending December 31, 2011. You would be so acting based on the recommendation of our audit committee.

Grant Thornton LLP was appointed by our audit committee to audit the annual financial statements of the Company and the Trust for the fiscal years ended December 31, 2010 and December 31, 2009. Based on its past performance during these audits, the audit committee of the Board has selected Grant Thornton LLP as the independent auditor to perform the audit of our financial statements and internal control over financial reporting for 2011. Grant Thornton LLP is a registered public accounting firm. Information regarding Grant Thornton LLP can be found at: www.grantthornton.com.

The affirmative vote of a majority of the outstanding shares present in person or represented by proxy at the Annual Meeting is required to ratify the appointment of Grant Thornton LLP. If you do not ratify the selection of Grant Thornton LLP, our Board will reconsider its selection of Grant Thornton LLP and may, in its sole discretion, make a new proposal for independent auditor.

Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to questions.

Fees

The chart below sets forth the total amount billed to us by Grant Thornton LLP for services performed for fiscal years 2010 and 2009, respectively, and breaks down these amounts by category of service:

	2010	2009
Audit Fees (1)	\$ 3,094,019	\$ 2,491,421
Audit-Related Fees (2)		
Tax Fees (3)		
All Other Fees (4)	142,376	51,640
 Total	 \$ 3,236,395	 \$ 2,543,061

- (1) **Audit Fees** are fees billed by Grant Thornton LLP for professional services for the audit of our consolidated financial statements included in our annual reports on Form 10-K and for the review of financial statements included in our quarterly reports on Form 10-Q, or for services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.
- (2) **Audit-Related Fees** are fees billed by Grant Thornton LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. There were no audit related fees in 2010 or 2009.
- (3) **Tax fees** are fees billed by Grant Thornton LLP for professional services rendered in connection with tax compliance, advice and planning. There were no tax fees billed in 2010 or 2009.
- (4) **Other Fees** are fees billed by Grant Thornton LLP for the performance of due diligence services. The 2010 fees were rendered for diligence efforts associated with our acquisition of Liberty Safe and Security Products, Inc. completed in March of 2010. The 2009 fees were rendered for diligence efforts associated with an unsuccessful acquisition.

Pre-Approval Policies and Procedures

The audit committee has established policies and procedures for its appraisal and approval of audit and non-audit services. The audit committee has also delegated to the chairman of the committee the authority to approve additional audit and non-audit services and, subject to compliance with all applicable independence requirements, to approve the engagement of additional accounting firms to provide such services. The audit committee or its chairman has pre-approved all of the services provided by Grant Thornton LLP since its engagement. All other audit-related, tax and other fees may be approved by the audit committee prospectively.

In making its recommendation to ratify the selection of Grant Thornton LLP as independent auditor for the fiscal year ending December 31, 2011, the audit committee has considered whether the services provided by Grant Thornton LLP are compatible with maintaining the independence of Grant Thornton LLP and has determined that such services do not interfere with Grant Thornton LLP's independence.

Recommendation of the Board

Our board of directors recommends that, based on the recommendation of the audit committee, you vote **FOR** the ratification of the selection of Grant Thornton LLP to serve as independent auditor for the Company and the Trust for the fiscal year ending December 31, 2011.

BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND COMMITTEES**Certain Information Regarding our Directors and Executive Officers**

The name and age of each director, nominee and executive officer and the positions held by each of them as of March 31, 2011 are as follows:

Director	Age	Serving as Officer or Director Since	Position
C. Sean Day	61	2006	Chairman/Director
Gordon M. Burns	59	2008	Director
Harold S. Edwards	45	2006	Director
D. Eugene Ewing	62	2006	Director
Mark H. Lazarus	47	2006	Director
Alan B. Offenbergl	43	2011	Director, Chief Executive Officer
James J. Bottiglieri	55	2005	Director, Chief Financial Officer

Board Leadership Structure and Role of Risk Oversight

Generally. The LLC Agreement provides that the chairman is elected by a majority of the Board and must be a member of the board of directors. The chairman is not required to be an employee of the Company. Likewise, the LLC Agreement provides that the chief executive officer is elected by the board of directors. Although there is no requirement that the chief executive officer and the chairman be separate positions, the Board has currently chosen to separate the chief executive officer and chairman of the Board positions. The Board believes the current separation of these roles helps to ensure good Board governance and fosters independent oversight to protect the long term interests of the Company's private and institutional shareholders. In addition, the Board believes this separation is presently appropriate as it allows our chief executive officer to focus primarily on leading the Company's day-to-day business and affairs while the chairman can focus on leading the Board in its consideration of strategic issues and monitoring corporate governance and shareholder matters.

Risk Oversight. The board of directors performs a majority of its role in risk oversight through the audit committee. The audit committee charter provides that the audit committee shall assist the Board in fulfilling its oversight responsibility relating to the evaluation of enterprise risk issues. In addition, the audit committee, pursuant to its charter, discusses with management, the vice president of internal audit and internal audit service providers, as the case may be, and the independent accountant, the Company's major risk exposures (whether financial, operational or both) and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The Company's internal audit department supervises the day-to-day risk management responsibilities of the Company and reports directly to the audit committee, which is comprised solely of independent directors. In addition, during each quarterly meeting of the audit committee, the members of the audit committee meet with the Company's vice president of internal audit and independent accountant, in each case, without management present, to discuss the specific areas of risk identified during the quarter, if any. The audit committee is authorized to utilize outside lawyers, internal staff, independent experts, and other consultants to assist and advise the committee in connection with its responsibilities, including the evaluation of the Company's major risk exposures. The Company's management team regularly evaluates the risks inherent to the businesses of the Company's subsidiaries and periodically reports the results of such evaluations to the full Board for consideration. The Board believes that the foregoing processes for overseeing risk ensures that independent directors are aware of the Company's major risk exposures.

Board Meetings and Committees

Our Board met nine times during 2010. All independent directors attended at least 75% of the combined Board and committee meetings on which they served in 2010.

The LLC Agreement gives our Board the authority to delegate its powers to committees appointed by the Board. All of our standing committees are composed solely of independent directors. Our committees are required to conduct meetings and take action in accordance with the directions of the Board, the provisions of our LLC Agreement and the terms of the respective committee charters. We have three standing committees: the audit committee, the

compensation committee and the nominating and corporate governance committee. Each of the audit committee, compensation committee and nominating and corporate governance committee may not delegate any of its authority to subcommittees, unless otherwise authorized by the Board. Copies of all committee charters are available on our website at www.compassdiversifiedholdings.com, and in print from us without charge upon request by writing to Investor Relations at our principal executive offices at Sixty One Wilton Road, Westport, Connecticut 06880. The information on our

website is not, and shall not be deemed to be, incorporated by reference into this proxy statement or incorporated into any other filings that the Company or the Trust makes with the Securities Exchange Commission, which we refer to as the SEC.

Audit Committee. The audit committee is comprised entirely of independent directors who meet the independence requirements of the NYSE and Rule 10A-3 of the Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and includes at least one audit committee financial expert, as required by applicable SEC regulations. The audit committee is responsible for, among other things:

retaining and overseeing our independent accountants;

assisting the Company's board of directors in its oversight of the integrity of our financial statements, the qualifications, independence and performance of our independent auditors and our compliance with legal and regulatory requirements;

reviewing and approving the plan and scope of the internal and external audit;

pre-approving any audit and non-audit services provided by our independent auditors;

approving the fees to be paid to our independent auditors;

reviewing with our chief executive officer and chief financial officer and independent auditors the adequacy and effectiveness of our internal controls;

preparing the audit committee report to be filed with the SEC; and

reviewing and assessing annually the audit committee's performance and the adequacy of its charter.

Messrs. Edwards, Ewing and Burns serve on our audit committee, and the Board has determined that Mr. Ewing qualifies as an audit committee financial expert, as defined by the SEC. The audit committee met six times during 2010.

Compensation Committee. The compensation committee is comprised entirely of independent directors who meet the independence requirements of the NYSE. In accordance with the compensation committee charter, the members are outside directors as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, and non-employee directors within the meaning of Section 16 of the Exchange Act. The responsibilities of the compensation committee include:

reviewing our Manager's performance of its obligations under the Management Services Agreement;

reviewing the remuneration of our Manager and approving the remuneration paid to our Manager as reimbursement for the compensation paid by our Manager to our chief financial officer and the chief financial officer's staff;

determining the compensation of our independent directors;

granting rights to indemnification and reimbursement of expenses to the Manager and any seconded individuals; and

making recommendations to the Board regarding equity-based and incentive compensation plans, policies and programs.

Neither the compensation committee nor management has engaged compensation consultants to provide advice with respect to the form or amount of director compensation. During early 2011, the compensation committee conducted a survey of the director compensation practices of other companies that it considered roughly comparable

to the Company and also considered the time commitment and related burdens of Board service over the Company's history. Based upon the compensation committee's review, the compensation committee recommended to the full Board that the annual cash retainer payable to directors be increased by thirteen percent. The compensation committee also recommended that the annual equity compensation payable to directors and the Company's chairman be increased by thirty-five percent and thirty-three percent, respectively. The foregoing increases represent an aggregate increase in compensation for each of the Company's directors and its chairman of twenty percent. The full Board ratified the compensation committee's recommendation on March 3, 2011. The increases in compensation became effective as of January 1, 2011.

Messrs. Edwards, Ewing and Lazarus serve on our compensation committee. The compensation committee met one time during 2010.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee is comprised entirely of independent directors who meet the independence requirements of the NYSE. The nominating and corporate governance committee is responsible for, among other things:

- recommending the number of directors to comprise the board of directors;

- identifying and evaluating individuals qualified to become members of the board of directors, other than our Manager's appointed director and his or her alternate, and soliciting recommendations for director nominees from the chairman and chief executive officer of the Company;

- recommending to the Board the director nominees for each annual shareholders' meeting, other than our Manager's appointed director;

- recommending to the board of directors the candidates for filling vacancies that may occur between annual shareholders' meetings, other than our Manager's appointed director;

reviewing independent director compensation and Board processes, self-evaluations and policies;

overseeing compliance with our code of ethics and conduct by our officers and directors; and

monitoring developments in the law and practice of corporate governance.

Messrs. Burns, Edwards, and Lazarus serve on our nominating and corporate governance committee. The nominating and corporate governance committee met one time during 2010.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee are, or have been, an officer or employee of the Company. During 2010, no member of our compensation committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. None of our executive officers serves on a board of directors or compensation committee of a company that has an executive officer serving on our Board or compensation committee.

Executive Sessions of our Board

Our corporate governance guidelines provide that the non-management directors will meet without management directors at regularly scheduled executive sessions at least quarterly and at such other times as they deem appropriate. The non-management directors meet in regularly scheduled executive sessions. The independent directors meet in executive session at least once annually. In accordance with our corporate governance guidelines, the chairman of the Board, audit committee, nominating and corporate governance committee or compensation committee will preside at these executive sessions of the non-management directors as determined by the non-executive directors based upon the subject matter to be discussed. Mr. Day presided, and continues to preside, over sessions of the non-management directors. Our non-management directors met at least four times during 2010.

Nominations of Directors

As provided in its charter, the nominating and corporate governance committee will identify and recommend to the Board nominees for election or re-election to the Board. In addition, the committee may review candidates for the Board recommended by executive search firms, the Company's management and other members of the Board who are not members of the committee, as well as candidates recommended by shareholders, in accordance with the following criteria and as discussed in **BOARD OF DIRECTORS AND EXECUTIVE OFFICERS** Shareholder Nominations of Directors below.

The nominating and corporate governance committee, in making its recommendations regarding Board nominees, may consider some or all of the following factors, among others:

the candidate's judgment, skill, and experience with other organizations of comparable purpose, complexity and size, and subject to similar legal restrictions and oversight;

the relationship of the candidate's experience to the experience of other Board members;

the extent to which the candidate would be a valuable addition to the Board and any committees thereof;

whether or not the person has any relationships that might impair his or her independence, including any business, financial or family relationships with the Manager or the Company's management; and

the candidate's ability to contribute to the effective management of the Company, taking into account the needs of the Company and such factors as the individual's experience, perspective, skills, and knowledge of the industries in which the Company operates.

In recommending candidates for election as directors, the nominating and corporate governance committee will also take into consideration the need for the board of directors to have a majority of directors that are independent under the requirements of the NYSE and other applicable laws, and at least three directors that are independent under these requirements and are not appointed by the Manager pursuant to the terms of the Management Services Agreement or otherwise affiliated with our Manager.

In addition, the nominating and corporate governance committee will recommend candidates for election as directors based on the following criteria and qualifications:

