

Compass Diversified Trust
Form 8-K
March 01, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 28, 2007

COMPASS DIVERSIFIED TRUST

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-51937

(Commission File Number)

57-6218917

(I.R.S. Employer Identification No.)

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-51938

(Commission File Number)

20-3812051

(I.R.S. Employer Identification
No.)

Sixty One Wilton Road

Second Floor

Westport, CT 06880

(Address of principal executive offices and zip code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Acquisition of New Businesses

Compass Group Diversified Holdings LLC (the *Company*), a wholly owned subsidiary of Compass Group Diversified Trust (the *Trust* and, together with the LLC, collectively *CODI*, *us* or *we*) in the ordinary course of its business acquires and manages small to middle market businesses. The following descriptions relate to the recent acquisition of two such businesses.

Aeroglide Corporation

On February 28, 2007, Aeroglide Holdings, Inc., a majority-owned subsidiary of the *Company* (the *Buyer*), entered into a Stock Purchase Agreement with Aeroglide Corporation (*Aeroglide*) and the shareholders of Aeroglide (the *Sellers*) to purchase, and consummated the purchase of, all of the outstanding capital stock of Aeroglide owned by the *Sellers*.

The *Company* paid an aggregate of approximately \$57.4 million in cash for its majority owned share of the Aeroglide stock and its portion of transaction expenses which totalled approximately \$1.2 million. The *Company*'s cash consideration and transaction expenses were funded by the *Company* through available cash and a drawing on the *Company*'s existing revolving credit facility. As a result of the transaction, *CODI* will own a substantial majority of the equity of *Buyer*. Aeroglide's management and affiliates of two of *CODI*'s lenders invested in the transaction and will own minority interests in *Buyer*.

Founded in 1940 and based in Carey, North Carolina, Aeroglide is a leading global designer and manufacturer of industrial drying and cooling equipment. Aeroglide's specialized thermal processing equipment is designed to remove moisture and heat from, as well as roasting, toasting, and baking a variety of processed products. The *Company*'s machinery is used in the production of a variety of human foods, animal and pet feeds, and industrial products. Concurrent with the closing of the *Buyer*'s acquisition of Aeroglide, the *Company* provided a credit facility to the *Buyer*, as Co-Borrower and Aeroglide, as Borrower, which funded, in part, the *Buyer*'s purchase of Aeroglide's stock from the *Sellers* and made available to the *Buyer* and Aeroglide a secured revolving loan commitment and secured term loans. The loans to *Buyer* and Aeroglide are secured by security interests in all of the assets of *Buyer* and Aeroglide and the pledge of the equity interests in Aeroglide and its subsidiaries. In addition to being similar to the terms and conditions of the credit facilities in place with our existing businesses, the *Company* believes that the terms of the loans are fair and reasonable given the leverage and risk profile of *Buyer* and Aeroglide.

Compass Group Management LLC, our manager, performed transaction services for the *Buyer* for which it received fees and expense payments from Aeroglide totaling approximately \$0.6 million.

HALO Branded Solutions, Inc.

On February 28, 2007, HALO Holding Corporation, a majority-owned indirect subsidiary of the *Company* (the *Buyer*) entered into a Stock Purchase Agreement with HA-LO Holdings, LLC (the *Seller*) to purchase, and consummated the purchase of, all of the outstanding capital stock of HALO Branded Solutions, Inc. (*HALO*) owned by the *Seller*.

The *Company* paid an aggregate of approximately \$61.3 million in cash for its majority owned share of the HALO stock, net of indebtedness of HALO retired in connection with the closing and for its portion of transaction expenses which totalled approximately \$1.1 million. The *Company*'s portion of the cash consideration and transaction expenses were funded by the *Company* through available cash and a drawing on the *Company*'s existing credit facility. As a result of the transaction, *CODI* will own a substantial majority of the equity of a newly formed limited liability company, which will own all of the stock of *Buyer*. HALO's management and affiliates of two of *CODI*'s lenders invested in the transaction and will own minority interests in the limited liability company.

Founded in 1952 and based in Sterling, Illinois, HALO is a leading distributor of customized promotional products. HALO's account executives work with a diverse group of end customers to develop the most effective means of communicating a logo or marketing message to a target audience.

Operating under the brand names HALO and Lee Wayne, HALO provides its more than 30,000 customers a one-stop-shop resource for design, sourcing, management and fulfillment across all categories of its customers promotional products needs.

Concurrent with the closing of the Buyer's acquisition of HALO, the Company provided a credit facility to the Buyer, as Co-Borrower and HALO, as Borrower, which funded, in part, the Buyer's purchase of HALO's stock from the Sellers and made available to HALO a secured revolving loan commitment and secured term loans. The loans to the Buyer and HALO are secured by security interests in all of the assets of the Buyer and HALO and the pledge of the equity interests in the Buyer, HALO and HALO's subsidiaries. In addition to being similar to the terms and conditions of the credit facilities in place with our existing businesses, the Company believes that the terms of the loans are fair and reasonable given the leverage and risk profile of the Buyer and HALO.

Compass Group Management LLC, our manager, performed transaction services for the Buyer for which it received fees and expense payments totaling approximately \$0.6 million.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

- 99.1 Press Release of the Company dated March 1, 2007 announcing the purchase of Aeroglide stock and HALO Stock.
- 99.2 Stock Purchase Agreement, dated as of February 28, 2007, among Aeroglide Corporation, the shareholders of Aeroglide Corporation and Aeroglide Holdings, Inc.
- 99.3 Stock Purchase Agreement, dated as of February 28, 2007, by and between HA-LO Holdings, LLC and HALO Holding Corporation.

SIGNATURES

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

Date: March 1, 2007

COMPASS DIVERSIFIED TRUST

By: /s/ James J. Bottiglieri

James J. Bottiglieri
Regular Trustee

SIGNATURES

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

Date: March 1, 2007

COMPASS GROUP DIVERSIFIED
HOLDINGS LLC

By: /s/ James J. Bottiglieri

James J. Bottiglieri
Chief Financial Officer

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