COMPASS DIVERSIFIED

On September 1, 2021 Compass Diversified Trust elected to be treated as an association taxable as a corporation for U.S. federal income tax purposes (the "Election"). Prior to the Election, the Trust was taxed as a publically traded partnership for U.S. federal income tax purposes and issued annual Schedule K-1s to the Trust shareholders. Following the Election the Trust will issue final Schedule K-1s and thereafter will cease to issue Schedule K-1s to shareholders.

Below is a list of frequently asked questions in connection with the Election.

What are the benefits to shareholders?	Compass believes that the Election to be treated as an association taxable as a corporation for U.S. federal income tax purposes will benefit our business and our shareholders. The following are a few examples of the benefits we anticipate: an increase in share liquidity with a broadened pool of investors, a reduced weighted average cost of capital, greater flexibility in investment decisions, an improved likelihood of CODI's stock's inclusion within stock indices, an improvement of CODI's profile with ratings agencies, and reduced administrative cost.
Will I incur a tax liability based on the new tax reclassification?	The Election to be taxed as a corporation is expected to result in capital gain to the Trust. The capital gain resulting from the Election will be allocated and passed through to our common shareholders. Allocation of the gain resulting from the Election may result in a current 2021 tax year liability for Trust shareholders who held common shares on the Election date. The capital gain allocated to these Trust shareholders will increase the tax basis in their Trust shares, which should result in additional basis to offset taxable gain realized on a future disposition of the Trust shares.
Why did I receive a $0.88 special distribution in September of 2021?	Considering the current capital gain allocation to Shareholders, we paid a special distribution of $0.88 per common share. The special distribution, together with our other regular quarterly distributions, is intended to cover the tax burdens associated with the Shareholders' allocable share of the gain realized as a result of the Election. The special distribution itself will not fully cover a common shareholder's tax burden associated with the Election, and such burden may be covered, if at all, only by the special distribution plus our regular 2021 quarterly distributions. Shareholders that did not receive each of our quarterly distributions prior to the effective date of the Election, plus the special distribution, may not receive cash distributions sufficient to cover such Shareholder's tax burden associated with the Election. Furthermore, there can be no assurance that the special distribution, even together with our regular quarterly distributions, will be sufficient to cover a Shareholder's tax on their share of the taxable capital gain associated with the Election and the Company's other taxable income, including the gain from the divestiture of a subsidiary prior to the effective date of the Election.
Will my cost basis change and if so, how do I calculate my new cost basis?	A Shareholder's basis in Trust shares for the period in which the Trust was taxed as a publically traded partnership is generally calculated as follows: the Trust shareholder's initial cost basis, increased by income allocated on Schedule K-1, and decreased by deductions and distributions allocated on Schedule K-1. After the Election and the special distribution, a Shareholder's aggregate basis in the corporate Trust shares should be equal to the basis immediately before the special distribution and Election, reduced by the special distribution amount and increased by the Election gain. A shareholder's holding period in the Trust shares should be unaffected by the Election and should include the period prior to the Election.
Will I continue to receive a Schedule K-1?	No. We will issue a final Schedule K-1 with respect to our final taxable period as a partnership, which ended on August 31, 2021, the effective date of the Election. After we issue the final Schedule K-1, we will no longer issue a Schedule K-1.
When will I receive my final 2021 Schedule K-1?	As in the past, the final Schedule K1 will be available prior to the end of February 2022. Additional information will be available here [Insert link to the K-1 page].
Going forward, will the distribution be considered a qualified dividend or return of capital?	We expect that distributions with respect to the Trust's corporate shares will generally constitute "qualified dividend income" for U.S. federal income tax purposes to the extent such distributions are paid from the Trust's current or accumulated earnings and profits (as determined under U.S. federal income tax principles), provided that the shareholder has held the Trust shares for the requisite holding period. To the extent that the amount of a distribution exceeds the Trust's current and accumulated earnings and profits, such distribution will first be treated as a non-taxable return of capital to the extent of (and reducing, but not below zero) the Shareholder's adjusted tax basis in its Trust shares and thereafter will be treated as capital gain from the sale or exchange of such shares.
How will future distributions be reported?	Following the Election, distributions will be reported to shareholders on Form 1099-DIV issued by your broker.
I represent a tax-exempt entity that owns shares of CODI common stock. Does CODI generate Unrelated Business Taxable Income ("UBTI")?	Beginning September 1, 2021 (the effective date of the Election), a tax-exempt entity owning shares of CODI stock should not be allocated or otherwise derive income from CODI that would typically be treated as UBTI. However, U.S. tax-exempt stockholders should consult their own tax advisors as to the U.S. federal income tax consequences of its own activity in connection with the acquisition, ownership, and disposition of shares of CODI stock that may otherwise result in UBTI.