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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**23-2874736**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10590 Hamilton Avenue Cincinnati, Ohio	**45231**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (513) 851-4900

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
11.6% Junior Subordinated Debentures	None
Preferred Securities Guaranty	None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 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	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

On March 31, 2011, 5,000 shares of the Registrant's common stock were issued and outstanding and 4,217,724 Trust Preferred Securities were issued and outstanding by the Hillman Group Capital Trust. The Trust Preferred Securities trade on the NYSE Amex under the symbol HLM.Pr. The aggregate market value of the Trust Preferred Securities held by non-affiliates at June 30, 2010 was $121,175,211.

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PART I

Item 1 – Business.

General

The Hillman Companies, Inc. and its wholly owned subsidiaries (collectively "Hillman" or the "Company") are one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. The Company's principal business is operated through its wholly-owned subsidiary, The Hillman Group, Inc. (the "Hillman Group") which had net sales of approximately $462.4 million in 2010. The Hillman Group sells its products to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Australia, Latin America and the Caribbean. Product lines include thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; builder's hardware; and identification items, such as tags and letters, numbers, and signs. The Company supports its product sales with value added services including design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

The Company's headquarters are located at 10590 Hamilton Avenue, Cincinnati, Ohio. The Company maintains a website athttp://www.hillmangroup.com. Information contained or linked on our website is not incorporated by reference into this annual report and should not be considered a part of this annual report.

Background

On May 28, 2010, Hillman was acquired by affiliates of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman is a wholly-owned subsidiary of OHCP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was $832.7 million which includes $11.5 million for the Quick Tag license and related patents, repayment of outstanding debt and the net value of the Company's outstanding junior subordinated debentures ($105.4 million liquidation value, net of $3.3 million in trust common securities, at the time of the merger).

Prior to the Merger Transaction, affiliates of Code Hennessy & Simmons LLC ("CHS") owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owned 28.0% of the Company's outstanding common stock and 31.0% of the Company's voting common stock and HarbourVest Partners VI owned 8.7% of the Company's outstanding common stock and 9.7% of the Company's voting common stock. Certain current and former members of management owned 13.7% of the Company's outstanding common stock and 4.4% of the Company's voting common stock. Other investors owned 0.3% of the Company's common stock and 0.3% of the Company's voting common stock.

The Company's consolidated balance sheet as of May 28, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented prior to May 28, 2010 are referenced herein as the predecessor financial statements (the "Predecessor" or "Predecessor Financial Statements"). The Company's consolidated balance sheet as of December 31, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements"). The Predecessor Financial Statements do not reflect certain transaction amounts that were incurred at the close of the Merger Transaction. Such transaction amounts include the write-off of $5.0 million in deferred financing fees associated with the Predecessor debt obligations.

Recent Developments

On December 29, 2010, the Hillman Group entered into a Stock Purchase Agreement by and among Serv-A-Lite Products, Inc. ("Servalite"), Thomas Rowe, Mary Jennifer Rowe and the Hillman Group, whereby the Hillman Group acquired all of the equity interest of Servalite. The aggregate purchase price, including acquisition costs, was $21.3 million paid in cash at closing. Servalite, an East Moline, Illinois based distributor of specialty fasteners and electrical parts is expected to strengthen the Company's position in providing value-added products and service to home centers and hardware retailers.

On March 16, 2011, Hillman Group closed its acquisition of TAGWORKS, L.L.C. ("TagWorks"), an Arizona limited liability company (the "TagWorks Acquisition") for an initial purchase price of approximately $40.0 million in cash. In addition, subject to fulfillment of certain conditions, Hillman Group will pay additional consideration of $12.5 million to the sellers of TagWorks on October 31, 2011, and an additional earn-out payment of up to $12.5 million in 2012.

Founded in 2007, TagWorks provides innovative pet ID tag programs to a leading pet products chain retailer using a unique, patent-protected / patent-pending technology and product portfolio. In conjunction with this agreement, Hillman Group entered into an agreement with KeyWorks-KeyExpress, LLC ("KeyWorks"), a company affiliated with TagWorks, to assign its patent-pending retail key program technology to Hillman Group and to continue to work collaboratively with us to develop next generation key duplicating technology.

In connection with the TagWorks Acquisition, Hillman Group completed an offering of $50 million aggregate principal amount of its 10.875% Senior Notes due 2018 (the "new notes"). The Hillman Group previously issued $150 million aggregate principal amount of its 10.875% Senior Notes due 2018 in May 2010 (together with the new notes, the "notes"). The Hillman Group used the net proceeds from the offering of the new notes to fund the acquisition of TagWorks, to repay a portion of the indebtedness under its revolving credit facility and to pay related fees, expenses and other related payments. The notes are guaranteed by The Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of The Hillman Group.

For additional information on certain details of the transactions, see "Item 7 - Management's Discussion and Analysis of Financial Conditions and Results of Operations."

The Hillman Group

The Company is organized as a single business segment, The Hillman Group. A subsidiary of the Hillman Group operates in (1) Canada under the name The Hillman Group Canada, Ltd., (2) Mexico under the name SunSource Integrated Services de Mexico SA de CV, (3) primarily in Florida under the name All Points Industries, Inc. and (4) Australia under the name The Hillman Group Australia Pty. Ltd. Retail outlets served by Hillman include hardware stores, home centers, mass merchants, pet supply stores, grocery stores and drug stores. Through its field sales and service organization, Hillman complements its extensive product selection with value-added services for the retailer.

Sales and service representatives regularly visit retail outlets to review stock levels, reorder items in need of replacement, and interact with the store management to offer new product and merchandising ideas. Thousands of items can be actively managed with the retailer experiencing a substantial reduction in paperwork and labor costs. Service representatives also assist in organizing the products in a consumer-friendly manner. Hillman complements its broad range of products with value-added merchandising services such as displays, product identification stickers, retail price stickers, store rack and drawer systems, assistance in rack positioning and store layout, and inventory restocking services. Hillman regularly introduces new products and package designs with color-coding for ease of shopping by consumers and modifies rack designs to improve the attractiveness of individual store displays. Hillman functions as a merchandising manager for retailers and supports this service with high order fill rates and rapid delivery of products sold.

The Company ships its products from 12 strategically located distribution centers in the United States, Canada and Mexico (See Item 2 – Properties). The Company closed its distribution center in Green Island, NY in March 2009 and closed its Portland, OR distribution center in October 2010. The impact of closing these facilities was not material to Company operations. Customer orders processed from these facilities were shifted to existing facilities in Forest Park, OH, LaCrosse, WI and Shafter, CA. Hillman utilizes a third-party logistics provider to warehouse and ship customer orders in Mexico. Currently, orders are shipped within 48 hours and, for the year ended December 31, 2010, the Company had a 97.5% order fill rate.

Hillman also manufactures and markets a value-added mix of high-tech and conventional products in two core product categories: key duplication systems and identification systems. The patent-protected Axxess Precision Key Duplication System™ has proven to be a profitable revenue source within Big Box retailers. The technology developed for this system revolutionized the key duplicating process utilizing computer aided alignment, indexing and duplication of keys. This system has been placed in over 14,300 retail locations to date and is supported by Hillman sales and service representatives.

In addition, Hillman offers Quick-Tag™, a commercialized, consumer-operated vending system which provides custom engraved specialty items, such as pet identification tags, luggage tags and other engraved identification tags. To date, more than 2,700 Quick-Tag™ machines have been placed in retail locations which are being supported by Hillman's sales and service representatives.

Products and Suppliers

Hillman currently purchases its products from approximately 750 vendors, the largest of which accounted for approximately 7.6% of the Company's annual purchases and the top five of which accounted for approximately 23.9% of its annual purchases. About 41.1% of Hillman's annual purchases are from non-U.S. suppliers, with the balance from U.S. manufacturers and master distributors. The Company's vendor quality control procedures include on-site evaluations and frequent product testing. Vendors are also evaluated based on delivery performance and the accuracy of their shipments.

Fasteners

Fasteners still remain the core of Hillman's business and the product line encompasses more than 40,000 stock keeping units ("SKUs"), which management believes to be one of the largest selections among suppliers servicing the hardware retail segment. The fastener line includes standard and specialty nuts, bolts, washers, screws, anchors, and picture hanging items. Hillman offers zinc, chrome, and galvanized plated steel fasteners in addition to stainless steel, brass, and nylon fasteners in this vast line of products. In addition, the Company carries a complete line of indoor and outdoor project fasteners for use with drywall and deck construction.

Some of the Company's latest offerings include WallDog™, which is an innovative, all steel, one-piece screw anchor which features high profile threads for easy fastening into drywall and masonry base materials. In addition, the new Agri Center marked Hillman's expansion into the fast growing and highly fragmented Agricultural hardware segment. The Agri Center features accessories and fasteners commonly used for the repair and maintenance of trailers and implementation equipment. The program also features an innovative new merchandising format which allows retailers to increase holding power while displaying products in a neat and organized system.

Further, the Company's chrome and automotive fastener lines are offered primarily to franchise and independent hardware stores and automotive parts retailers. Management believes that these two lines are among the most comprehensive in the retail market and are growing in popularity with both the automotive and motorcycle industries. Other new fastener offerings include construction lags, suspended ceiling fasteners, wire goods, painted and specialty finished screws, stainless steel outdoor screws and anchor bolts.

The acquisition of Servalite, which was completed on December 29, 2010, expanded the Company's line of specialty fasteners and electrical parts. It also strengthens our position of providing value-added products and services to home centers and hardware retailers. Hillman management believes that the core competencies developed over time in the management of the fastener product line have enabled Hillman to leverage its scale and expertise to broaden its product offerings efficiently.

Fasteners generated approximately 55.8% of the Company's total revenues in 2010, as compared to 55.3% in 2009.

Keys and Key Accessories

Hillman designs and manufactures state-of-the-art, proprietary equipment which forms the cornerstone for the Company's key duplication business. The Hillman key duplication system is offered in various retail channels including mass merchants, home centers, automotive parts retailers, franchise and independent hardware stores, and grocery/drug chains; it can also be found in many service-based businesses like parcel shipping outlets.

Hillman markets its key duplication system under two different brands. The Axxess Precision Key Duplication System® is marketed to national retailers requiring a key duplication program easily mastered by novice associates, while the Hillman Key Program targets the franchise hardware and independent retailers, with a machine that works well in businesses with lower turnover and highly skilled employees. There are over 14,300 Axxess Programs placed in North American retailers including Wal-Mart, Kmart, Sears, The Home Depot, Lowe's and Menards.

A new key duplication system, the Precision Laser Key System, was introduced to select test markets in 2007. This system uses a digital optical camera and proprietary software to scan a customer's key. The system identifies the key and retrieves the key's specifications, including the appropriate blank and cutting pattern, from a comprehensive database. This new technology also eliminates the effect of natural wear on the customer's key by reproducing the original key pattern. Hillman has placed approximately 700 of these new key duplicating systems in North American retailers and management believes that the Company is well-positioned to capitalize on this new technology.

In addition to key duplication, Hillman has an exclusive, strategic partnership with Barnes Distribution for the distribution of the proprietary PC+© Code Cutter which produces automobile keys based on a vehicle's identification number. The Code Cutter machines are marketed to automotive dealerships, auto rental agencies and various companies with truck and vehicle fleets. Since its introduction, over 7,900 PC+© units and 8,100 of the newer Flash Code Cutter units have been sold.

Hillman also markets key accessories in conjunction with its key duplication systems. Popular accessories include the Key Light™, Valet KeyChain, Fanatix™ key identifiers, key coils and key clips. The line of key accessories includes a broad range of products such as key chains, tags, lights, floats, holders, whistles and a host of other miscellaneous complementary items. Additionally, new fashion key and accessory programs have been introduced recently, including DIVA™ and licensed programs featuring NFL, MLB, Disney, Harley Davidson and other popular licensed properties. Hillman has taken the key and key accessory categories from a price sensitive commodity to a fashion driven business and has significantly increased retail pricing and gross margins.

In conjunction with the TagWorks Acquisition, Hillman Group also signed a definitive 17-year agreement with KeyWorks to assign its patent-pending retail key program technology to Hillman Group. This collaboration is expected to provide a unique opportunity to develop next generation key duplicating technology.

Keys, key accessories and Code Cutter units represented approximately 22.8% of the Company's total revenues in 2010, as compared to 22.0% in 2009.

Engraving

Quick-Tag™ is a patented, state-of-the-art consumer-operated vending system that custom engraves and dispenses specialty products such as pet identification tags, military-style I.D. tags, holiday ornaments and luggage tags. Styles include NFL and NCAA logo military tags. Quick-Tag™ is an easy, convenient means for the consumer to custom engrave tags while shopping at large format retail stores such as Wal-Mart and PETCO. Hillman has placed over 2,700 Quick-Tag™ machines in retail outlets throughout the United States and Canada.

Innovation has played a major role in the development of the Company's Quick-Tag™ machine. Using an interactive touch screen, customers input information such as a pet name and telephone number, and the system's proprietary technology engraves the tag in less than two minutes. The Quick-Tag™ system does not require incremental labor and generates high levels of customer satisfaction and attractive margins for the retailer. This custom engraving system generates retail profit per square foot over seven times the typical retail average. In addition to the placements in retail outlets, the Company has placed machines inside theme parks such as Disney, Sea World, and Universal Studios.

In 2010, Hillman initiated deliveries of its new FIDO™ engraving system to PETCO. This new engraving program integrates a fun attractive design with a user interface that provides new features for the customer. The individual tag is packaged in a mini cassette and the machine's mechanism flips the tag to allow engraving on both sides. The user interface features a loveable dog character that guides the customer through the engraving process. Initial reaction to the new machine has been very positive. Hillman has placed approximately 113 FIDO™ systems in PETCO stores as of December 31, 2010.

Hillman purchases a wide variety of materials and components to manufacture the Axxess Key Duplication and Quick-Tag™ engraving machines, many of which are manufactured to its specifications. Management does not believe that it is dependent on any one supplier. The machine components do not generally require proprietary technology. Hillman has identified or used alternate suppliers for its primary sourcing needs.

On March 16, 2011, Hillman Group completed the TagWorks Acquisition. TagWorks provides innovative pet ID tag programs to leading pet products chain retailers using a unique, patent-protected / patent-pending technology and product portfolio.

Engraving products represented approximately 6.3% of the Company's total revenues in 2010, as compared to 7.8% in 2009.

Letters, Numbers and Signs

Letters, Numbers and Signs ("LNS") includes utilitarian product lines that target both the homeowner and commercial user. Product lines within this category include individual and/or packaged letters, numbers, signs, safety related products (e.g. 911 signs), driveway markers, and a diversity of sign accessories, such as sign frames.

Hillman markets LNS products under the Hillman Sign Center brand. Through a series of strategic acquisitions, exclusive partnerships, and organic product development, the Hillman LNS program gives retailers one of the largest product offerings available in this category. This SKU intensive product category is considered a staple for retail hardware departments and is typically merchandised in eight linear feet of retail space containing hundreds of SKUs. In addition to the core product program, Hillman provides its customers with value-added retail support including custom plan-o-grams and merchandising solutions which incorporate a wide variety of space-utilizing merchandisers.

The Hillman LNS program can be found in Big Box retailers, mass merchants, and pet supply accounts. In addition, Hillman has product placement in franchise and independent hardware retailers.

The LNS category represented approximately 7.5% of the Company's total revenues in each of the years of 2010 and 2009.

Threaded Rod

Hillman is now a leading supplier of metal shapes and threaded rod in the retail market. The SteelWorks™ threaded rod line includes hot and cold rolled rod, both weld-able and plated, as well as a complete offering of All-Thread rod in galvanized steel, stainless steel, and brass.

The SteelWorks™ program is carried by many top retailers, including Lowe's, Menards, and Sears, and through cooperatives such as Ace and True Value. In addition, Hillman is the primary supplier of metal shapes to many wholesalers throughout the country.

Threaded rod generated approximately 6.5% of the Company's total revenues in 2010, as compared to 6.6% in 2009.

Builder's Hardware

In 2007, the Company entered the residential Builder's Hardware market by selling its newly developed product line to Canadian Tire, a Canadian retailer with 497 stores. The Builder's Hardware category includes a variety of common household items such as coat hooks, door stops, hinges, gate latches, hasps and decorative hardware.

Hillman markets the Builder's Hardware products under the Hardware Essentials™ brand and provides the retailer with an innovative merchandising solution. The Hardware Essentials program utilizes modular packaging, color coding and integrated merchandising to simplify the shopping experience for consumers. Colorful signs, packaging and installation instructions guide the consumer quickly and easily to the correct product location. Hardware Essentials provides retailers and consumers decorative upgrade opportunities through the introduction of high-end finishes such as satin nickel, pewter and antique bronze.

The combination of merchandising, upgraded finishes and product breadth is designed to improve the retailer's performance. The addition of the Builder's Hardware product line exemplifies the Company's strategy of leveraging its core competencies to further penetrate customer accounts with new product offerings. In 2010, the Company expanded the placement of the Hardware Essentials line to customers including Sears, Fred Meyer and Kent Building Supply.

The Builder's Hardware category generated approximately 1.1% of the Company's total revenues in 2010, as compared to 0.8% in 2009.

Markets and Customers

Hillman sells its products to national accounts such as Lowe's, Home Depot, Wal-Mart, Tractor Supply, Sears, Menards and PETCO. Hillman's status as a national supplier of proprietary products to Big Box retailers allows it to develop a strong market position and high barriers to entry within its product categories.

Hillman services more than 13,000 franchise and independent ("F&I") retail outlets. These individual dealers are typically members of the larger cooperatives, such as True Value, Ace, and Do-It-Best. The Company sells directly to the cooperative's retail locations and also supplies many items to the cooperative's central warehouses. These central warehouses distribute to their members that do not have a requirement for Hillman's in-store service. These arrangements reduce credit risk and logistic expenses for Hillman while also reducing central warehouse inventory and delivery costs for the cooperatives.

A typical hardware store maintains thousands of different items in inventory, many of which generate small dollar sales but large profits. It is difficult for a retailer to economically monitor all stock levels and to reorder the products from multiple vendors.

The problem is compounded by the necessity of receiving small shipments of inventory at different times and having to stock the goods. The failure to have these small items available will have an adverse effect on store traffic, thereby denying the retailer the opportunity to sell items that generate higher dollar sales.

Hillman sells its products to approximately 18,000 customers, the top five of which accounted for approximately 48.4% of its total revenue in 2010. Lowe's is the single largest customer, representing approximately 24.3% of total revenue, Home Depot is the second largest at approximately 11.7% and Wal-Mart is the third largest at approximately 7.8% of total revenue. No other customer accounted for more than 5.0% of the Company's total revenue in 2010.

The Company's telemarketing activity sells to thousands of smaller hardware outlets and non-hardware accounts. New business is also being pursued internationally in such places as Australia, Canada, Mexico, South and Central America, and the Caribbean.

Sales and Marketing

The Hillman Group provides product support, customer service and profit opportunities for its retail distribution partners. The Company believes its competitive advantage is in its ability to provide a greater level of customer service than its competitors.

As a company, service is the hallmark of Hillman. The national accounts field service organization consists of over 469 employees and 33 field managers focusing on Big Box retailers, pet super stores, large national discount chains and grocery stores. This organization reorders products, details store shelves, and sets up in-store promotions. Many of the Company's largest customers use electronic data interchange ("EDI") for handling of orders and invoices.

The Company employs what it believes to be the largest factory direct sales force in the industry. The sales force which consists of 209 people, and is managed by 18 field managers, focuses on the F&I customers. The depth of the sales and service team enables Hillman to maintain consistent call cycles ensuring that all customers experience proper stock levels and inventory turns. This team also builds custom plan-o-grams of displays to fit the needs of any store, as well as establishing programs that meet customers' requirements for pricing, invoicing, and other needs. This group also benefits from daily internal support from the inside sales and customer service teams. Each sales representative is responsible for approximately 56 full service accounts that they call on approximately every two weeks.

These efforts, coupled with those of the marketing department, allow the sales force to not only sell products, but sell merchandising and technological support capabilities as well. Hillman's marketing department provides support through the development of new products, sales collateral material, promotional items, merchandising aids and custom signage. Marketing services such as advertising, graphic design, and trade show management are also provided. The department is organized along Hillman's three marketing competencies: product management, channel marketing and marketing communications.

Competition

The primary competitors in the national accounts marketplace for fasteners are ITW Inc., Dorman Inc., Crown Bolt LLC., Midwest Fasteners, and the Newell Group. Competition is based primarily on in-store service and price. Other competitors are local and regional distributors. Competitors in the pet tag market are specialty retailers, direct mail order and retailers with in-store mail order capability. The Quick-Tag™ system has patent protected proprietary technology that is a major barrier to entry and preserves this market segment.

The principal competitors for Hillman's F&I business are Midwest Fasteners and Hy-Ko in the hardware store marketplace. Midwest Fasteners primarily focuses on fasteners, while Hy-Ko is the major competitor in LNS products and keys/key accessories. Management estimates that Hillman sells to approximately 63% of the full service hardware stores in

the F&I marketplace. The hardware outlets that purchase products but not services from Hillman also purchase products from local and regional distributors and cooperatives. Hillman competes primarily on field service, merchandising, as well as product availability, price and depth of product line.

Insurance Arrangements

Under the Company's current insurance programs, commercial umbrella coverage is obtained for catastrophic exposure and aggregate losses in excess of expected claims. Since October 1991, the Company has retained the exposure on certain expected losses related to worker's compensation, general liability and automobile. The Company also retains the exposure on expected losses related to health benefits of certain employees. The Company believes that its present insurance is adequate for its businesses. See Note 17, Commitments and Contingencies, of Notes to Consolidated Financial Statements.

Employees

As of December 31, 2010, the Company had 1,930 full time and part time employees, none of which were covered by a collective bargaining agreement. In the opinion of management, employee relations are good.

Backlog

The Company does not consider the sales backlog to be a significant indicator of future performance due to the short order cycle of its business. The Company's sales backlog from ongoing operations was approximately $3.2 million as of December 31, 2010 and approximately $3.5 million as of December 31, 2009.

Where You Can Find More Information

The Company files quarterly reports on Form 10-Q and annual reports on Form 10-K and furnishes current reports on Form 8-K, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any reports, statements, or other information filed by the Company at the Commission's public reference rooms at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for more information on the public reference rooms. The Commission also maintains an Internet site at http://www.sec.gov that contains quarterly, annual, and current reports, proxy and information statements, and other information regarding issuers, like Hillman, that file electronically with the Commission.

Item 1A – Risk Factors.

An investment in the Company's securities involves certain risks as discussed below. However, the risks set forth below are not the only risks the Company faces, and it faces other risks which have not yet been identified or which are not yet otherwise predictable. If any of the following risks occur or are otherwise realized, the Company's business, financial condition and results of operations could be materially adversely affected. You should consider carefully the risks described below and all other information in this annual report, including the Company's financial statements and the related notes and schedules thereto, prior to making an investment decision with regard to the Company's securities.

Current economic conditions may adversely impact demand for our products, reduce access to credit and cause our customers and others with which we do business to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition and cash flows.

Our business, financial condition and results of operations have and may continue to be affected by various economic factors. The U.S. economy has undergone a period of recession and the future economic environment may continue to be less favorable than that of recent years. This slowdown has, and could further lead to, reduced consumer and business spending in the foreseeable future, including by our customers. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers and other service providers. If such conditions continue or further deteriorate in 2011 or through fiscal 2012, our industry, business and results of operations may be severely impacted.

The Company's business is impacted by general economic conditions in the U.S. and international markets, particularly the U.S. retail markets including hardware stores, home centers, mass merchants, and other retailers. In recent quarters, operations have been negatively impacted by the general downturn in the U.S. economy, including higher unemployment figures, and the contraction of the retail market. Although there have been certain signs of improvement in the economy, generally such conditions are not expected to improve significantly in the near term and may have the effect of reducing consumer spending which could adversely affect our results of operations during the next year.

The Company operates in a highly competitive industry, which may have a material adverse effect on its business, financial condition and results of operations.

The retail industry is highly competitive, with the principal methods of competition being price, quality of service, quality of products, product availability, credit terms and the provision of value-added services, such as merchandising design, in-store service and inventory management. The Company encounters competition from a large number of regional and national distributors, some of which have greater financial resources than the Company and may offer a greater variety of products. If these competitors are successful, the Company's business, financial condition and results of operations may be materially adversely affected.

If the current weakness continues in the retail markets including hardware stores, home centers, mass merchants and other retail outlets in North America, or general recessionary conditions worsen, it could have a material adverse effect on the Company's business.

The Company's business has been adversely affected by the decline in the North American economy, particularly with respect to retail markets including hardware stores, home centers, lumberyards and mass merchants. It is possible this softness will continue or further deteriorate in 2011 or through fiscal 2012. To the extent it persists or deteriorates, there is likely to be an unfavorable impact on demand for Company products which could have a material adverse effect on sales, earnings and cash flows. In addition, due to current economic conditions, it is possible certain customers' credit-worthiness may erode resulting in increased write-offs of customer receivables.

The Company's business, financial condition and results of operations may be materially adversely affected by seasonality.

In general, the Company has experienced seasonal fluctuations in sales and operating results from quarter to quarter. Typically, the first calendar quarter is the weakest due to the effect of weather on home projects and the construction industry.

Large customer concentration and the inability to penetrate new channels of distribution could adversely affect the business.

The Company's three largest customers constituted approximately 43.7% of net sales and 52.5% of the year-end accounts receivable balance for 2010. Each of these customers is a Big Box chain store. As a result, the Company's results of operations depend greatly on our ability to maintain existing relationships and arrangements with these Big Box chain stores. To the extent the Big Box chain stores are materially adversely impacted by the current economic slowdown, this could have a negative effect on our results of operations. The loss of one of these customers or a material adverse change in the relationship with these customers could have a negative impact on business. The Company's inability to penetrate new channels of distribution may also have a negative impact on its future sales and business.

Successful sales and marketing efforts depend on the Company's ability to recruit and retain qualified employees.

The success of the Company's efforts to grow its business depends on the contributions and abilities of key executives, its sales force and other personnel, including the ability of its sales force to achieve adequate customer coverage. The Company must therefore continue to recruit, retain and motivate management, sales and other personnel to maintain its current business and support its projected growth. A shortage of these key employees might jeopardize the Company's ability to implement its growth strategy.

The Company is exposed to adverse changes in currency exchange rates.

Exposure to foreign currency risk results because the Company, through its global operations, enters into transactions and makes investments denominated in multiple currencies. The Company's predominant exposures are in Mexican, Canadian and Asian currencies, including the Chinese Renminbi ("RMB"). In preparing its financial statements, for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company's earnings could be negatively impacted. The Company does not make a practice of hedging its non-U.S. dollar earnings.

The Company sources many products from China and other Asian countries for resale in other regions. To the extent the RMB or other currencies appreciate with respect to the U.S. dollar, the Company may experience cost increases on such purchases. The RMB appreciated approximately 3% versus the U.S. dollar in 2010 and remained substantially unchanged in 2009. The RMB currency fluctuation in 2010 and 2009 has not generated significant material cost increases for products sourced from China, however further significant appreciation of the RMB or other currencies in countries where the Company sources product could adversely impact profitability. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its results of operations may be adversely impacted.

The Company's results of operations could be negatively impacted by inflation or deflation in the cost of raw materials, freight and energy.

The Company's products are manufactured of metals, including but not limited to steel, aluminum, zinc, and copper. Additionally, the Company uses other commodity based materials in the manufacture of LNS that are resin based and subject to fluctuations in the price of oil. The Company is also exposed to fluctuations in the price of diesel

fuel in the form of freight surcharges on customer shipments and the cost of gasoline used by the field sales and service force. As described in more detail in Item 7 hereto, the Company has been negatively impacted by commodity and freight inflation in recent years. Continued inflation over a period of years would result in significant increases in inventory costs and operating expenses. If the Company is unable to mitigate these inflation increases through various customer pricing actions and cost reduction initiatives, its financial condition may be adversely affected. Conversely, in the event there is deflation, the Company may experience pressure from its customers to reduce prices. There can be no assurance that the Company would be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

The Company's business is subject to risks associated with sourcing product from overseas.

The Company imports large quantities of its fastener products. Substantially all of its import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements or bilateral actions. In addition, the countries from which the Company's products and materials are manufactured or imported may, from time to time, impose additional quotas, duties, tariffs or other restrictions on its imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or the Company's suppliers' failure to comply with customs regulations or similar laws, could harm the Company's business.

The Company's ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Company's business and financial condition.

Acquisitions have formed a significant part of our growth strategy in the past and may continue to do so. If we are unable to identify suitable acquisition candidates or obtain financing needed to complete an acquisition, our growth strategy may not succeed.

Historically, the Company's growth strategy has relied on acquisitions that either expand or complement its businesses in new or existing markets. However, there can be no assurance that the Company will be able to identify or acquire acceptable acquisition candidates on terms favorable to the Company and in a timely manner, if at all, to the extent necessary to fulfill Hillman's growth strategy.

The process of integrating acquired businesses into the Company's operations, including recently acquired Servalite, may result in unforeseen difficulties and may require a disproportionate amount of resources and management's attention, and there can be no assurance that Hillman will be able to successfully integrate acquired businesses into its operations.

The current economic environment may make it difficult to acquire businesses in order to further our growth strategy. We will continue to seek acquisition opportunities both to expand into new markets and to enhance our position in our existing markets. However, our ability to do so will depend on a number of factors, including our ability to obtain financing that we may need to complete a proposed acquisition opportunity which may be unavailable or available on terms that are not advantageous to us. If financing is unavailable, we may be forced to forego otherwise attractive acquisition opportunities which may have a negative effect on our ability to grow.

If the Company were required to write down all or part of its goodwill or indefinite-lived tradenames, its results of operations could be materially adversely affected.

As a result of the Merger Transaction and the December 2010 acquisition of Servalite, the Company has $439.6 million of goodwill and $48.9 million of indefinite-lived tradenames recorded on its Consolidated Balance Sheet at December 31, 2010. The Company is required to periodically determine if its goodwill or indefinite-lived tradenames have become impaired, in which case it would write down the impaired portion of the intangible asset. If the Company were required to write down all or part of its goodwill or indefinite-lived tradenames, its net income could be materially adversely affected.

The Company's success is highly dependent on information and technology systems.

The Company believes that its proprietary computer software programs are an integral part of its business and growth strategies. Hillman depends on its information systems to process orders, to manage inventory and accounts receivable collections, to purchase, sell and ship products efficiently and on a timely basis, to maintain cost-effective operations and to provide superior service to its customers. There can be no assurance that the precautions which the Company has taken against certain events that could disrupt the operations of its information systems will prevent the occurrence of such a disruption. Any such disruption could have a material adverse effect on the Company's business and results of operations.

Risks relating to the Senior Notes and our Indebtedness

The Company has significant indebtedness that could affect operations and financial condition and prevent the Company from fulfilling its obligations under the notes.

The Company has a significant amount of indebtedness. On December 31, 2010, total indebtedness was $556.1 million, consisting of $105.4 million of indebtedness of Hillman and $450.7 million of indebtedness of Hillman Group.

The Company's substantial indebtedness could have important consequences to investors in Hillman securities. For example, it could:

- make it more difficult for the Company to satisfy obligations to holders of the notes;
- increase the Company's vulnerability to general adverse economic and industry conditions;
- require the dedication of a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- limit flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place the Company at a competitive disadvantage compared to competitors that have less debt; and
- limit the Company's ability to borrow additional funds.

In addition, the indenture and new senior secured credit facilities contain financial and other restrictive covenants that will limit the ability to engage in activities that may be in the Company's long-term best interests. The failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all outstanding debts.

The decline of general economic conditions in the U.S. capital markets over the past two years has significantly reduced the availability of credit for a number of companies. This may impact our ability to borrow additional funds, if necessary.

Despite current indebtedness levels, the Company and its subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with the Company's substantial leverage.

The Company and its subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture do not fully prohibit the Company or its subsidiaries from doing so. The new senior secured credit facilities permit additional

borrowing of up to $30 million on the revolving credit facility and all of those borrowings would rank senior to the notes and the guarantees. If new debt is added to our current debt levels, the related risks that the Company and its subsidiaries now face could intensify.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

The ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures and research and development efforts, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

The Company cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or that future borrowings will be available under our new credit facility in an amount sufficient to enable the Company to pay its indebtedness, including the notes, or to fund its other liquidity needs. The Company may need to refinance all or a portion of its indebtedness, including the notes on or before maturity. The Company cannot assure you that it will be able to refinance any of its indebtedness, including our new credit facility and the notes, on commercially reasonable terms or at all.

The failure to meet certain financial covenants required by our credit agreements may materially and adversely affect assets, financial position and cash flows.

Certain of the Company's credit agreements require the maintenance of certain interest coverage and leverage ratios and limit our ability to incur debt, make investments, make dividend payments to holders of the Trust Preferred Securities or undertake certain other business activities. In particular, our maximum allowed leverage requirement is 6.75x, excluding the junior subordinated debentures, as of December 31, 2010. A breach of the leverage covenant, or any other covenants, could result in an event of default under the credit agreements. Upon the occurrence of an event of default under the credit agreements, all amounts outstanding, together with accrued interest, could be declared immediately due and payable by our lenders. If this happens, our assets may not be sufficient to repay in full the payments due under the credit agreements. The current credit market environment and other macro-economic challenges affecting the global economy may adversely impact our ability to borrow sufficient funds or sell assets or equity in order to pay existing debt.

The Company is permitted to create unrestricted subsidiaries, which are not to be subject to any of the covenants in the indenture, and the Company may not be able to rely on the cash flow or assets of those unrestricted subsidiaries to pay our indebtedness.

Unrestricted subsidiaries are not subject to the covenants under the indenture governing the notes. Unrestricted subsidiaries may enter into financing arrangements that limit their ability to make loans or other payments to fund payments in respect of the notes. Accordingly, the Company may not be able to rely on the cash flow or assets of unrestricted subsidiaries to pay any of our indebtedness, including the notes.

The Company is subject to fluctuations in interest rates.

All of our indebtedness incurred in connection with the Bank Financing has variable rate interest. Increases in borrowing rates will increase our cost of borrowing, which may affect our results of operations and financial condition.

The Company may choose to redeem notes when prevailing interest rates are relatively low.

The Company may choose to redeem the notes from time to time, especially when prevailing interest rates are lower than the rate borne by the notes. If prevailing rates are lower at the time of redemption, an investor would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes being redeemed. The redemption right also may adversely impact an investor's ability to sell notes as the optional redemption date or period approaches.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require note holders to return payments received from guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and
- was insolvent or rendered insolvent by reason of such incurrence; or
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or
- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, the Company's management believes that each guarantor, after giving effect to its guarantee of the notes, will not be insolvent, will not have unreasonably small capital for the business in which it is engaged and will not have incurred debts beyond its ability to pay such debts as they mature. The Company's management can make no assurances as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

The Company may not be able to fulfill its repurchase obligations with respect to the notes upon a change of control.

If the Company experiences certain specific change of control events, the Company will be required to offer to repurchase all of our outstanding notes at 101% of the principal amount of such notes plus accrued and unpaid interest to the date of repurchase. The Company can make no assurances that it will have available funds sufficient to pay the change of control purchase price for any or all of the notes that might be tendered in the change of control offer.

The definition of change of control in the indenture governing the notes includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of our and our restricted subsidiaries' assets, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase such notes as a result of a sale, transfer, conveyance or other disposition of less than all of our and our restricted subsidiaries' assets taken as a whole to another person or group may be uncertain. In addition, a recent Delaware Chancery Court decision

raised questions about the enforceability of provisions, which are similar to those in the indenture governing the notes, related to the triggering of a change of control as a result of a change in the composition of a board of directors. Accordingly, the ability of a holder of notes to require us to repurchase notes as a result of a change in the composition of our board of directors may be uncertain.

In addition, our new credit facility contains, and any future credit agreement likely will contain, restrictions or prohibitions on our ability to repurchase the notes under certain circumstances. If a change of control event occurs at a time when we are prohibited from repurchasing the notes, we may seek the consent of our lenders to purchase the notes or could attempt to refinance the borrowings that contain these prohibitions or restrictions. If we do not obtain our lenders' consent or refinance these borrowings, we will not be able to repurchase the notes. Accordingly, the holders of the notes may not receive the change of control purchase price for their notes in the event of a sale or other change of control, which will give the trustee and the holders of the notes the right to declare an event of default and accelerate the repayment of the notes.

A financial failure by us or our subsidiaries may result in the assets of any or all of those entities becoming subject to the claims of all creditors of those entities.

A financial failure by us or our subsidiaries could affect payment of the notes if a bankruptcy court were to substantively consolidate us and our subsidiaries. If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would become subject to the claims of creditors of all entities. This would expose holders of notes not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the "cram-down" provisions of the bankruptcy code. Under these provisions, the notes could be restructured over your objections as to their general terms, primarily interest rate and maturity.

Your right to receive payments on the notes could be adversely affected if any of our non-guarantor subsidiaries declare bankruptcy, liquidate, or reorganize.

Some but not all of our subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

As of December 31, 2010, the notes were effectively junior to $1.6 million of indebtedness and other liabilities (including trade payables) of our non-guarantor subsidiaries. Our non-guarantor subsidiaries held $1.8 million of our consolidated assets as of December 31, 2010.

Item 1B – Unresolved Staff Comments.

None.

Item 2 – Properties.

The Company's principal office, manufacturing and distribution properties are as follows:

Location	Approximate Square Footage	Description
Cincinnati, Ohio	248,200	Office, Distribution
Forest Park, Ohio	335,700	Distribution
Tempe, Arizona	184,100	Office, Mfg., Distribution
Jacksonville, Florida	96,500	Distribution
Shafter, California	84,000	Distribution
Lewisville, Texas	80,500	Distribution
LaCrosse, Wisconsin	48,000	Distribution
Goodlettsville, Tennessee	72,000	Mfg., Distribution
East Moline, Illinois	111,300	Office, Distribution
Pompano Beach, Florida	38,800	Office, Distribution
Monterrey, Mexico	13,200	Distribution
Mississauga, Ontario	34,700	Office, Distribution

With the exception of Goodlettsville, Tennessee, all of the Company's facilities are leased. In the opinion of management, the Company's existing facilities are in good condition.

Item 3 – Legal Proceedings.

On May 4, 2010, Hy-Ko Products, Inc. filed a complaint against Hillman Group, and Kaba Ilco Corp., a manufacturer of blank replacement keys, in the United States District Court for the Northern District of Ohio Eastern Division, alleging that the defendants engaged in violations of federal and state antitrust laws regarding their business practices relating to automatic key machines and replacement keys. Hy-Ko Products' May 4, 2010 filing against the Company is based, in part, on the Company's previously-filed claim against Hy-Ko Products alleging infringement of certain patents of the Company. A claim construction hearing on the Company's patent infringement claim against Hy-Ko Products occurred in September 2010 and a ruling is expected in the first half of 2011.

In its antitrust claim against the Company, Hy-Ko Products is seeking monetary damages which would be trebled under the antitrust laws, interest and attorney's fees as well as injunctive relief. The antitrust claim against the Company has been stayed pending the resolution of the patents claim against Hy-Ko Products. Because the lawsuit is in a preliminary stage, it is not yet possible to assess the impact that the lawsuit will have on the Company. However, the Company believes that it has meritorious defenses and intends to defend the lawsuit vigorously.

In addition, legal proceedings are pending which are either in the ordinary course of business or incidental to the Company's business. Those legal proceedings incidental to the business of the Company are generally not covered by insurance or other indemnity. In the opinion of management, the ultimate resolution of the pending litigation matters will not have a material adverse effect on the consolidated financial position, operations or cash flows of the Company.

Item 4 – Reserved.

PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Stock Exchange Listing

The Company's common stock does not trade and is not listed on or quoted in an exchange or other market. The Trust Preferred Securities trade under the ticker symbol HLM.Pr on the NYSE Amex (formerly the American Stock Exchange). The following table sets forth the high and low closing sale prices as reported on the NYSE Amex for the Trust Preferred Securities.

2010	High	Low
First Quarter	$27.00	$25.35
Second Quarter	28.74	26.40
Third Quarter	28.90	27.25
Fourth Quarter	29.25	28.07

2009	High	Low
First Quarter	$13.00	$ 3.56
Second Quarter	21.50	10.00
Third Quarter	25.30	20.80
Fourth Quarter	26.00	21.00

The Trust Preferred Securities have a liquidation value of $25.00 per security. As of March 4, 2011, there were 483 holders of Trust Preferred Securities. As of March 31, 2011, the total number of Trust Preferred Securities outstanding was 4,217,724. As of March 31, 2011, the Company's total number of shares of Common Stock outstanding was 5,000, held by one (1) common stockholder.

Distributions

The Company pays interest to the Hillman Group Capital Trust ("the Trust") on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the years ended December 31, 2010 and 2009, the Company paid $12.2 million and $12.4 million per year, respectively, in interest on the Junior Subordinated Debentures, which was equivalent to the amounts distributed by the Trust for the same periods.

Pursuant to the Indenture that governs the Trust Preferred Securities, the Trust was able to defer distribution payments to holders of the Trust Preferred Securities for a period that cannot exceed 60 months (the "Deferral Period"). During the Deferral Period, the Company was required to accrue the full amount of all interest payable, and such deferred interest payments were immediately payable by the Company at the end of the Deferral Period. In the first six months of 2009, the Company accrued $6.3 million in interest payable to the Trust on the Junior Subordinated Debentures. On July 31, 2009, the Trust resumed payments of monthly distributions and paid all amounts accrued during the six month Deferral Period.

The interest payments on the Junior Subordinated Debentures underlying the Trust Preferred Securities are deductible for federal income tax purposes by the Company under current law and will remain an obligation of the Company until the Trust Preferred Securities are redeemed or upon their maturity in 2027.

For more information on the Trust and Junior Subordinated Debentures, see "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations."

Issuer Purchases of Equity Securities

The Company made no repurchases of its equity securities during 2010.

Item 6 – Selected Financial Data.

As a result of the Merger Transaction, the Company's operations for the periods presented subsequent to the May 28, 2010 acquisition by an affiliate of OHCP, certain members of management and Board of Directors are referenced herein as the successor operations (the "Successor" or "Successor Operations") and include the effects of the Company's debt refinancing. The Company's operations for the periods presented prior to the Merger Transaction are referenced herein as the predecessor operations (the "Predecessor" or "Predecessor Operations").

The following table sets forth selected consolidated financial data of the Predecessor as of and for the five months ended May 28, 2010 and the years ended December 31, 2009, 2008, 2007, and 2006; and consolidated financial data of the Successor as of and for the seven months ended December 31, 2010. See the accompanying Notes to Consolidated Financial Statements and "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" for information regarding the acquisition of the Company by an affiliate of OHCP and the Company's debt refinancing as well as other acquisitions that affect comparability.

	Successor	Predecessor				
	Seven Months Ended	Five Months Ended	Year Ended December 31,			
(dollars in thousands)	12/31/10	5/28/10	2009	2008	2007	2006
Income Statement Data:						
Net sales	$ 276,680	$185,716	$458,161	$481,923	$445,628	$423,901
Gross profit	140,126	95,943	233,519	237,276	229,895	220,450
Acquisition and integration expense (2)	11,150	11,342	—	—	—	—
Extinguishment of debt	—	—	—	—	—	726
Net loss	(8,038)	(25,208)	(1,230)	(1,165)	(7,922)	(6,333)
Balance Sheet Data at December 31:						
Total assets	$1,052,778	N/A	$628,481	$650,677	$660,358	$653,882
Long-term debt & capital lease obligations (1)	300,714	N/A	208,163	253,069	281,800	284,406
10.875% Senior Notes	150,000	N/A	—	—	—	—
Mandatorily redeemable preferred stock	—	N/A	111,452	100,146	89,773	80,494
Management purchased preferred options	—	N/A	6,617	6,016	5,298	4,659

(1) Includes current portion of long-term debt and capitalized lease obligations.
(2) Acquisition and integration expenses for investment banking, legal and other professional fees incurred in connection with the Merger Transaction.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and related notes and schedules thereto appearing elsewhere herein.

Forward-Looking Statements

Certain disclosures related to acquisitions, refinancing, capital expenditures, resolution of pending litigation and realization of deferred tax assets contained in this annual report involve substantial risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," "project" or the negative of such terms or other similar expressions.

These forward-looking statements are not historical facts, but rather are based on management's current expectations, assumptions and projections about future events. Although management believes that the expectations, assumptions and projections on which these forward-looking statements are based are reasonable, they nonetheless could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, assumptions and projections also could be inaccurate. Forward-looking statements are not guarantees of future performance. Instead, forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause the Company's strategy, planning, actual results, levels of activity, performance, or achievements to be materially different from any strategy, planning, future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and uncertainties discussed under captions "Risk Factors" set forth in Item 1A of this annual report. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements included in this annual report; they should not be regarded as a representation by the Company or any other individual. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this annual report might not occur or be materially different from those discussed.

General

The Hillman Companies, Inc. and its wholly owned subsidiaries (collectively "Hillman" or the "Company"), which had net sales of approximately $462.4 million in 2010, are one of the largest providers of hardware-related products and related merchandising services to the retail markets in North America. The Company's principal business is operated through its wholly-owned subsidiary, The Hillman Group, Inc. (the "Hillman Group"). A subsidiary of the Hillman Group operates in (1) Canada under the name The Hillman Group Canada, Ltd., (2) Mexico under the name SunSource Integrated Services de Mexico SA de CV, (3) primarily in Florida under the name All Points Industries, Inc., and (4) Australia under the name The Hillman Group Australia Pty. Ltd. The Hillman Group sells its product lines and provides its services to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Latin America and the Caribbean. Product lines include thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; and identification items, such as, tags and letters, numbers, and signs ("LNS"). Services offered include design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

Merger Transaction

On May 28, 2010, Hillman was acquired by affiliates of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman is a wholly-owned subsidiary of OHCP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was $832.7 million which includes $11.5 million for the Quick Tag license and related patents, repayment of outstanding debt and the net value of the Company's outstanding junior subordinated debentures ($105.4 million liquidation value at the time of the merger).

Prior to the Merger Transaction, affiliates of Code Hennessy & Simmons LLC ("CHS") owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owned 28.0% of the Company's outstanding common stock and 31.0% of the Company's voting common stock and HarbourVest Partners VI owned 8.7% of the Company's outstanding common stock and 9.7% of the Company's voting common stock. Certain current and former members of management owned 13.7% of the Company's outstanding common stock and 4.4% of the Company's voting common stock. Other investors owned 0.3% of the Company's common stock and 0.3% of the Company's voting common stock.

Financing Arrangements

On May 28, 2010, the Company and certain of its subsidiaries closed on a $320.0 million senior secured first lien credit facility (the "Senior Facilities"), consisting of a $290.0 million term loan and a $30.0 million revolving credit facility ("Revolver"). The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75% (the "EuroDollar Margin"), or a base rate (the "Base Rate") plus a margin of 2.75% (the "Base Rate Margin"). The EuroDollar rate is subject to a minimum floor of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the consummation of the Merger Transaction, Hillman Group issued $150.0 million aggregate principal amount of its 10.875% senior notes due 2018 (the "10.875% Senior Notes"), which are guaranteed by Hillman, Hillman Investment and all of Hillman Group's domestic subsidiaries. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to a Senior Credit Agreement (the "Old Credit Agreement"), consisting of a $20.0 million revolving credit line and a $235.0 million term loan. The facilities under the Old Credit Agreement had a maturity date of March 31, 2012. In addition, the Company, through Hillman Group, had issued $49.8 million in aggregate principal amount of unsecured subordinated notes to a group of investors, including affiliates of AEA Investors LP, CIG & Co. and several private investors that were scheduled to mature on September 30, 2012. In connection with the Merger Transaction, both the Old Credit Agreement and the subordinated note issuance were repaid and terminated.

The Senior Facilities contain financial and operating covenants. These covenants require the Company to maintain certain financial ratios, including an interest coverage ratio and leverage ratios. These debt agreements provide for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, cross-defaults, bankruptcy events, failure to pay judgments, attachment of its assets, change of control and the issuance of an order of dissolution. Certain of these events of default are subject to notice and cure periods or materiality thresholds. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due.

In connection with the TagWorks Acquisition, Hillman Group completed an offering of $50 million aggregate principal amount of its 10.875% Senior Notes due 2018. The Hillman Group previously issued $150 million aggregate principal amount of its 10.875% Senior Notes due 2018 in May 2010. The notes are guaranteed by The Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of The Hillman Group.

The Company pays interest to the Hillman Group Capital Trust ("Trust") on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. In order to retain capital, the Company's Board of Directors determined to temporarily defer interest payments on the Junior Subordinated Debentures and the Trust determined to defer the payment of cash distributions to holders of Trust Preferred Securities beginning with the January 2009 distribution. The Company's decision to defer the payment of interest on the Junior Subordinated Debentures was designed to ensure that the Company preserve cash and maintain its compliance with the financial covenants contained in its Senior Credit and Subordinated Debt Agreements. Pursuant to the Indenture that governs the Trust Preferred Securities, the Trust is able to defer distribution payments to holders of the Trust Preferred Securities for a period that cannot exceed 60 months (the "Deferral Period"). During the Deferral Period, the Company is required to accrue the full amount of all interest payable, and such deferred interest payable was immediately payable by the Company at the end of the Deferral Period. On July 31, 2009, the Company ended the Deferral Period and the Trust resumed monthly distributions and paid all deferred distributions to holders of the Trust Preferred Securities.

On June 24, 2010, the Company entered into an effective forward Interest Rate Swap Agreement (the "2010 Swap") with a two-year term for a notional amount of $115.0 million. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus applicable interest rate margin. This interest rate swap qualifies for hedge accounting based on the shortcut method under ASC 815, Derivatives and Hedging.

Acquisitions

On December 29, 2010, the Hillman Group entered into a Stock Purchase Agreement (the "Agreement") by and among Serv-A-Lite Products, Inc. ("Servalite"), Thomas Rowe, Mary Jennifer Rowe, and the Hillman Group, whereby the Hillman Group acquired all of the equity interest of Servalite. The aggregate purchase price was $21.3 million paid in cash at closing. Servalite has a broad offering of over 50,000 fasteners and 'hard to find' parts which are sold primarily into the retail hardware market. Servalite's breadth of product in specialty fasteners and electrical parts strengthens Hillman's position of providing value-added products and services to hardware retailers.

On March 16, 2011, Hillman Group completed the TagWorks Acquisition for an initial purchase price of approximately $40.0 million in cash. In addition, subject to fulfillment of certain conditions, Hillman Group will pay additional consideration of $12.5 million to the sellers of TagWorks on October 31, 2011, and an additional earn-out payment of up to $12.5 million in 2012. In conjunction with this agreement, Hillman Group entered into an agreement with KeyWorks, a company affiliated with TagWorks, to assign its patent-pending retail key program technology to Hillman Group. The closing of the TagWorks Acquisition occurred concurrently with the closing of the new notes offering.

Product Revenues

The following is revenue based on products for the Company's significant product categories (in thousands):

	Successor	Predecessor		
	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Net sales				
Keys	$ 48,897	$ 32,716	$ 78,012	$ 80,754
Engraving	17,038	12,242	35,518	40,945
Letters, numbers and signs	22,026	12,859	34,287	34,671
Fasteners	154,319	103,457	253,703	261,646
Threaded rod	17,360	12,471	30,118	37,145
Code cutter	1,844	1,377	3,353	4,934
Builders hardware	3,137	1,753	3,832	1,606
Other	12,059	8,841	19,338	20,222
Consolidated net sales	$ 276,680	$185,716	$ 458,161	$ 481,923

Results of Operations

Sales and Profitability for the seven months ended December 31, 2010, five months ended May 28, 2010 and the year ended December 31, 2009:

(dollars in thousands)	Successor		Predecessor			
	Seven Months ended December 31, 2010		Five Months ended May 28, 2010		Year ended December 31, 2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$276,680	100.0%	$185,716	100.0%	$458,161	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	136,554	49.4%	89,773	48.3%	224,642	49.0%
Gross profit	140,126	50.6%	95,943	51.7%	233,519	51.0%
Operating expenses:						
Selling	45,883	16.6%	33,568	18.1%	77,099	16.8%
Warehouse & delivery	30,470	11.0%	19,945	10.7%	48,496	10.6%
General & administrative	14,407	5.2%	10,284	5.5%	24,818	5.4%
Stock compensation expense	—	— %	19,053	10.3%	8,737	1.9%
Total SG&A	90,760	32.8%	82,850	44.6%	159,150	34.7%
Acquisition and integration	11,150	4.0%	11,342	6.1%	—	— %
Depreciation	11,007	4.0%	7,283	3.9%	16,993	3.7%
Amortization	10,669	3.9%	2,678	1.4%	6,912	1.5%
Management fees	—	— %	438	0.2%	1,010	0.2%
Total operating expenses	123,586	44.7%	104,591	56.3%	184,065	40.2%
Other income (expense)	145	0.1%	(114)	(0.1%)	(120)	(0.0%)
Income (loss) from operations	16,685	6.0%	(8,762)	(4.7%)	49,334	10.8%
Interest expense	20,712	7.5%	8,327	4.5%	15,521	3.4%
Interest expense on mandatorily redeemable preferred stock & management purchased preferred options	—	— %	5,488	3.0%	12,312	2.7%
Interest expense on junior subordinated debentures	7,356	2.7%	5,254	2.8%	12,820	2.8%
Investment income on trust common securities	(220)	(0.1%)	(158)	(0.1%)	(378)	(0.1%)
(Loss) income before taxes	(11,163)	(4.0%)	(27,673)	(14.9%)	9,059	2.0%
Income tax (benefit) provision	(3,125)	(1.1%)	(2,465)	(1.3%)	10,289	2.2%
Net loss	$ (8,038)	(2.9%)	$ (25,208)	(13.6%)	$ (1,230)	(0.3%)

Current Economic Conditions

The U.S. economy has undergone a period of recession and the future economic environment may continue to be less favorable than that of recent years. This slowdown has, and could further lead to, reduced consumer and business spending in the foreseeable future, including by our customers. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers and other service providers. If such conditions continue or further deteriorate in 2011 or through fiscal 2012, our industry, business and results of operations may be severely impacted.

The Company's business is impacted by general economic conditions in the U.S. and international markets, particularly the U.S. retail markets including hardware stores, home centers, mass merchants, and other retailers. In recent quarters, operations have been negatively impacted by the general downturn in the U.S. economy, including higher unemployment figures, and the contraction of the retail market. Although there have been certain signs of improvement in the economy, generally such conditions are not expected to improve significantly in the near term and may have the effect of reducing consumer spending which could adversely affect our results of operations during the next year.

The Company is sensitive to inflation or deflation present in the economies of the United States and foreign suppliers located primarily in Taiwan and China. For the several years leading up to 2009, the rapid growth in China's economic activity produced significantly rising costs of certain imported fastener products. In addition, the cost of commodities such as copper, zinc, aluminum, nickel, and plastics used in the manufacture of other Company products increased sharply. Further, increases in the cost of diesel fuel contributed to transportation rate increases. The trend of rising commodity costs accelerated in the first half of 2008. In the latter half of 2008 and during the first half of 2009, national and international economic difficulties began a reversal of the trend of rising costs for our products and commodities used in the manufacture of our products, including a decrease in the cost of oil and diesel fuel. During the second half of 2009 and throughout 2010, the Company has seen an end to decreasing costs and, in certain instances, moderate increases in the costs for our products and commodities used in the manufacture of our products. While inflation and resulting cost increases over a period of years would result in significant increases in inventory costs and operating expenses, the opposite is true when exposed to a prolonged period of cost decreases. The ability of the Company's operating divisions to institute price increases and seek price concessions, as appropriate, is dependent on competitive market conditions.

Predecessor Five Month Period of January 1 – May 28, 2010 vs Predecessor Period of the Year Ended December 31, 2009

Revenues

Net sales for the Predecessor period of January 1 – May 28, 2010 (the "2010 five month period") were $185.7 million, or $1.77 million per shipping day, compared to net sales for the year ended December 31, 2009 of $458.2 million, or $1.84 million per shipping day. The decrease in revenues of $272.5 million was directly attributable to comparing operating results of 105 shipping days in the 2010 five month period to the results from 249 shipping days in 2009. The sales per shipping day of $1.77 million in the 2010 five month period were approximately 3.8% lower than the sales per shipping day of $1.84 million in the 2009. The decrease in sales per day for the 2010 five month period was the result of higher seasonal sales per day during the June through December period included in the twelve months of 2009 as compared to the average sales per day for the January to May 2010 period.

Gross Profit

The Company's gross profit percentage was 51.7% in the 2010 five month period compared to 51.0% in the year 2009. The Company experienced a significant increase in the unit cost of inventory during most of 2008 as a result of increases in related commodities used in our products such as steel, zinc, nickel, aluminum, copper and plastics. The higher unit costs negatively impacted gross profit during the first half of 2009 as the higher unit cost product sold through inventory. In 2009, commodity prices moderated and, in particular, the cost of steel based fasteners sourced primarily from Taiwan and China returned to the levels prior to the significant price increases seen in 2008. The gross profit in the first five months of 2010 benefited from the lower product costs experienced in the second half of 2009.

Expenses

Operating expenses for the period of January 1 – May 28, 2010 were $104.6 million compared to $184.1 million for the year ended December 31, 2009. The decrease in operating expenses is primarily due to the shorter 105 day ship period in the 2010 five month period which provided certain favorable operating expense variances as compared to the 249 day ship period for the year of 2009. The following changes in underlying trends also impacted the change in operating expenses:

- Warehouse and delivery expense was $19.9 million, or 10.7% of net sales, in the 2010 five month period compared to $48.5 million, or 10.6% of net sales in the year of 2009. Freight expense, the largest component of warehouse and delivery expense, was 4.1% of net sales in the 2010 five month period. The 4.1% rate was unchanged from the same rate in 2009.
- Stock compensation expenses from stock options primarily related to the 2004 Merger Transaction resulted in a charge of $19.1 million in the 2010 five month period. The change in the fair value of the Class B Common Stock is included in stock compensation expense and this resulted in an additional charge of $13.9 million. The significant increase in the fair value of the Class B Common Stock in this predecessor period resulted from the acquisition price paid by OHCP for the Company. In addition, a stock compensation charge of $3.7 million was recorded for the increase in the fair value of the common stock options. The stock compensation expense was $8.7 million for year ended December 31, 2009.
- Acquisition and integration expense of $11.3 million in the 2010 five month period represents one-time charges for investment banking, legal and other expenses incurred in connection with the Merger Transaction. There were no acquisition and integration expenses for the year ended December 31, 2009.
- Amortization expense was $2.7 million in the 2010 five month period. The estimated annualized rate of approximately $6.4 million was comparable to the amortization expense of $6.9 million for year ended December 31, 2009.
- Interest expense was $8.3 million in the 2010 five month period compared to $15.5 million for year ended December 31, 2009. The 2010 five month period included a $1.6 million interest charge for the termination of the 2008 Swap.
- Interest expense on the mandatorily redeemable preferred stock and management purchased preferred options were $5.5 million in the 2010 five month period. The estimated annual rate of approximately $13.2 million was comparable to the interest expense of $12.3 million for year ended December 31, 2009.

Successor Seven Month Period of May 28 to December 31, 2010 vs Predecessor Period of the Year Ended December 31, 2009

Revenues

Net sales for the Successor period of May 28 – December 31, 2010 (the "2010 seven month period") were $276.7 million, or $1.92 million per shipping day, compared to net sales for the year ended December 31, 2009 of $458.2 million, or $1.84 million per shipping day. The decrease in revenues of $181.5 million was directly attributable to comparing operating results of 144 shipping days in the 2010 seven month period to the results from

249 shipping days in 2009. However, the sales per shipping day of $1.92 million in the 2010 seven month period were approximately 4.3% higher than the sales per shipping day of $1.84 million in the year ended December 31, 2009. The increase in sales per day for the 2010 seven month period was the result of higher seasonal sales per day during the June through December period as compared to the average sales per day for the January through December period of 2009.

Gross Profit

The Company's gross profit percentage was 50.6% in the 2010 seven month period compared to 51.0% in the year of 2009. The Company experienced a moderate increase in the unit cost of its products during the last seven months of 2010. The increases came in related commodities used in our products such as steel, zinc, nickel, aluminum, copper and plastics. The higher unit cost of our products negatively impacted gross profit in the 2010 seven month period. In 2009, commodity prices moderated from the high points experienced in 2008 and average product costs decreased during that period of time. The Company anticipates that the average unit cost of its products will trend higher during 2011.

Expenses

Operating expenses for the 2010 seven month period ended December 31, 2010 were $123.6 million compared to $184.1 million for the year ended December 31, 2009. The decrease in operating expenses is primarily due to the 144 day shipping period in the 2010 seven month period as compared to the 249 day shipping period in the twelve months of 2009. The following changes in underlying trends also impacted the change in operating expenses:

- Warehouse and delivery expense was $30.5 million, or 11.0% of net sales, in the 2010 seven month period compared to $48.5 million, or 10.6% of net sales in the year of 2009. Freight expense, the largest component of warehouse and delivery expense, increased from 4.1% of net sales in 2009 to 4.8% of net sales in the 2010 seven month period. The freight costs in the 2010 seven month period included the negative impact of higher fuel surcharges and lower average customer order sizes.
- No stock compensation expense was recorded in the 2010 seven month period. Stock compensation expense in future periods is dependent on the valuation of underlying shares due to the classification of liability based awards. The stock compensation expense was $8.7 million in the year ended December 31, 2009.
- Acquisition and integration expense of $11.2 million in the 2010 seven month period represents one-time charges for legal, professional, diligence and other expenses incurred by the Successor in connection with the Merger Transaction. There were no acquisition and integration expenses in 2009.
- Amortization expense was $10.7 million in the 2010 seven month period, or an estimated annualized rate of approximately $18.3 million compared to amortization expense of $6.9 million for year ended December 31, 2009. The higher annual rate of amortization expense for the 2010 seven month period was due to the increase in intangible assets subject to amortization acquired as a result of the Merger Transaction.
- Interest expense was $20.7 million in the 2010 seven month period, or an estimated annual rate of approximately $35.5 million compared to interest expense of $15.5 million for the year ended December 31, 2009. The increase in estimated annualized amount of interest expense was primarily the result of the higher level of debt outstanding following the Merger Transaction.
- The Successor incurred no interest expense in the 2010 seven month period on mandatorily redeemable preferred stock and management purchased options as a result of their redemption in connection with the Merger Transaction. The interest expense on these securities was $12.3 million for year ended December 31, 2009.

Results of Operations (continued)

Sales and Profitability for each of the Years Ended December 31,

(dollars in thousands)	2009		2008	
	Amount	% of Total	Amount	% of Total
Net sales	$458,161	100.0%	$481,923	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	224,642	49.0%	244,647	50.8%
Gross profit	233,519	51.0%	237,276	49.2%
Operating expenses:				
Selling	77,099	16.8%	82,312	17.1%
Warehouse & delivery	48,496	10.6%	55,781	11.6%
General & administrative	24,818	5.4%	20,776	4.3%
Stock compensation expense	8,737	1.9%	2,481	0.5%
Total SG&A	159,150	34.7%	161,350	33.5%
Acquisition and integration	—	0.0%	—	0.0%
Depreciation	16,993	3.7%	17,835	3.7%
Amortization	6,912	1.5%	7,073	1.5%
Management fees	1,010	0.2%	1,043	0.2%
Total operating expenses	184,065	40.2%	187,301	38.9%
Other expense	(120)	0.0%	(2,250)	-0.5%
Income from operations	49,334	10.8%	47,725	9.9%
Interest expense	15,521	3.4%	20,545	4.3%
Interest expense on mandatorily redeemable preferred stock & management purchased preferred options	12,312	2.7%	11,091	2.3%
Interest expense on junior subordinated debentures	12,820	2.8%	12,609	2.6%
Investment income on trust common securities	(378)	-0.1%	(378)	-0.1%
Income before taxes	9,059	2.0%	3,858	0.8%
Income tax provision	10,289	2.2%	5,023	1.0%
Net loss	$ (1,230)	-0.3%	$ (1,165)	-0.2%

Predecessor Period for the Year Ended December 31, 2009 vs Predecessor Period for the Year Ended December 31, 2008

Revenues

Net sales for the year of 2009 were $458.2 million compared to net sales of $481.9 million for the year of 2008. The decrease in revenues of $23.7 million, or 4.9%, was a result of the depressed economic conditions which caused a contraction in the residential construction market and a decrease in activity among our retail customers.

Gross Profit

The Company's gross profit of 51.0% in 2009 increased compared to 49.2% in 2008. For most of 2009, the Company was able to procure inventory items at lower unit costs than during the same prior year period as a result of decreased prices for commodities such as steel, plastics, aluminum, nickel, copper, and zinc. In particular, the cost of steel based fasteners sourced primarily from Taiwan and China returned to the levels prior to the price increases seen in the second and third quarters of 2008. The Company was able to implement pricing actions during 2008 to recoup a portion of the cost increases received from suppliers. This was followed by a reduction in commodity costs in the second half of 2008 which resulted in lower supplier prices.

Expenses

Operating expenses for the year of 2009 were $184.1 million compared to $187.3 million for the year of 2008. The decrease in operating expenses in 2009 was primarily due to the impact of lower sales volume on variable expenses such as warehouse labor, freight and shipping supplies. The following changes in underlying trends also impacted the change in operating expenses:

- Selling expense was $77.1 million, or 16.8% of net sales, in 2009 compared to $82.3 million, or 17.1% of net sales in 2008. Selling expenses decreased $5.2 million, or 6.3%, primarily as a result of headcount reductions , reduced commissions on lower franchise and independent sales, and reduced auto and travel related expenses to provide service and merchandising to our customers.
- Warehouse and delivery expense was $48.5 million, or 10.6% of net sales, in 2009 compared to $55.8 million or 11.6% of net sales in 2008. Freight expense, the largest component of warehouse and delivery expense, decreased from 4.6% of net sales in 2008 to 4.1% of net sales in 2009. The reduction in freight expense as a percentage of sales in 2009 resulted from a reduced level of fuel surcharges, the negotiation of more favorable freight contracts and the implementation of shipping and handling efficiencies. Operational improvements to the order fulfillment process continued to produce lower labor costs and shipping supply expense in 2009.
- General and administrative ("G&A") expenses of $24.8 million in 2009 were $4.0 million more than 2008. The increase in G&A expenses was primarily the result of the investment performance of securities held in the nonqualified deferred compensation plan's Rabbi Trust which provided an unfavorable adjustment of $0.3 million in 2009 and a favorable adjustment of $1.4 million in 2008. In both years, an offsetting adjustment was recorded in other income (expense). In addition, professional and legal costs increased by $1.2 million in 2009 and administrative salaries, bonuses and benefits increased by $1.2 million as a result of higher EBITDA earnings in 2009.
- Stock compensation expenses of $8.7 million were $6.3 million more than 2008. The stock compensation expense is derived from the changes in value of common stock and stock options primarily related to the Merger Transaction. The changes in the fair value of the Class B Common Stock are included in stock compensation expense and this resulted in a charge of $4.7 million in 2009 compared to a gain of $1.0 million in 2008.
- Depreciation expense decreased $0.8 million from $17.8 million in 2008 to $17.0 million in 2009. The decreased depreciation was a result of less capital spending in 2009 for the placement of Quick-Tag and key duplicating machines which were partially offset by additional depreciation primarily for the Enterprise Resource Planning software ("ERP") which became operational in 2009.

- Interest expense decreased $5.0 million to $15.5 million in 2009 from $20.5 million in 2008. The decrease in interest expense was primarily the result of a decrease in the Company's outstanding debt and lower borrowing costs on the variable rate Term Loan.

Income Taxes

Successor Seven Month Period Ended December 31, 2010, Predecessor Five Month Period Ended May 28, 2010 and Predecessor Year Ended December 31, 2009

The effective income tax rates were 28.0% for the seven month successor period ended December 31, 2010, 8.9% for the five month predecessor period ended May 28, 2010 and 113.6% for the twelve month predecessor period ended December 31, 2009. The change in effective income tax rate differed from the federal statutory rate in the seven month successor period ended December 31, 2010 primarily due to the increase in the valuation reserve recorded against certain deferred tax assets in addition to the effect of state rates. The change in the effective income tax rate differed from the federal statutory rate in the five month predecessor period ended May 28, 2010 and the twelve month predecessor period ended December 31, 2009 primarily due to the effect of nondeductible interest on mandatorily redeemable preferred stock and nondeductible stock based compensation expense in addition to the effect of state rates. See Note 6, Income Taxes, of Notes to Consolidated Financial Statements for income taxes and disclosures related to 2010 and 2009 income tax events.

Predecessor Periods for the Years Ended December 31, 2009 and 2008

The effective income tax rates were 113.6% and 130.2% for the years ended December 31, 2009 and 2008, respectively. The change in effective income tax rate differed from the federal statutory rate primarily due to the effect of nondeductible interest on mandatorily redeemable preferred stock and nondeductible stock based compensation expense in addition to the effect of state rates. See Note 6, Income Taxes, of Notes to Consolidated Financial Statements for income taxes and disclosures related to 2009 and 2008 income tax events.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the seven months ended December 31, 2010 (Successor), the five months ended May 28, 2010 (Predecessor) and the years ended December 31, 2009 and 2008 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities. The cash flows from the Merger Transaction are separately discussed below.

Merger Transaction

In connection with the Merger Transaction, the Company issued common stock for $308.6 million in cash. Proceeds from borrowings under the Senior Facilities provided an additional $290.6 million and proceeds from the 10.875% Senior Notes provided $150.0 million, less aggregate financing fees of $15.7 million. The debt and equity proceeds were used to repay the existing senior and subordinated debt and accrued interest thereon of $199.1 million, to repurchase the existing shareholders' common equity, preferred equity and stock options of $506.4 million, and to purchase the Quick Tag license for $11.5 million. The remaining proceeds were used to pay transaction expenses of $16.4 million and prepaid expenses of $0.1 million.

Operating Activities

Excluding $17.5 million in cash used for the Merger Transaction, net cash provided by operating activities for the year ended December 31, 2010 of $28.2 million was the result of the net loss adjusted for non-cash charges of $25.0 million for depreciation, amortization, deferred taxes, deferred financing, stock-based compensation and interest on mandatorily redeemable preferred stock and management purchased options in addition to cash related adjustments of $3.2 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In 2010, routine operating activities provided cash through an increase in accounts payable of $8.9 million and accrued liabilities of $8.2 million. This was partially offset by an increase in accounts receivable of $2.1 million, inventories of $8.7 million and other of $3.1 million.

Net cash provided by operating activities for the year ended December 31, 2009 of $72.0 million was generated by the net loss adjusted for non-cash charges of $55.1 million for depreciation, amortization, dispositions of equipment, deferred taxes, deferred financing, stock-based compensation and interest on mandatorily redeemable preferred stock which was in addition to cash related adjustments of $18.1 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In 2009, routine operating activities provided cash through a decrease in inventories of $18.3 million, accounts receivable of $1.6 million, other assets of $1.0 million and an increase in accrued liabilities of $3.6 million. Accounts payable accounted for the remaining $6.2 million decrease of cash provided by operating activities. The large decrease in inventories resulted from product cost reductions and the implementation of new inventory management processes which reduced the inventory requirements.

Net cash provided by operating activities for the year ended December 31, 2008 of $37.6 million was generated by the net loss adjusted for non-cash charges of $43.3 million for depreciation, amortization, dispositions of equipment, deferred taxes, deferred financing, stock-based compensation and interest on mandatorily redeemable preferred stock which was partially offset by cash related adjustments of $4.6 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In 2008, routine operating activities used cash for an increase in inventories of $3.5 million and accounts receivable of $4.4 million. Accounts payable, accrued liabilities and other items accounted for the remaining $3.3 million increase of cash provided by operating activities.

Investing Activities

The Company used cash of $11.5 million from the Merger Transaction to purchase the licensing rights and related patents for the Quick Tag business. Excluding the $11.5 million used for the Quick Tag acquisition, net cash used for investing activities was $37.7 million for the year ended December 31, 2010. The Company used $21.3 million for the acquisition of Servalite and $1.3 million to purchase the licensing rights for the Laser Key business. Capital expenditures for the year totaled $15.1 million, consisting of $9.1 million for key duplicating machines, $1.7 million for engraving machines, and $4.3 million for computer software and equipment.

Net cash used for investing activities was $13.0 million for the year ended December 31, 2009. Capital expenditures for the year totaled $13.0 million, consisting of $7.4 million for key duplicating machines, $0.5 million for engraving machines, $3.8 million for computer software and equipment and $1.3 million for plant equipment and other equipment purchases.

Net cash used for investing activities was $13.4 million for the year ended December 31, 2008. Capital expenditures for the year totaled $13.4 million, consisting of $7.3 million for key duplicating machines, $1.4 million for engraving machines, $3.4 million for computer software and equipment and $1.3 million for plant equipment and other equipment purchases.

Financing Activities

Excluding $29.0 million in cash provided by borrowings related to the Merger Transaction, net cash used for financing activities was $0.1 million for the year ended December 31, 2010. The net cash used was primarily related to the principal payments on the senior term loans of $11.0 million and further payments of $0.6 million on the revolving credit facility and $0.5 million on capitalized lease obligations which were offset by new borrowings on the revolving credit facility of $12.0 million.

Net cash used for financing activities was $49.0 million for the year ended December 31, 2009. The net cash used was primarily related to the principal payments of $45.0 million on the senior term loan.

Net cash used for financing activities was $29.0 million for the year ended December 31, 2008. The net cash used was primarily related to the principal payments of $28.6 million on the senior term loan.

Liquidity

Management believes projected cash flows from operations and revolver availability will be sufficient to fund working capital and capital expenditure needs for the next 12 months.

The Company's working capital (current assets minus current liabilities) position of $120.4 million as of December 31, 2010, represents an increase of $9.8 million from the December 31, 2009 level of $110.6 million as follows:

(dollars in thousands)

	Amount
Decrease in cash and cash equivalents	$ (9,579)
Increase in accounts receivable, net	4,753
Increase in inventories, net	14,519
Increase in other current assets	744
Increase in deferred taxes	1,277
Increase in accounts payable	(9,233)
Decrease in senior term loans & capital lease obligations	6,938
Decrease in accrued salaries and wages	1,546
Increase in accrued pricing allowances	(38)
Increase in accrued income and other taxes	(135)
Decrease in accrued interest	790
Increase in other accrued liabilities	(1,752)
Net increase in working capital for the year ended December 31, 2010	$ 9,830

The increase in the Company's working capital as of December 31, 2010 was primarily the result of the December 29, 2010 acquisition of Servalite which added $8,469 in working capital.

Contractual Obligations

The Company's contractual obligations in thousands of dollars as of December 31, 2010 are summarized below:

		Payments Due			
Contractual Obligations	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	More Than Five Years
Junior Subordinated Debentures (1)	$115,837	$ —	$ —	$ —	$115,837
Long Term Senior Term Loans	288,550	2,900	5,800	5,800	274,050
Bank Revolving Credit Facility	12,000	—	—	—	12,000
10.875% Senior Notes	150,000	—	—	—	150,000
Interest payments (2)	204,715	32,123	63,767	63,129	45,696
Operating Leases	31,847	8,060	10,294	5,027	8,466
Deferred Compensation Obligations	3,478	227	454	454	2,343
Capital Lease Obligations	189	38	74	60	17
Purchase Obligations	875	350	525	—	—
Other Assets	167	—	63	—	104
Other Long Term Obligations	2,268	1,000	774	191	303
Uncertain Tax Position Liabilities	4,433	—	1,438	—	2,995
Total Contractual Cash Obligations (3)	$814,359	$44,698	$83,189	$74,661	$611,811

(1) The junior subordinated debentures liquidation value is approximately $108,704.

(2) Interest payments for Long Term Senior Term Loans and the 10.875% Senior Notes.
Interest payments on the variable rate Long Term Senior Term Loans were calculated using the actual interest rate of 5.50% as of December 31, 2010, excluding possible impact of 2010 Swap. Interest payments on the 10.875% Senior Notes were calculated at their fixed rate.

(3) All of the contractual obligations noted above are reflected on the Company's consolidated balance sheet as of December 31, 2010 except for the interest payments and operating leases.

The Company has a purchase agreement with its supplier of key blanks which requires minimum purchases of 100 million key blanks per year. To the extent minimum purchases of key blanks are below 100 million, the Company must pay the supplier $.0035 per key multiplied by the shortfall. Since the inception of the contract in 1998, the Company has purchased more than requisite 100 million key blanks per year from the supplier. The Company extended this contract in 2009 for an additional four years.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

Borrowings

As of December 31, 2010, the Company had $12.1 million available under its secured credit facilities. The Company had approximately $300.7 million of outstanding debt under its secured credit facilities at December 31, 2010, consisting of $288.5 million in a term loan, $12.0 million in revolving credit borrowings and $0.2 million in capitalized lease obligations. The term loan consisted of a $288.5 million Term B-2 Loan at a three (3) month LIBOR rate plus margin of 5.50%. The revolver borrowings (the "Revolver") consisted of $12.0 million currently at a three (3) month LIBOR rate plus margin of 5.50%. The capitalized lease obligations were at various interest rates.

At December 31, 2010 and 2009, the Company borrowings were as follows:

	December 31, 2010			December 31, 2009		
(dollars in thousands)	Facility Amount	Outstanding Amount	Interest Rate	Facility Amount	Outstanding Amount	Interest Rate
Term B-1 Loan		$ —	—		$ 17,992	3.02%
Term B-2 Loan		288,550	5.50%		139,857	4.77%
Total Term Loans		288,550			157,849	
Revolving credit facility	$30,000	12,000	5.50%	$20,000	—	—
Capital leases & other obligations		164	various		494	various
Total secured credit		300,714			158,343	
10.875% senior notes		150,000	10.875%		—	—
Unsecured subordinated notes		—	—		49,820	12.50%
Total borrowings		$450,714			$208,163	

On May 28, 2010, the Company and certain of its subsidiaries closed the Senior Facilities, consisting of a $290.0 million term loan and a $30.0 million Revolver. The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75%, or a base rate plus a margin of 2.75%. The EuroDollar rate is subject to a minimum floor of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the consummation of the Merger Transaction, Hillman Group issued $150.0 million aggregate principal amount of its 10.875% Senior Notes, which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to the Old Credit Agreement, consisting of a $20.0 million revolving credit line and a $235.0 million term loan. The facilities under the Old Credit Agreement had a maturity date of March 31, 2012. In addition, the Company, through Hillman Group, had issued $49.8 million in aggregate principal amount of unsecured subordinated notes to a group of investors, including affiliates of AEA Investors LP, CIG & Co. and several private investors that were scheduled to mature on September 30, 2012. In connection with the Merger Agreement, both the Old Credit Agreement and the subordinated note issuance were repaid and terminated.

The Company's Senior Facilities require the maintenance of certain interest coverage and leverage ratios and limits the ability of the Company to incur debt, make investments, make dividend payments to holders of the Trust Preferred Securities or undertake certain other business activities. Upon the occurrence of an event of default under the credit agreements, all amounts outstanding, together with accrued interest, could be declared immediately due and payable by our lenders. Below are the calculations of the financial covenants with the Senior Facilities requirement for the twelve months ended December 31, 2010:

(dollars in thousands)	Actual	Ratio Requirement
Leverage Ratio		
Adjusted EBITDA (1)	$ 82,388	
Senior term loan balance	288,550	
Revolver	12,000	
Capital leases and other credit obligations	164	
Senior notes	150,000	
Total indebtedness	$450,714	
Leverage ratio (must be below requirement)	5.47	6.75
Interest Coverage Ratio		
Adjusted EBITDA (1)	$ 82,388	
Cash interest expense (2)	$ 27,120	
Interest coverage ratio (must be above requirement)	3.04	2.00
Secured Leverage Ratio		
Senior term loan balance	$288,550	
Revolver	12,000	
Capital leases and other credit obligations	164	
Total debt	$300,714	
Adjusted EBITDA (1)	$ 82,388	
Leverage ratio (must be below requirement)	3.65	4.25

(1) Adjusted EBITDA is a non-GAAP measure defined as income from operations ($7,923) plus depreciation ($18,290), amortization ($13,347), stock compensation expense ($19,053), restructuring costs ($1,236), acquisition and integration expenses ($22,492), management fees ($438) and less foreign exchange gains ($391).

(2) Includes cash interest expense on senior term loans, capitalized lease obligations, senior notes and subordinated notes.

Related Party Transactions

The Predecessor was obligated to pay management fees to a subsidiary of CHS in the amount of $58 thousand per month. The Predecessor was also obligated to pay transaction fees to a subsidiary of OTPP in the amount of $26 thousand per month, plus out of pocket expenses. The Successor has no management fee charges for the seven month period ended December 31, 2010. The Predecessor has recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $438 thousand for the five month period ended May 28, 2010. The Predecessor also recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $1.0 million for each of the years ended December 31, 2009 and 2008.

Gregory Mann and Gabrielle Mann are employed by the All Points subsidiary of Hillman. All Points leases an industrial warehouse and office facility from companies under the control of the Manns'. The Predecessor and Successor have recorded rental expense for the lease of this facility on an arm's length basis. The Successor recorded rental expense for the lease of this facility in the amount of $181 thousand for the seven month period ended December 31, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $130 thousand for the five month period ended May 28, 2010 and $311 thousand and $302 thousand for the years ended December 31, 2009 and 2008, respectively.

Critical Accounting Policies and Estimates

The Company's accounting policies are more fully described in Note 2, Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements. As disclosed in that note, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events cannot be predicted with certainty and, therefore, actual results could differ from those estimates. The following section describes the Company's critical accounting policies.

Revenue Recognition:

Revenue is recognized when products are shipped or delivered to customers depending upon when title and risks of ownership have passed and the collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statements of operations.

The Company offers a variety of sales incentives to its customers primarily in the form of discounts, rebates and slotting fees. Discounts are recognized in the financial statements at the date of the related sale. Rebates are estimated based on the revenue to date and the contractual rebate percentage to be paid. A portion of the estimated cost of the rebate is allocated to each underlying sales transaction. Slotting fees are used on an infrequent basis and are not considered to be significant. Discounts, rebates and slotting fees are included in the determination of net sales.

The Company also establishes reserves for customer returns and allowances. The reserve is established based on historical rates of returns and allowances. The reserve is adjusted quarterly based on actual experience. Returns and allowances are included in the determination of net sales.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical information. Increases to the allowance for doubtful accounts result in a corresponding expense. The Company writes off individual accounts receivable accounts when they become uncollectible. The allowance for doubtful accounts was $520 thousand and $514 thousand as of December 31, 2010 and 2009, respectively.

Inventory Realization:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the weighted average cost method. Excess and obsolete inventories are carried at net realizable value. The historical usage rate is the primary factor used by the Company in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to market is recorded for inventory with no usage in the preceding twenty-four month period or with on-hand quantities in excess of twenty-four months average usage. The inventory reserve amounts were $11.0 million and $7.1 million at December 31, 2010 and 2009, respectively.

Goodwill and Other Intangible Assets:

Goodwill represents the excess purchase cost over the fair value of net assets of companies acquired in business combinations. Goodwill is an indefinite lived asset and is tested for impairment at least annually or more frequently if a triggering event occurs. If the carrying amount of goodwill is greater than the fair value, impairment may be present. In connection with the Merger Transaction, an independent appraiser assessed the value of its goodwill based on a discounted cash flow model and multiple of earnings. Assumptions critical to the Company's fair value estimates under the discounted cash flow model include the discount rate, projected average revenue growth and projected long-term growth rates in the determination of terminal values.

The Company also evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. The Company tests intangible assets for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. In connection with the Merger Transaction, an independent appraiser assessed the value of its intangible assets based on a relief from royalties, excess earnings, and lost profits discounted cash flow model. Assumptions critical to the Company's evaluation of indefinite-lived intangible assets for impairment include the discount rate, royalty rates used in its evaluation of trade names, projected average revenue growth, and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date.

The Company's annual impairment test is performed as of October 1. The estimated fair value of the reporting unit substantially exceeded its carrying cost. The October 1 goodwill and intangible impairment test data aligns the impairment test with the preparation of the Company's annual strategic plan and allows additional time for a more thorough analysis by the Company's independent appraiser. No impairment charges were recorded by the Company as a result of the annual impairment testing.

Long-Lived Assets:

The Company evaluates its long-lived assets for financial impairment and will continue to evaluate them based on the estimated undiscounted future cash flows as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. No impairment charges were recognized for long-lived assets in the years ended December 31, 2010 and 2009.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Valuation allowances are provided for tax benefits where it is more likely than not that certain tax benefits will not be realized. Adjustments to valuation allowances are recorded for changes in utilization of the tax related item. For additional information, see Note 6, Income Taxes, of the Notes to the Consolidated Financial Statements.

Risk Insurance Reserves:

The Company self insures its product liability, automotive, workers' compensation and general liability losses up to $250 thousand per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of $250 thousand up to $40 million. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability recorded for such risk insurance reserves is adequate as of December 31, 2010, but due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ from this estimate.

The Company self-insures its group health claims up to an annual stop loss limit of $200 thousand per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves.

Common Stock:

After consummation of the Merger Transaction, Hillman has one class of Common Stock. All outstanding shares of Hillman common stock are owned by Holdco. Under the terms of the Stockholders Agreement for the Holdco Common Stock, management shareholders have the ability to put their shares back to Holdco under certain conditions, including death or disability. Accounting Standards Codification ("ASC") 480-10-S99 requires shares to be classified outside of permanent equity if they can be redeemed and the redemption is not solely within control of the issuer. Further, if it is determined that redemption of the shares is probable, the shares are marked to redemption value, which equals fair value, at each balance sheet date with the change in value recorded in additional paid-in capital. The 198.4 shares of common stock held by management are recorded outside permanent equity and were adjusted to the fair value of $12,247 as of December 31, 2010.

According to the executive services agreement ("ESA"), the fair value of the management owned common stock is to be determined by the Board of Directors using an enterprise basis and taking into account all relevant market factors.

The fair value of the Successor Common Stock and Predecessor Class A Common Stock and the Class B Common Stock have been calculated at each balance sheet date by estimating the enterprise value of the Company less the redemption value of all obligations payable in preference to the common stock. These obligations include the long term debt, senior notes, bank revolving credit and the Trust Preferred Securities. In addition, the Predecessor obligations included the Class A Preferred stock and options issued thereon, the Hillman Investment Company Class A Preferred Stock and options issued thereon. The remainder is divided by the fully diluted common shares outstanding to arrive at a fair value per common share outstanding.

The enterprise value of the Company is determined based on the earnings before interest, taxes, depreciation and amortization adjusted for management fees, stock compensation costs, and other acquisition and integration related general and administrative costs ("Adjusted EBITDA") for the most recent twelve month period multiplied by a valuation multiple. As of December 31, 2010, 2009, and 2008, the Company has applied valuation multiples of 9.83x, 8.00x, and 8.00x, respectively, to trailing twelve months Adjusted EBITDA in determining enterprise value. Management periodically reviews the appropriateness of this multiple and notes that it is consistent with comparable distribution companies.

A change of 0.1 in the valuation multiple used to calculate the enterprise value adjusts the per share fair value of the Successor Common Stock by $25.

The calculation of the fair value of the Successor Common Stock as of December 31, 2010 and the Predecessor Class A Common Stock and Class B Common Stock as of December 31, 2009 and 2008, respectively, is detailed below:

(dollars in thousands)	Successor December 31, 2010	Predecessor December 31, 2009	Predecessor December 31, 2008
Trailing twelve fiscal months EBITDA (1)	$ 85,056	$ 83,303	$ 77,391
Valuation Multiple (2)	9.83	8.00	8.00
Hillman Enterprise Value Excluding Servalite	835,717	666,424	619,128
Servalite Fair Value (3)	21,335	—	—
Hillman Enterprise Value	857,052	666,424	619,128
Less:			
Senior term loans	288,550	157,849	202,849
Bank revolving credit	12,000	—	—
10.875% senior notes	150,000	—	—
Unsecured subordinated notes	—	49,820	49,820
Junior subordinated debentures redemption value, net (4)	105,446	105,446	105,446
Total Debt	555,996	313,115	358,115
Plus:			
Cash	7,585	17,164	7,133
Proceeds from option exercise	32,284	—	—
Less:			
Accrued Hillman Investment Company Class A Preferred (5)	—	117,434	105,038
Accrued Hillman Class A Preferred (5)	—	173,358	154,297
	—	290,792	259,335
Common Equity Value	340,925	79,681	8,811
Liquidity & Minority Discount on Common Only (6)	—	23,904	2,643
Discounted Common Equity Value	340,925	55,777	6,168
Fully-diluted Common Shares outstanding	340,925	10,227	10,309
Fully-diluted Discounted Value Per Common Share	$ 1,000	$ 5,454	$ 598

(1) - EBITDA is calculated for the most recent four fiscal quarters as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Income from operations	$ 7,923	$ 49,334	$ 47,725
Depreciation and amortization	31,637	23,905	24,908
Management fees	438	1,010	1,043
Stock compensation expense	19,053	8,737	2,481
Acquisition and integration	22,492	—	—
Exchange rate (gain) loss	(391)	(536)	980
Excess legal on patent litigation	1,897	—	—
Royalty on engraving products	771	—	—
Other adjustments	1,236	853	254
EBITDA	$ 85,056	$ 83,303	$ 77,391

The other adjustments include one time restructuring costs and professional fees.

(2) - The Company periodically reviews the valuation multiple used and notes that it is consistent with comparable multiples used for distribution companies.
(3) - As Servalite was acquired on December 29, 2010, the purchase price was deemed the most accurate measure of enterprise value.
(4) - The value of the junior subordinated debentures is the redemption value of $25 per share.
(5) - Redemption value of all preferred shares and options thereon, less any applicable strike price.
(6) - Under the terms of the ESA agreement with management shareholders of the Predecessor Company, the redemption of shares is subject to a discount given the lack of a public market for the shares. A 30% discount was applied to the Predecessor equity value to adjust for the lack of an active market for the shares.

Stock-Based Compensation:

The Company has a stock-based employee compensation plan. The options have certain put features and, therefore, liability classification is required. The Company has elected to use the intrinsic value method to value the common option in accordance with ASC Topic 718, "Compensation-Stock Compensation". See Note 14, Stock-Based Compensation, of the Notes to the Consolidated Financial Statements for further information.

Fair Value of Financial Instruments:

Cash, restricted investments, accounts receivable, short-term borrowings, accounts payable and accrued liabilities are reflected in the consolidated financial statements at book value due to the short-term nature of these instruments. The carrying amounts of the long-term debt under the revolving credit facility and variable rate senior term loan approximate the fair value at December 31, 2010 and 2009. The fair values of the fixed rate senior notes at December 31, 2010 and junior subordinated debentures at December 31, 2010 and 2009 were determined utilizing current trading prices obtained from indicative market data. See Note 16, Fair Value Measurements of the Notes to the Consolidated Financial Statements.

Recent Accounting Pronouncements:

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurement." This guidance amends ASC Topic 820 to require new disclosures for fair value measurements and provides clarification for existing disclosure requirements. The guidance requires new disclosures about transfers in and out of Levels 1 and 2 and further descriptions for the reasons for the transfers. The guidance also requires more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010. This guidance requires expanded disclosures only, and did not and is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events." This ASU amends certain recognition and disclosure requirements concerning subsequent events. This update addresses the interaction of the requirements of the ASC with the SEC's reporting requirements. The update requires an entity to evaluate subsequent events through the date that the financial statements are issued. The update also provides that a filer is not required to disclose the date through which subsequent events have been evaluated. All the amendments in this update are effective upon issuance of the final update. The adoption of this amendment did not have a material impact on the Company's consolidated results of operations or financial conditions.

In December 2010, the FASB issued ASU No. 2010-29, "Business Combinations." This ASU addresses the diversity in practice about the interpretation of the pro-forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also expands the supplemental pro-forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro-forma adjustments directly attributable to the business combination included in the reported pro-forma revenue and earnings. All amendments in the update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of this update is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to the impact of interest rate changes as borrowings under the Senior Credit Agreement bear interest at variable interest rates. It is the Company's policy to enter into interest rate swap transactions only to the extent considered necessary to meet its objectives.

On August 28, 2006, the Company entered into an Interest Rate Swap Agreement ("2006 Swap") with a two-year term for a notional amount of $50.0 million. The 2006 Swap fixed the interest rate at 5.375% plus applicable interest rate margin. The 2006 Swap expired on August 28, 2008.

On August 29, 2008, the Company entered into an Interest Rate Swap Agreement ("2008 Swap") with a three-year term for a notional amount of $50.0 million. The 2008 Swap fixed the interest rate at 3.41% plus applicable interest rate margin. The 2008 Swap was terminated on May 24, 2010.

On June 24, 2010, the Company entered into a forward Interest Rate Swap Agreement ("2010 Swap") with a two-year term for a notional amount of $115.0 million. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus the applicable interest rate margin. This interest rate swap qualifies for hedge accounting based on the shortcut method under ASC 815, Derivatives and Hedging.

Based on Hillman's exposure to variable rate borrowings at December 31, 2010, a one percent (1%) change in the weighted average interest rate for a period of one year would change the annual interest expense by approximately $3.0 million excluding any impact from the interest rate swap.

The Company is exposed to foreign exchange rate changes of the Canadian and Mexican currencies as it impacts the $8.3 million net asset value of its Canadian and Mexican subsidiaries as of December 31, 2010. Management considers the Company's exposure to foreign currency translation gains or losses to be immaterial.

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Item 8 – Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of The Hillman Companies, Inc. and its consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of The Hillman Companies, Inc. and its consolidated subsidiaries are being made only in accordance with authorizations of management and directors of The Hillman Companies, Inc. and its consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of The Hillman Companies, Inc. and its consolidated subsidiaries that could have a material effect on the consolidated financial statements.

Management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2010, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Based on its assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2010, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We reviewed the results of management's assessment with the Audit Committee of The Hillman Companies, Inc.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

/S/ MAX W. HILLMAN

Max W. Hillman
Chief Executive Officer
Dated: March 31, 2011

/S/ JAMES P. WATERS

James P. Waters
Chief Financial Officer
Dated: March 31, 2011

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
The Hillman Companies, Inc.

We have audited the accompanying consolidated balance sheets of The Hillman Companies, Inc. and subsidiaries (a Delaware corporation) (the "Company") as of December 31, 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for the seven months ended December 31, 2010 (Successor) and the five months ended May 28, 2010 (Predecessor). In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index appearing under Valuation Accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hillman Companies, Inc. and subsidiaries as of December 31, 2010, and the results of its operations and its cash flows for the seven months ended December 31, 2010 (Successor) and five months ended May 28, 2010 (Predecessor) in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

KPMG LLP
Cincinnati, Ohio
March 31, 2011

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
The Hillman Companies, Inc.

We have audited the accompanying consolidated balance sheets of The Hillman Companies, Inc. and subsidiaries (a Delaware corporation) (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2009. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Valuation Accounts. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hillman Companies, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material aspects, the information set forth therein.

As discussed in Note 18 (not presented herein), the consolidated balance sheets as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ending December 31, 2009 have been restated to correct a misstatement in the recording of the provision for income taxes.

Also, as presented in Note 24, the notes to the consolidated financial statements have been adjusted to include supplemental consolidating guarantor and non-guarantor financial information as of December 31, 2009 and December 31, 2008 and for the years then ended. We were not engaged to audit, review, or apply any procedures to the supplemental consolidating guarantor and non-guarantor financial information as of December 31, 2010 and for the five months ended May 28, 2010 and the seven months ended December 31, 2010 and, accordingly, we do not express an opinion or any other form of assurance on such information.

/s/ GRANT THORNTON LLP

GRANT THORNTON LLP
Cincinnati, Ohio
March 26, 2010, except for Note 18 (not presented herein) and Note 24, as to which the dates are May 3, 2010 and March 31, 2011, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	Successor December 31, 2010	Predecessor December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,585	$ 17,164
Restricted investments	227	334
Accounts receivable	56,510	51,757
Inventories	97,701	83,182
Deferred income taxes	9,377	8,100
Other current assets	3,401	2,657
Total current assets	174,801	163,194
Property and equipment	52,512	47,565
Goodwill	439,589	257,806
Other intangibles	363,076	146,640
Restricted investments	3,251	2,709
Deferred income taxes	379	418
Deferred financing fees	14,322	5,690
Investment in trust common securities	3,261	3,261
Other assets	1,587	1,198
Total assets	$1,052,778	$ 628,481
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 28,424	$ 19,191
Current portion of senior term loans	2,900	9,519
Current portion of capitalized lease and other obligations	30	349
Accrued expenses:		
Salaries and wages	6,078	7,624
Pricing allowances	5,355	5,317
Income and other taxes	2,039	1,904
Interest	1,409	2,199
Deferred compensation	227	334
Other accrued expenses	7,899	6,147
Total current liabilities	54,361	52,584
Long-term senior term loans	285,650	148,330
Bank revolving credit	12,000	—
Long-term capitalized lease and other obligations	134	145
Long-term senior notes	150,000	—
Long-term unsecured subordinated notes	—	49,820
Junior subordinated debentures	115,837	115,716
Mandatorily redeemable preferred stock	—	111,452
Management purchased preferred options	—	6,617
Deferred compensation	3,251	2,709
Deferred income taxes	129,284	50,169
Accrued dividends on preferred stock	—	75,580
Other non-current liabilities	2,283	18,467
Total liabilities	752,800	631,589

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)	Successor December 31, 2010	Predecessor December 31, 2009
Common stock with put options:		
Common stock, $.01 par, 5,000 shares authorized, 198.4 issued and outstanding at December 31, 2010.	12,247	—
Class A Common stock, $.01 par, zero authorized and outstanding at December 31, 2010; 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	—	2,158
Class B Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009.	—	5,293
Commitments and contingencies (Note 17)		
Stockholders' Equity (Deficit):		
Preferred Stock:		
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2010.	—	—
Class A Preferred stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	—	1
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized, 4,801.6 issued and outstanding at December 31, 2010.	—	—
Class A Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	—	—
Class C Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	—	—
Additional paid-in capital	296,394	10,302
Accumulated deficit	(8,038)	(19,377)
Accumulated other comprehensive loss	(625)	(1,485)
Total stockholders' equity (deficit)	287,731	(10,559)
Total liabilities and stockholders' equity (deficit)	$1,052,778	$ 628,481

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

	Successor	Predecessor		
	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Net sales	$ 276,680	$ 185,716	$ 458,161	$ 481,923
Cost of sales (exclusive of depreciation and amortization shown separately below)	136,554	89,773	224,642	244,647
Gross profit	140,126	95,943	233,519	237,276
Operating expenses:				
Selling, general and administrative expenses	90,760	82,850	159,150	161,350
Acquisition and integration (Note 22)	11,150	11,342	—	—
Depreciation	11,007	7,283	16,993	17,835
Amortization	10,669	2,678	6,912	7,073
Management and transaction fees to related party	—	438	1,010	1,043
Total operating expenses	123,586	104,591	184,065	187,301
Other income (expense), net	145	(114)	(120)	(2,250)
Income (loss) from operations	16,685	(8,762)	49,334	47,725
Interest expense, net	20,712	8,327	15,521	20,545
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	5,488	12,312	11,091
Interest expense on junior subordinated debentures	7,356	5,254	12,820	12,609
Investment income on trust common securities	(220)	(158)	(378)	(378)
(Loss) income before income taxes	(11,163)	(27,673)	9,059	3,858
Income tax (benefit) provision	(3,125)	(2,465)	10,289	5,023
Net loss	$ (8,038)	$ (25,208)	$ (1,230)	$ (1,165)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Successor	Predecessor		
	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash flows from operating activities:				
Net loss	$ (8,038)	$ (25,208)	$ (1,230)	$ (1,165)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	21,676	9,961	23,905	24,908
Dispositions of property and equipment	60	74	243	75
Deferred income tax provision (benefit)	(5,660)	(1,921)	8,673	3,476
Deferred financing and original issue discount amortization	1,294	515	1,275	1,294
Interest on mandatorily redeemable preferred stock and management purchased options	—	5,488	12,312	11,091
Stock-based compensation expense	—	19,053	8,737	2,481
Changes in operating items:				
Accounts receivable	14,686	(16,816)	1,633	(4,428)
Inventories	(11,661)	2,959	18,282	(3,488)
Other assets	(1,156)	124	949	(740)
Accounts payable	7,051	1,830	(6,219)	2,177
Other accrued liabilities	(5,780)	4,352	3,627	569
Other items, net	(1,273)	(894)	(190)	1,342
Net cash provided by (used for) operating activities	11,199	(483)	71,997	37,592
Cash flows from investing activities:				
Payments for Quick Tag and Laser Key licenses	(12,750)	—	—	—
Servalite acquisition	(21,335)	—	—	—
Capital expenditures	(9,675)	(5,411)	(12,971)	(13,409)
Net cash used for investing activities	(43,760)	(5,411)	(12,971)	(13,409)
Cash flows from financing activities:				
Borrowings of senior term loans	290,000	—	—	—
Repayments of senior term loans	(149,756)	(9,544)	(45,000)	(28,626)
Borrowings of revolving credit loans	12,600	—	—	24,250
Repayments of revolving credit loans	(600)	—	—	(24,250)
Principal payments under capitalized lease obligations	(50)	(459)	(394)	(343)
Repayments of unsecured subordinated notes	(49,820)	—	—	—
Borrowings of senior notes	150,000	—	—	—
Financing fees, net	(15,729)	—	(2,921)	—
Purchase of predecessor equity securities	(506,407)	—	—	—
Proceeds from sale of successor equity securities	308,641	—	(1,141)	—
Borrowings under other credit obligations	—	—	461	—
Net cash provided by (used for) financing activities	38,879	(10,003)	(48,995)	(28,969)
Net increase (decrease) in cash and cash equivalents	6,318	(15,897)	10,031	(4,786)
Cash and cash equivalents at beginning of period	1,267	17,164	7,133	11,919
Cash and cash equivalents at end of period	$ 7,585	$ 1,267	$ 17,164	$ 7,133

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(dollars in thousands)

	Predecessor			Successor					
	Common Stock		Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Class A	Class C	Class A						
Balance at December 31, 2007 - Predecessor	$ —	$ —	$ 1	$ —	$ 44,164	$ (16,982)	$ (411)		$ 26,772
Net loss	—	—	—	—	—	(1,165)	—	$ (1,165)	(1,165)
Class A Common Stock FMV adjustment (2)	—	—	—	—	170	—	—		170
Dividends to shareholders	—	—	—	—	(15,141)	—	—		(15,141)
Stock-based compensation	—	—	—	—	16	—	—		16
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	74	74	74
Change in derivative security value (1)	—	—	—	—	—	—	(1,248)	(1,248)	(1,248)
Comprehensive loss								$ (2,339)	
Balance at December 31, 2008 - Predecessor	—	—	1	—	29,209	(18,147)	(1,585)		9,478
Net loss	—	—	—	—	—	(1,230)	—	$ (1,230)	(1,230)
Class A Common Stock FMV adjustment (2)	—	—	—	—	(1,995)	—	—		(1,995)
Dividends to shareholders	—	—	—	—	(16,912)	—	—		(16,912)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	(197)	(197)	(197)
Change in derivative security value (1)	—	—	—	—	—	—	297	297	297
Comprehensive loss								$ (1,130)	
Balance at December 31, 2009 - Predecessor	—	—	1	—	10,302	(19,377)	(1,485)		(10,559)
Net loss	—	—	—	—	—	(25,208)	—	$ (25,208)	(25,208)
Class A Common Stock FMV adjustment (2)	—	—	—	—	(5,650)	—	—	—	(5,650)
Dividends to shareholders	—	—	—	—	(7,583)	—	—	—	(7,583)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	17	17	17
Change in derivative security value (1)	—	—	—	—	—	—	1,161	1,161	1,161
Comprehensive loss								$ (24,030)	
Balance at May 28, 2010 - Predecessor	—	—	1	—	(2,931)	(44,585)	(307)		(47,822)
Close stockholders' deficit at merger date	—	—	(1)	—	2,931	44,585	307		47,822
Issuance of 5,000 shares of common stock	—	—	—	—	308,641	—	—		308,641
Transfer of 200.8 shares of common stock to mezzazine	—	—	—	—	(12,397)	—	—		(12,397)
Balance at May 28, 2010 - Successor	—	—	—	—	296,244	—	—		296,244
Net loss	—	—	—	—	—	(8,038)	—	$ (8,038)	(8,038)
Sale of 150 Holdco common shares (3)	—	—	—	—	150	—	—		150
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	(1)	(1)	(1)
Change in derivative security value (1)	—	—	—	—	—	—	(624)	(624)	(624)
Comprehensive loss								$ (8,663)	
Balance at December 31, 2010 - Successor	$ —	$ —	$ —	$ —	$296,394	$ (8,038)	$ (625)		$ 287,731

(1) The cumulative foreign translation adjustment and change in derivative security value are net of taxes and represent the only items of other comprehensive income (loss).
(2) Management of the Predecessor Company controlled 395.7 shares of Class A common stock at December 31, 2009 and 412.0 shares of Class A common stock at December 31, 2008. These shares contained a put feature that allowed redemption at the holder's option. These shares were classified as temporary equity and were adjusted to fair value. See Note 13, Common and Preferred Stock, for further details.
(3) In December 2010, a former member of management sold 150.0 shares of Holdco to a member of the Board of Directors.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation:

The accompanying financial statements include the consolidated accounts of The Hillman Companies, Inc. ("Hillman Companies") and its wholly-owned subsidiaries (collectively "Hillman" or the "Company"). All significant intercompany balances and transactions have been eliminated.

On May 28, 2010, Hillman Companies was acquired by an affiliate of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman Companies is a wholly-owned subsidiary of OHCP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was $832,679 which includes $11,500 for the Quick Tag license and related patents, the repayment of outstanding debt and the net value of the Company's outstanding junior subordinated debentures ($105,443 liquidation value at the time of the merger).

Prior to the Merger Transaction, affiliates of Code Hennessy & Simmons LLC ("CHS") owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owned 28.0% of the Company's outstanding common stock and 31.0% of the Company's voting common stock and HarbourVest Partners VI ("HarbourVest") owned 8.7% of the Company's outstanding common stock and 9.7% of the Company's voting common stock. Certain current and former members of management owned 13.7% of the Company's outstanding common stock and 4.4% of the Company's voting common stock. Other investors owned 0.3% of the Company's common stock and 0.3% of the Company's voting common stock.

The Company's consolidated balance sheet as of May 28, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented prior to May 28, 2010 are referenced herein as the predecessor financial statements (the "Predecessor" or "Predecessor Financial Statements"). The Company's consolidated balance sheet as of December 31, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements"). The Predecessor Financial Statements do not reflect certain transaction amounts that were incurred at the close of the Merger Transaction. Such transaction amounts include the write-off of $5,010 in deferred financing fees associated with the Predecessor debt obligations.

The Successor Financial Statements reflect the preliminary allocation of the aggregate purchase price of $832,679, including the value of the Company's junior subordinated debentures, to the assets and liabilities of Hillman based on fair values at the date of the Merger Transaction in accordance with ASC Topic 805, "Business Combinations." The Company is in the process of finalizing its fair value evaluation of certain assets and liabilities acquired in connection with the Merger Transaction. Thus, the allocation of the purchase price is subject to change.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation (continued):

The Company's financial statements have been presented on the basis of push down accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 805-50-S99 (Prior authoritative literature: Staff Accounting Bulletin No. 54 *Application of "Push Down" Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase*). FASB ASC 805-50-S99 states that the push down basis of accounting should be used in a purchase transaction in which the entity becomes wholly-owned by another entity. Under the push down basis of accounting, certain transactions incurred by the parent company which would otherwise be accounted for in the accounts of the parent are "pushed down" and recorded on the financial statements of the subsidiary. Accordingly, certain items resulting from the OHCP Merger Transaction have been recorded on the financial statements of the Company.

The following tables reconcile the fair value of the acquired assets and assumed liabilities to the total purchase price:

	Amount
Cash paid as merger consideration	$ 715,736
Cash paid for Quick Tag license and related patents	11,500
Fair value of consideration transferred	$ 727,236
Cash	$ 1,267
Accounts Receivable	68,573
Inventory	78,911
Other current assets	11,629
Property and equipment	53,607
Goodwill	432,405
Intangible assets	366,400
Other non-current assets	3,748
Total assets acquired	1,016,540
Less:	
Accounts payable	(21,021)
Deferred income taxes	(133,282)
Junior subordinated debentures	(105,443)
Junior subordinated debentures premium	(7,378)
Other liabilities assumed	(22,180)
Net assets acquired	$ 727,236

The following table indicates the unaudited pro-forma financial statements of the Company for the years ended December 31, 2010 (excludes acquisition and integration charges of $22,492 as discussed in Note 22), 2009, and 2008. The pro-forma financial statements give effect to the Merger Transaction, subsequent refinancing and the acquisitions described in Note 4, Acquisitions, as if they had occurred on January 1, 2008.

	2010	2009	2008
Net Sales	483,434	477,969	501,589
Net Income	8,789	1,515	347

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation (continued):

The pro-forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro-forma results are not necessarily indicative of the operating results that would have occurred if the acquisition had been effective January 1, 2008, nor are they intended to be indicative of results that may occur in the future. The underlying pro-forma information includes the historical results of the Company, the Company's financing arrangements, and certain purchase accounting adjustments.

Nature of Operations:

The Company is one of the largest providers of value-added merchandising services and hardware-related products to retail markets in North America through its wholly-owned subsidiary, The Hillman Group, Inc. (the "Hillman Group"). A subsidiary of the Hillman Group operates in Canada under the name The Hillman Group Canada, Ltd. and another in Mexico under the name SunSource Integrated Services de Mexico SA de CV. The Hillman Group provides merchandising services and products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; and identification items, such as tags and letters, numbers and signs, to retail outlets, primarily hardware stores, home centers and mass merchants. The Company has approximately 18,000 customers, the largest three of which accounted for 43.7% of net sales in 2010.

2. Summary of Significant Accounting Policies:

Cash and Cash Equivalents:

Cash and cash equivalents consist of commercial paper, U.S. Treasury obligations and other liquid securities purchased with initial maturities less than 90 days and are stated at cost which approximates market value. The Company has foreign bank balances of approximately $1,299 and $363 at December 31, 2010 and 2009, respectively. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances. Management believes its credit risk is minimal.

Restricted Investments:

The Company's restricted investments are trading securities carried at fair market value which represent assets held in a Rabbi Trust to fund deferred compensation liabilities owed to the Company's employees. See Note 11, Deferred Compensation Plans.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical collection experience. Increases to the allowance for doubtful accounts result in a corresponding expense. The Company writes off individual accounts receivable when collection becomes improbable. The allowance for doubtful accounts was $520 and $514 as of December 31, 2010 and 2009, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

2. Summary of Significant Accounting Policies: (continued)

Inventories:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the weighted average cost method. Excess and obsolete inventories are carried at net realizable value. The historical usage rate is the primary factor used by the Company in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to market is recorded for inventory with no usage in the preceding 24 month period or with on hand quantities in excess of 24 months average usage. The inventory reserve amounts were $11,010 and $7,145 at December 31, 2010 and 2009, respectively.

Property and Equipment:

Property and equipment, including assets acquired under capital leases, are carried at cost and include expenditures for new facilities and major renewals. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is reflected in income from operations.

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to maintenance of internal-use software are expensed as incurred. Costs used for the development of internal-use software were capitalized in the amount of $1,134 in the Successor seven month period ended December 31, 2010, $246 in the Predecessor period ended May 28, 2010 and $2,837 and $1,985 for the years ended December 31, 2009 and 2008, respectively.

Depreciation:

For financial accounting purposes, depreciation, including that related to plant and equipment acquired under capital leases, is computed on the straight-line method over the estimated useful lives of the assets, generally three to ten years or over the terms of the related leases, whichever is shorter.

Goodwill and Other Intangible Assets:

Goodwill represents the excess purchase cost over the fair value of net assets of companies acquired in business combinations. Goodwill is an indefinite lived asset and is tested for impairment at least annually or more frequently if a triggering event occurs. If the carrying amount of goodwill is greater than the fair value, impairment may be present. In connection with the Merger Transaction, an independent appraiser assessed the value of its goodwill based on a discounted cash flow model and multiple of earnings. Assumptions critical to the Company's fair value estimates under the discounted cash flow model include the discount rate, projected average revenue growth and projected long-term growth rates in the determination of terminal values.

The Company also evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. The Company also tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. In connection with the Merger Transaction, an independent appraiser assessed the value of its intangible assets based on a relief from royalties, excess earnings, and lost profits discounted cash flow model. Assumptions critical to the Company's evaluation of indefinite-lived intangible assets for impairment include the discount rate, royalty rates used in its evaluation of trade names,

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

2. Summary of Significant Accounting Policies: (continued)

projected average revenue growth, and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date.

No impairment charges were recorded by the Company as a result of the annual impairment testing in the seven month period ended December 31, 2010 or the years ended December 31, 2009 and 2008.

Long-Lived Assets:

The Company evaluates its long-lived assets for financial impairment including an evaluation based on the estimated undiscounted future cash flows as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. No impairment charges were recognized for long-lived assets in the seven months ended December 31, 2010 or the years ended December 31, 2009 and 2008.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Valuation allowances are provided for tax benefits where management estimates it is more likely than not that certain tax benefits will not be realized. Adjustments to valuation allowances are recorded for changes in utilization of the tax related item. See Note 6, Income Taxes, for additional information.

Risk Insurance Reserves:

The Company self insures its product liability, automotive, workers' compensation and general liability losses up to $250 per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of $250 up to $40,000. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability recorded for such risk insurance reserves is adequate as of December 31, 2010, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

The Company self-insures its group health claims up to an annual stop loss limit of $200 per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

2. Summary of Significant Accounting Policies: (continued)

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan ("defined contribution plan"). The plan provides for a matching contribution for eligible employees of 50% of each dollar contributed by the employee up to 6% of the employee's compensation. The matching contribution for all eligible employees was reduced to 25% of each dollar contributed up to 6% of the employee's compensation in February 2009, but was reinstated at the 50% level in July 2009. In addition, the plan provides an annual contribution in amounts authorized by the Board of Directors, subject to the terms and conditions of the plan.

The Company's defined contribution plan costs were $710 in the Successor seven month period ended December 31, 2010, $594 in the Predecessor five month period ended May 28, 2010 and $1,035 and $1,368 for the years ended December 31, 2009 and 2008, respectively.

Revenue Recognition:

Revenue is recognized when products are shipped or delivered to customers depending upon when title and risks of ownership have passed and the collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statements of operations.

The Company offers a variety of sales incentives to its customers primarily in the form of discounts and rebates. Discounts are recognized in the consolidated financial statements at the date of the related sale. Rebates are estimated based on the revenue to date and the contractual rebate percentage to be paid. A portion of the estimated cost of the rebate is allocated to each underlying sales transaction. Rebates and discounts are included in the determination of net sales.

The Company also establishes reserves for customer returns and allowances. The reserve is established based on historical rates of returns and allowances. The reserve is adjusted quarterly based on actual experience. Returns and allowances are included in the determination of net sales.

Shipping and Handling:

The costs incurred to ship product to customers, including freight and handling expenses, are included in selling, general and administrative ("SG&A") expenses on the Company's consolidated statements of operations. The Company's shipping and handling costs were $16,105 in the Successor seven month period ended December 31, 2010, $3,153 in the Predecessor period ended May 28, 2010 and $16,667 and $19,393 for the years ended December 31, 2009, and 2008, respectively.

Research and Development:

The Company expenses research and development costs consisting primarily of internal wages and benefits in connection with improvements to the key duplicating and engraving machines. The Company's research and development costs were $476 in the Successor seven month period ended December 31, 2010, $446 in the Predecessor period ended May 28, 2010 and $1,198 and $998 for the years ended December 31, 2009 and 2008, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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2. Summary of Significant Accounting Policies: (continued)

Common Stock:

After consummation of the Merger Transaction, Hillman Companies has one class of Common Stock. All outstanding shares of Hillman Companies common stock are owned by Holdco.

Under the terms of the Stockholders Agreement for the Holdco Common Stock, management shareholders have the ability to put their shares back to Holdco under certain conditions, including death or disability. ASC 480-10-S99 requires shares to be classified outside of permanent equity if they can be redeemed and the redemption is not solely within control of the issuer. Further, if it is determined that redemption of the shares is probable the shares are marked to market at each balance sheet date with the change in fair value recorded in additional paid-in capital. Accordingly, the 198.4 shares of common stock held by management are recorded outside permanent equity and have been adjusted to the fair value of $12,247 as of December 31, 2010. See Note 13, Common and Preferred Stock.

Stock Based Compensation:

The Company has a stock-based employee compensation plan, which is more fully described in Note 14, Stock Based Compensation. The options have certain put features available to the holder and, therefore, liability classification is required. The Company has elected to use the intrinsic value method to value the common option in accordance with ASC Topic 718, “Compensation-Stock Compensation”.

Fair Value of Financial Instruments:

Cash, restricted investments, accounts receivable, short-term borrowings, accounts payable and accrued liabilities are reflected in the consolidated financial statements at book value, which approximates fair value, due to the short-term nature of these instruments. The carrying amounts of the long-term debt under the revolving credit facility and variable rate senior term loan approximate the fair value at December 31, 2010 and 2009 because of the short maturity of these instruments. The fair values of the fixed rate senior notes at December 31, 2010 and junior subordinated debentures at December 31, 2010 and 2009 were determined utilizing current trading prices obtained from indicative market data. See Note 16, Fair Value Measurements.

Interest Rate Swaps

The Company uses derivative instruments, consisting primarily of interest rate swap agreements, to manage exposure to changes in the future cash flows of some of our long-term debt. The Company enters into interest rate swap transactions with financial institutions acting as the counter-party. The Company does not use derivative instruments for trading or other speculative purposes.

The relationships between hedging instruments and hedged items are formally documented, in addition to the risk management objective and strategy for each hedge transaction. For interest rate swaps, the notional amounts, rates and maturities of our interest rate swaps are closely matched to the related terms of hedged debt obligations. The critical terms of the interest rate swap are matched to the critical terms of the underlying hedged item to determine whether the derivatives used for hedging transactions are highly effective in offsetting changes in the cash flows of the underlying hedged item. If it is determined that a derivative ceases to be a highly effective hedge, we discontinue hedge accounting and recognize all subsequent derivative gains and losses in our income statement.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

2. Summary of Significant Accounting Policies: (continued)

Derivative instruments designated in hedging relationships that mitigate exposure to the variability in future cash flows of our variable-rate debt are considered cash flow hedges. We record all derivative instruments in other assets or other liabilities on our consolidated balance sheets at their fair values. If the derivative is designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income and reclassified to interest expense when the hedged debt affects interest expense. Instruments not qualifying for hedge accounting are recognized in interest expense in the period of the change. Hedge transactions that qualify for hedge accounting using the short-cut method have no net effect on our consolidated results of operations. See Note 15, Derivatives and Hedging.

Translation of Foreign Currencies:

The translation of the Company's Canadian and Mexican local currency based financial statements into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity.

Comprehensive Income (Loss):

The components of comprehensive loss were as follows:

	Successor	Predecessor		
	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Net loss	$ (8,038)	$ (25,208)	$ (1,230)	$ (1,165)
Foreign currency translation adjustment, net	(1)	17	(197)	74
Change in derivative security value, net (1)	(624)	1,161	297	(1,248)
Comprehensive loss	$ (8,663)	$ (24,030)	$ (1,130)	$ (2,339)

(1) Utilizing an income tax rate of 38.6%, 38.7%, 38.7%, and 38.5% for the periods ended December 31, 2010, May 28, 2010, December 31, 2009 and 2008, respectively.

The accumulated other comprehensive loss of $625 at December 31, 2010 consisted of $1 for the cumulative change in foreign currency translation adjustment and $624 for the cumulative change in derivative security value.

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results may differ from these estimates.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. Recent Accounting Pronouncements:

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurement". This guidance amends Accounting Standards Codification ("ASC") Topic 820 to require new disclosures for fair value measurements and provides clarification for existing disclosure requirements. The guidance requires new disclosures about transfers in and out of Levels 1 and 2 and further descriptions for the reasons for the transfers. The guidance also requires more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010. This guidance requires expanded disclosures only, and did not and is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events". This ASU amends certain recognition and disclosure requirements concerning subsequent events. This update addresses the interaction of the requirements of the ASC with the SEC's reporting requirements. The update requires an entity to evaluate subsequent events through the date that the financial statements are issued. The update also provides that a filer is not required to disclose the date through which subsequent events have been evaluated. All the amendments in this update are effective upon issuance of the final update. The adoption of this amendment did not have a material impact on the Company's consolidated results of operations or financial condition.

In December 2010, the FASB issued ASU No. 2010-29, "Business Combinations". This ASU addresses the diversity in practice about the interpretation of the pro-forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also expands the supplemental pro-forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro-forma adjustments directly attributable to the business combination included in the reported pro-forma revenue and earnings. All amendments in the update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of this update is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

4. Acquisitions:

On December 29, 2010, the Hillman Group entered into a Stock Purchase Agreement (the "Agreement") by and among Serv-A-Lite Products, Inc. ("Servalite"), Thomas Rowe, Mary Jennifer Rowe, and the Hillman Group, whereby the Hillman Group acquired all of the equity interest of Servalite. The aggregate purchase price was $21,335 paid in cash at closing.

The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

Account receivable	$ 2,623
Inventory	5,817
Other current assets	144
Deferred income taxes	1,259
Property and equipment	49
Goodwill	7,184
Intangibles	6,095
Total assets acquired	23,171
Less:	
Liabilities assumed	1,836
Total purchase price	$21,335

The excess of the purchase price over the net assets has been preliminarily allocated to goodwill and intangible assets by management pending final valuation by an independent appraisal. The intangible assets and goodwill are expected to be deductible for income tax purposes over a 15 year life.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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5. Related Party Transactions:

The Predecessor was obligated to pay management fees to a subsidiary of CHS in the amount of $58 per month. The Predecessor was also obligated to pay transaction fees to a subsidiary of OTPP in the amount of $26 per month, plus out of pocket expenses. The Successor has no management fee charges for the seven month period ended December 31, 2010. The Predecessor has recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $438 for the five month period ended May 28, 2010. The Predecessor also recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $1,010 and $1,043 for each of the years ended December 31, 2009 and 2008, respectively.

Gregory Mann and Gabrielle Mann are employed by the All Points subsidiary of Hillman. All Points leases an industrial warehouse and office facility from companies under the control of the Manns. The Predecessor and Successor have recorded rental expense for the lease of this facility on an arm's length basis. The Successor recorded rental expense for the lease of this facility in the amount of $181 for the seven month period ended December 31, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $130 for the five month period ended May 28, 2010 and $311 and $302 for the years ended December 31, 2009 and 2008, respectively.

6. Income Taxes:

The components of the Company's income tax provision for the three years ended December 31, 2010 were as follows:

	Successor	Predecessor		
	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Current:				
Federal & State	$ 96	$ 83	$ 1,579	$ 878
Foreign	108	73	102	104
Total current	204	156	1,681	982
Deferred:				
Federal & State	(4,348)	(2,063)	7,907	4,545
Foreign	38	91	196	(469)
Total deferred	(4,310)	(1,972)	8,103	4,076
Valuation allowance	981	(649)	505	(35)
Provision for income taxes	$ (3,125)	$ (2,465)	$ 10,289	$ 5,023

The Company has U.S. federal net operating loss ("NOL") carryforwards for tax purposes, totaling $52,517 as of December 31, 2010, that are available to offset future taxable income. These carryforwards expire from 2023 to 2030. Management estimates that these losses will be fully utilized prior to the expiration date. No valuation allowance has been provided against the federal NOL. In addition, the Company's foreign subsidiaries have NOL carryforwards aggregating $1,029 which expire from 2027 to 2030. Management estimates that these losses will be fully utilized prior to the expiration date. No valuation allowance has been provided against the foreign NOL.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

6. Income Taxes: (continued)

The Company has state net operating loss carryforwards with an aggregate tax benefit of $2,691 which expire from 2011 to 2030. Management estimates that the Company will not be able to fully absorb some of the loss carryforwards in certain states before they expire. A valuation allowance with a year-end balance of $82 has been established for these deferred tax assets. In 2010, the valuation allowance for state net operating loss carryforwards increased by $34 in the Predecessor period and $38 in the Successor period. The increase was primarily a result of the increase in the related state net operating losses in the current year.

The Company has a federal capital loss carryforward of $1,652 as of December 31, 2010. This loss is available to offset future capital gains. This loss will expire from 2013 to 2014 if not utilized. Management has recorded a valuation allowance of $608 for this capital loss carryforward to fully offset the deferred tax asset in 2010. Management estimates that the utilization of this capital loss carryforward is uncertain due to the short carryforward period and the uncertainty of generating sufficient capital gains in the carryforward period. In 2010, the valuation allowance for the capital loss carryforward was decreased by $31 in the Predecessor period and $3 in the Successor period. The decrease was attributed to utilization in the carryforward period. The Company has $292 of general business tax credit carryforwards which expire from 2011 to 2029. A valuation allowance of $251 has been established for these tax credits.

In 2010, a deferred tax asset was recorded for costs that were capitalized in connection with the 2010 Merger Transaction. Certain of these capitalized costs are not amortized under the tax law and can only be recovered for tax purposes under certain circumstances. The Company has established a valuation allowance of $914 in the Predecessor period and $973 in the Successor period for the entire amount of the deferred tax asset related to these non-amortizable capitalized costs. Also in 2010, the Company decreased the valuation reserve previously recorded for the 2004 Merger Transaction costs. The decrease of $1,557 was recorded in the Predecessor period.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Income Taxes: (continued)

The table below reflects the significant components of the Company's net deferred tax assets and liabilities at December 31, 2010 and 2009:

	Successor		Predecessor	
	As of December 31, 2010		As of December 31, 2009	
	Current	Non-current	Current	Non-current
Deferred Tax Asset:				
Inventory	$ 6,576	$ —	$ 5,163	$ —
Bad debt reserve	752	—	724	—
Casualty loss reserve	386	368	325	478
Accrued bonus / deferred compensation	1,062	1,319	1,975	1,312
Medical insurance reserve	277	—	374	—
Accrued resets and buy backs	314	—	—	—
Interest exp. on Purchased Preferred Stock Options	—	—	—	4,293
Compensation expense on Preferred Stock Options	—	—	—	5,477
Original issue discount amortization	—	537	—	355
Derivative security value	—	392	—	733
Transaction costs	—	5,171	—	2,009
Federal / foreign net operating loss	—	18,695	—	5,958
State net operating loss	—	2,691	—	1,591
Unrecognized tax benefit	—	(4,433)	—	(2,879)
Federal capital loss carryforwards	—	608	—	657
Tax credit carryforwards	—	2,489	—	2,181
All other items	746	607	584	794
Gross deferred tax assets	10,113	28,444	9,145	22,959
Valuation allowance for deferred tax assets	(736)	(2,091)	(1,045)	(1,464)
Net deferred tax assets	$ 9,377	$ 26,353	$ 8,100	$ 21,495
Deferred Tax Liability:				
Intangible asset amortization	$ —	$ 146,493	$ —	$ 65,575
Property and equipment	—	8,765	—	5,671
Deferred tax liabilities	$ —	$ 155,258	$ —	$ 71,246
Net deferred tax liability		$ 119,528		$ 41,651
Long term net deferred tax liability		$ 129,284		$ 50,169
Current net deferred tax asset		9,377		8,100
Long term net deferred tax asset		379		418
Net deferred tax liability		$ 119,528		$ 41,651

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Income Taxes: (continued)

The valuation allowance at December 31, 2010 was $2,827. In previous years, initial recognition of a tax benefit by a future reduction of the valuation reserve that had been established at the date of the 2004 Merger Transaction would have reduced goodwill related to the 2004 Merger Transaction. Effective for financial reporting periods beginning after December 15, 2008, any change in the valuation reserve is recorded as an adjustment to the tax provision in the period of change.

There were no reductions in the valuation allowance for the years ended December 31, 2010, 2009 and 2008 that were recorded as a reduction to goodwill resulting from the initial recognition of the tax benefits from valuation allowances established in purchase accounting. The foreign tax provision successor for the seven month tax period ended December 31, 2010 and the predecessor five month tax period ended May 28, 2010, and the twelve month tax periods ended December 31, 2009 and 2008 were offset by charges to the valuation allowance of $0, $0, $0, and ($114), respectively.

Realization of the net deferred tax assets is dependent on the reversal of deferred tax liabilities and generating sufficient taxable income prior to their expiration. Although realization is not assured, management estimates it is more likely than not that the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced.

Below is a reconciliation of statutory income tax rates to the effective income tax rates for the periods indicated:

	Successor	Predecessor		
	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%
Non-U.S. taxes and the impact of non-U.S. losses for which a current tax benefit is not available	-0.4%	-0.1%	0.6%	-0.9%
State and local income taxes, net of U.S. federal income tax benefit	3.2%	0.9%	10.7%	16.3%
Adjustment of reserve for change in valuation allowance and other items	-9.2%	2.3%	5.8%	-1.4%
Adjustment for change in tax law	0.0%	0.3%	3.0%	-3.7%
Adjustment of the general tax reserve	0.0%	-5.6%	0.0%	0.0%
Permanent differences:				
Interest expense on mandatorily redeemable preferred stock	0.0%	-6.2%	42.5%	89.8%
Stock based compensation expense	0.0%	-17.5%	18.3%	-9.4%
Meals and entertainment expense	-0.6%	-0.2%	1.2%	3.2%
Other permanent differences	0.0%	0.0%	0.2%	1.3%
Reconciliation of tax return to tax provision	0.0%	0.0%	-3.7%	0.0%
Effective income tax rate	28.0%	8.9%	113.6%	130.2%

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

6. Income Taxes: (continued)

The Company has recorded a $1,557 increase in the reserve for unrecognized tax benefits in the predecessor period related to certain 2004 transaction costs on which the Company previously recorded a valuation reserve. There was also a decrease of $3 reported in the predecessor period related to a change in the effective state tax rate. The general tax reserve is shown in the financial statements as a reduction of the deferred tax asset for the Company's net operating loss carryforwards. A summary of the changes for the last two years follows:

	Successor 2010	Predecessor 2009
Unrecognized tax benefits - January 1	$ 2,879	$ 2,872
Gross increases - tax positions in current period	1,557	—
Gross increases - tax positions in prior period	—	7
Gross decreases - tax positions in prior period	(3)	—
Unrecognized tax benefits - December 31	$ 4,433	$ 2,879
Amount of unrecognized tax benefit that, if recognized would affect the company's effective tax rate	$ 4,433	$ 2,879

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. In conjunction with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB No. 109, "Accounting for Income Taxes", which was codified in ASC 740-10, the Company has not recognized any adjustment of interest or penalties in its consolidated financial statements due to its net operating loss position. The Company does not anticipate that total unrecognized tax benefits will change due to the settlement of audits and the expiration of statute of limitations prior to December 31, 2011.

The Company files a consolidated income tax return in the U.S. and numerous consolidated and separate income tax returns in various states and foreign jurisdictions. As of December 31, 2010, with a few exceptions, the Company is no longer subject to U.S. federal, state, and foreign tax examinations by tax authorities for the tax years prior to 2007. However, the IRS can make adjustments to losses carried forward by the Company from 2000 forward and utilized on its federal return.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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7. Property and Equipment:

Property and equipment, net, consists of the following at December 31, 2010 and 2009:

	Estimated Useful Life (Years)	Successor 2010	Predecessor 2009
Land	n/a	$ 531	$ 131
Buildings	27	751	781
Leasehold improvements	3-10	4,664	4,961
Machinery and equipment	2-10	54,165	104,061
Furniture and fixtures	3-5	597	1,481
Construction in process		1,316	1,558
Property and equipment, gross		62,024	112,973
Less: Accumulated depreciation		9,512	65,408
Property and equipment, net		$52,512	$ 47,565

Machinery and equipment includes capitalized software of $5,126 and $8,328 as as of December 31, 2010 and 2009, respectively. Captitalized interest of $42 and $63 was recorded for the years ended December 31, 2010 and 2009, respectively.

8. Other Intangibles:

Intangible assets are amortized over their useful lives and are subject to impairment testing. The values assigned to intangible assets in connection with the Merger Transaction were determined through an independent appraisal. In connection with the Merger Transaction, the Company acquired the Quick Tag license for consideration amounting to $11,500. The values assigned to intangible assets in connection with the acquisition of Servalite were determined by management pending an independent appraisal. The Servalite intangible asset values may be adjusted by management for any changes upon completion of the independent appraisal. Other intangibles, net as of December 31, 2010 and 2009 consist of the following:

	Estimated Useful Life (Years)	Successor December 31, 2010	Estimated Useful Life (Years)	Predecessor December 31, 2009
Customer relationships	20	$ 295,120	15-23	$ 127,206
Trademarks	Indefinite	48,871	Indefinite	47,394
Patents	5-20	15,900	9	7,960
Quick Tag license	6	11,500	n/a	—
Laser Key license	5	1,250	n/a	—
Non Compete Agreements	5.5	1,104	4	5,742
Intangible assets, gross		373,745		188,302
Less: Accumulated amortization		10,669		41,662
Other intangibles, net		$ 363,076		$ 146,640

The Predecessor Company's amortization expense for amortizable assets for the five months ended May 28, 2010 was $2,678, and for the years ended December 31, 2009 and 2008 was $6,912 and $7,073, respectively. The Successor Company's amortization expense for amortizable assets for the seven months ended December 31, 2010 was $10,669 and for the years ending December 31, 2011, 2012, 2013, 2014 and 2015 are estimated to be $18,708, $18,708, $18,708, $18,708 and $18,047, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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9. Long-Term Debt:

On May 28, 2010, the Company and certain of its subsidiaries completed the financing on a $320,000 senior secured first lien credit facility (the "Senior Facilities"), consisting of a $290,000 term loan and a $30,000 revolving credit facility ("Revolver"). The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75% (the "EuroDollar Margin"), or a base rate (the "Base Rate") plus a margin of 2.75% (the "Base Rate Margin"). The EuroDollar rate is subject to a minimum floor of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the consummation of the Merger Transaction, Hillman Group issued $150,000 aggregate principal amount of its senior notes due 2018 (the "10.875% Senior Notes"), which are guaranteed by Hillman, Hillman Investment and each of Hillman Group's domestic subsidiaries. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to a Senior Credit Agreement (the "Old Credit Agreement"), consisting of a $20,000 revolving credit line and a $235,000 term loan. The facilities under the Old Credit Agreement had a maturity date of March 31, 2012. In addition, the Company, through Hillman Group, had issued $49,800 in aggregate principal amount of unsecured subordinated notes to a group of investors, including affiliates of AEA Investors LP, CIG & Co. and several private investors that were scheduled to mature on September 30, 2012. In connection with the Merger Transaction, both the Old Credit Agreement and the subordinated note issuance were repaid and terminated.

The Senior Facilities contain financial and operating covenants which require the Company to maintain certain financial ratios, including an interest coverage ratio and leverage ratios. These debt agreements provide for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, cross-defaults, bankruptcy events, failure to pay judgments, attachment of its assets, change of control and the issuance of an order of dissolution. Certain of these events of default are subject to notice and cure periods or materiality thresholds. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due.

The Company pays interest to the Hillman Group Capital Trust ("Trust") on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105,443, or $12,231 per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. In order to retain capital, the Company's Board of Directors determined to temporarily defer interest payments on the Junior Subordinated Debentures and the Trust determined to defer the payment of cash distributions to holders of Trust Preferred Securities beginning with the January 2009 distribution. The Company's decision to defer the payment of interest on the Junior Subordinated Debentures was designed to ensure that the Company preserve cash and maintain its compliance with the financial covenants contained in its Senior Credit and Subordinated Debt Agreements. Pursuant to the Indenture that governs the Trust Preferred Securities, the Trust is able to defer distribution payments to holders of the Trust Preferred Securities for a period that cannot exceed 60 months (the "Deferral Period"). During the Deferral Period, the Company is required to accrue the full amount of all interest payable, and such deferred interest payable was immediately payable by the Company at the end of the Deferral Period. On July 31, 2009, the Company ended the Deferral Period and the Trust resumed monthly distributions and paid all deferred distributions to holders of the Trust Preferred Securities.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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9. Long-Term Debt: (continued)

As of December 31, 2010 and 2009, long-term debt is summarized as follows:

	Successor 2010	Predecessor 2009
Revolving Credit Agreement	$ 12,000	$ —
Term Loan B	288,550	157,849
10.875% Senior Notes	150,000	—
Subordinated Debt Issuance	—	49,820
Capital Leases	164	494
	450,714	208,163
Less: amounts due in one year	2,930	9,868
Long-term debt	$447,784	$ 198,295

The aggregate minimum principal maturities of the long-term debt for each of the five years following December 31, 2010 are as follows:

	Amount
2011	$ 2,930
2012	2,930
2013	2,930
2014	2,929
2015	2,928
2016 and thereafter	274,067

As of December 31, 2010, the Company had $12,056 available under its revolving credit agreement and letter of credit commitments outstanding of $5,944. The Company had outstanding debt of $300,714 under its secured credit facilities at December 31, 2010, consisting of a $288,550 Term B-2 loan, a $12,000 Revolving Line of Credit and $164 in capitalized lease obligations. The term loan consisted of a $288,550 Term B-2 Loan currently at a three (3) month LIBOR rate of 5.50%. The $12,000 Revolving Line of Credit was currently at a three (3) month LIBOR rate of 5.50%. The capitalized lease obligations were at various interest rates.

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10. Leases:

Certain warehouse, office space and equipment are leased under capital and operating leases with terms in excess of one year. Future minimum lease payments under non-cancellable leases consisted of the following at December 31, 2010:

	Capital Leases	Operating Leases
2011	$ 38	$ 8,060
2012	38	6,252
2013	36	4,042
2014	30	2,625
2015	30	2,402
Later years	17	8,466
Total minimum lease payments	189	$31,847
Less amounts representing interest	(25)	
Present value of net minimum lease payments (including $30 currently payable)	$ 164	

The rental expense for all operating leases was $4,989, $3,616, $8,716 and $9,486 for the Successor seven months ended December 31, 2010, Predecessor five months ended May 28, 2010, and Predecessor years ended December 31, 2009 and 2008, respectively. Certain leases are subject to terms of renewal and escalation clauses.

11. Deferred Compensation Plan:

The Company maintains a deferred compensation plan for key employees (the "Nonqualified Deferred Compensation Plan" or "NQDC") which allows the participants to defer up to 25% of salary and commissions and up to 100% of bonuses to be paid during the year and invest these deferred amounts into certain Company directed mutual fund investments, subject to the election of the participants. The Company is permitted to make a 25% matching contribution on deferred amounts up to $10, subject to a five year vesting schedule.

As of December 31, 2010 and 2009, the Company's consolidated balance sheets included $3,478 and $3,043, respectively, in restricted investments representing the assets held in mutual funds to fund deferred compensation liabilities owed to the Company's current and former employees. The current portion of the restricted investments was $227 and $334 as of December 31, 2010 and 2009, respectively.

The assets held in the NQDC are classified as an investment in trading securities. The Company recorded trading gains and offsetting compensation expense of $16 for the five months ended May 28, 2010, $283 for the seven months ended December 31, 2010 and $254 for the year ended December 31, 2009. The Company recorded trading losses of $1,428 and an offsetting reduction of compensation expense for the year ended December 31, 2008.

During the five months ended May 28, 2010, distributions from the deferred compensation plan aggregated $274. There were no distributions during the seven months ended December 31, 2010. During the two years ended December 31, 2009, distributions from the deferred compensation plan aggregated $1,792 in 2009 and $390 in 2008.

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12. Guaranteed Preferred Beneficial Interest in the Company's Junior Subordinated Debentures:

In September 1997, The Hillman Group Capital Trust, a Grantor trust, completed a $105,446 underwritten public offering of 4,217,724 11.6% Trust Preferred Securities ("TOPrS"). The Trust invested the proceeds from the sale of the preferred securities in an equal principal amount of 11.6% Junior Subordinated Debentures of Hillman due September 2027.

The Trust distributes monthly cash payments it receives from the Company as interest on the debentures to preferred security holders at an annual rate of 11.6% on the liquidation amount of $25.00 per preferred security.

In connection with the public offering of TOPrS, the Trust issued $3,261 of trust common securities to the Company. The Trust invested the proceeds from the sale of the trust common securities in an equal principal amount of 11.6% Junior Subordinated Debentures of Hillman due September 2027. The Trust distributes monthly cash payments it receives from the Company as interest on the debentures to the Company at an annual rate of 11.6% on the liquidation amount of the common security.

The Company may defer interest payments on the debentures at any time, for up to 60 consecutive months. If this occurs, the Trust will also defer distribution payments on the preferred securities. The deferred distributions, however, will accumulate at a rate of 11.6% per annum. The Trust will redeem the preferred securities when the debentures are repaid, or at maturity on September 30, 2027. The Company may redeem the debentures before their maturity at a price equal to 100% of the principal amount of the debentures redeemed, plus accrued interest. When the Company redeems any debentures before their maturity, the Trust will use the cash it receives to redeem preferred securities and common securities as provided in the trust agreement. The Company guarantees the obligations of the Trust on the Trust Preferred Securities.

The Company has determined that the Trust is a variable interest entity and the holders of the Trust Preferred Securities are the primary beneficiaries of the Trust. Accordingly, the Company has de-consolidated the Trust. Summarized below is the financial information of the Trust as of December 31, 2010:

Non-current assets - junior subordinated debentures - preferred	$112,576
Non-current assets - junior subordinated debentures - common	3,261
Total assets	$115,837
Non-current liabilities - trust preferred securities	$112,576
Stockholder's equity - trust common securities	3,261
Total liabilities and stockholders' equity	$115,837

The non-current assets for the Trust relate to its investment in the 11.6% junior subordinated deferrable interest debentures of Hillman due September 30, 2027.

The TOPrS constitute mandatorily redeemable financial instruments. The Company guarantees the obligations of the Trust on the Trust Preferred Securities. Accordingly, the guaranteed preferred beneficial interest in the Company's junior subordinated debentures is presented in long-term liabilities in the accompanying consolidated balance sheet.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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12. Guaranteed Preferred Beneficial Interest in the Company's Junior Subordinated Debentures: (continued)

On May 28, 2010, the Junior Subordinated Debentures were recorded at the fair value of $116,085 based on the price underlying the Trust Preferred Securities of $26.75 per share upon close of trading on the American Stock Exchange on that date plus the liquidation value of the trust common securities. The Company is amortizing the premium on the Junior Subordinated Debentures of $7,381 over their remaining life in the amount of $426 per year.

In order to retain capital, the Company's Board of Directors determined to temporarily defer interest payments on the Junior Subordinated Debentures and the Trust determined to defer the payment of cash distributions to holders of Trust Preferred Securities beginning with the January 2009 distribution. The Company's decision to defer the payment of interest on the Junior Subordinated Debentures was designed to ensure that the Company preserve cash and maintain its compliance with the financial covenants contained in its Senior Credit and Subordinated Debt Agreements. Pursuant to the Indenture that governs the Trust Preferred Securities, the Company was able to defer distribution payments to holders of the Trust Preferred Securities for a period that cannot exceed 60 months (the "Deferral Period"). During the Deferral Period, the Company was required to accrue the full amount of all distributions payable, and such deferred distributions were immediately payable by the Company at the end of the Deferral Period. In the first six months of 2009, the Company accrued $6,265 in interest payable to the Trust on the Junior Subordinated Debentures. On July 31, 2009, the Company resumed payments of monthly distributions and paid all amounts accrued during the six month Deferral Period.

13. Common and Preferred Stock:

Common Stock

Prior to the Merger Transaction, Hillman Companies had three classes of Common Stock. Immediately prior to the consummation of the Merger Transaction, the Company had (i) 23,141 authorized shares of Class A Common Stock, 6,201 of which were issued and outstanding, (ii) 2,500 authorized shares of Class B Common Stock, 970.6 of which were issued and outstanding, and (iii) 30,109 authorized shares of Class C Common Stock, 2,787.1 of which issued and outstanding.

Each share of Class A Common Stock entitled its holder to one vote. Each holder of Class A Common Stock was entitled at any time to convert any or all of such shares into an equal number of shares of Class C Common Stock. Holders of Class B Common Stock had no voting rights. The Class B Common Stock was initially purchased by and issued to certain members of the Company's management and was subject to vesting over five years in connection with the acquisition of Hillman Companies by affiliates of CHS and OTPP in 2004. Each share of Class C Common Stock entitled its holder to one vote, provided that the aggregate voting power of Class C Common Stock (with respect to the election of directors) could not exceed 30%. Each holder of Class C Common Stock was entitled at any time to convert any or all of the shares into an equal number of shares of Class A Common Stock.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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13. Common and Preferred Stock: (continued)

Under the terms of an executive services agreement ("ESA") entered into by certain members of the Company's management, such members of management had the right to put their shares of Class A Common Stock and Class B Common Stock back to Hillman Companies under certain circumstances. Accordingly, management's 395.7 Class A Common Stock shares and 970.6 Class B Common Stock shares were classified between liabilities and stockholders' equity in the accompanying consolidated balance sheet. The fair value and cost of the Class A Common Stock subject to the put feature were $2,158 and $396, respectively, at December 31, 2009. The fair value and cost of the Class B Common Stock subject to the put feature were $5,293 and $971, respectively, at December 31, 2009.

Securities that are either currently redeemable or where redemption is probable are to be marked to redemption value with a corresponding charge to accumulated paid in capital. The ESA allowed the management shareholders to put, or redeem, the Class A Common Stock back to the Company if terminated for other than cause. Under the terms of the ESA, the redemption value of the Class A Common Stock is equal to the fair value as determined by the Board of Directors. Accordingly, the Class A Common stock has been adjusted to its fair value of $2,158 as of December 31, 2009 with a corresponding decrease in additional paid-in capital of $1,995.

Upon consummation of the Merger Transaction, each share of Class A Common Stock, Class B Common Stock and Class C Common Stock of Hillman Companies issued and outstanding immediately prior thereto (other than as set forth in the immediately preceding sentence), as well as each outstanding option to purchase any such shares of common stock, was converted into the right to receive, in cash, a portion of the merger consideration in the Merger Transaction. Certain shares held by Company management were contributed by the holders thereof to Holdco in exchange for shares of Holdco.

After consummation of the Merger Transaction, Hillman Companies has one class of Common Stock. All outstanding shares of Hillman Companies common stock are owned by Holdco.

Under the terms of the Stockholders Agreement for the Holdco Common Stock, management shareholders have the ability to put their shares back to Holdco under certain conditions, including death or disability. ASC 480-10-S99 requires shares to be classified outside of permanent equity if they can be redeemed and the redemption is not solely within control of the issuer. Further, if it is determined that redemption of the shares is probable, the shares are marked to redemption value which equals fair value at each balance sheet date with the change in fair value recorded in additional paid-in capital. Accordingly, the 198.4 shares of common stock held by management are recorded outside permanent equity and have been adjusted to the fair value of $12,247 as of December 31, 2010.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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13. Common and Preferred Stock: (continued)

Preferred Stock:

Immediately prior to the Merger Transaction, Hillman Companies had 238,889 authorized shares of its Class A Preferred Stock, 82,104.8 of which were issued and outstanding and 13,450.7 of which were reserved for issuance upon the exercise of options to purchase shares of its Class A Preferred Stock. Holders of Hillman Companies' Class A Preferred Stock were not entitled to any voting rights and were entitled to preferential dividends that accrued on a daily basis.

In addition, prior to the Merger Transaction, Hillman Investment Company, a subsidiary of Hillman Companies, had 166,667 authorized shares of its Class A Preferred Stock, 57,282.4 of which were issued and outstanding and 9,384.2 of which were reserved for issuance upon the exercise of options to purchase shares of its Class A Preferred Stock. Holders of Hillman Investment Company's Class A Preferred Stock were not entitled to any voting rights and were entitled to preferential dividends that accrued on a daily basis.

Hillman Investment Company Class A Preferred Stock is mandatorily redeemable on March 31, 2028 and has been classified as debt in the accompanying consolidated balance sheets. The Hillman Investment Company Class A Preferred Stock is redeemable at its liquidation value of one thousand dollars per share plus all accumulated and unpaid dividends. Dividends on the mandatorily redeemable Class A Preferred Stock were $4,911, $11,008, and $9,904 for the Predecessor five months ended May 28, 2010 and the years ended December 31, 2009 and 2008, respectively. The dividends on the mandatorily redeemable Class A Preferred Stock are recorded as interest expense in the accompanying consolidated statements of operations.

The Company incurred $2,415 in financing fees in connection with the issuance of the Hillman Investment Company Class A Preferred Stock. The financing fees were capitalized and were amortized over the redemption period using the effective interest method. For the years ended December 31, 2009 and 2008, interest expense of $37 and $130, respectively, was included in the accompanying consolidated statements of operations.

In connection with the 2004 acquisition of the Company, options in a predecessor to the Company were cancelled and converted into rights to receive options to purchase 3,895.16 shares of Hillman Companies, Inc. Class A Preferred Stock and 2,717.55 shares of Hillman Investment Company Class A Preferred Stock (collectively the "Purchased Options"). The Purchased Options had a weighted average strike price of $170.69 per share. The fair value of the Hillman Investment Company Class A Preferred Stock options has been included with the underlying security in the accompanying consolidated balance sheets. Security instruments with a redemption date that is certain to occur are to be classified as liabilities. The Hillman Companies, Inc. Class A Preferred Stock options, which have a March 31, 2028 expiration date, have been classified at their fair value in the liability section of the accompanying consolidated balance sheets. To the extent the Company pays a dividend to holders of the Class A Preferred Stock and the Hillman Investment Company Class A Preferred Stock, the Purchased Option holder will be entitled to receive an amount equal to the dividend which would have been paid if the Purchased Options had been exercised on the date immediately prior to the record date for the dividend. Dividends on the Purchased Options are recorded as interest expense in the accompanying consolidated statement of operations. Additionally, under the terms of the ESA, the Purchased Options can be put back to the Company at fair value if employment is terminated.

The initial and subsequent valuations of the Purchased Options were measured at fair value with the change in fair value recognized as interest expense. Interest expense of $577, $1,304, and $1,187 was recorded for the Predecessor five months ended May 28, 2010 and the years ended December 31, 2009 and 2008, respectively, to recognize the increase in fair value of the Purchased Options.

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13. Common and Preferred Stock: (continued)

Upon consummation of the Merger Transaction, each share of Hillman Companies' Class A Preferred Stock issued and outstanding immediately prior thereto, as well as each outstanding option to purchase any such shares of preferred stock, was converted into the right to receive an amount, in cash, equal to the liquidation value thereof plus all accrued and unpaid dividends on such shares as of the effective time of the Merger Transaction. In addition, at closing of the Merger Transaction, Hillman Investment Company redeemed each outstanding share of its Class A Preferred Stock at an amount equal to the liquidation value thereof plus all accrued and unpaid dividends on such shares as of the effective time of the Merger Transaction. Options to purchase shares of Hillman Investment Company's Class A Preferred Stock were cancelled in exchange for a similar cash payment.

After consummation of the Merger Transaction, neither Hillman Companies nor Hillman Investment Company have issued any shares of preferred stock or any options to purchase any such shares.

The table below reconciles the components of the Preferred Stock and the Purchased Options to the accompanying consolidated balance sheets:

	Predecessor December 31, 2009
Hillman Investment Company Class A Preferred Stock	$ 57,282
Purchased Options - Hillman Investment Company Class A Preferred Stock	2,188
Accumulated and unpaid dividends	51,982
Total mandatorily redeemable preferred stock	$ 111,452
Purchased Options - Hillman Companies, Inc. Class A Preferred Stock	$ 3,135
Accumulated and unpaid dividends	3,482
Total management purchased preferred options	$ 6,617

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14. Stock-Based Compensation:

2004 Common Stock Option Plan:

On March 31, 2004, the Predecessor adopted its 2004 Common Stock Option Plan following Board of Director and shareholder approval. Grants under the 2004 Common stock Option Plan consisted of nonqualified stock options for the purchase of Class B Common Shares. The stock options issued under the 2004 Common Stock Option Plan were accounted for in a manner consistent with the underlying security. Therefore, the Class B Common Stock Options are adjusted to the fair value of the Class B Common shares less the strike price of the Class B Common shares adjusted for the proportion of employee service.

Compensation expense of $3,784, $680 and $16 was recorded in the accompanying consolidated statements of operations for the Predecessor five months ended May 28, 2010 and the years ended December 31, 2009 and 2008, respectively.

In connection with the Merger Transaction, the 2004 Common Stock Option Plan was terminated, and all options outstanding there under were cancelled with the holder receiving a per share amount in cash equal to the per share Merger consideration less the applicable exercise price.

Preferred Option Plan:

On March 31, 2004, certain members of the Predecessor Company's management were granted options to purchase 9,555.5 shares of Class A Preferred Stock and 6,666.7 shares of Hillman Investment Company Class A Preferred Stock (collectively the "Preferred Options"). The Preferred Options were granted with an exercise price of one thousand dollars per share which was equal to the value of the underlying Preferred Stock. The Preferred Options vest over five years with 20% vesting on each anniversary of the Merger Transaction. Holders of the Preferred Options are entitled to accrued dividends as if the underlying Preferred Stock were issued and outstanding as of the grant date.

On October 13, 2009, a former executive of the Company exercised his right to redeem certain securities of the Company and the Hillman Investment Company in accordance with the ESA dated March 31, 2004. Under the terms of the ESA, the former executive put back to the Company 281.42 preferred options for Class A Preferred Stock for $228.9 and 196.34 preferred options for Class A Preferred Stock in Hillman Investment Company for $150.7.

Accounting guidance required that stock-based compensation awards are classified as liabilities if the underlying security is classified as a liability. Therefore, the Preferred Options were treated as liability classified awards.

Accounting guidance allows nonpublic entities, such as the Company, to make a policy decision as to whether to measure its liability awards at fair value or intrinsic value. Management has determined the lack of an active market, trading restrictions and absence of any trading history preclude the reasonable estimate of fair value. Regardless of the valuation method selected, a nonpublic entity is required to re-measure its liabilities under share based payment awards at each reporting date until settlement. Accordingly, the Company has elected to use the intrinsic value method to value the Preferred Options at the end of each reporting period pro-rated for the portion of the service period rendered. Compensation expense of $1,410, $3,311, and $3,501 was recognized in the accompanying consolidated statements of operations for the Predecessor five month period ended May 28, 2010 and the years ended December 31, 2009 and 2008, respectively.

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14. Stock-Based Compensation: (continued)

In connection with the Merger Transaction, the options to purchase shares of Hillman Companies' and Hillman Investment Company's Class A Preferred Stock were cancelled with the holder receiving a per share amount in cash equal to the per share Merger consideration less the applicable exercise price.

Class B Shares:

The outstanding shares of Class B Common Stock were subject to vesting over 5 years with 20% of the shares vesting on each anniversary of the Merger Transaction. Vested shares of the Class B Common Stock can be put back to the Company at fair value upon termination. Unvested shares of the Class B Common Stock are puttable at the lesser of fair value or cost. Accordingly, the value of the Class B common shares was adjusted at each balance sheet date to fair value for the proportion of consideration received in the form of employee service plus an amount equal to the lesser of fair value or original cost for the proportion of the Class B common shares for which employee service has not been recognized. The Class B common shares were fully vested as of March 31, 2009.

Compensation expense (income) of $13,859, $4,746 and ($1,036) was recorded in the accompanying consolidated statements of operations for the Predecessor five months ended May 28, 2010 and the years ended December 31, 2009 and 2008, respectively.

Upon consummation of the Merger Transaction, the Class B Common Stock issued and outstanding immediately prior thereto was converted into the right to receive, in cash, a portion of the Merger consideration in the Merger Transaction. Certain shares held by Company management were contributed by the holders thereof to Holdco in exchange for shares of Holdco.

OHCP HM Acquisition Corp. 2010 Stock Option Plan:

Effective May 28, 2010, Holdco established the OHCP HM Acquisition Corp. 2010 Stock Option Plan (the "Option Plan"), as amended, pursuant to which Holdco may grant options for up to an aggregate of 34,939.0 shares of its common stock. The Option Plan is administered by a committee of the Holdco board of directors. Such committee determines the terms of each option grant under the Option Plan, except that the exercise price of any granted option may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant.

On November 23, 2010, the Company granted 26,700 common options under the Option Plan and on December 23, 2010, the Company granted 5,584 common options under the Option Plan. The options were granted with an exercise price of one thousand dollars per option which was equal to the grant date fair value of the underlying securities.

Common option holders are not required by the terms of the Option Agreement or the Shareholder Agreement to hold the shares for any period of time following exercise. Since the arrangement permits the holders to put the shares back without being exposed to the risks and rewards of the share for a reasonable period of time then liability classification is required. Consistent with past practice, the Company has elected to use the intrinsic value method to value the common options.

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14. Stock-Based Compensation: (continued)

Stock options granted to management in 2010 under the Option Plan are divided into three equal vesting tranches. The first tranche is a service-based award which vests ratably over five years, subject to the optionee's continued employment with the Company on each vesting date. The Company will recognize compensation costs for the portion of the awards that are service based over the requisite service period for each of the five separate vesting service periods. The second tranche is performance-based and vests ratably over five years, subject to both the optionee's continued employment on each vesting date and the achievement of Company performance targets. Again, compensation costs will be recognized for the performance based awards over the requisite service period for each of the five separate vesting service periods. However, if achievement of the applicable performance target is not probable, no compensation cost will be recorded. The third tranche of each stock option grant is outcome-based and depends on OHCP receiving a certain rate of return upon a change in control, provided the optionee is still employed by the Company at the time of such change in control. This provision would be viewed as having a performance condition due to the change in control requirement and that condition would only be probable at the time the change in control occurred, and accordingly, the Company will not recognize compensation expense for the third tranche until a change in control is deemed to be probable.

The Company has elected to use the intrinsic value method to value the common options at the end of each reporting period. The intrinsic value of the common shares was equal to the exercise price at December 31, 2010, and therefore, no compensation expense recorded in the accompanying consolidated statements of operations for the Successor seven month period ended December 31, 2010.

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15. Derivatives and Hedging:

The Company uses derivative financial instruments to manage its exposures to interest rate fluctuations on its floating rate senior debt. The Company measures those instruments at fair value and recognizes changes in the fair value of derivatives in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures.

On August 28, 2006, the Company entered into an Interest Rate Swap Agreement ("2006 Swap") with a two-year term for a notional amount of $50,000. The 2006 Swap fixed the interest rate at 5.375% plus applicable interest rate margin. The 2006 Swap expired on August 28, 2008.

On August 29, 2008, the Company entered into an Interest Rate Swap Agreement ("2008 Swap") with a three-year term for a notional amount of $50,000. The 2008 Swap fixed the interest rate at 3.41% plus applicable interest rate margin. The 2008 Swap was terminated on May 24, 2010.

The 2008 Swap was designated as a cash flow hedge, and prior to its termination on May 24, 2010, it was reported on the consolidated balance sheet in other non-current liabilities with a related deferred charge recorded as a component of other comprehensive income in shareholders' equity. For the Predecessor five month period ended May 28, 2010, interest expense in the accompanying consolidated statement of operations includes a $1,579 charge incurred to terminate the 2008 Swap.

On June 24, 2010, the Company entered into a forward Interest Rate Swap Agreement ("2010 Swap") with a two-year term for a notional amount of $115,000. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus the applicable interest rate margin.

The 2010 Swap was designated as an effective cash flow hedge, and the fair value at December 31, 2010 was $(624), net of $392 in taxes. The 2010 Swap was reported on the consolidated balance sheet in other non-current liabilities with an unrealized loss recorded as a component of other comprehensive income in stockholders' equity.

16. Fair Value Measurements:

On January 1, 2008, the Company adopted the guidance that applies to all assets and liabilities that are being measured and reported on a fair value basis. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The accounting guidance establishes a hierarchy which requires an entity to maximize the use of quoted market prices and minimize the use of unobservable inputs. An asset or liability's level is based on the lowest level of input that is significant to the fair value measurement.

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16. Fair Value Measurements: (continued)

The following table sets forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the period, by level, within the fair value hierarchy:

	As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,478	$ —	$ —	$ 3,478
Interest rate swaps	—	(1,016)	—	(1,016)

	As of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,043	$ —	$ —	$ 3,043
Interest rate swaps	—	(1,894)	—	(1,894)

Trading securities are valued using quoted prices on an active exchange. Trading securities represent assets held in a Rabbi Trust to fund deferred compensation liabilities and are included as restricted investments on the accompanying consolidated balance sheets.

For the Predecessor five months ended May 28, 2010, the unrealized gains on these securities of $16 were recorded as other income. For the Successor seven months ended December 31, 2010, the unrealized gains on these securities of $283 were recorded as other income. In each period, an offsetting entry, for the same amount, increasing the deferred compensation liability and compensation expense within SG&A was also recorded.

For the year ended December 31, 2009, the unrealized gains on these securities of $254 were recorded as other income by the Predecessor Company. An offsetting entry for the same amount, increasing the deferred compensation liability and compensation expense within SG&A, was also recorded.

For the year ended December 31, 2008, the unrealized losses on these securities of $1,428 were recorded as other expense by the Predecessor Company. An offsetting entry for the same amount, decreasing the deferred compensation liability and compensation expense within SG&A, was also recorded.

The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt, and these swaps are valued using observable benchmark rates at commonly quoted intervals for the full term of the swaps. The 2010 Swap was included in other non-current liabilities as of December 31, 2010 on the accompanying consolidated balance sheet. Prior to its termination on May 24, 2010, the 2008 Swap was included in other non-current liabilities as of December 31, 2009 on the accompanying consolidated balance sheet.

The fair value of the Company's fixed rate senior notes and junior subordinated debentures as of December 31, 2010 and 2009 were determined by utilizing current trading prices obtained from indicative market data.

	December 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
10.875% Senior Notes	$150,000	$164,062	n/a	n/a
Junior Subordinated Debentures	115,837	125,153	115,716	110,560

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

17. Commitments and Contingencies:

The Company self insures its product liability, automotive, workers' compensation and general liability losses up to $250 per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of $250 up to $40,000. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used by management to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability of approximately $1,952 recorded for such risk insurance reserves is adequate as of December 31, 2010, but due to judgments inherent in the reserve estimate, it is possible the ultimate costs will differ from this estimate.

As of December 31, 2010, the Company has provided certain vendors and insurers letters of credit aggregating $5,944 related to its product purchases and insurance coverage of product liability, workers' compensation and general liability.

The Company self-insures its group health claims up to an annual stop loss limit of $200 per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves. Provisions for losses expected under these programs are recorded based on an analysis of historical insurance claim data and certain actuarial assumptions. The Company believes the liability of approximately $1,737 recorded for such group health insurance reserves is adequate as of December 31, 2010, but due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ from this estimate.

On May 4, 2010, Hy-Ko Products, Inc. filed a complaint against Hillman Group, and Kaba Ilco Corp., a manufacturer of blank replacement keys, in the United States District Court for the Northern District of Ohio Eastern Division, alleging that the defendants engaged in violations of federal and state antitrust laws regarding their business practices relating to automatic key machines and replacement keys. Hy-Ko Products' May 4, 2010 filing against the Company is based, in part, on the Company's previously-filed claim against Hy-Ko Products alleging infringement of certain patents of the Company. A claim construction hearing on the Company's patent infringement claim against Hy-Ko Products occurred in September 2010 and a ruling is expected in the first half of 2011.

In its antitrust claim against the Company, Hy-Ko Products is seeking monetary damages which would be trebled under the antitrust laws, interest and attorney's fees as well as injunctive relief. The antitrust claim against the Company has been stayed pending the resolution of the patents claim against Hy-Ko Products. Because the lawsuit is in a preliminary stage, it is not yet possible to assess the impact that the lawsuit will have on the Company. However, the Company believes that it has meritorious defenses and intends to defend the lawsuit vigorously.

In addition, legal proceedings are pending which are either in the ordinary course of business or incidental to the Company's business. Those legal proceedings incidental to the business of the Company are generally not covered by insurance or other indemnity. In the opinion of management, the ultimate resolution of the pending litigation matters will not have a material adverse effect on the consolidated financial position, operations or cash flows of the Company.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

18. Statements of Cash Flows:

Supplemental disclosures of cash flow information are presented below:

	Successor	Predecessor		
	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Cash paid during the period for:				
Interest on junior subordinated debentures	$ 7,136	$ 5,096	$ 12,442	$ 12,231
Interest	$ 19,409	$ 7,710	$ 14,043	$ 19,112
Income taxes	$ 122	$ 575	$ 1,759	$ 985
Non-cash investing activities:				
Property and equipment purchased with capital lease	$ 152	$ —	$ 27	$ 238
Non-cash financing activities:				
Increase in accrued dividends on preferred stock	$ —	$ —	$ 16,872	$ 15,142

19. Quarterly Data (unaudited):

2010	Fourth	Third	Second	First
Net sales	$106,265	$122,715	$124,956	$108,460
Gross profit	52,783	62,665	64,099	56,522
Net (loss) income	(3,689)	1,450	(29,438)	(1,569)

2009	Fourth	Third	Second	First
Net sales	$ 99,462	$122,673	$123,813	$112,213
Gross profit	51,785	65,093	62,704	53,937
Net (loss) income	(2,487)	2,741	2,353	(3,837)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

20. Concentration of Credit Risks:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to sales and trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

For the year ended December 31, 2010, the largest three customers accounted for 43.7% of sales and 52.5% of the year-end accounts receivable balance. For the year ended December 31, 2009, the largest three customers accounted for 42.8% of sales and 55.0% of the year-end accounts receivable balance. For the year ended December 31, 2008, the largest three customers accounted for 40.7% of sales and 47.1% of the year-end accounts receivable balance. No other customer accounted for more than 5.0% of the Company's total sales in 2010, 2009 or 2008.

Concentration of credit risk with respect to purchases and trade payables are limited due to the large number of vendors comprising the Company's vendor base, with dispersion across different industries and geographic areas. The Company's largest vendor in terms of annual purchases accounted for 7.6% of the Company's total purchases and 1.6% of the Company's total trade payables on December 31, 2010.

21. Segment and Geographic Information:

The Company provides merchandising services and products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; and identification items, such as tags and letters, numbers and signs, to retail outlets, primarily hardware stores, home centers and mass merchants. Management considers all such sales to be part of a single operating segment.

The following geographic area data includes revenue based on product shipment destination for the periods ended December 31 or May 28 and long-lived assets based on physical location as of December 31:

	Successor	Predecessor		
	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Net sales:				
United States	$ 264,804	$179,214	$ 442,695	$ 467,925
Canada	5,053	1,759	4,479	4,241
Mexico	3,149	2,243	4,980	3,416
Other	3,674	2,500	6,007	6,341
Consolidated net sales	$ 276,680	$185,716	$ 458,161	$ 481,923
Long-lived assets:				
United States	$ 877,084		$ 466,737	$ 477,855
Canada	893		249	311
Mexico	—		—	55
Other	—		—	—
Consolidated long-lived assets	$ 877,977		$ 466,986	$ 478,221

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

21. Segment and Geographic Information: (continued)

	Successor	Predecessor	
	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
Cash & cash equivalents			
United States	$ 6,286	$ 16,801	$ 6,775
Canada	1,027	250	234
Mexico	272	113	124
Consolidated cash & cash equivalents	$ 7,585	$ 17,164	$ 7,133

Following is revenue based on products for the Company's significant product categories:

	Successor	Predecessor		
	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Net sales				
Keys	$ 48,897	$ 32,716	$ 78,012	$ 80,754
Engraving	17,038	12,242	35,518	40,945
Letters, numbers and signs	22,026	12,859	34,287	34,671
Fasteners	154,319	103,457	253,703	261,646
Threaded rod	17,360	12,471	30,118	37,145
Code cutter	1,844	1,377	3,353	4,934
Builders hardware	3,137	1,753	3,832	1,606
Other	12,059	8,841	19,338	20,222
Consolidated net sales	$ 276,680	$185,716	$458,161	$481,923

22. Acquisition and Integration Expenses:

For the year ended December 31, 2010, the Company incurred $22,492 of one-time acquisition and integration expenses related to the Merger Transaction. The Predecessor incurred $11,342 of the acquisition and integration expense total, primarily for investment banking, legal and other advisory fees related to the sale of the Company. The remaining $11,150 of acquisition and integration expense was incurred by the Successor for legal, consulting, accounting and other advisory services incurred in connection with the acquisition of the Company.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

23. Subsequent Events:

On March 16, 2011, Hillman Group acquired all of the membership interests in TagWorks, L.L.C. ("TagWorks"), an Arizona limited liability company (the "TagWorks Acquisition") for an initial purchase price of $40.0 million in cash. The closing purchase price is subject to post closing adjustments for certain changes in indebtedness and working capital of TagWorks and certain transaction expenses, in each case as provided in the purchase agreement. In addition, subject to fulfillment of certain conditions, Hillman Group will pay additional consideration of $12.5 million to the sellers of TagWorks on October 31, 2011, and an additional earn-out payment of up to $12.5 million in 2012.

Founded in 2007, TagWorks provides innovative pet ID tag programs to a leading pet products chain retailer using a unique, patent-protected / patent-pending technology and product portfolio. In conjunction with this agreement, Hillman Group entered into a seventeen (17) year agreement with KeyWorks-KeyExpress, LLC ("KeyWorks"), a company affiliated with TagWorks, to assign its patent-pending retail key program technology to Hillman Group and to continue to work collaboratively with us to develop next generation key duplicating technology.

The closing of the TagWorks Acquisition was concurrent with an offering of $50.0 million aggregate principal amount of Hillman Group's 10.875% Senior Notes due 2018. Hillman Group used the net proceeds of the offering of the notes to fund the acquisition of TagWorks, to repay a portion of indebtedness under its revolving credit facility and to pay related fees, expenses and other related payments. The notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group.

The Company's management has evaluated potential subsequent events for recording and disclosure in this Annual Report on Form 10-K for the year ended December 31, 2010 up to the issuance date of the financial statements. There were no additional items requiring disclosure.

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:

The 10.875% Senior Notes were issued by The Hillman Group, Inc. and are fully and unconditionally guaranteed on a joint and several basis by Hillman Companies, Hillman Investment and each of Hillman Group's domestic subsidiaries. The non-guarantor information presented represents our Canadian and Mexican subsidiaries.

The following financial information presents consolidating statements of operations, balance sheets, and cash flows for The Hillman Group, Inc., all guarantor subsidiaries, all non-guarantor subsidiaries and the eliminations necessary to provide the consolidated results for The Hillman Companies, Inc. and subsidiaries. For purposes of this presentation, investments in subsidiaries have been accounted for using the equity method of accounting. The principal consolidating adjustments eliminate investment in subsidiary and intercompany balances and transactions.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statements of Operations
For the seven months ended December 31, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 258,391	$ 10,087	$ 8,202	$ —	$ 276,680
Cost of sales	—	124,556	7,709	4,241	48	136,554
Gross profit	—	133,835	2,378	3,961	(48)	140,126
Operating expenses:						
Selling, general and administrative expenses	283	84,773	1,964	3,740	—	90,760
Acquisition and integration expense	—	11,145	—	5	—	11,150
Depreciation	—	10,924	50	33	—	11,007
Amortization	10,669	—	—	—	—	10,669
Intercompany administrative (income) expense	—	(140)	—	140	—	—
Management and transaction fees to related party	—	—	—	—	—	—
Total operating expenses	10,952	106,702	2,014	3,918	—	123,586
Other (expense) income, net	283	(450)	(2)	314	—	145
Income from operations	(10,669)	26,683	362	357	(48)	16,685
Intercompany interest (income) expense	(7,135)	7,136	—	—	(1)	—
Interest expense, net	(248)	20,959	—	—	1	20,712
Interest on mandatorily redeemable preferred stock and management purchased options	—	—	—	—	—	—
Interest expense on junior subordinated debentures	7,356	—	—	—	—	7,356
Investment income on trust common securities	(220)	—	—	—	—	(220)
(Loss) income before equity in subsidiaries' inc (loss)	(10,422)	(1,412)	362	357	(48)	(11,163)
Equity in subsidiaries' income (loss)	(977)	435	—	—	542	—
Income (loss) before income taxes	(11,399)	(977)	362	357	494	(11,163)
Income tax provision (benefit)	(3,409)	—	138	146	—	(3,125)
Net income (loss)	$ (7,990)	$ (977)	$ 224	$ 211	$ 494	$ (8,038)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(1)	—	(1)
Change in derivative security value	—	(624)	—	—	—	(624)
Total comprehensive income (loss)	$ (7,990)	$ (1,601)	$ 224	$ 210	$ 494	$ (8,663)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statements of Operations
For the five months ended May 28, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 175,470	$ 6,244	$ 4,002	$ —	$ 185,716
Cost of sales	—	83,169	4,679	1,925	—	89,773
Gross profit	—	92,301	1,565	2,077	—	95,943
Operating expenses:						
Selling, general and administrative expenses	19,069	60,784	1,396	1,601	—	82,850
Acquisition and integration expense	—	11,342	—	—	—	11,342
Depreciation	—	7,192	32	59	—	7,283
Amortization	2,663	—	15	—	—	2,678
Intercompany administrative (income) expense	—	(100)	—	100	—	—
Management and transaction fees to related party	438	—	—	—	—	438
Total operating expenses	22,170	79,218	1,443	1,760	—	104,591
Other (expense) income, net	16	11	(217)	76	—	(114)
Income from operations	(22,154)	13,094	(95)	393	—	(8,762)
Intercompany interest (income) expense	(5,097)	5,096	—	—	1	—
Interest expense, net	(154)	8,480	—	2	(1)	8,327
Interest on mandatorily redeemable preferred stock and management purchased options	5,488	—	—	—	—	5,488
Interest expense on junior subordinated debentures	5,254	—	—	—	—	5,254
Investment income on trust common securities	(158)	—	—	—	—	(158)
(Loss) income before equity in subsidiaries' inc (loss)	(27,487)	(482)	(95)	391	—	(27,673)
Equity in subsidiaries' income (loss)	(398)	84	—	—	314	—
Income (loss) before income taxes	(27,885)	(398)	(95)	391	314	(27,673)
Income tax provision (benefit)	(2,677)	—	48	164	—	(2,465)
Net income (loss)	$ (25,208)	$ (398)	$ (143)	$ 227	$ 314	$ (25,208)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	17	—	17
Change in derivative security value	—	1,161	—	—	—	1,161
Total comprehensive income (loss)	$ (25,208)	$ 763	$ (143)	$ 244	$ 314	$ (24,030)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statements of Operations
For the year ended December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 433,646	$ 15,056	$ 9,459	$ —	$ 458,161
Cost of sales	—	208,231	11,232	5,081	98	224,642
Gross profit	—	225,415	3,824	4,378	(98)	233,519
Operating expenses:						
Selling, general and administrative expenses	8,991	142,888	3,545	3,726	—	159,150
Depreciation	—	16,761	86	146	—	16,993
Amortization	6,875	—	37	—	—	6,912
Intercompany administrative (income) expense	—	(240)	—	238	2	—
Management and transaction fees to related party	1,010	—	—	—	—	1,010
Total operating expenses	16,876	159,409	3,668	4,110	2	184,065
Other (expense) income, net	286	(921)	(10)	523	2	(120)
Income from operations	(16,590)	65,085	146	791	(98)	49,334
Intercompany interest (income) expense	(12,232)	12,232	—	—	—	—
Interest expense, net	(358)	15,883	(4)	—	—	15,521
Interest on mandatorily redeemable preferred stock and management purchased options	12,312	—	—	—	—	12,312
Interest expense on junior subordinated debentures	12,820	—	—	—	—	12,820
Investment income on trust common securities	(378)	—	—	—	—	(378)
(Loss) income before equity in subsidiaries' inc (loss)	(28,754)	36,970	150	791	(98)	9,059
Equity in subsidiaries' income (loss)	37,562	592	—	—	(38,154)	—
Income (loss) before income taxes	8,808	37,562	150	791	(38,252)	9,059
Income tax provision	9,940	—	51	298	—	10,289
Net income (loss)	$ (1,132)	$ 37,562	$ 99	$ 493	$ (38,252)	$ (1,230)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(197)	—	(197)
Change in derivative security value	—	297	—	—	—	297
Total comprehensive income (loss)	$ (1,132)	$ 37,859	$ 99	$ 296	$ (38,252)	$ (1,130)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statements of Operations
For the year ended December 31, 2008
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 452,973	$ 21,293	$ 7,657	$ —	$ 481,923
Cost of sales	—	224,956	16,226	3,447	18	244,647
Gross profit	—	228,017	5,067	4,210	(18)	237,276
Operating expenses:						
Selling, general and administrative expenses	1,053	152,621	3,949	3,727	—	161,350
Depreciation	—	17,581	91	163	—	17,835
Amortization	7,036	—	37	—	—	7,073
Intercompany administrative (income) expense	—	(240)	—	240	—	—
Management and transaction fees to related party	1,043	—	—	—	—	1,043
Total operating expenses	9,132	169,962	4,077	4,130	—	187,301
Other (expense) income, net	(1,428)	148	5	(975)	—	(2,250)
Income from operations	(10,560)	58,203	995	(895)	(18)	47,725
Intercompany interest (income) expense	(12,232)	12,232	—	—	—	—
Interest expense, net	(265)	20,822	(12)	—	—	20,545
Interest on mandatorily redeemable preferred stock and management purchased options	11,091	—	—	—	—	11,091
Interest expense on junior subordinated debentures	12,609	—	—	—	—	12,609
Investment income on trust common securities	(378)	—	—	—	—	(378)
(Loss) income before equity in subsidiaries' inc (loss)	(21,385)	25,149	1,007	(895)	(18)	3,858
Equity in subsidiaries' income (loss)	25,322	173	—	—	(25,495)	—
Income (loss) before income taxes	3,937	25,322	1,007	(895)	(25,513)	3,858
Income tax provision	5,084	—	382	(443)	—	5,023
Net income (loss)	$ (1,147)	$ 25,322	$ 625	$ (452)	$ (25,513)	$ (1,165)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	74	—	74
Change in derivative security value	—	(1,248)	—	—	—	(1,248)
Total comprehensive income (loss)	$ (1,147)	$ 24,074	$ 625	$ (378)	$ (25,513)	$ (2,339)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Balance Sheet
As of December 31, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 5,166	$ 1,119	$ 1,299	$ —	$ 7,585
Restricted investments	227	—	—	—	—	227
Accounts receivable	—	54,528	7,139	(5,157)	—	56,510
Inventories	—	84,011	10,644	3,384	(338)	97,701
Deferred income taxes	7,267	—	1,885	225	—	9,377
Other current assets	—	2,239	364	798	—	3,401
Total current assets	7,495	145,944	21,151	549	(338)	174,801
Intercompany notes receivable	105,446	—	—	—	(105,446)	—
Intercompany interest receivable	—	—	—	—	—	—
Investments in subsidiaries	(615,609)	31,720	—	—	583,889	—
Property and equipment	—	52,005	276	231	—	52,512
Goodwill	430,564	1,561	7,184	—	280	439,589
Other intangibles	356,981	—	6,095	—	—	363,076
Restricted investments	3,251	—	—	—	—	3,251
Deferred income taxes	25,423	392	(201)	379	(25,614)	379
Deferred financing fees	—	14,322	—	—	—	14,322
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	900	25	662	—	1,587
Total assets	$ 316,812	$ 246,844	$ 34,530	$ 1,821	$ 452,771	$1,052,778
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ —	$ 27,433	$ 659	$ 332	$ —	$ 28,424
Current portion of senior term loans	—	2,900	—	—	—	2,900
Current portion of capitalized lease and other obligations	—	30	—	—	—	30
Accrued expenses:						
Salaries and wages	—	5,395	505	178	—	6,078
Pricing allowances	—	4,862	13	480	—	5,355
Income and other taxes	(283)	1,749	153	420	—	2,039
Interest	—	1,409	—	—	—	1,409
Deferred compensation	227	—	—	—	—	227
Other accrued expenses	—	6,484	1,201	214	—	7,899
Total current liabilities	(56)	50,262	2,531	1,624	—	54,361
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Long term senior term loans	—	285,650	—	—	—	285,650
Bank revolving credit	—	12,000	—	—	—	12,000
Long term portion of capitalized lease and other obligations	—	134	—	—	—	134
Long term senior notes	—	150,000	—	—	—	150,000

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Balance Sheet
As of December 31, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)						
Junior subordinated debentures	115,837	—	—	—	—	115,837
Mandatorily redeemable preferred stock	—	—	—	—	—	—
Management purchased preferred options	—	—	—	—	—	—
Deferred compensation	3,251	—	—	—	—	3,251
Deferred income taxes, net	154,844	—	54	—	(25,614)	129,284
Accrued dividends on preferred stock	—	—	—	—	—	—
Other non-current liabilities	—	2,283	—	—	—	2,283
Total liabilities	273,876	605,775	2,585	1,624	(131,060)	752,800
Common stock with put options:						
Common stock, $.01 par, 5,000 shares authorized, 198.4 issued and outstanding at December 31, 2010.	12,247	—	—	—	—	12,247
Class A Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Class B Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2010.	—	—	—	—	—	—
Class A Preferred stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,801.6 issued and outstanding at December 31, 2010.	—	—	—	—	—	—
Class A Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	—	—	65	—	(65)	—
Class C Common stock, $.01 par, zero authorized, issued and outstanding at December 31, 2010; 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Additional paid-in capital	133,138	(149,918)	31,656	341	281,177	296,394
Accumulated deficit	(102,449)	(208,389)	224	338	302,238	(8,038)
Accumulated other comprehensive loss	—	(624)	—	(482)	481	(625)
Total stockholders' equity	30,689	(358,931)	31,945	197	583,831	287,731
Total liabilities and stockholders' equity	$ 316,812	$ 246,844	$ 34,530	$ 1,821	$ 452,771	$1,052,778

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Balance Sheet
As of December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 16,282	$ 518	$ 363	$ —	$ 17,164
Restricted investments	334	—	—	—	—	334
Accounts receivable	—	51,078	4,409	(3,730)	—	51,757
Inventories	—	75,364	5,204	2,904	(290)	83,182
Deferred income taxes	7,215	—	653	232	—	8,100
Other current assets	—	2,417	78	162	—	2,657
Total current assets	7,550	145,141	10,862	(69)	(290)	163,194
Intercompany notes receivable	105,446	—	—	—	(105,446)	—
Intercompany interest receivable	—	—	—	—	—	—
Investments in subsidiaries	(464,499)	10,212	—	—	454,287	—
Property and equipment	—	47,109	238	218	—	47,565
Goodwill	255,717	1,797	292	—	—	257,806
Other intangibles	146,059	—	581	—	—	146,640
Restricted investments	2,709	—	—	—	—	2,709
Deferred income taxes	19,792	733	(82)	419	(20,444)	418
Deferred financing fees	2,249	3,441	—	—	—	5,690
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	1,142	25	31	—	1,198
Total assets	$ 78,284	$ 209,575	$ 11,916	$ 599	$ 328,107	$ 628,481
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ —	$ 18,314	$ 752	$ 125	$ —	$ 19,191
Current portion of senior term loans	—	9,519	—	—	—	9,519
Current portion of capitalized lease and other obligations	—	349	—	—	—	349
Accrued expenses:						
Salaries and wages	—	7,305	165	154	—	7,624
Pricing allowances	—	4,968	—	349	—	5,317
Income and other taxes	118	1,618	(2)	170	—	1,904
Interest	—	2,199	—	—	—	2,199
Deferred compensation	334	—	—	—	—	334
Other accrued expenses	—	5,943	45	159	—	6,147
Total current liabilities	452	50,215	960	957	—	52,584
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Intercompany interest payable	—	—	—	—	—	—
Long term senior term loans	—	148,330	—	—	—	148,330
Long term portion of capitalized lease and other obligations	—	145	—	—	—	145
Long term senior notes	—	—	—	—	—	—
Long term unsecured subordinated notes	—	49,820	—	—	—	49,820

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Balance Sheet
As of December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)						
Junior subordinated debentures	115,716	—	—	—	—	115,716
Mandatorily redeemable preferred stock	111,452	—	—	—	—	111,452
Management purchased preferred options	6,617	—	—	—	—	6,617
Deferred compensation	2,709	—	—	—	—	2,709
Deferred income taxes, net	70,582	—	31	—	(20,444)	50,169
Accrued dividends on preferred stock	75,580	—	—	—	—	75,580
Other non-current liabilities	14,735	3,732	—	—	—	18,467
Total liabilities	397,843	357,688	991	957	(125,890)	631,589
Common and preferred stock with put options:						
Class A Preferred stock, $.01 par, $1,000 liquidation value, 238,889 shares authorized, none issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Class A Common stock, $.01 par, 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	2,158	—	—	—	—	2,158
Class B Common stock, $.01 par, 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009	4,323	1	—	—	969	5,293
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Class A Preferred stock, $.01 par, $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	1	—	—	—	—	1
Common Stock:						
Class A Common stock, $.01 par, 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	—	—	50	—	(50)	—
Class C Common stock, $.01 par, 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	—	—	—	—	—	—
Additional paid-in capital	10,494	19,980	10,193	1	(30,366)	10,302
Accumulated deficit	(336,697)	(166,933)	682	127	483,444	(19,377)
Accumulated other comprehensive loss	162	(1,161)	—	(486)	—	(1,485)
Total stockholders' equity	(326,040)	(148,114)	10,925	(358)	453,028	(10,559)
Total liabilities and stockholders' equity	$ 78,284	$ 209,575	$ 11,916	$ 599	$ 328,107	$ 628,481

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statement of Cash Flows
For the seven months ended December 31, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ (7,013)	$ (1,401)	$ 224	$ 211	$ (59)	$ (8,038)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	10,669	10,924	50	33	—	21,676
Dispositions of property and equipment	—	60	—	—	—	60
Deferred income tax provision (benefit)	(4,545)	(1,125)	79	(69)	—	(5,660)
Deferred financing and original issue discount amortization	2,590	(1,296)	—	—	—	1,294
Stock-based compensation expense	—	—	—	—	—	—
Changes in operating items:						
Accounts receivable	—	14,195	727	(236)	—	14,686
Inventories	—	(11,030)	(100)	(590)	59	(11,661)
Other assets	—	(2,625)	38	1,444	(12)	(1,155)
Accounts payable	—	7,229	(374)	196	—	7,051
Interest payable on junior subordinated debentures	—	—	—	—	—	—
Other accrued liabilities	(69)	(11,228)	4	417	5,096	(5,780)
Other items, net	196,134	(213,837)	21,664	(151)	(5,084)	(1,274)
Net cash provided by (used for) operating activities	197,766	(210,134)	22,312	1,255	—	11,199
Cash flows from investing activities:						
Payments for Quick Tag and Laser Key licenses	—	(12,750)	—	—	—	(12,750)
Payment for Servalite acquisition	—	—	(21,335)			(21,335)
Capital expenditures	—	(9,518)	(64)	(93)	—	(9,675)
Other, net	—	—	—	—	—	—
Net cash used for investing activities	—	(22,268)	(21,399)	(93)	—	(43,760)
Cash flows from financing activities:						
Borrowings of senior term loans	—	290,000	—	—	—	290,000
Repayments of senior term loans	—	(149,756)	—	—	—	(149,756)
Borrowings of revolving credit loans	—	12,600	—	—	—	12,600
Repayments of revolving credit loans	—	(600)	—	—	—	(600)
Principal payments under capitalized lease obligations	—	(50)	—	—	—	(50)
Repayments of unsecured subordinated notes	—	(49,820)	—	—	—	(49,820)
Borrowings of senior notes	—	150,000	—	—	—	150,000
Financing fees, net	—	(15,729)	—	—	—	(15,729)
Purchase predecessor equity securities	(506,407)	—	—	—	—	(506,407)
Proceeds from sale of successor equity securities	308,641	—	—	—	—	308,641
Net cash (used for) provided by financing activities	(197,766)	236,645	—	—	—	38,879
Net (decrease) increase in cash and cash equivalents	—	4,243	913	1,162	—	6,318
Cash and cash equivalents at beginning of period	1	923	206	137	—	1,267
Cash and cash equivalents at end of period	$ 1	$ 5,166	$ 1,119	$ 1,299	$ —	$ 7,585

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statement of Cash Flows
For the five months ended May 28, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net loss	$ (24,810)	$ (493)	$ (143)	$ 227	$ 11	$ (25,208)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	2,663	7,192	47	59	—	9,961
Dispositions of property and equipment	—	74	—	—	—	74
Deferred income tax provision (benefit)	(2,757)	733	45	58	—	(1,921)
Deferred financing and original issue discount amortization	(155)	670	—	—	—	515
Interest on mandatorily redeemable preferred stock and management purchased options	5,488	—	—	—	—	5,488
Stock-based compensation expense	19,053	—	—	—	—	19,053
Changes in operating items:						
Accounts receivable	—	(15,724)	(658)	(434)	—	(16,816)
Inventories	—	2,383	477	110	(11)	2,959
Other assets	—	597	(178)	(307)	12	124
Accounts payable	—	1,890	(71)	11	—	1,830
Other accrued liabilities	(332)	9,561	176	43	(5,096)	4,352
Other items, net	850	(6,843)	—	15	5,084	(894)
Net cash provided by (used for) operating activities	—	40	(305)	(218)	—	(483)
Cash flows from investing activities:						
Capital expenditures	—	(5,396)	(7)	(8)	—	(5,411)
Other, net	—	—	—	—	—	—
Net cash used for investing activities	—	(5,396)	(7)	(8)	—	(5,411)
Cash flows from financing activities:						
Repayments of senior term loans	—	(9,544)	—	—	—	(9,544)
Principal payments under capitalized lease obligations	—	(459)	—	—	—	(459)
Net cash used for financing activities	—	(10,003)	—	—	—	(10,003)
Net decrease in cash and cash equivalents	—	(15,359)	(312)	(226)	—	(15,897)
Cash and cash equivalents at beginning of period	1	16,282	518	363	—	17,164
Cash and cash equivalents at end of period	$ 1	$ 923	$ 206	$ 137	$ —	$ 1,267

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statement of Cash Flows
For the year ended December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net loss	$ (38,694)	$ 36,970	$ 99	$ 493	$ (98)	$ (1,230)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	6,875	16,761	123	146	—	23,905
Dispositions of property and equipment	—	243	—	—	—	243
Deferred income tax provision (benefit)	8,771	179	(270)	(7)	—	8,673
Deferred financing and original issue discount amortization	(358)	1,633	—	—	—	1,275
Interest on mandatorily redeemable preferred stockand management purchased options	12,312	—	—	—	—	12,312
Stock-based compensation expense	8,737	—	—	—	—	8,737
Changes in operating items:						
Accounts receivable	—	1,898	287	(552)	—	1,633
Inventories	—	18,465	705	(986)	98	18,282
Other assets	—	866	(1,272)	1,355	—	949
Accounts payable	—	(6,186)	29	(62)	—	(6,219)
Interest payable on junior subordinated debentures	—	—	—	—	—	—
Other accrued liabilities	40	3,697	77	(187)	—	3,627
Other items, net	2,317	(2,370)	58	(195)	—	(190)
Net cash (used for) provided by operating activities	—	72,156	(164)	5	—	71,997
Cash flows from investing activities:						
Capital expenditures	—	(12,958)	(13)	—	—	(12,971)
Other, net	—	—	—	—	—	—
Net cash provided by (used for) investing activities	—	(12,958)	(13)	—	—	(12,971)
Cash flows from financing activities:						
Repayments of senior term loans	—	(45,000)	—	—	—	(45,000)
Principal payments under capitalized lease obligations	—	(394)	—	—	—	(394)
Refinancing fees	—	(2,921)	—	—	—	(2,921)
Redemption of securities	—	(1,141)	—	—	—	(1,141)
Borrowings under other credit obligations	—	461	—	—	—	461
Net cash used for financing activities	—	(48,995)	—	—	—	(48,995)
Net (decrease) increase in cash and cash equivalents	—	10,203	(177)	5	—	10,031
Cash and cash equivalents at beginning of period	1	6,079	695	358	—	7,133
Cash and cash equivalents at end of period	$ 1	$ 16,282	$ 518	$ 363	$ —	$ 17,164

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

24. Supplemental Consolidating Guarantor and Non-Guarantor Financial Information (continued):

Consolidating Statement of Cash Flows
For the year ended December 31, 2008
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net loss	$ (26,469)	$ 25,149	$ 625	$ (452)	$ (18)	$ (1,165)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	7,036	17,581	128	163	—	24,908
Dispositions of property and equipment	—	75	—	—	—	75
Deferred income tax provision (benefit)	4,457	(781)	407	(607)	—	3,476
Deferred financing and original issue discount amortization	(386)	1,680	—	—	—	1,294
Interest on mandatorily redeemable preferred stock and management purchased options	11,091	—	—	—	—	11,091
Stock-based compensation expense	2,481	—	—	—	—	2,481
Changes in operating items:						
Accounts receivable	—	(4,205)	(151)	(72)	—	(4,428)
Inventories	—	(4,794)	1,463	(175)	18	(3,488)
Other assets	—	1,140	(2,283)	403	—	(740)
Accounts payable	—	2,373	(64)	(132)	—	2,177
Other accrued liabilities	(61)	498	4	128	—	569
Other items, net	1,851	(1,025)	109	407	—	1,342
Net cash (used for) provided by operating activities	—	37,691	238	(337)	—	37,592
Cash flows from investing activities:						
Capital expenditures	—	(13,241)	(24)	(144)	—	(13,409)
Other, net	—	—	—	—	—	—
Net cash provided by (used for) investing activities	—	(13,241)	(24)	(144)	—	(13,409)
Cash flows from financing activities:						
Repayments of senior term loans	—	(28,626)	—	—	—	(28,626)
Borrowings of revolving credit loans	—	24,250	—	—	—	24,250
Repayments of revolving credit loans	—	(24,250)	—	—	—	(24,250)
Principal payments under capitalized lease obligations	—	(343)	—	—	—	(343)
Net cash used for financing activities	—	(28,969)	—	—	—	(28,969)
Net (decrease) increase in cash and cash equivalents	—	(4,519)	214	(481)	—	(4,786)
Cash and cash equivalents at beginning of period	1	10,598	481	839	—	11,919
Cash and cash equivalents at end of period	$ 1	$ 6,079	$ 695	$ 358	$ —	$ 7,133

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Financial Statement Schedule:

Schedule II – VALUATION ACCOUNTS

(dollars in thousands)

	Deducted From Assets in Balance Sheet			
	Allowance for Doubtful Accounts		Allowance for Obsolete/ Excess Inventory	
Ending Balance - December 31, 2007 - Predecessor	$ 597		$ 6,164	
Additions charged to cost and expense	40		381	
Additions from acquired company	—		(191)	
Deductions due to:				
Others	93	(A)	266	(A)
Ending Balance - December 31, 2008 - Predecessor	544		6,088	
Additions charged to cost and expense	345		1,530	
Deductions due to:				
Others	375	(A)	473	(A)
Ending Balance - December 31, 2009 - Predecessor	514		7,145	
Additions charged to cost and expense	26		954	
Deductions due to:				
Others	8	(A)	21	(A)
Ending Balance - May 28, 2010 - Predecessor	532		8,078	
Additions charged to cost and expense	18		553	
Additions from Merger Transaction	—		951	
Additions from acquired company	59		2,411	
Deductions due to:				
Others	89	(A)	983	(A)
Ending Balance - December 31, 2010 - Successor	$ 520		$ 11,010	

Notes:

(A) Includes write-off of accounts receivable (net of bad debt recoveries) and inventories.

Item 9 – Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A – Controls and Procedures.

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, which included the matters discussed below, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this Report (December 31, 2010), in ensuring that material information relating to The Hillman Companies, Inc. required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and the dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with appropriate authorizations; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2010, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on such evaluation, management has concluded that internal control over financial reporting is effective as of December 31, 2010. Management's report on internal control over financial reporting is set forth above under the heading, "Report of Management on Internal Control Over Financial Reporting" in Item 8 of this annual report on Form 10-K.

Attestation Report of Registered Public Accounting Firm on Internal Control Over Financial Reporting.

This annual report does not contain an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934,) as amended, that occurred during the quarter ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B – Other Information.

None.

PART III

Item 10 – Directors, Executive Officers, and Corporate Governance.

The following is a summary of the biographies for at least the last five years of Hillman's directors and officers.

Directors

Name and Age	Position and Five-year Employment History
Maurice P. Andrien (69)	Mr. Andrien has served as director since September 2001. From September 2001 to March 2004, Mr. Andrien was Chairman of The Hillman Companies, Inc., Cincinnati, Ohio. From April 1999 to November 2001, Mr. Andrien was President and Chief Executive Officer of SunSource Inc., the predecessor of Hillman. Mr. Andrien presently serves on the Boards of State Industrial Products, Inc., Cogniscape LLC and Kaba Holding AG. Mr. Andrien's qualifications to sit on our board of directors include his long affiliation with the Company, including his service as President and Chief Executive Officer of SunSource Inc., the predecessor of the Company.
Robert L. Caulk (59)	Mr. Caulk has served as director since May 2010. Mr. Caulk is the Chairman of Bushnell Outdoor Products, a global manufacturer and marketer of sports optics and outdoor accessories. He was the Chairman and Chief Executive Officer of United Industries Corporation, a manufacturer and marketer of consumer products, from 2001 through 2005 and was its President and Chief Executive Officer from 1999 to 2001. He served as the President and Chief Executive Officer of Spectrum Brands, North America, following its acquisition of United Industries in 2005, until February 2006. Mr. Caulk also serves as a director on several corporate and non-profit boards, including Menard, Inc., Polaris Industries, Inc., St. Louis Academy of Science and Natures Variety, where he serves as Vice Chairman. Mr. Caulk was selected to serve on our board of directors due to his extensive management experience.
Michael S. Green (38)	Mr. Green has served as director since May 2010. Mr. Green has been a Partner of Oak Hill Capital Management, LLC since 2007 and prior to that was a Principal at Oak Hill Capital Management, LLC between 2000 and 2007. Mr. Green served on the board of directors of Duane Reade Holdings, Inc. from 2004 until April 2010 and currently serves on the board of directors of NSA International, Inc., Monsoon Commerce Solutions, Inc. and Dave & Buster's, Inc. Mr. Green was selected to serve on our board of directors due to his financial, investment and business experience.
Max W. Hillman (64)	Mr. Hillman has served as director since September 2001. Mr. Hillman is President and Chief Executive Officer and member of the Board of Directors of Hillman and Chief Executive Officer of Hillman Group. From April 2000 to November 2001, Mr. Hillman was Co-Chief Executive Officer of Hillman Group. Mr. Hillman presently serves on the Boards of State Industrial Products, Inc., Sunsource Technology Services Inc. and Woodstream Corp. Mr. Hillman is the brother of Richard P. Hillman. Mr. Hillman's qualifications to sit on our board of directors include his role as President and Chief Executive Officer of the Company and formerly Co-Chief Executive Officer of Hillman Group, prior to the CHS Merger Transaction.

Name and Age	Position and Five-year Employment History
David Jones (61)	Mr. Jones has served as director since May 2010. Mr. Jones has been Senior Adviser to Oak Hill Capital Management, LLC's Consumer, Retail and Distribution group since February 2008. Between 1996 and May 2007, Mr. Jones was Chairman and Chief Executive Officer of Spectrum Brands, Inc. (formerly Rayovac Corporation), a global consumer products company with major businesses in batteries, lighting, shaving/grooming, personal care, lawn and garden, household insecticide and pet supply product categories. From 1996 to April 1998, he also served Rayovac as President. After Mr. Jones was no longer an executive officer of Spectrum Brands, it filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in March 2009 and exited from bankruptcy proceedings in August 2009. From 1995 to 1996, Mr. Jones was Chief Operating Officer, Chief Executive Officer, and Chairman of the Board of Directors of Thermoscan, Inc. From 1989 to 1994, he served as President and Chief Executive Officer of The Regina Company. Mr. Jones also served as a director of Simmons Bedding Company from January 2000 to January 2010, as a director of Spectrum Brands from September 1996 to August 2007, and as a director of Tyson Foods, Inc. from October 1999 to July 2005. He currently serves as a director of Pentair, Inc. and Dave & Buster's, Inc. Mr. Jones was selected to serve on our board of directors due to his extensive management experience.
Alan Lacy (57)	Mr. Lacy has served as director since May 2010. Mr. Lacy has been a Senior Adviser to Oak Hill Capital Management, LLC's Consumer, Retail and Distribution group since July 2007. Mr. Lacy is the former Vice Chairman and Chief Executive Officer of Sears Holdings Corporation, which formed as a result of the merger of Sears, Roebuck and Co. and Kmart Holding Corporation. He served as Vice Chairman from March 2005 through July 2006 and as Chief Executive Officer from March 2005 through September 2005. He previously served Sears, Roebuck and Co. as Chairman of the Board from December 2000 and as President and Chief Executive Officer from October 2000. Mr. Lacy was the Chairman of the Board of Sears Canada, Inc. from 2000 through 2006. Mr. Lacy has been a director of Bristol-Myers Squibb Company since 2008, a director or The Western Union Company since 2006 and is a Trustee of Fidelity Funds. He also currently serves as director of Dave & Buster's, Inc. Mr. Lacy was selected to serve on our board of directors due to his extensive management experience.
Kevin Mailender (33)	Mr. Mailender has served as director since May 2010. Mr. Mailender has been a Principal of Oak Hill Capital Management, LLC since 2008 and previously was a Vice President of Oak Hill Capital Management between 2004 and 2008. Mr. Mailender currently serves as a director of Dave & Buster's, Inc. Mr. Mailender was selected to serve on our board of directors due to his financial, investment and business experience.

Name and Age	Position and Five-year Employment History
Tyler Wolfram (44)	Mr. Wolfram has served as director since May 2010. Mr. Wolfram has been a Partner of Oak Hill Capital Management, LLC since 2001. Mr. Wolfram served on the board of directors of Duane Reade Holdings, Inc. from 2004 until April 2010 and currently serves on the board of directors of NSA International, Inc. and Dave & Buster's, Inc. Mr. Wolfram serves as the Chairman of our board of directors due to his financial, investment and business experience.

All directors hold office until their successors are duly elected and qualified.

Committees

The Company is a controlled company within the meaning of the NYSE Amex listing standards because an affiliate of Oak Hill Capital Partners owns more than 50% of the outstanding shares of the Company's common voting stock. Accordingly, the Company is exempt from the requirements of the NYSE Amex listing standards to maintain a majority of independent directors on the Company's board of directors and to have a nominating committee and a compensation committee composed entirely of independent directors.

The Company does not have a nominating committee, but it does have a compensation committee. The board of directors believes that it is not necessary to utilize a nominating committee. Director nominees for the Company are selected by the board of directors following receipt of recommendations of potential candidates from the Chairman of the Board of the Company. The board of directors is not limited by the recommendation of the Chairman and may select other nominees. There is no charter setting forth these procedures and the board of directors has no policy regarding the consideration of any director candidates recommended by shareholders. While the board of directors does not have a formal policy on diversity, it will consider issues of diversity, including diversity of gender, race and national origin, education, professional experiences and differences in viewpoints and skills when filling vacancies on the board of directors.

The current members of the audit committee are Maurice Andrien and Robert Caulk, both of whom are considered independent under the SEC standards and the NYSE AMEX listing standards. The Company has previously received an exemption from AMEX to Section 121 of the AMEX Company Guide that requires the Audit Committee to have three members. The board of directors has not made a determination as to whether any member of the audit committee has the necessary qualifications or experience to be considered an "Audit Committee Financial Expert."

Risk Oversight and Board Structure

The board of directors executes its oversight responsibility for risk management directly and through its audit committee and compensation committee. The audit committee has primary authority for overseeing the Company's risk management activities, generally, and is charged with reviewing and discussing with management the Company's major risk exposures and the steps management has taken to monitor, control and manage these exposures. The audit committee's meeting agendas include discussions of individual risk areas throughout the year, as well as an annual summary of the risk management process, including the Company's risk assessment and risk management guidelines. The compensation committee oversees the Company's compensation policies generally to determine whether they create risks that are reasonably likely to have a material adverse effect on the Company.

The compensation committee has conducted a comprehensive review of the Company's compensation structure from the perspective of enterprise risk management and the design and operation of its executive and employee compensation plans, policies and arrangements generally, including the performance objectives and target levels used in connection with

our annual performance based bonuses and stock option awards. The compensation committee has concluded that there are no risks arising from the Company's compensation policies and practices for its employees that are reasonably likely to have a material adverse effect on the Company. Our compensation program as a whole does not encourage or incentivize our executives or other employees to take unnecessary and excessive risks or engage in other activities and behavior that threaten the value of the Company or the investments of its shareholders, as evidenced by the following design features that we believe mitigate risk-taking:

Base Salaries

Base salaries are fixed in amount and thus do not encourage risk taking. While base salary is the only fixed element of compensation that we provide to our executives and other employees, we believe that the amounts paid are sufficient to meet the essential financial needs of these executives and employees. Consequently, our incentive compensation arrangements are intended to reward their performance if, and only to the extent that, the Company and our stockholders also benefit financially from their stewardship.

Performance Based Bonuses

The compensation committee believes the bonus program in fiscal year 2010 appropriately balances risk and the desire to focus executives on specific short-term goals important to the Company's success. While specific performance criteria are set and communicated in advance, the Company does not consider that the pursuit of these objectives may encourage unnecessary or excessive risk taking or lead to behaviors that focus executives on their individual enrichment rather than the Company's long-term welfare.

Stock Options

Effective May 28, 2010, Holdco established a new stock option plan, the OHCP HM Acquisition Corp. 2010 Stock Option Plan (the "Option Plan"), pursuant to which Holdco may grant stock options to purchase up to an aggregate of 34,939 shares of its common stock. The Option Plan is administered by the Holdco board of directors. In fiscal year 2010, the Board of Directors granted 25,725 options to purchase common stock to members of executive management. These option grants include both options that are 100% service-based, vesting in equal annual installments over a five-year period, and so do not encourage risk taking, and options that vest based on Company performance either over a five-year period or upon a change of control. As performance is measured over an extended period, executives are not incentivized to achieve only short-term increases in stock price.

The Company believes that the allocation of variable compensation between annual cash incentives and long-term stock option grants is reasonable for the Company given our business objectives.

Code of Ethics

The Company has adopted a code of ethics which applies to its directors, senior officers, including its Chief Executive Officer and its Chief Financial Officer, as well as every employee of the Company. The Company's code of ethics can be accessed via its website at http://www.hillmangroup.com. The Company intends to disclose amendments to or waivers from a required provision of the code of ethics on Form 8-K.

The executive officers of the Company (including the executive officers of The Hillman Group, Inc.) are set forth below:

Executive Officers

Name and Age	Position with the Company; Five-year Employment History
Max W. Hillman (64)	President and Chief Executive Officer of The Hillman Companies, Inc., Chief Executive Officer of The Hillman Group, Inc., Cincinnati, Ohio. See page 100 for five-year employment history. Mr. Hillman is the brother of Richard P. Hillman.
Richard P. Hillman (62)	President of The Hillman Group, Inc., Cincinnati, Ohio. Mr. Hillman has held such position since 1991. Mr. Hillman is the brother of Max W. Hillman.
James P. Waters (49)	Chief Financial Officer and Secretary of The Hillman Companies, Inc., Cincinnati, Ohio and Vice President, Chief Financial Officer and Secretary of The Hillman Group, Inc., Cincinnati, Ohio. From September 1999 to November 2001, Mr. Waters was Vice President and Chief Financial Officer of The Hillman Group, Inc.
George L. Heredia (52)	Senior Vice President of Engraving for The Hillman Group, Inc., Tempe, Arizona. Mr. Heredia has held various executive positions since April 2000. Prior to April 2000, Mr. Heredia had held the positions of Senior Vice President of Marketing and Senior Vice President of Operations for Axxess Technologies, Inc.
Albert M. Church (42)	Senior Vice President of Sales and Service for The Hillman Group, Inc., Cincinnati, Ohio since March 2007. He joined Hillman in 1995 and had taken on increasing responsibilities. Prior positions include Region Manager, Director of Field Services, Sr. Director of Field Services and Vice President of Field Services.

All executive officers hold office at the pleasure of the board of directors.

Item 11 – Executive Compensation

Compensation Discussion and Analysis

On May 28, 2010, Hillman was acquired by affiliates of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman is a wholly-owned subsidiary of OHCP HM Acquisition Corp. ("Holdco").

This Compensation Discussion and Analysis provides an overview and analysis of our compensation programs, the compensation decisions we have made under these programs, and the factors we considered in making these decisions with respect to the compensation earned by the following individuals, who as determined under the rules of the SEC are collectively referred to herein as our "named executive officers" or "NEOs" for fiscal year 2010:

- Max W. Hillman, Chief Executive Officer and President
- James P. Waters, Chief Financial Officer and Secretary
- Richard P. Hillman, President, The Hillman Group, Inc.
- George L. Heredia, Senior Vice President of Engraving, The Hillman Group, Inc.
- Albert M. Church, Senior Vice President of Sales and Service, The Hillman Group, Inc.

Overview of the Compensation Program

Compensation Philosophy

The objective of Hillman's corporate compensation and benefits program is to establish and maintain competitive total compensation programs that will attract, motivate and retain the qualified and skilled work force necessary for the continued success of Hillman. To help align compensation paid to executive officers with the achievement of corporate goals, Hillman has designed its cash compensation program as a pay-for-performance based system that rewards named executive officers for their individual performance and contribution in achieving corporate goals. To remain competitive, the Compensation Committee assesses how each component, including base and performance pay, is validated relative to market values on an annual basis. The Board of Directors' decisions on compensation for its NEOs are based primarily upon its assessment of the performance of the Company during the given year as measured against its earnings before interest, taxes, depreciation and amortization ("EBITDA") target and each individual's performance and potential to enhance long-term stockholder value. The Board relies on judgment and does not have any formal guidelines or formulas for allocating between long-term and currently paid out compensation, cash and non-cash compensation, and among different forms of non-cash compensation for the Company's NEOs.

Components of Total Compensation

Compensation packages in 2010 for the Company's NEOs were comprised of the following elements:

Short-Term Compensation Elements

Element	Role and Purpose
Base Salary	Attract and retain executives and reward their skills and contributions to the day-to-day management of our company.
Annual Performance-Based Bonus	Motivate the attainment of annual financial, operational and individual goals by paying bonuses determined by the achievement of specified performance targets with a performance period of one year.

Long-Term Compensation Elements

Element	Role and Purpose
Stock Options	Motivate the attainment of long-term value creation, align executive interests with the interests of our stockholders, create accountability for executives to enhance stockholder value and promote long-term retention by providing for multi-year vesting schedules applicable to these awards that require continued employment with the Company on each vesting date.
Severance and Change of Control Benefits	Promote long-term retention and align the interests of executives with stockholders during the negotiation of a potential change in control transaction which, although in the best interests of stockholders generally, may result in loss of employment for an individual named executive officer.

Benefits

Element	Role and Purpose
Employee Benefit Plans and Perquisites	Promote financial security and provide other benefits commensurate with those offered by peer group companies.

Establishing Compensation Levels

Role of the Compensation Committee and Management

In connection with the Merger Transaction, the following non-employee Board members were designated to serve on the Compensation Committee: Tyler Wolfram, David Jones and Michael Green. The Compensation Committee meets annually to review base salary adjustments, bonus plans and any incentive stock or option awards. The Compensation Committee also reviews the compensation package for all new executive hires.

The key member of management involved in the compensation process is our Chief Executive Officer ("CEO"), Max W. Hillman. Our CEO identifies corporate and individual performance objectives for each NEO, excluding himself, that are used to determine performance pay amounts. Our CEO then presents these goals to the Compensation Committee, which in turn evaluates these goals and either approves or appropriately revises them and presents them to the Board of Directors for review and approval. On an annual basis, a comprehensive report is provided by the CEO to the Compensation Committee on all of Hillman's compensation programs.

Compensation for the year ended December 31, 2010 for James Waters, Richard Hillman, George Heredia and Albert Church was based on the recommendations of our CEO to the Compensation Committee. Our CEO considered performance during the previous year, if applicable, as well as market data, as described below.

Assessment of Market Data, Peer Comparisons and Benchmarking of Compensation

Target total cash compensation for each NEO is established primarily based on data obtained from various organizations including the Employee Research Association of Cincinnati and the National Association of Manufacturers. The Company seeks to compensate its executives in a comparable manner to the 50th percentile of its peer group members which include companies of a comparable size with similar products and services within its geographic region. The Company did not utilize a compensation consultant during fiscal year 2010.

Determination of CEO Compensation

The Compensation Committee established 2010 compensation for the CEO based on market data and compensation of CEOs at companies of similar size and complexity. The types of market data examined by the Compensation Committee, in making this determination, were surveys from the Profit Planning Group and market studies by Employee Research Association of Cincinnati and the National Association of Manufacturers.

Short Term Compensation Elements

Base Salary

Hillman believes that executive base salaries should be targeted at the median of the range of salaries for executives in similar positions and with similar responsibilities at comparable companies. Base pay is established primarily based on peer group data. Market data is also used to determine the need for salary structure adjustments and annual base pay adjustments, as well as an individual's performance, experience and/or changes in job responsibilities. The Company also considers other compensation provided to its NEOs such as the value of outstanding options when determining base salary.

The CEO of Hillman recommends executive officers' base salaries to the Compensation Committee which then reviews and either approves or appropriately adjusts these recommendations on an annual basis. The Company's Board of Directors approves the base salary of the CEO upon the Compensation Committee's recommendation.

Annual increases in base salaries are effective on January 31 of the applicable year. The salaries established by the Compensation Committee for our NEOs for fiscal years 2010 and 2009 are set forth below.

Name	2009 Salary	2010 Salary	Percentage Increase
Max W. Hillman	$425,000	$435,000	2.4%
James P. Waters	$250,000	$262,000	4.8%
Richard P. Hillman	$290,000	$298,000	2.8%
George L. Heredia	$243,000	$243,000	0.0%
Albert M. Church	$220,000	$227,000	3.2%

The percentage increase in base salary between fiscal year 2009 and fiscal year 2010 varies between the named executive officers to reflect each individual's particular skills, responsibilities, experience and prior year performance. The fiscal year 2010 base salary amounts were determined as part of the total compensation paid to each NEO and were not considered, by themselves, as fully compensating the NEOs for their service to the Company.

Annual Performance-Based Bonuses

Pursuant to their employment agreements, each NEO is eligible to receive an annual cash bonus pursuant to the terms of a performance-based bonus plan with targets agreed annually by our CEO and Board of Directors, except with respect to Mr. Church whose targets are stated to be agreed between him and the Company. Each employment agreement specifies the named executive officer's target and maximum bonus as a percentage of his annual base salary as follows: Max Hillman – target of 65% of annual base salary and maximum of 124% of annual base salary; Richard Hillman – target of 40% of annual base salary and maximum of 80% of annual base salary; James Waters, George Heredia and Albert Church – target of 35% of annual base salary and maximum of 70% of annual base salary. Except with respect to Mr. Church, each executive is also entitled to a reduced annual bonus if between 86% and 99% of the bonus targets are met; if 85% or less of the bonus targets for the applicable year are met, the NEO will not be entitled to receive a bonus.

Annual Performance-Based Bonus ("PBB") targets are established by the CEO and evaluated and either approved or appropriately adjusted by the Compensation Committee and the Board of Directors. Performance targets are communicated to the NEOs following formal approval by the Compensation Committee, which is normally around late February. Generally, the higher the level of responsibility of the executive within the Company, the greater the portion of that executive's targeted bonus compensation. In 2010 bonus objectives for all executives were based on criteria relating to the Company's performance including earnings before interest, taxes, depreciation and amortization ("EBITDA"), gross margin dollars, gross margin percentage, return on net tangible assets ("ROANTA"), safety metrics and personal management objectives ("PMOs"). All NEOs have 30% of their bonus based on a corporate EBITDA target, 15% based on corporate gross margin percentage and 10% based on a corporate safety metric. NEOs with responsibility for sales activity including Rick Hillman, George Heredia and Albert Church have 30% of their bonus on achieving a gross margin target for their specific areas of responsibility. Mick Hillman has both sales and asset management responsibilities and, thus, has 15% allocated to gross margin achievement and 15% to ROANTA. James Waters has asset management responsibilities and, thus, has 30% allocated to ROANTA. For all of the NEOs, the remaining 15% is based on specific PMOs which are based on the attainment of certain individual project or sales milestones.

The chart below shows the relative weight of each criteria with respect to each NEO for purposes of determining the 2010 Performance Based Bonus award:

Name	EBITDA	GM$	GM%	ROANTA	Safety	PMOs
Max W. Hillman	30%	15%	15%	15%	10%	15%
James P. Waters	30%	—	15%	30%	10%	15%
Richard P. Hillman	30%	30%	15%	—	10%	15%
George L. Heredia	30%	30%	15%	—	10%	15%
Albert M. Church	30%	30%	15%	—	10%	15%

The chart below shows the total payments made under the PBB plan for 2010 and 2009 to each of our named executive officers:

Name	2009 Bonus	2010 Bonus	Percentage Decrease
Max W. Hillman	$368,900	$232,250	37.0%
James P. Waters	$175,000	$ 80,318	54.1%
Richard P. Hillman	$162,400	$ 82,051	49.5%
George L. Heredia	$119,070	$ 59,771	49.8%
Albert M. Church	$129,275	$ 81,083	37.3%

In 2009, maximum bonus targets were achieved for EBITDA, Safety, ROANTA and PMOs for all executives. Gross margin and gross margin percent exceeded target.

In 2010, the EBITDA payout was 2.3% below the targeted EBITDA goal of $84,377. The gross margin percent was below the threshold for bonus payout of 51.4%. ROANTA of 55.3% was 10.9% above the bonus target and the safety bonus payout was at the bonus target of 37 recordable accidents. Gross margin dollar and PMO were generally below target.

The bonus awards were determined as part of the total compensation paid to each NEO and were not considered, by themselves, as fully compensating the NEOs for their services.

Long Term Compensation Elements

Stock Options

Prior to the Merger Transaction, Albert Church received grants of nonqualified stock options to purchase shares of Class B common stock of The Hillman Companies, Inc. pursuant to The Hillman Companies, Inc. Second Amended and Restated 2004 Stock Option Plan. In connection with the Merger Transaction, all options outstanding under this plan were vested and cancelled in return for a cash payment equal to the per share merger consideration less the applicable exercise price. Max Hillman, Jim Waters, Richard Hillman and George Heredia were parties to an executive securities agreement pursuant to which they were granted Preferred Options to purchase Class A shares of The Hillman Companies, Inc. and Preferred Options to purchase Class A shares of The Hillman Investment Company. These options were also cancelled and cashed out in connection with the Merger Transaction, such that all equity compensation held by our named executive officers was cancelled and cashed out upon consummation of the Merger Transaction.

Effective May 28, 2010, Holdco established a new stock option plan, the OHCP HM Acquisition Corp. 2010 Stock Option Plan (the “Option Plan”), pursuant to which Holdco may grant stock options to purchase up to an aggregate of 34,939.0 shares of its common stock. The Option Plan is administered by the Holdco board of directors. The Holdco board of directors determines the terms of each option grant under the Option Plan, except that the exercise price of any granted options may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant.

Stock options granted in 2010 under the Option Plan for each of the NEOs are divided into three equal vesting tranches. The first tranche is a service-based award which vests ratably over five years, subject to the optionee’s continued employment with Hillman on each vesting date. The second tranche is performance-based and vests ratably over five years, subject to both the optionee’s continued employment on each vesting date and the achievement of Company performance targets. The third tranche of each stock option grant is outcome-based and depends on OHCP receiving a certain rate of return upon a change in control, provided the optionee is still employed by the Company at the time of such change in control. The division of the option awards into three types of vesting criteria is to equally reward the executives for service to the Company, improvement in financial performance and creating shareholder value.

Severance and Change in Control Benefits

In addition to the above, pursuant to the terms of each NEO's employment agreement, the NEOs are eligible to receive severance payments and benefits in the event their employment is terminated without Cause or they resign for Good Reason. The payments of certain benefits are accelerated if such termination or resignation results from a change in control. The payments provided for under the employment agreements in the event of termination without cause or resignation for good reason following a change in control are designed to assure the Company of the continued employment and attention and dedication to duty of these key management employees and to seek to ensure the availability of their continued service, notwithstanding the possibility or occurrence of a change in control of the Company and their resultant termination. The amount of severance payable both in the event of and independently from a change in control is an amount the Company has determined is necessary to remain competitive in the marketplace for executive talent. See "Potential Payments Upon Termination or Change in Control" for additional information.

Employee Benefits Plans and Perquisites

Executives are eligible to participate in the same health and benefit plans available to all employees including health insurance, dental, vision, term life and disability insurance. All executives are entitled to four weeks of paid vacation. In addition, the NEOs are eligible to participate in the Company's Defined Contribution Plan (401(k) Plan) and the Hillman Nonqualified Deferred Compensation Plan, both described below.

Defined Contribution Plan

The Company's NEOs and certain other employees are covered under a 401(k) retirement savings plan ("Defined Contribution Plan"). The plan provides for a matching contribution for eligible employees of 50% of each dollar contributed by the employee up to 6% of the employee's compensation. In addition, the Defined Contribution Plan provides a discretionary annual contribution in amounts authorized by the Board, subject to the terms and conditions of the plan.

Nonqualified Deferred Compensation Plan

All executives and certain senior managers are eligible to participate in the Hillman Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan allows eligible employees to defer up to 100% of their annual base salary and bonus. The Company contributes a matching contribution of 25% on the first $10,000 of salary and bonus deferrals.

Perquisites

Each of the NEOs receives the choice of the use of a company car or a monthly car allowance of up to $1,050 per month. The President and Chief Executive Officer approve car expense amounts annually and report those amounts to the Compensation Committee. Mr. Max Hillman receives up to $500 per month as reimbursement for country club dues which are used for business and client development purposes. The Company does not have any equity or security ownership guidelines for executives. The Company does not consider the accounting and tax treatment of the particular forms of compensation awarded to executives when determining compensation awards.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the Securities and Exchange Commission.

Respectfully Submitted,

The Compensation Committee

Tyler Wolfram
Dave Jones
Michael Green

The information contained in the Compensation Committee Report above shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference therein.

Summary Compensation Table

The following table sets forth compensation that the Company's principal executive officer, principal financial officer and each of the next three highest paid executive officers of the Company (collectively, the "NEOs") earned during the years ended December 31, 2010, December 31, 2009, and December 31, 2008 in each executive capacity in which each NEO served. Max Hillman served as both an officer and director, but did not receive any compensation with respect to his role as a director.

Name and Principal Position	Year	Salary ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Max W. Hillman	2010	433,846	—	232,250	—	31,895	697,991
President and CEO	2009	425,000	—	368,900	—	28,592	822,492
The Hillman Companies, Inc.	2008	424,182	—	207,506	—	36,503	668,191
James P. Waters	2010	260,615	—	80,318	—	12,148	353,081
CFO and Secretary	2009	237,308	—	175,000	—	8,298	420,606
The Hillman Companies, Inc.	2008	218,615	—	57,750	—	11,429	287,794
Richard P. Hillman	2010	297,077	—	82,051	—	19,800	398,928
President	2009	290,000	—	162,400	—	6,825	459,225
The Hillman Group, Inc.	2008	289,231	—	87,000	—	13,228	389,459
George L. Heredia	2010	243,000	—	59,771	—	17,476	320,247
Senior VP of Engraving	2009	243,000	—	119,070	—	15,058	377,128
The Hillman Group, Inc.	2008	242,615	—	51,231	—	16,150	309,996
Albert M. Church	2010	226,192	—	81,083	—	72,874	380,149
Senior VP of Sales and Service	2009	220,000	—	139,535	—	183,057	542,592
The Hillman Group, Inc.	2008	205,000	—	78,630	—	63,038	346,668

(1) Represents base salary including any deferral of salary into the Hillman Nonqualified Deferred Compensation Plan. Base salary adjustments are effective January 31 of each fiscal year.

(2) In November 2010, each of the NEOs was granted options to purchase shares of common stock under the OHCP HM Acquisition Corp. 2010 Stock Option Plan. The amount included in the "Option Awards" column represents the grant date fair value of options issued calculated in accordance with FASB ASC Topic 718. See Note 14, Stock-Based Compensation, to the accompanying consolidated financial statements for details.

There were no option awards for any of the NEOs in 2008 or 2009.

(3) Represents earned bonus for services rendered in each year based on achievement of performance goals.

(4) There were no above market earnings in the Hillman Nonqualified Deferred Compensation Plan for the NEOs.

(5) All other compensation consists of the following:

Name and Principal Position	Year	Matching Contribution to Hillman Retirement Savings and 401 (k) Plan ($)	Matching Contribution to Non-Qualified Deferred Compensation Plan ($)	Personal Use/ Car Allowance ($)	Country Club Dues ($)	Relocation Expenses ($)	Total
Max W. Hillman	2010	11,863	2,500	12,325	5,207	—	31,895
	2009	3,746	—	12,600	12,246	—	28,592
	2008	6,971	2,500	12,600	14,432	—	36,503
James P. Waters	2010	8,859	2,500	789	—	—	12,148
	2009	5,559	1,971	768	—	—	8,298
	2008	6,334	2,500	2,595	—	—	11,429
Richard P. Hillman	2010	11,919	2,500	5,381	—	—	19,800
	2009	4,056	1,971	798	—	—	6,825
	2008	7,173	2,500	3,555	—	—	13,228
George L. Heredia	2010	9,076	—	8,400	—	—	17,476
	2009	6,658	—	8,400	—	—	15,058
	2008	7,750	—	8,400	—	—	16,150
Albert M. Church	2010	5,198	2,500	1,420	—	63,756	72,874
	2009	2,229	1,550	1,060	—	178,218	183,057
	2008	2,693	2,500	1,034	—	56,811	63,038

Grants of Plan-Based Awards Table for Fiscal Year 2010

The following table presents information with respect to each NEO's eligibility to receive a cash bonus under our performance bonus plan and each stock option award made to our named executive officers under the OHCP HM Acquisition Corp. 2010 Stock Option Plan in fiscal year 2010. No equity awards, other than stock options, were granted during fiscal year 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		All Other Option Awards; Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Option Awards ($)(2)
		Target ($)	Maximum ($)			
Max W. Hillman	11/23/2010	282,750	539,400	4,200	1,000	0
James P. Waters	11/23/2010	91,700	183,400	2,625	1,000	0
Richard P. Hillman	11/23/2010	119,200	238,400	2,625	1,000	0
George L. Heredia	11/23/2010	85,050	170,100	1,575	1,000	0
Albert M. Church	11/23/2010	79,450	158,900	2,100	1,000	0

(1) This column shows performance-based bonus awards that each NEO is entitled to receive pursuant to the terms of each executive's employment agreement and the Company's performance bonus plan. As further detailed in the Compensation Discussion & Analysis, each employment agreement specifies the named executive officer's target and maximum bonus as a percentage of his annual base salary as follows: Max Hillman – target of 65% of annual base salary and maximum of 124% of annual base salary; Richard Hillman – target of 40% of annual base salary and maximum of 80% of annual base salary; James Waters, George Heredia and Albert Church – target of 35% of annual base salary and maximum of 70% of annual base salary. Except with respect to Mr. Church, each executive is also entitled to a reduced annual bonus if between 86% and 99% of the bonus targets are met; if 85% or less of the bonus targets for the applicable year are met, the NEO will not be entitled to receive a bonus.

(2) This column shows the grant date fair value of the stock options calculated in accordance with FASB ASC Topic 718. See Note 14, Stock-based Compensation, to the accompanying consolidated financial statements for the year ended December 31, 2010 for additional details.

Employment Agreements

The Company has an employment agreement in effect with each of its named executive officers. In connection with the Merger Transaction, each named executive officer (except Mr. Heredia who did not have an existing employment agreement in effect prior to the Merger Transaction) entered into a letter agreement amendment to their employment agreement. This letter agreement amendment also made certain changes to each executive's post-employment rights and obligations, as further detailed below and under 'Potential Payments Upon Termination or Change in Control'.

Max W. Hillman, President and Chief Executive Officer

Max W. Hillman entered into a four-year employment agreement with the Company effective as of the merger with CHS on March 31, 2004, which was amended and restated on December 21, 2008 but became effective March 31, 2008. The employment agreement, as amended and restated, was for an initial term of three years beginning March 31, 2008 and automatically renews for successive one year terms thereafter unless either the Company or Mr. Hillman provides notice of non-renewal at least 180 days in advance of the expiration of the then-current term. The agreement provides for an initial annual base salary and eligibility to earn an annual cash bonus in a specified target and maximum amount, subject to the achievement of certain performance targets determined by the Board of Directors each calendar year. He is also entitled to reimbursement for the reasonable expenses of leasing or buying a car up to $1,050 per month, and of club membership up to $500 per month. During the term of the amended employment agreement, Mr. Hillman is eligible to participate in the Company's 401(k) Plan and Deferred Compensation Plan.

Mr. Hillman's employment agreement requires him not to disclose at any time confidential information of the Company or any third party to which the Company has a duty of confidentiality and to assign to the Company all intellectual property developed during employment. Mr. Hillman is also required not to compete with the Company during employment and for one year thereafter (or two years thereafter if employment is terminated without Cause or for Good Reason) and not to solicit the employees, customers or business relations of the Company, including by making disparaging statements about the Company, during employment and for two years thereafter.

In connection with the Merger Transaction, Max Hillman entered into a letter agreement amendment with the Company which established a new initial term commencing on May 28, 2010 and continuing for three years thereafter and confirmed his then-current 2010 annual base salary, subject to subsequent annual review.

James P. Waters, Chief Financial Officer

The material terms of Mr. Waters' employment agreement, as amended and restated, and his letter agreement amendment are the same as Max Hillman's, except that he is only entitled to reimbursement of automobile expenses up to $700 per month and he is not entitled to reimbursement of club membership.

Richard P. Hillman, President of The Hillman Group, Inc.

The material terms of Richard Hillman's employment agreement, as amended and restated, and his letter agreement amendment are the same as Mr. Waters', except that his new initial term continues for only one year from May 28, 2010 and following completion of this initial one year term he will continue to devote 75% of his business time and attention to the Company for an additional one year period and will receive an amount equal to 75% of his current annual base salary during that time. Additionally, his non-compete obligations only apply for one year post-termination in all circumstances.

George L. Heredia, Senior Vice President of Engraving

George L. Heredia entered into an employment agreement with the Company effective as of the Merger Transaction on May 28, 2010. The material terms of Mr. Heredia's employment agreement are the same as those in Mr. Waters' employment agreement, and incorporate the

terms of Mr. Waters' letter agreement amendment, except that the Company is only required to give 90 days notice of its election not to renew the agreement, rather than 180 days notice.

Albert M. Church, Senior Vice President of Sales and Service

Albert M. Church entered into an employment agreement with the Company effective January 14, 2008. The employment agreement was for an initial term of three years beginning January 14, 2008 and automatically renews for successive one year terms thereafter unless either the Company or Mr. Church provides notice of non-renewal at least 60 days in advance of the then-current term. The agreement provides for an initial annual base salary of $220,000 and eligibility to earn an annual cash bonus in a target amount equal to 35% of his annual base salary and a maximum amount equal to 70% of his annual base salary, subject to the achievement of certain performance targets determined by the Board of Directors each calendar year. During the term of the employment agreement, Mr. Church will be eligible to participate in the Company's 401(k) Plan and Deferred Compensation Plan.

Mr. Church's employment agreement requires him not to disclose at any time confidential information of the Company or any third party to which the Company has a duty of confidentiality and to assign to the Company all intellectual property developed during employment. The agreement also requires Mr. Church not to compete with the Company during employment and for one year thereafter (or two years thereafter if his employment is terminated by the Company without Cause or he resigns for Good Reason during the initial term) and not to solicit the employees, customers or business relations of the Company, including by making disparaging statements about the Company, during employment and for two years thereafter.

Stock Option Award Agreements

Pursuant to each named executive officer's stock option award agreement, all stock options granted in 2010 under the OHCP HM Acquisition Corp. 2010 Option Plan were divided into three equal vesting tranches. The first tranche is a service-based award which vests 20% annually until fully vested on the fifth anniversary of the Merger Transaction, subject to the optionee's continued employment with Hillman on each such vesting date. The second tranche is performance-based and vests 20% on December 31, 2010 and on each anniversary thereafter subject to both the optionee's continued employment with the Company on each such vesting date and the Company's achievement of the applicable performance goal specified in the table below. The performance-based option targets are cumulative, such that if a portion of the performance-based options fails to vest because the applicable annual performance goal is not achieved, such portion of the options will still vest if the cumulative performance goal is met in a later period.

Fiscal Year	Annual Performance Goal	Cumulative Performance Goal
2010	$85,000,000 of Adjusted EBITDA	$85,000,000 of Adjusted EBITDA
2011	$92,000,000 of Adjusted EBITDA	$177,000,000 of Adjusted EBITDA
2012	$100,000,000 of Adjusted EBITDA	$277,000,000 of Adjusted EBITDA
2013	$110,000,000 of Adjusted EBITDA	$387,000,000 of Adjusted EBITDA
2014	$120,000,000 of Adjusted EBITDA	$507,000,000 of Adjusted EBITDA

For purposes of these stock option awards, "Adjusted EBITDA" means annual Adjusted EBITDA (net of the payment of management incentive bonuses) calculated consistently with the Company's historical practice and equitably adjusted, at the sole discretion of the Option Committee, for extraordinary or non-recurring items (including one-time transaction fees and expenses), corporate mergers and acquisitions, and changes in corporate accounting policies.

Upon a change in control, all time-based options will vest if the OH IRR (as defined below) calculated immediately following such change in control equals or exceeds 15% and all performance-based options will vest if such OH IRR equals or exceeds 20%. However, if the vesting of these time-based or performance-based options, as applicable, together with the

vesting of all other outstanding stock options, would cause the OH IRR to drop below 15% or 20% as applicable, then the vesting of such options, together with similar time-based or performance-based options, as applicable, granted to other employees, will be reduced in the discretion of the Option Committee so that the OH IRR does not drop below 15% or 20% as applicable.

The third tranche of each stock option grant is outcome-based. Subject to the optionee's continuous employment with the Company through the consummation of a change in control, 50% of the outcome-based options will vest if the Option Committee determines that the OH IRR calculated immediately following such change in control equals or exceeds 15% and if such OH IRR equals or exceeds 20% then the remaining 50% will vest. However, if the vesting of these outcome-based options, together with the vesting of all other outstanding stock options, would cause the OH IRR to drop below 15% or 20% as applicable, then the vesting of such options, together with similar outcome-based options granted to other employees, will be reduced in the discretion of the Option Committee so that the OH IRR does not drop below 15% or 20% as applicable.

For purposes of these stock option awards, "OH IRR" means the discount rate (compounded annually) that causes (i) the present value as of May 28, 2010, of all amounts actually received by Oak Hill Capital Partners III, L.P., Oak Hill Capital Management Partners III, L.P., related Oak Hill partnerships and their respective limited partners and affiliates in respect of their shares of Holdco common stock to equal (ii) the present value as of May 28, 2010, of all investments in Holdco made by such Oak Hill investors.

If the optionee's employment is terminated for any reason other than for Cause or due to the optionee's retirement, all outcome-based options held by such optionee will remain outstanding and eligible to vest during the twelve month period following termination of employment. Any remaining unvested time-based and performance-based portion of the option will be automatically forfeited on termination for any reason and the vested portions will remain exercisable until the earlier of 12 months following termination and the original expiration date of the option. Additionally, for Max and Richard Hillman only, on termination due to their retirement, their vested options will remain outstanding until the original expiration date. On termination for Cause the entire stock option, whether vested or unvested, will be forfeited.

Outstanding Equity Awards at 2010 Fiscal Year-End

The following table sets forth the number of unexercised options held by the NEOs at December 31, 2010. No stock awards were outstanding at the end of fiscal year 2010.

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Max W. Hillman	—	1,400	2,800	1,000	11/23/2020
James P. Waters	—	875	1,750	1,000	11/23/2020
Richard P. Hillman	—	875	1,750	1,000	11/23/2020
George L. Heredia	—	525	1,050	1,000	11/23/2020
Albert M. Church	—	700	1,400	1,000	11/23/2020

As all outstanding option awards were granted during fiscal year 2010, the vesting terms of such awards are described above in the narrative following the Grants of Plan-Based Awards Table for Fiscal Year 2010.

Option Exercises and Stock Vested During Fiscal Year 2010

The following table sets forth the number of options exercised by the NEOs during the year ended December 31, 2010. There were no stock awards outstanding or eligible for vesting during fiscal year 2010.

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)
Max W. Hillman	3,247(1)	3,341,795(4)
	2,265(2)	2,192,198(4)
James P. Waters	683(1)	667,776(4)
	476(2)	438,057(4)
Richard P. Hillman	1,389(1)	1,429,896(4)
	969(2)	938,005(4)
George L. Heredia	717(1)	737,649(4)
	500(2)	483,894(4)
Albert M. Church	91.495(3)	1,446,852(5)

(1) Class A Preferred Shares of The Hillman Companies, Inc.
(2) Class A Preferred Shares of The Hillman Investment Company, a previously wholly-owned subsidiary of The Hillman Companies, Inc.
(3) Class B Common Stock received upon exercise of stock options granted under the 2004 Stock Option Plan.

(4) In connection with the Merger Transaction all Class A Preferred Options of The Hillman Companies, Inc. and Class A Preferred Options of The Hillman Investment Company ("Preferred Options") were cancelled with each holder receiving cash proceeds equal to the liquidation value less the applicable exercise price of the Preferred Options. Value realized is calculated based on the cash proceeds received for the Preferred Options.

(5) In connection with the Merger Transaction the 2004 Stock Option Plan was terminated and all Class B Common Stock Options were cancelled with each holder receiving cash proceeds equal to the per share merger consideration less the applicable exercise price of the Class B Common Options. Value realized is calculated based on the cash proceeds received for the Class B Common Stock Options.

Nonqualified Deferred Compensation for Fiscal Year 2010

All executives and certain senior managers are eligible to participate in the Hillman Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan allows eligible employees to defer up to 100% of their annual base salary and bonus. The Company contributes a matching contribution of 25% on the first $10,000 of salary and bonus deferrals. Participants in the Deferred Compensation Plan can choose to invest amounts deferred and the matching company contribution in a variety of mutual fund investments. A separate account is maintained for each participant in the Deferred Compensation Plan, reflecting hypothetical contributions, earnings, expenses and gains or losses.

The following table sets forth activity in the Deferred Compensation Plan for the NEOs for the year ended December 31, 2010:

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Max W. Hillman	13,015	2,500	161,343	-8,123	1,989,598
James P. Waters	62,924	2,500	14,926	0	224,940
Richard P. Hillman	62,188	2,500	30,608	-147,426	324,480
George L. Heredia	0	0	0	0	0
Albert M. Church	11,310	2,500	3,181	-9,045	24,919

(1) The amounts in this column represent the deferral of base salary and bonuses and are also included in the Summary Compensation Table in the Salary and Non-Equity Incentive Plan Compensation columns, as appropriate.

(2) The amounts in this column are also included in the Summary Compensation Table in the All Other Compensation column.

(3) Earnings in the Hillman Nonqualified Deferred Compensation Plan are excluded from the Salary and Non-Equity Incentive Plan Compensation columns in the Summary Compensation Table.

Potential Payments Upon Termination or Change in Control

Pursuant to the terms of their employment agreements and (excluding Mr. Heredia who did not have an existing employment agreement in effect prior to the Merger Transaction) the letter agreement amendments entered into in connection with the Merger Transaction, each named executive officer is entitled to the following severance payments and benefits under the circumstances detailed below.

Max W. Hillman, President and Chief Executive Officer

If Mr. Hillman's employment is terminated without cause (as defined below) or if he resigns with good reason (as defined below), during the initial term of his employment agreement, then the Company is required to pay Mr. Hillman (a) his then current base salary for a period of two years following termination, (b) an amount equal to the greater of the annual average bonus paid to him during the three years preceding the year in which termination

occurs or the last bonus paid to him prior to termination (the "Termination Bonus Amount") payable in a lump sum in the year following the year in which termination occurs, and (c) a prorated portion of his annual bonus, if any, for the year in which termination occurs.

In addition, Mr. Hillman would be entitled to health insurance continuation coverage at the Company's expense for one year following the termination of his employment, and he would be eligible to participate in the Company's group life and disability insurance programs under the same terms and conditions that apply to all employees at the Company's expense for six months following termination of his employment. If Mr. Hillman is terminated without cause or if he resigns with good reason after the initial term of his employment agreement, he would receive the same compensation and benefits as if termination had occurred during the initial term except that he will only be entitled to 50% of the Termination Bonus Amount.

All severance payments and benefits are conditioned upon Mr. Hillman executing a release of claims against the Company and continuing to comply with the restrictive covenants contained in his employment agreement.

In the event of a change in control (as defined below), and within 90 days following the change in control, Mr. Hillman's employment is terminated without cause or Mr. Hillman resigns for good reason, then, subject to his execution of a release of claims against the Company, Mr. Hillman is entitled to receive a lump sum payment 30 days after such termination or resignation in an amount equal to the sum of his then current base salary and the Termination Bonus Amount, or 50% of the Termination Bonus Amount if such termination or resignation occurs after the initial term. He will also be entitled to receive a prorated portion of his annual bonus, if any, for the year in which termination occurs.

Upon termination or resignation for any reason except due to death or non-renewal, the Company will use commercially reasonable efforts to allow him to participate in the Company's group health coverage at his sole expense. Additionally, with respect to Max Hillman and Richard Hillman only, if his employment terminates prior to his reaching age 65, the Company will use commercially reasonable efforts to allow him to participate in the Company's group health coverage until age 65 at his sole expense.

Upon termination due to death, disability or non-renewal, Mr. Hillman will be entitled to receive a prorated portion of his annual bonus, if any, for the year in which termination occurs.

For purposes of Max Hillman's employment agreement, "cause" means (i) willful failure to substantially perform duties under the employment agreement, other than due to disability; (ii) willful act which constitutes gross misconduct or fraud and which is injurious to Hillman; (iii) conviction of, or plea of guilty or no contest, to a felony or (iv) material breach of confidentiality, non-compete or non-solicitation agreements with Hillman which is not cured within ten (10) days after written notice from Hillman.

For purposes of Max Hillman's employment agreement, "good reason" means (i) any material diminution in his position, authority or duties with the Company, (ii) the Company reassigning him to work at a location that is more than 75 miles from his current work location, (iii) to the extent he is entitled to a seat on the Hillman board of directors, his removal from the board without cause, (iv) any amendment to the Company's bylaws which results in a material and adverse change to the officer and director indemnification provisions contained therein or (v) a material breach of the compensation, benefits, term and severance provisions of the Agreement by the Company, which is not cured within 10 days following written notice from Mr. Hillman.

For purposes of Max Hillman's employment agreement, "change in control" means any transaction or series of transactions pursuant to which any person(s) or a group of related persons in the aggregate acquire(s) (i) capital stock of Hillman possessing the voting power (other than voting rights accruing only in the event of a default, breach or event of noncompliance) to elect a majority of the board of Hillman or (ii) all or substantially all of Hillman's assets determined on a consolidated basis, excluding an initial public offering.

James P. Waters, Chief Financial Officer

The severance and termination provisions in James Waters' employment agreement and his letter agreement amendment are the same as Max Hillman's, except that removal from the Hillman board of directors does not constitute Good Reason as James Waters is not a director.

Richard P. Hillman, President of The Hillman Group, Inc.

The severance and termination provisions in Richard Hillman's employment agreement and his letter agreement amendment are the same as Max Hillman's, except that (i) removal from the Hillman board of directors does not constitute Good Reason as Richard Hillman is not a director, and (ii) he is only entitled to one year of base salary continuation following termination by the Company without cause or his resignation for good reason.

George L. Heredia, Senior Vice President of Engraving

The severance and termination provisions in George Heredia's employment agreement are the same as those in Max Hillman's employment agreement, except that (i) Hillman is only required to pay Mr. Heredia his then current base salary for a period of one year following termination rather than two years following termination, (ii) removal from the Hillman board of directors does not constitute Good Reason as George Heredia is not a director, and (iii) Hillman has a 10 day period to cure all circumstances otherwise constituting Good Reason.

Albert M. Church, Senior Vice President of Sales and Service

If Mr. Church is terminated without cause (the definition of which is the same as in Max Hillman's employment agreement) or if he resigns with good reason (as defined below), during the initial term of his employment agreement, then the Company is required to pay Mr. Church (a) his then current base salary for a period of two years following termination, (b) an amount equal to the greater of the annual average bonus paid to him during the three years preceding the year in which termination occurs or the last bonus paid to him prior to termination (the "Termination Bonus Amount") payable in a lump sum in the year following the year in which termination occurs,(c) a prorated portion of his annual bonus, if any, for the year in which termination occurs, and (d) reimbursement for the cost of relocating back to North Carolina.

In addition, for one year following the termination of his employment Mr. Church would be entitled to health insurance continuation coverage and would be eligible to participate in the Company's group life and disability insurance programs under the same terms and conditions that apply to all employees, in each case at the Company's expense.

If Mr. Church's employment is terminated without cause or if he resigns with good reason after the initial term of his employment agreement, he would receive (a) his then current base salary for a period of one year following termination, (b) 50% of the Termination Bonus Amount payable in a lump sum in the year following the year in which termination occurs,(c) a prorated portion of his annual bonus, if any, for the year in which termination occurs, and (d) if less than five years have passed since his move to Cincinnati, Ohio, reimbursement for the cost of relocating back to North Carolina. In addition, for six months following termination of his employment Mr. Church would be entitled to health insurance continuation coverage and would be eligible to participate in the Company's group life and disability insurance programs under the same terms and conditions that apply to all employees, in each case at the Company's expense.

All severance payments and benefits are conditioned upon Mr. Church executing a release of claims against the Company and continuing to comply with the restrictive covenants contained in his employment agreement.

Mr. Church's employment agreement does not contain special provisions regarding termination or resignation following a change in control.

Upon termination or resignation for any reason except due to death or non-renewal, the Company will use commercially reasonable efforts to allow him to participate in the Company's group health coverage at his sole expense. Upon termination due to death, disability or non-renewal, Mr. Church will be entitled to receive a prorated portion of his annual bonus, if any, for the year in which termination occurs.

For purposes of Albert Church's employment agreement, "good reason" means (i) any material diminution in his position, authority or duties with the Company, (ii) the Company reassigning him to work at a location that is more than 75 miles from the Company's corporate headquarters in Cincinnati, Ohio, or (iii) a material breach of the compensation, benefits, term and severance provisions of the Agreement by the Company, which is not cured within 10 days following written notice from Mr. Church.

Below is a table that shows the severance payments and benefits that each NEO would receive upon (1) the death or disability of the NEO, (2) termination of the NEO for cause or the NEO's resignation without good reason, (3) termination of the NEO without cause or the NEO's resignation for good reason in the absence of a change in control and (4) termination of the NEO without cause or the NEO's resignation for good reason within 90 days after a change in control, in each case assuming such termination occurred on December 31, 2010.

Name	Death or disability of named executive officer	Termination of named executive officer for cause or resignation without good reason	Termination without cause or resignation for good reason (during initial term) (1)	Termination without cause or resignation for good reason (following initial term) (2)	Termination as a result of a change in control (during initial term) (3)	Termination as a result of a change in control (following initial term) (4)
Max W. Hillman	$ —	$ —	$1,150,658	$1,004,776	$704,552	$569,776
James P. Waters	$ —	$ —	$ 643,374	$ 576,178	$366,356	$314,178
Richard P. Hillman	$ —	$ —	$ 701,589	$ 635,242	$400,484	$345,242
George L. Heredia	$ —	$ —	$ 334,708	$ 281,345	$319,691	$281,345
Albert M. Church	$ —	$ —	$ 561,807	$ 500,395	$319,789	$273,395

(1) Represent two years of the NEO's current base salary plus the greater of the annual average bonus paid to him during the preceding three years or the 2010 bonus plus the value of one year of health care continuation at the Company's expense. For purposes of determining the value of health care continuation we used the current Company cost for the coverage. For Max Hillman and Rick Hillman, the amount is $11,606 and for James Waters, George Heredia and Albert Church the amount is $15,018.
(2) Represent two years of the NEO's current base salary plus 50% of the greater of the annual average bonus paid to him during the preceding three years or the 2010 bonus.
(3) Represent one year of the NEO's current base salary plus the greater of the annual average bonus paid to him during the preceding three years or the 2010 bonus.
(4) Represent one year of the NEO's current base salary plus 50% of the greater of the annual average bonus paid to him during the preceding three years or the 2010 bonus.

Director Compensation for Fiscal Year 2010

The following table sets forth compensation earned by the Company's directors during the year ended December 31, 2010.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(6)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	Total ($)
Tyler Wolfram (1)	0	NA	0	0
Michael Green (1)	0	NA	0	0
Kevin Mailender (1)	0	NA	0	0
David Jones (2)	43,750	0	0	43,750
Alan Lacy (2)	29,200	0	0	29,200
Robert Caulk (2)	29,200	0	0	29,200
Maurice P. Andrien, Jr. (3)	37,200	NA	0	37,200
Max W. Hillman (4)	0	NA	0	0
Andrew W. Code (5)	0	NA	0	0
Peter M. Gotsch (5)	0	NA	0	0
Larry Wilton (5)	8,000	NA	0	8,000
Shael J. Dolman (5)	0	NA	0	0

(1) Mr. Wolfram, Mr. Mailender and Mr. Green were elected to the Board of Directors effective May 28, 2010. They are employed and compensated by OHCP and were not compensated for their services on the Board during the year ended December 31, 2010.

(2) Mr. Jones, Mr. Caulk and Mr. Lacy were elected to the Board of Directors effective May 28, 2010. Mr. Caulk and Mr. Lacy are entitled to receive an annual Board fee of $50,000. Mr. Jones is entitled to an annual Board fee of $75,000. Additionally, on December 23, 2010, Mr. Jones, Mr. Caulk and Mr. Lacy were granted options to purchase 3,436, 1,718 and 430 shares of Holdco common stock, respectively. Mr. Jones and Mr. Lacy's options vest 20% each year over a five year period on the anniversary of the Merger Transaction provided that no portion of the option vests if the internal rate of return on the investment in the Company, as determined by Oak Hill Capital, does not exceed 8%. Mr. Caulk's options are divided into two equal vesting tranches. The first vests 20% each year over a five year period on the anniversary of the Merger Transaction. The second tranche is outcome-based and depends on OHCP receiving a certain rate of return upon a change in control.

(3) Mr. Andrien received $8,000 in Board fees prior to the Merger Transaction. Effective May 28, 2010 he is entitled to receive annual Board fees of $50,000. Additionally, on January 4, 2011 he was granted options to purchase 300 shares of Holdco common stock. Mr. Andrien's options are divided into two equal vesting tranches. The first vests 20% each year over a five year period on the anniversary of the Merger Transaction. The second tranche is outcome-based and depends on OHCP receiving a certain rate of return upon a change in control.

(4) Mr. Hillman also serves as the Company's Chief Executive Officer. The compensation awarded to him in this capacity is represented in the Summary Compensation Table. He is not compensated in his role as a Director.

(5) Mr. Wilton, Mr. Gotsch, Mr. Code and Mr. Dolman resigned from the Board of Directors effective May 28, 2010.
(6) The amounts in this column represent the grant date fair value of the option awards calculated in accordance with FASB ASC Topic 718. These are the only stock option awards currently held by any of the Company's directors, excluding Max W. Hillman who received stock options in his capacity as an executive as described in the Compensation Discussion and Analysis and accompanying tables and Mr. Andrien who received a stock option grant in fiscal year 2011 as detailed in footnote 3 above.

Directors do not receive any perquisites or other personal benefits from the Company.

Item 12 – Security Ownership of Certain Beneficial Owners and Management.

All of the outstanding shares of capital stock of Hillman Group are owned by Hillman Investment, all of whose shares are owned by Hillman. All of the outstanding shares of capital stock of Hillman are owned by the Purchaser. All of the shares of capital stock of the Purchaser are owned by Oak Hill Capital Partners III, L.P., Oak Hill Capital Management Partners III, L.P. and officers and employees of the Company. The following table sets forth information as of the close of business on December 31, 2010 as to the share ownership of the Purchaser by the directors, executive officers and holders of 5% or more of the shares of the Purchaser.

	Shares Beneficially Owned	
Name and Address of Beneficial Owners(1)	Number	Percentage (%) (2)
Oak Hill Capital Partners III, L.P. (3)	285,372	92.5
Oak Hill Capital Management Partners III, L.P.	9,372	3.0
Maurice P. Andrien	—	—
Robert L. Caulk	150	*
Michael S. Green	—	—
David A. Jones	1,000	*
Alan J. Lacy	500	*
Kevin M. Mailender	—	—
Tyler J. Wolfram	—	—
Max W. Hillman	2,000	*
Richard P. Hillman	1,600	*
James P. Waters	1,300	*
George L. Heredia	1,500	*
Albert M. Church	350	*
All Directors and Executive Officers as a Group (12 persons)	8,400	2.7

* Less than 1%

(1) Unless otherwise noted, the business address of each beneficial owner is c/o The Hillman Group, Inc., 10590 Hamilton Avenue, Cincinnati, OH 45231-1764.

(2) Based on 308,641 shares outstanding as of December 31, 2010.

(3) The business address of Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P. (collectively, the "Oak Hill Partnerships") is 65 East 55th Street, 32nd Floor, New York, New York 10022. OHCP MGP III, Ltd. is the sole general partner of OHCP MGP Partners III, L.P., which is the sole general partner of OHCP GenPar III, L.P., which is the sole general partner of each of the Oak Hill Partnerships. OHCP MGP III, Ltd. exercises voting and dispositive control over the shares held by each of the Oak Hill Partnerships. Investment and voting decisions with regard to the shares of the Purchaser's common stock owned by the Oak Hill Partnerships is made by the board of directors of OHCP MGP III, Ltd. The members of the board are J. Taylor Crandall, Steven B. Gruber, and Denis J. Nayden. Each of these individuals disclaims beneficial ownership of the shares owned by the Oak Hill Partnerships.

Item 13 – Certain Relationships and Related Transactions.

The Predecessor was obligated to pay management fees to a subsidiary of CHS in the amount of $57,962 per month. The Predecessor was also obligated to pay transaction fees to a subsidiary of OTPP in the amount of $25,640 per month, plus out of pocket expenses. The Successor has no management fee charges for the seven month period ended December 31, 2010. The Predecessor has recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $438,180 for the five month period ended May 28, 2010. The Predecessor also recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $1,010,136 and $1,042,951 for the years ended December 31, 2009 and 2008, respectively.

Gregory Mann and Gabrielle Mann are employed by the All Points subsidiary of Hillman. All Points leases an industrial warehouse and office facility from companies under the control of the Manns'. The Predecessor and Successor have recorded rental expense for the lease of this facility on an arm's length basis. The Successor recorded rental expense for the lease of this facility in the amount of $181,614 for the seven month period ended December 31, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $129,725 for the five month period ended May 28, 2010 and $311,339 and $302,422 for the years ended December 31, 2009 and 2008, respectively.

The Company's Code of Business Conduct and Ethics addresses the approval of related party transactions including transactions between the Company and its officers, directors, and employees. The Company does not allow officers, directors and employees to give preferences in business dealings based upon personal financial considerations. Officers, directors and employees are also not permitted to own financial interest in or hold any employment or managerial position with a competing firm or one that seeks to do or does business with the company. In addition, the Company's code prohibits officers, directors and employees from receiving or giving loans, gifts or benefits to any supplier, customer or competitor unless specifically permitted in the Company's code. Such expenditures or gifts must be reported to, and approved by a supervisor. Compliance review and reporting procedures for violations of the Company rules are also listed in the ethics code.

Item 14 – Principal Accounting Fees and Services.

Audit Fees

Audit fees consist of fees billed for professional services rendered for the audit of the Company's financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings. The aggregate fees billed by KPMG LLP and Grant Thornton LLP for the 2010 audit were approximately $329,000 and $41,554, respectively. The aggregate fees billed by Grant Thornton LLP for the 2009 audit were approximately $448,383.

Audit Related Fees

Audit related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not under "Audit Fees." In 2010, KPMG LLP billed the Company approximately $25,700 for accounting related consultations. Grant Thornton LLP billed $7,245 and $8,254 for the years ended December 31, 2010 and 2009, respectively in connection with audit of the Hillman Group, Inc. Retirement Savings & Profit Sharing Plan financial statements.

Tax Fees

Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. There have been no tax fees billed by KPMG LLP or Grant Thornton LLP.

All Other Fees

In 2010, KPMG LLP billed the Company approximately $509,741 for due diligence work in connection with the Merger Transaction and TagWorks acquisition. Also in 2010, Grant Thornton LLP billed the Company approximately $213,887 for work in connection with the senior note debt offering, approximately $25,100 for due diligence work in connection with the Merger Transaction, and approximately $23,212 for work in connection with restatement of the prior financial statements.

No other services were rendered by Grant Thornton LLP for 2009.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by KPMG LLP and Grant Thornton LLP on a case by case basis, and any pre-approval is detailed as to the particular service or category of service and is generally subject to a specific budget. These services may include audit services, audit related services, tax services and other related services. KPMG LLP and Grant Thornton LLP and management are required to periodically report to the Audit Committee regarding the extent of services provided by KPMG LLP and Grant Thornton LLP in accordance with this pre-approval policy, and the fees for the services performed to date.

PART IV

Item 15 – Exhibits and Financial Statement Schedules.

(a) Documents Filed as a Part of the Report:

1. Financial Statements.

The information concerning financial statements called for by Item 15 of Form 10-K is set forth in Part II, Item 8 of this annual report on Form 10-K.

2. Financial Statement Schedules.

The information concerning financial statement schedules called for by Item 15 of Form 10-K is set forth in Part II, Item 8 of this annual report on Form 10-K.

3. Exhibits, Including Those Incorporated by Reference.

The following is a list of exhibits filed as part of this annual report on Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

2.1	Unit Repurchase Agreement by and among The Hillman Companies, Inc., SunSub Holdings LLC and GC-Sun Holdings, L.P. dated April 13, 2002. (6) (Exhibit 10.2)
2.2	Asset Purchase Agreement between Fastenal Company and The Hillman Group, Inc. dated October 3, 2002. (7)(Exhibit 10.3)
2.3	Agreement and Plan of Merger dated as of June 18, 2001 by and among Allied Capital Corporation, Allied Capital Lock Acquisition Corporation and SunSource Inc. (4)(Exhibit 2.1)
2.4	Asset Purchase Agreement dated September 28, 2001, by and between SunSource Technology Services, LLC, and STS Operating, Inc. (5)(Exhibit 2.1)
2.5	Agreement and Plan of Merger dated as of February 14, 2004 by and among The Hillman Companies, Inc., HCI Acquisition Corp. and the Common Stockholders of The Hillman Companies, Inc. (2) (Exhibit 2.1)
2.6	Stock Purchase Agreement by and among All Points Industries, Inc., Gabrielle Mann, Gregory Mann, and The Hillman Group, Inc. dated as of December 28, 2007. (16)(Exhibit 2.6)
2.7	Agreement and Plan of Merger, dated April 21, 2010, by and among OHCP HM Acquisition Corp., OHCP HM Merger Sub Corp., The Hillman Companies, Inc. and the Representatives named therein. (19) (Exhibit 2.1)
2.8	Certificate of Merger of OHCP HM Merger Sub Corp. with and into The Hillman Companies, Inc., dated May 28, 2010. (20) (Exhibit 3.1)
3.1	By-Laws as adopted by The Hillman Companies, Inc.'s stockholders as of March 30, 2004. (10) (Exhibit 3.2)
3.2	Amendment No. 1 to The Hillman Companies, Inc.'s By-Laws effective October 26, 2007. (15) (Exhibit 99.1)
3.3	Restated Certificate of Incorporation of The Hillman Companies, Inc. as of March 30, 2004. (10) (Exhibit 3.1)
3.4	Amended and Restated By-Laws of The Hillman Companies, Inc. (effective as of May 28, 2010). (20) (Exhibit 3.2)

3.5	Second Amended and Restated Certificate of Incorporation of The Hillman Companies, Inc. as of May 28, 2010. (20) (Exhibit 3.1)
3.6	Certificate of Incorporation of The Hillman Group, Inc., as amended. (24) (Exhibit 3.1)
3.7	By-Laws of The Hillman Group, Inc. (24) (Exhibit 3.2)
3.8	Certificate of Incorporation of Hillman Investment Company, as amended. (24) (Exhibit 3.5)
3.9	By-Laws of Hillman Investment Company (24) (Exhibit 3.6)
3.10	Certificate of Incorporation of SunSub C Inc., as amended. (24) (Exhibit 3.7)
3.11	By-Laws of SunSub C Inc. (24) (Exhibit 3.8)
3.12	Articles of Incorporation of All Points Industries, Inc. (24) (Exhibit 3.9)
3.13	By-Laws of All Points Industries, Inc. (24) (Exhibit 3.10)
4.1	HCI Stockholders Agreement dated March 31, 2004. (9)(Exhibit 4.1)
4.2	Amended and Restated Declaration of Trust. (1)(Exhibit 4.1)
4.3	Indenture between The Hillman Companies, Inc. and the Bank of New York. (1) (Exhibit 4.2)
4.4	Preferred Securities Guarantee. (1)(Exhibit 4.3)
4.5	Rights Agreement between The Hillman Companies, Inc. and the Registrar and Transfer Company. (1) (Exhibit 10.5)
4.6	Amendment No. 1 to the Rights Agreement dated June 18, 2001. (8)(Exhibit 4.6)
4.7	Amendment No. 2 to the Rights Agreement dated February 14, 2004. (8)(Exhibit 4.7)
4.8	Hillman Investment Company Stockholders Agreement dated March 31, 2004. (9) (Exhibit 4.2)
4.9	Registration Agreement dated March 31, 2004. (9) (Exhibit 4.3)
4.10	Indenture governing the 10.875% Senior Notes due 2018, dated May 28, 2010, by and among The Hillman Group, Inc., each of the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee. (21) (Exhibit 4.1)
4.11	Registration Rights Agreement, dated May 28, 2010, by and among the The Hillman Group, Inc., the Guarantors listed on Schedule I thereto, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated. (21) (Exhibit 4.2)
4.12*	First Supplemental Indenture governing the 10.875% Senior Notes due 2018, dated December 29, 2010, by and among The Hillman Group, Inc., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee.
4.13*	Registration Rights Agreement, dated March 16, 2011, by and among the The Hillman Group, Inc., the Guarantors listed on Schedule I thereto, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated.
10.1	Credit Agreement, dated as of March 31, 2004, by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., Merrill Lynch Capital as Administrative Agent, Issuing Lender and Swingline Lender, JP Morgan Chase Bank as Syndication Agent, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and JP Morgan Securities as Joint Lead Arrangers and Joint Lead Bookrunners. (9)(Exhibit 10.1)

10.2	Loan Agreement, dated as of March 31, 2004, by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., and Allied Capital Corporation. (9)(Exhibit 10.2)
10.3	Subordination and Intercreditor Agreement, dated March 31, 2004, by and among The Hillman Group, Inc., The Hillman Companies, Inc. and certain of its subsidiaries, Allied Capital Corporation and Merrill lynch Capital, as Administrative Agent. (9) (Exhibit 10.3)
10.4	The Hillman Companies, Inc. 2004 Stock Option Plan, adopted on March 31, 2004. (9) (Exhibit 10.4)
10.5	The Hillman Companies, Inc. Amended and Restated 2004 Stock Option Plan, adopted December, 2004. (12) (Exhibit 10.5)
10.6	The Hillman Companies, Inc. Employee Securities Purchase Plan, adopted on March 31, 2004. (9) (Exhibit 10.5)
10.7	Hillman Investment Company Employee Securities Purchase Plan, adopted on March 31, 2004. (9) (Exhibit 10.6)
10.8	HCI Securities Purchase Agreement, dated March 31, 2004, by and among Code Hennessy & Simmons IV LP, HCI Acquisition Corp., Ontario Teachers' Pension Plan Board, HarbourVest Partners VI – Direct Fund, L.P. and each of the persons listed on Schedule A thereto. (9) (Exhibit 10.7)
10.9	Joinder to Securities Purchase Agreement, dated March 31, 2004, by each of Hillman Investment Company, The Hillman Group, Inc., SunSource Technology Services LLC, The Hillman Group Canada Ltd., SunSub C Inc., SunSub Holdings LLC and SunSource Integrated Services de Mexico, SA. (9) (Exhibit 10.8)
10.10	Hillman Investment Company Securities Purchase Agreement, dated March 31, 2004, by and among Code Hennessy & Simmons IV LP, Hillman Investment Company, Ontario Teachers' Pension Plan Board, HarbourVest Partners VI – Direct Fund, L.P. and each of the persons listed on Schedule A thereto. (9) (Exhibit 10.9)
10.11	Management Agreement, dated March 31, 2004, by and between CHS Management IV LP and The Hillman Group, Inc. (9) (Exhibit 10.10)
10.12	Employment Agreement by and between The Hillman Group, Inc. and Max W. Hillman dated March 31, 2004. (9) (Exhibit 10.11)
10.13	Executive Securities Agreement between Max W. Hillman and HCI Acquisition Corp. dated March 31, 2004. (9)(Exhibit 10.12)
10.14	Employment Agreement by and between The Hillman Group, Inc. and Richard P. Hillman dated March 31, 2004. (9)(Exhibit 10.13)
10.15	Executive Securities Purchase Agreement between HCI Acquisition Corp. and Richard P. Hillman dated March 31, 2004. (9)(Exhibit 10.14)
10.16	Employment Agreement by and between The Hillman Group, Inc. and James P. Waters dated March 31, 2004. (9)(Exhibit 10.15)
10.17	Executive Securities Agreement by and between HCI Acquisition Corp. and James P. Waters dated March 31, 2004. (9)(Exhibit 10.16)

10.18	Executive Securities Agreement by and between HCI Acquisition Corp. and George L. Heredia dated March 31, 2004. (12)(Exhibit 10.18)
10.19	Executive Securities Agreement by and between HCI Acquisition Corp. and Terry R. Rowe dated March 31, 2004. (12)(Exhibit 10.19)
10.20	SunSource Inc. Nonqualified Deferred Compensation Plan dated as of August 1, 2000. (3)(Exhibit 10.1)
10.21	The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan (amended and restated). (11)(Exhibit 10.1)
10.22	First Amendment to The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan. (11)(Exhibit 10.2)
10.23	Asset Purchase Agreement dated January 5, 2006 between The SteelWorks Corporation and The Hillman Group, Inc. (13)(Exhibit 10.1)
10.24	Supply Agreement dated January 5, 2006 between The SteelWorks Corporation and The Hillman Group, Inc. (13)(Exhibit 10.2)
10.25	Amended and Restated Credit Agreement, dated July 21, 2006, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, Merrill Lynch Capital, JPMorgan Chase Bank, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. (14) (Exhibit 10.1)
10.26	Second Amendment to Loan Agreement, dated July 21, 2006, by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., Allied Capital Corporation and Merrill Lynch Capital Corporation. (14) (Exhibit 10.2)
10.27	Amended and Restated Credit Agreement dated July 21, 2006, amended as of August 7, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, GE Business Financial Services Inc., JPMorgan Chase Bank, GE Capital Markets, Inc. and J.P. Morgan Securities Inc. (17) (Exhibit 10.1)
10.28	Third Amendment to Loan Agreement dated May 6, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., AEA Mezzanine Fund II LP, AEA Mezzanine Fund II LLC, AEA Mezzanine (Unleveraged) Fund LP, Connecticut General Life Insurance Company, Life Insurance Company of North America, Dick & Betsy Devos Foundation, Vanderweide Family Foundation, Douglas & Maria Devos Foundation, The Jerry & Marcia Tubergen Foundation, and GE Business Financial Services Inc. (18) (Exhibit 10.28)
10.29	Fourth Amendment to Loan Agreement, dated August 7, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., AEA Mezzanine Fund II LP, AEA Mezzanine Fund II LLC, AEA Mezzanine (Unleveraged) Fund LP, Connecticut General Life Insurance Company, Life Insurance Company of North America, Dicky & Betsy Devos Foundation, Vanderweide Family Foundation and GE Business Financial Services Inc. (17) (Exhibit 10.2)
10.30	Amended and Restated Employment Agreement by and between The Hillman Group, Inc. and Max W. Hillman dated December 21, 2008. (18)(Exhibit 10.30)
10.31	Amended and Restated Employment Agreement by and between The Hillman Group, Inc. and Richard P. Hillman dated December 21, 2008. (18) (Exhibit 10.31)
10.32	Amended and Restated Employment Agreement by and between The Hillman Group, Inc. and James P. Waters dated December 21, 2008. (18)(Exhibit 12.1)

10.33	Credit Agreement, dated as of May 28, 2010, among OHCP HM Acquisition Corp. OHCP HM Merger Sub Corp., The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, Barclays Bank PLC, as Administrative Agent, Issuing Lender and Swingline Lender, Barclays Capital and Morgan Stanley Senior Funding, Inc., as Joint Lead Arrangers and Syndication Agents, Barclays Capital, Morgan Stanley Senior Funding, Inc. and GE Capital Markets, Inc. as Joint Bookrunners and General Electric Capital Corporation, as Documentation Agent. (21) (Exhibit 10.1)
10.34	Borrower Assumption Agreement, dated as of June 1, 2010, among The Hillman Companies, Inc., The Hillman Group, Inc. and Barclays Bank plc, as Administrative and Collateral Agent. (21) (Exhibit 10.2)
10.35	Purchase Agreement (in relation to $150,000,000 aggregate principal amount of initial notes), dated as of May 18, 2010, by and among OHCP HM Merger Sub Corp. and the initial purchasers thereunder. (21) (Exhibit 10.3)
10.36	Joinder Agreement, dated May 28, 2010, among The Hillman Group, Inc. and the Guarantors party thereto. (21) (Exhibit 10.4)
10.37	Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and Max W. Hillman, Jr. (21) (Exhibit 10.5)
10.38	Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and Richard P. Hillman. (21) (Exhibit 10.6)
10.39	Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and James P. Waters. (21) (Exhibit 10.7)
10.40	Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and Ali Fartaj. (21) (Exhibit 10.8)
10.41	Separation Agreement, dated as of September 28, 2010, between The Hillman Group, Inc. and Ali Fartaj. (25) (Exhibit 10.1)
10.42*	Purchase Agreement (in relation to $50,000,000 aggregate principal amount of initial notes), dated as of March 11, 2011, by and among the Hillman Group, Inc., the guarantors listed on Schedule II thereto and the initial purchasers thereunder.
12.1*	Computation of Ratio of Income to Fixed Charges.
16.1	Letter from Grant Thornton LLP dated September 17, 2010 (22) (Exhibit 16.1)
16.2	Letter from Grant Thornton LLP dated September 24, 2010. (23) (Exhibit 16.1)
21.1*	Subsidiaries. (As of December 31, 2010)
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d- 14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d- 14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Filed as an exhibit to Registration Statement No. 333-19077 on Form S-4.
(2) Filed as an exhibit to the Form 8-K filed February 17, 2004.
(3) Filed as an exhibit to Annual Report on Form 10-K for the year ended December 31, 2000.
(4) Filed on June 21, 2001 as an exhibit to the Current Report on Form 8-K filed on June 21, 2001.
(5) Filed as an exhibit to the Current Report on Form 8-K filed on October 15, 2001.
(6) Filed as an exhibit to Quarterly Report on Form 10-Q for the Quarter ended June 30, 2002.
(7) Filed as an exhibit to the Current Report on Form 8-K filed on October 4, 2002.
(8) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2003.
(9) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended March 31, 2004.
(10) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended June 30, 2004.
(11) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004.
(12) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2004.
(13) Filed as an exhibit to the Current Report on Form 8-K filed on January 11, 2006.
(14) Filed as an exhibit to the Current Report on Form 8-K filed on August 1, 2006.
(15) Filed as an exhibit to the Current Report on Form 8-K filed on November 1, 2007.
(16) Filed as an exhibit to the Current Report on Form 8-K filed on December 28, 2007.
(17) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2009.
(18) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2009.
(19) Filed as an exhibit to the Current Report on Form 8-K filed on April 23, 2010.
(20) Filed as an exhibit to the Current Report on Form 8 K filed on June 4, 2010.
(21) Filed as an exhibit to the Quarterly Report on Form 10 Q for the Quarter ended June 30, 2010.
(22) Filed as an exhibit to the Current Report on Form 8-K filed on September 17, 2010.

(23) Filed as an exhibit to the Current Report on Form 8-K filed on September 24, 2010.
(24) Filed as an exhibit to Registration No. 333-170168 on Form S-4.
(25) Filed as an exhibit to the Quarterly Report on Form 10 Q for the Quarter ended September 30, 2010.
* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HILLMAN COMPANIES, INC.

Date: March 31, 2011

By: /s/ James P. Waters
James P. Waters
Title: Chief Financial Officer and Duly Authorized Officer of the Registrant (Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

Signature	Capacity	Date
/s/ Max W. Hillman Max W. Hillman	Principal Executive Officer and Director	March 31, 2011
/s/ Tyler Wolfram Tyler Wolfram	Chairman and Director	March 31, 2011
/s/ Harold J. Wilder Harold J. Wilder	Principal Accounting Officer	March 31, 2011
/s/ Maurice P. Andrien, Jr. Maurice P. Andrien, Jr.	Director	March 31, 2011
/s/ Robert L. Caulk Robert L. Caulk	Director	March 31, 2011
/s/ Michael S. Green Michael S. Green	Director	March 31, 2011
/s/ David Jones David Jones	Director	March 31, 2011
/s/ Alan Lacy Alan Lacy	Director	March 31, 2011
/s/ Kevin Mailender Kevin Mailender	Director	March 31, 2011

Exhibit 4.12

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "*First Supplemental Indenture*"), dated as of December 29, 2010, among Serv-A-Lite Products, Inc., an Illinois corporation (the "*Guaranteeing Subsidiary*"), a subsidiary of The Hillman Group, Inc. (or its permitted successor), a Delaware corporation (the "*Company*"), the Company, the other Guarantors (as defined in the Indenture referred to herein) and Wells Fargo Bank, National Association., as trustee under the Indenture referred to below (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Company, the other Guarantors and the Trustee have heretofore entered into an indenture (the "*Indenture*"), dated as of May 28, 2010 providing for the issuance of 10.875% Senior Notes due 2018 (the "*Notes*");

WHEREAS, the Company has acquired all of the issued and outstanding stock of the Guaranteeing Subsidiary;

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*");

WHEREAS, pursuant to Section 4.17 of the Indenture, the Guaranteeing Subsidiary, as a new Domestic Subsidiary, is required to enter into this First Supplemental Indenture as a Guarantor; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this First Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company, the Guaranteeing Subsidiary or the other Guarantors, as such, will have any liability for any obligations of the Company, the Guaranteeing Subsidiary or the other Guarantors under the Notes, the Indenture, this First Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS FIRST SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this First Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary, the Company and the other Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, all as of the date first above written.

Dated: December 29, 2010

SERV-A-LITE PRODUCTS, INC.

By: /s/ James P. Waters
Name: James P. Waters
Title: Vice President of Finance, Treasurer and Secretary

THE HILLMAN GROUP, INC.
THE HILLMAN COMPANIES, INC.
HILLMAN INVESTMENT COMPANY
ALL POINTS INDUSTRIES, INC.
SUNSUB C INC.

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Raymond Delli Colli
Name: Raymond Delli Colli
Title: Vice President

Exhibit 4.13

REGISTRATION RIGHTS AGREEMENT

Dated as of March 16, 2011
by and among

THE HILLMAN GROUP, INC.
THE GUARANTORS LISTED ON SCHEDULE I HERETO

and

BARCLAYS CAPITAL INC. and MORGAN STANLEY & CO. INCORPORATED

This Registration Rights Agreement (this "***Agreement***") is made and entered into as of March 16, 2011 by and among the Hillman Group, Inc., a Delaware corporation (the "***Company***"), the guarantors listed on Schedule I hereto (the "***Guarantors***") and Barclays Capital Inc. and Morgan Stanley & Co. Incorporated, as representatives of the several initial purchasers named in Schedule I attached to the Purchase Agreement (as defined below) (each such initial purchaser, an "***Initial Purchaser***" and, together, the "***Initial Purchasers***"), each of whom has agreed to purchase the Company's 10.875% Senior Notes Due 2018 (the "***Initial Notes***") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated March 11, 2011 (the "***Purchase Agreement***"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Initial Notes, the Company and the Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture, dated as of May 28, 2010, among the Company, the Guarantors and Wells Fargo Bank, National Association, as trustee, relating to the Initial Notes and the Exchange Notes, as amended and supplemented by the First Supplemental Indenture, dated as of December 29, 2010 (as so amended and supplemented, the "***Indenture***").

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

Affiliate: As defined in Rule 144 of the Act.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Business Day: Any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If the time to perform any action hereunder falls on a day that is not a Business Day, such time will be extended to the next Business Day and no Special Interest shall accrue for the intervening period.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Exchange Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof, and (c) the delivery by the Company to the Registrar (as defined in the Indenture) under the Indenture of Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Initial Notes tendered by Holders thereof pursuant to the Exchange Offer.

Consummation Deadline: As defined in Section 3(b) hereof.

Effectiveness Deadline: As defined in Sections 3(a) and 4(a) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

Exchange Notes: The Company's 10.875% Senior Notes due 2018 to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

Exchange Offer: The exchange and issuance by the Company of a principal amount of Exchange Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Initial Notes that are validly tendered and not withdrawn by such Holders in connection with such exchange and issuance.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Filing Deadline: As defined in Sections 3(a) and 4(a) hereof.

Free Writing Prospectus: Each offer to sell or solicitation of an offer to buy the Initial Notes or the Exchange Notes that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act, prepared by or on behalf of the Company or used or referred to by the Company in connection with the sale of the Initial Notes or the Exchange Notes.

Holders: As defined in Section 2 hereof.

Interest Payment Date: As defined in the Initial Notes and Exchange Notes.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Recommencement Date: As defined in Section 6(d) hereof.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company and the Guarantors relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement, (ii) including the Prospectus included therein, and (iii) including all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Rule 144: Rule 144 promulgated under the Act.

Shelf Registration Statement: As defined in Section 4 hereof.

Special Interest. As defined in Section 5 hereof.

Suspension Notice: As defined in Section 6(d) hereof.

Transfer Restricted Securities: Each Initial Note until the earliest to occur of (a) the date on which such Initial Note has been exchanged in the Exchange Offer by a Person other than a Broker-Dealer for an Exchange Note and is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) following the exchange by a Broker-Dealer in the Exchange Offer of an Initial Note for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Initial Note has been effectively registered under the Act and disposed of in accordance with the Shelf Registration Statement; (d) the date on which such Initial Note is sold or otherwise distributed to a Person who is not the Company or an Affiliate of the Company; *provided*, that an Initial Note will not cease to be a Transfer Restricted Security for purposes of the Exchange Offer by virtue of this clause (d); or (e) the earliest date that is no less than two years after the date of the Indenture and on which all such Initial Notes (except for Initial Notes held by an Affiliate of the Company) are no longer subject to any restrictions on transfer under the Act, including Rule 144.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "***Holder***") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) To the extent not prohibited by any applicable law or Commission policy, the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission no later than the 180th day after the initial issuance of the Initial Notes (such date being the "***Filing Deadline***"), (ii) use all commercially reasonable efforts to cause such Exchange Offer Registration Statement to become effective no later than 270 days after the Filing Deadline (such 270th day being the "***Effectiveness Deadline***"), (iii) in connection with the foregoing, use all commercially reasonable efforts to (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement, and (C) cause all necessary filings, if any, in connection with the

registration and qualification of the Exchange Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, *provided*, *however*, that neither the Company nor any Guarantor shall be required to take any action that would subject them to general service of process or taxation in any jurisdiction where they are not already subject, and (iv) unless the Exchange Offer shall not be permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a)(i) below have been complied with), upon the effectiveness of such Exchange Offer Registration Statement, commence and use all commercially reasonable efforts to Consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Exchange Notes to be offered in exchange for the Initial Notes that are Transfer Restricted Securities and (ii) resales of Exchange Notes by Broker-Dealers that tendered into the Exchange Offer Initial Notes that such Broker-Dealer acquired for its own account as a result of market-making activities or other trading activities (other than Initial Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) To the extent not prohibited by any applicable law or Commission policy, the Company and the Guarantors shall use all commercially reasonable efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; *provided, however,* that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use all commercially reasonable efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 Business Days or longer, if required by the federal securities laws, after the date on which the Exchange Offer Registration Statement has become effective (such 30th day, or such later date required by the federal securities laws, being the "***Consummation Deadline***").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Initial Notes acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement.

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Exchange Notes received by such Broker-Dealer in the

Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the Prospectus contained in the Exchange Offer Registration Statement is available for sales of Exchange Notes by Broker-Dealers, the Company and the Guarantors agree to use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than five Business Days after such request, at any time during such period.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company and the Guarantors are not (A) required to file the Exchange Offer Registration Statement or (B) permitted to Consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) any Holder notifies the Company prior to the 20th Business Day following Consummation of the Exchange Offer that (A) such Holder is prohibited by law or Commission policy from participating in the Exchange Offer, (B) such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Initial Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) use all commercially reasonable efforts to file, on or prior to the later of (i) 30 days after the earlier of (A) the date as of which the Company determines that the Exchange Offer Registration Statement will not be or cannot be, as the case may be, filed as a result of clause (a)(i) above and (B) the date on which the Company receives the notice specified in clause (a)(ii) above and (ii) 180 days after the initial issuance of the Initial Notes (such later date, the "***Shelf Filing Deadline***"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "***Shelf Registration Statement***")), covering the resale of all Transfer Restricted Securities, and

(y) use all commercially reasonable efforts to cause such Shelf Registration Statement to become effective on or prior to the later of (i) 60 days after the Shelf Filing Deadline and (ii) 270 days after the initial issuance of the Initial Notes (such later date, the "***Shelf Effectiveness Deadline***").

If, after the Company and the Guarantors have filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company and the Guarantors are required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i)(B) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; *provided* that, in such event, the Company and the Guarantors shall remain obligated to meet the Shelf Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use all commercially reasonable efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and 6(c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least one year (as extended pursuant to Section 6(c)(i) or 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto or are no longer Transfer Restricted Securities.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement No Holder may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 15 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act, or other information reasonably requested by the Company or required by Regulation S-K of the Act, for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder shall be entitled to Special Interest pursuant to Section 5 hereof unless and until (and from and after such time) such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading and shall promptly supply such other information as the Company may from time to time reasonably request.

SECTION 5. SPECIAL INTEREST

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to 30 Business Days after the Effectiveness Deadline with respect to the Exchange Offer Registration Statement, or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose (each such event referred to in clauses (i) through (iv), a "***Registration Default***"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder affected thereby special interest ("***Special Interest***") in an amount equal to 0.25% per annum of the principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the

Registration Default continues for the first 90-day period immediately following the occurrence of the first such Registration Default. The amount of Special Interest shall increase by an additional 0.25% per annum of the principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Special Interest of 0.50% per annum of the principal amount of Transfer Restricted Securities; *provided* that the Company and the Guarantors shall in no event be required to pay Special Interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of clause (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of clause (ii) above, (3) upon Consummation of the Exchange Offer, in the case of clause (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of clause (iv) above, the Special Interest payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii), or (iv), as applicable, shall cease on the date of such cure and the interest rate on such Transfer Restricted Securities will revert to the interest rate on such Transfer Restricted Securities prior to the applicable Registration Default.

All accrued Special Interest shall be paid by the Company and the Guarantors (or the Company and the Guarantors will cause the Paying Agent to make such payment on their behalf) to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture, the Initial Notes and the Exchange Notes. Notwithstanding the fact that any securities for which Special Interest are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay Special Interest with respect to securities that accrued prior to the time that such securities ceased to be Transfer Restricted Securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use all commercially reasonable efforts to effect such exchange and to permit the resale of Exchange Notes by Broker-Dealers that tendered in the Exchange Offer Initial Notes that such Broker-Dealer acquired for its own account as a result of its market-making activities or other trading activities (other than Initial Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to use all commercially reasonable efforts to either (x) seek a

no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to Consummate an Exchange Offer for such Transfer Restricted Securities, or (y) file, in accordance with Section 4(a) hereof, a Shelf Registration Statement to permit the registration and/or resale of the Transfer Restricted Securities that would otherwise be covered by the Exchange Offer Registration Statement but for the announcement of a change in Commission policy. In the case of clause (x) above, the Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level but shall not be required to take action not commercially reasonable to affect a change of Commission policy. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise reasonably required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted, and (C) diligently pursuing a resolution (which need not be favorable and which need not be a written resolution) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any Person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer, (C) it is acquiring the Exchange Notes in its ordinary course of business, and (D) only if such Holder is a Broker-Dealer that will receive Exchange Notes in exchange for Initial Notes that such Broker-Dealer acquired for its own private account as a result of market making or other trading activities, it will deliver a Prospectus, as required by law, in connection with any sale of such Exchange Notes. As a condition to its participation in the Exchange Offer, each Holder using the Exchange Offer to participate in a distribution of the Exchange Notes shall acknowledge and agree that, if the resales are of Exchange Notes obtained by such Holder in exchange for Initial Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter toShearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that the Company and Guarantors have not entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that, to the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer, and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use all commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof, and

(ii) issue to any purchaser of Initial Notes covered by any Shelf Registration Statement contemplated by this Agreement, upon the request of the purchaser, registered Initial Notes having an aggregate principal amount equal to the aggregate principal amount of Initial Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation in the names as such purchaser shall designate; *provided* that such purchaser provides all documentation reasonably requested by the Company in connection with such issuance.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use all commercially reasonable efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus

contained therein (A) to contain an untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file as promptly as practicable an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use all commercially reasonable efforts to cause such amendment to be declared effective as soon as practicable.

(ii) use all commercially reasonable efforts to prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A, and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise (a) each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement), and (b) each Holder who has provided notice to the Company promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the happening of any event that requires the Company to make changes in the Registration Statement or the Prospectus in order that the Registration Statement or the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein do not contain an untrue statement of material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use all commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(d), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) furnish to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the reasonable review and comment of such Holders in connection with such sale, if any, for a period of at least three Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within three Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus in connection with such exchange, registration or sale, if any, provide copies of such document to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, subject to execution and delivery of customary confidentiality agreements, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(vii) make available, at reasonable times, for inspection by each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors reasonably requested and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; *provided* that any Holder or representative thereof requesting or receiving such information shall agree to be bound by customary confidentiality agreements and procedures with respect thereto;

(viii) if requested by any Holders whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities and the use of the Registration Statement or Prospectus for market making activities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) upon request, furnish to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) upon request, deliver to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holders reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law and subject to Section 6(d) hereof) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) upon the reasonable request of such Holder, enter into such agreements (including an underwriting agreement containing customary terms), and make such representations and warranties, and take all such other reasonable and customary actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to a Shelf Registration Statement contemplated by this Agreement, all to such extent as may be customarily and reasonably requested by any Holder or Holders of Transfer Restricted Securities who hold at least 50% in aggregate principal amount of such class of Transfer Restricted Securities; *provided*, that, the Company and the Guarantors shall not be required to enter into any such agreement more than once with respect to all of the Transfer Restricted Securities and may delay entering into such agreement if the Board of Directors of the Company determines in good faith that it is in the best interests of the Company and the Guarantors not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company and the Guarantors. In such connection, the Company and the Guarantors shall:

(A) upon the request of any Holder, furnish (or in the case of paragraphs (2) and (3), use its commercially reasonable efforts to cause to be furnished) to each such Holder (in the case of the Shelf Registration Statement) and any underwriter, upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate in customary form, dated such date, signed on behalf of the Company and each Guarantor by (x) the Chief Executive Officer or any Vice President, and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, such matters as such Holders may reasonably request;

(2) a customary opinion (including a customary negative assurance statement), dated the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors in customary form and covering such other matters as such Holder may reasonably request; and

(3) a customary comfort letter, dated the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 8(e) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided, however,* that the Company and the Guarantors shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to enable such Transfer Restricted Securities to be registered in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use all commercially reasonable efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company; and

(xvi) otherwise use all commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 under the Act (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act).

(d) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(i) or 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a "***Suspension Notice***"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "***Recommencement Date***"). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses, or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the Recommencement Date.

SECTION 7. REGISTRATION EXPENSES

All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) the reasonable fees and disbursements of counsel for the Company and the Guarantors, and, in the case of a Shelf Registration Statement, the reasonable and documented fees and disbursements of one counsel for all of the Holders of Transfer Restricted Securities selected by the Holders of a majority in principal amount of Transfer Restricted Securities being registered; (v) all application and filing fees in connection with listing the Exchange Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance); *provided, however,* that in no event shall the Company or the Guarantors be responsible for any underwriting discounts and commissions, brokerage commissions and transfer taxes, and fees attributable to the sale or other disposition of Transfer Restricted Securities.

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities or judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus, Free Writing Prospectus or any "issuer information" (as defined in Rule 433 of the Act) filed or required to be filed pursuant to Rule 433(d) under the Act or in any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by or on behalf of any of the Holders.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company and the Guarantors by or on behalf of such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds the sum of: (i) the amount paid by such Holder for such Transfer Restricted Securities plus (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "***indemnified party***"), the indemnified party shall promptly notify the Person against whom such indemnity may be sought (the "***indemnifying party***") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all reasonable fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the reasonable fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party has failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party, or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party has been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Company and Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify

and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action effected with its written consent (which consent shall not be unreasonably withheld). No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened claim, action, suit or proceeding in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such claim, action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities, or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c) hereof, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

(e) The Company, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section

8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total amount received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds the sum of: (i) the amount paid by such Holder for such Transfer Restricted Securities plus (ii) the amount of any damages that such Holder has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company and each Guarantor agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A under the Act.

SECTION 10. MISCELLANEOUS

(a) Remedies. The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantors' obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) Free Writing Prospectus. The Company represents, warrants and covenants that it (including its agents and representatives) will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) in connection with the issuance and sale of the Initial Notes and the Exchange Notes, other than (i) any communication pursuant to Rule 134, Rule 135 or Rule 135c under the Securities Act, (ii) any document constituting an offer to sell or solicitation of an offer to buy the Initial Notes or the Exchange Notes that falls within the exception from the definition of prospectus in Section 2(a)(10)(a) of the Securities Act, or (iii) a prospectus satisfying the requirements of section 10(a) of the Securities Act or of Rule 430, Rule 430A, Rule 430B, Rule 430C or Rule 431 under the Securities Act.

(c) No Inconsistent Agreements. The Company and any Guarantor will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Company and any Guarantor have not previously entered into, nor is currently a party to, any agreement granting any registration rights with respect to its securities to any Person that would require such securities to be included in any Registration Statement filed hereunder. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities, and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Additional Guarantors. The Company shall cause any of its Domestic Subsidiaries (as defined in the Indenture) that becomes, prior to the consummation of the Exchange Offer, a Guarantor in accordance with the terms and provisions of the Indenture to become a party to this Agreement as a Guarantor.

(f) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(g) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or the Guarantors:

The Hillman Group
10590 Hamilton Avenue
Cincinnati, Ohio 45231-1764

Attention: Chief Financial Officer
Fax: 513-595-8297

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: John C. Kennedy
Fax: 212-492-0025

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(h) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; *provided* that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(l) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(m) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

HILLMAN INVESTMENT COMPANY
THE HILLMAN COMPANIES, INC.
ALL POINTS INDUSTRIES, INC.
SUNSUB C INC.
SERV-A-LITE PRODUCTS, INC.

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. INCORPORATED

By: BARCLAYS CAPITAL INC.

By /s/ Benjamin S. Burton
Name: Benjamin S. Burton
Title: Managing Director

SCHEDULE I

Guarantors

Hillman Investment Company

The Hillman Companies, Inc.

All Points Industries, Inc.

SunSub C Inc.

Serv-A-Lite Products, Inc.

ANNEX A

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for unregistered notes where such unregistered notes were acquired as a result of market-making activities or other trading activities. To the extent any such broker-dealer participates in the exchange offer, we have agreed that for a period of up to 180 days we will use commercially reasonable efforts to make this prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale, and will deliver as many additional copies of this prospectus and each amendment or supplement to this prospectus and any documents incorporated by reference in this prospectus as such broker-dealer may reasonably request.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be deemed to be an “underwriter” within the meaning of the Securities Act and any profit on any such resale of exchange notes and any commissions or concessions received by any such Persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offer and will indemnify the holders of outstanding notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

Exhibit 10.42

$50,000,000

THE HILLMAN GROUP, INC.

10.875% *SENIOR NOTES DUE 2018*

PURCHASE AGREEMENT

March 11, 2011

BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. INCORPORATED,
As Representatives of the several
Initial Purchasers named in Schedule I attached hereto,
c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

The Hillman Group, Inc., a Delaware corporation (the "***Company***"), proposes, upon the terms and conditions set forth in this agreement (this "***Agreement***"), to issue and sell to you, as the initial purchasers (the "***Initial Purchasers***"), $50,000,000 in aggregate principal amount of its 10.875% Senior Notes due 2018 (the "***Notes***"). The Notes will (i) have terms and provisions that are summarized in the Offering Memorandum (as defined below), and (ii) are to be issued pursuant to an Indenture, dated as of May 28, 2010, entered into among the Company, the Guarantors (as defined below) and Wells Fargo Bank, National Association, as trustee (the "***Trustee***"), as amended and supplemented by the First Supplemental Indenture, dated as of December 29, 2010 (as so amended and supplemented, the "***Indenture***"). The Company's obligations under the Notes, including the due and punctual payment of interest on the Notes, will be irrevocably and unconditionally guaranteed on a senior unsecured basis (the "***Guarantees***") by The Hillman Companies, Inc. ("***Hillman Companies***"), Hillman Investment Company ("***Parent***") and the other guarantors listed in Schedule II hereto (collectively, the "***Guarantors***"). As used herein, the term "Notes" shall include the Guarantees, unless the context otherwise requires. This Agreement is to confirm the agreement concerning the purchase of the Notes from the Company by the Initial Purchasers.

The Company has previously issued $150,000,000 in aggregate principal amount of its 10.875% Senior Notes due 2018 (the "***Existing Notes***") under the Indenture. The Notes constitute "Additional Notes" (as such term is defined in the Indenture) under the Indenture. Except as otherwise disclosed in the Pricing Disclosure Package and the Offering Memorandum, the Notes will have terms identical to the Existing Notes and will be treated as a single series of debt securities for all purposes under the Indenture.

Pursuant to a Purchase Agreement, dated as of March 10, 2011 (the "***Acquisition Agreement***"), by and between the Company, TagWorks, L.L.C., an Arizona limited liability company ("***TagWorks***"), and the sellers named therein, the Company will acquire TagWorks in exchange for initial cash consideration of approximately $40 million (the "***Acquisition***"). The Company expects to pay the initial cash consideration of the Acquisition with cash proceeds from the issuance of $50 million aggregate principal amount of the Notes.

1. *Purchase and Resale of the Notes*. The Notes will be offered and sold to the Initial Purchasers without registration under the Securities Act of 1933, as amended (the "***Securities Act***"), in reliance on an exemption pursuant to Section 4(2) under the Securities Act. The Company and the Guarantors have prepared a preliminary offering memorandum, dated March 11, 2011 (the "***Preliminary Offering Memorandum***"), a pricing term sheet substantially in the form attached hereto as Schedule III (the "***Pricing Term Sheet***") setting forth the terms of the Notes omitted from the Preliminary Offering Memorandum and certain other information and an offering memorandum, dated March 11, 2011 (the "***Offering Memorandum***"), setting forth information regarding the Company, the Guarantors, the Notes, and the Exchange Notes (as defined herein), the Guarantees and the Exchange Guarantees (as defined herein). The Preliminary Offering Memorandum, as supplemented and amended as of the Applicable Time (as defined below), together with the Pricing Term Sheet and any of the documents listed on Schedule IV(A) hereto are collectively referred to as the "***Pricing Disclosure Package***". The Company and the Guarantors hereby confirm that they have authorized the use of the Pricing Disclosure Package and the Offering Memorandum in connection with the offering and resale of the Notes by the Initial Purchasers. "***Applicable Time***" means 3:15 p.m. (New York City time) on the date of this Agreement.

Any reference to the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum shall be deemed to refer to and include the Hillman Companies' most recent Annual Report on Form 10-K, as amended (the "***Form 10-K***"), and all subsequent documents filed with the United States Securities and Exchange Commission (the "***Commission***") pursuant to Section 13(a), 13(c) or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), on or prior to the date of the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum, as the case may be. Any reference to the Preliminary Offering Memorandum, Pricing Disclosure Package or the Offering Memorandum, as the case may be, as amended or supplemented, as of any specified date, shall be deemed to include any documents filed with the Commission pursuant to Section 13(a), 13(c) or 15(d) of the Exchange Act after the date of the Preliminary Offering Memorandum, Pricing Disclosure Package or the Offering Memorandum, as the case may be, and prior to such specified date. All documents filed under the Exchange Act and so deemed to be included in the Preliminary Offering Memorandum, Pricing Disclosure Package or the Offering Memorandum, as the case may be, or any amendment or supplement thereto are hereinafter called the "***Exchange Act Reports***".

You have advised the Company that you will offer and resell (the "***Exempt Resales***") the Notes purchased by you hereunder in private sales exempt from registration under the Securities Act on the terms set forth in each of the Pricing Disclosure Package and the Offering Memorandum, as amended or supplemented, solely to (i) persons whom you reasonably believe

to be "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("***QIBs***"), in accordance with Rule 144A under the Securities Act, and (ii) outside the United States to certain persons who are not U.S. Persons (as defined in Regulation S under the Securities Act ("***Regulation S***")) (such persons, "***Non-U.S. Persons***") in offshore transactions in reliance on Regulation S. As used herein, the terms "offshore transaction" and "United States" have the meanings assigned to them in Regulation S. Those persons specified in clauses (i) and (ii) are referred to herein as "***Eligible Purchasers***".

Holders (including subsequent transferees) of the Notes will have the registration rights set forth in a registration rights agreement, substantially in the form attached hereto as Exhibit A (the "***Registration Rights Agreement***"), among the Company, the Guarantors and the Initial Purchasers to be dated the Closing Date (as defined herein), for so long as such Notes constitute "***Transfer Restricted Securities***" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Company and the Guarantors will agree to file with the Securities and Exchange Commission (the "***Commission***") under the circumstances set forth therein, a registration statement under the Securities Act relating to the Company's 10.875% Senior Notes due 2018 (the "***Exchange Notes***") and the Guarantors' Exchange Guarantees (the "***Exchange Guarantees***") to be offered in exchange for the Notes and the Guarantees. Such portion of the offering is referred to as the "***Exchange Offer***".

2. *Representations, Warranties and Agreements of the Company and the Guarantors.* The Company and the Guarantors, jointly and severally, represent, warrant and agree as follows:

(a) When the Notes and Guarantees are issued and delivered pursuant to this Agreement, such Notes and Guarantees will not be of the same class (within the meaning of Rule 144A under the Securities Act) as securities of the Company or the Guarantors that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a United States automated inter-dealer quotation system.

(b) Assuming the accuracy of your representations and warranties in Section 3(b), and your compliance with your agreements set forth in this Agreement, the purchase and resale of the Notes pursuant to and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum (including pursuant to the Exempt Resales) are exempt from the registration requirements of the Securities Act.

(c) No form of general solicitation or general advertising within the meaning of Regulation D (including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) was used by the Company, the Guarantors, any of their respective affiliates or any of their respective representatives (other than you and your affiliates, as to whom the Company and the Guarantors make no representation) in connection with the offer and sale of the Notes.

(d) No directed selling efforts within the meaning of Rule 902 under the Securities Act were used by the Company, the Guarantors or any of their respective representatives (other than you, as to whom the Company and the Guarantors make no representation) with respect to Notes sold outside the United States to Non-U.S. Persons, and the Company, any affiliate of the Company and any person acting on its or their behalf (other than you and your affiliates, as to whom the Company and the Guarantors make no representation) has complied with and will implement the "offering restrictions" required by Rule 902 under the Securities Act.

(e) Each of the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Offering Memorandum, each as of its respective date, contains or will contain all the information specified in, and meet the requirements of, Rule 144A(d)(4) under the Securities Act.

(f) Neither the Company, any Guarantor nor any other person acting on behalf of the Company or any Guarantor has sold or issued any securities that would be integrated with the offering of the Notes contemplated by this Agreement pursuant to the Securities Act, the rules and regulations thereunder or the interpretations thereof by the Commission.

(g) The Preliminary Offering Memorandum, the Pricing Disclosure Package and the Offering Memorandum have been prepared by the Company and the Guarantors for use by the Initial Purchasers in connection with the Exempt Resales. No order or decree preventing the use of the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum, or any order asserting that the transactions contemplated by this Agreement are subject to the registration requirements of the Securities Act has been issued, and no proceeding for that purpose has commenced or is pending or, to the knowledge of Company or any of the Guarantors is contemplated.

(h) The Offering Memorandum will not, as of its date or as of the Closing Date, contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Offering Memorandum in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is specified in Section 8(e).

(i) The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is specified in Section 8(e).

(j) The Company has not made any offer to sell or solicitation of an offer to buy the Notes that would constitute a "free writing prospectus" (if the offering of the Notes was made pursuant to a registered offering under the Securities Act), as defined in Rule 405 under the Securities Act (a "***Free Writing Offering Document***"), without the prior consent of the Representatives; any such Free Writing Offering Document the use of which has been previously consented to by the Initial Purchasers is listed on Schedule IV.

(k) The Pricing Disclosure Package, when taken together with each Free Writing Offering Document listed in Schedule IV(B) hereto, did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package (or Free Writing Offering Document listed in Schedule IV(B) hereto) in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is specified in Section 8(e).

(l) The Exchange Act Reports, when they were or are filed with the Commission, conformed or will conform in all material respects to the applicable requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder. The Exchange Act Reports did not and will not, when filed with the Commission, contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) Each of the Company, the Guarantors and their respective subsidiaries has been duly organized, is validly existing and in good standing as a corporation or other business entity under the laws of its jurisdiction of organization and is duly qualified to do business and in good standing as a foreign corporation or other business entity in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to be so qualified or in good standing could not, in the aggregate, reasonably be expected to have a material adverse effect on the condition (financial or otherwise), results of operations, stockholders' equity, properties or business of the Company and its subsidiaries taken as a whole (a "***Material Adverse Effect***"). Each of the Company, the Guarantors and their respective subsidiaries has all power and authority necessary to own or hold its properties and to conduct the businesses in which it is engaged. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule V hereto. None of the subsidiaries of the Company is a "significant subsidiary" (as defined in Rule 405 under the Securities Act).

(n) Hillman Companies has an authorized capitalization as set forth in each of the Pricing Disclosure Package and the Offering Memorandum. All of the issued shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. All of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens, encumbrances, equities or claims as could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(o) The Company and each Guarantor has all requisite corporate power, partnership or limited liability company and authority, as applicable, to execute, deliver and perform its obligations under the Indenture. The Indenture has been duly and validly authorized by the Company and the Guarantors, and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding agreement of the Company and the Guarantors, enforceable against the Company and the Guarantors in accordance with its terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Indenture conforms in all material respects to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(p) The Company has all requisite corporate power and authority to execute, issue, sell and perform its obligations under the Notes. The Notes have been duly authorized by the Company and, when duly executed by the Company in accordance with the terms of the Indenture, assuming due authentication of the Notes by the Trustee, upon delivery to the Initial Purchasers against payment therefor in accordance with the terms hereof, will be validly issued and delivered and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Notes will conform in all material respects to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(q) The Company has all requisite corporate power and authority to execute, issue and perform its obligations under the Exchange Notes. The Exchange Notes have been duly and validly authorized by the Company and if and when issued and authenticated in accordance with the terms of the Indenture and delivered in accordance with the Exchange Offer provided for in the Registration Rights Agreement, will be validly issued and delivered and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(r) Each Guarantor has all requisite corporate, partnership or limited liability company power and authority, as applicable, to execute, issue and perform its obligations under the Guarantees. The Guarantees have been duly and validly authorized by the Guarantors and in accordance with the terms of the Indenture and upon the due execution, authentication and

delivery of the Notes in accordance with the Indenture and the issuance of the Notes in the sale to the Initial Purchasers contemplated by this Agreement, will constitute valid and binding obligations of the Guarantors, enforceable against the Guarantors in accordance with their terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Guarantees will conform in all material respects to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(s) Each Guarantor has all requisite corporate, partnership or limited liability company power and authority, as applicable, to execute, issue and perform its obligations under the Exchange Guarantees. The Exchange Guarantees have been duly and validly authorized by the Guarantors and if and when executed and delivered by the Guarantors in accordance with the terms of the Indenture and upon the due execution and authentication of the Exchange Notes in accordance with the Indenture and the issuance and delivery of the Exchange Notes in the Exchange Offer contemplated by the Registration Rights Agreement, will be validly issued and delivered and will constitute valid and binding obligations of the Guarantors entitled to the benefits of the Indenture, enforceable against the Guarantors in accordance with their terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(t) The Company and each Guarantor has all requisite corporate, partnership or limited liability company power and authority, as applicable, to execute, deliver and perform its obligations under the Registration Rights Agreement. The Registration Rights Agreement has been duly authorized by the Company and each Guarantor and, when executed and delivered by the Company and each Guarantor on the Closing Date in accordance with the terms hereof and thereof, will be validly executed and delivered and (assuming the due authorization, execution and delivery thereof by you) will be the legally valid and binding obligation of the Company and each Guarantor in accordance with the terms thereof, enforceable against the Company and each Guarantor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect relating to or affecting creditor's rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and, as to rights of indemnification and contribution, by principles of public policy. The Registration Rights Agreement will conform in all material respects to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(u) The Company has all requisite corporate power and authority to consummate the Acquisition and to enter into and perform its obligations under the Acquisition Agreement.

(v) The Acquisition Agreement has been duly and validly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to or affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

(w) The Company and each Guarantor has all requisite corporate power to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company and each of the Guarantors.

(x) Except as set forth in the Offering Memorandum, and assuming the accuracy of, and the Initial Purchasers' compliance with, the representations, warranties and agreements of the Initial Purchasers set forth in Section 3 of this Agreement, the issue and sale of the Notes and the Guarantees, the execution, delivery and performance by the Company and the Guarantors of the Notes, the Guarantees, the Exchange Notes, the Exchange Guarantees, the Indenture, the Registration Rights Agreement, this Agreement and the Acquisition Agreement, the application of the proceeds from the sale of the Notes as described under "Use of Proceeds" in each of the Pricing Disclosure Package and the Offering Memorandum and the consummation of the transactions contemplated hereby and thereby, will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of the Company, the Guarantors or their respective subsidiaries, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, license, lease or other agreement or instrument to which the Company, the Guarantors or any of their respective subsidiaries is a party or by which the Company, the Guarantors or any of their respective subsidiaries is bound or to which any of the property or assets of the Company, the Guarantors or any of their respective subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws (or similar organizational documents) of the Company, the Guarantors or any of their respective subsidiaries, or (iii) result in any violation of any statute or any judgment, order, decree, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, the Guarantors or any of their respective subsidiaries or any of their properties or assets, except, with respect to clauses (i) and (iii), breaches or defaults that would not reasonably be expected to have a Material Adverse Effect.

(y) Assuming the accuracy of the representations and warranties of the Initial Purchasers contained herein and the compliance by the Initial Purchasers with their agreements contained herein, no consent, approval, authorization or order of, or filing, registration or qualification with any court or governmental agency or body having jurisdiction over the Company, the Guarantors or any of their respective subsidiaries or any of their properties or assets is required for the issue and sale of the Notes and the Guarantees, the execution, delivery and performance by the Company and the Guarantors of the Notes, the Guarantees, the Exchange Notes, the Exchange Guarantees, the Indenture, the Registration Rights Agreement, this Agreement and the Acquisition Agreement, the application of the proceeds from the sale of the Notes as described under "Use of Proceeds" in each of the Pricing Disclosure Package and the Offering Memorandum and the consummation of the transactions contemplated hereby and thereby, except (i) such as have been or will be obtained or made on or prior to the Closing Date,

(ii) for the filing of a registration statement by the Company with the Commission pursuant to the Securities Act as required by the Registration Rights Agreement in connection with the issuance of the Exchange Notes and the Exchange Guarantees, (iii) such consents, approvals, authorizations, orders, filings, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Notes by the Initial Purchasers, each of which had been obtained and is in full force and effect and (iv) where the failure to obtain such consents, approvals, authorizations or orders of, filings, registrations or qualifications could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(z) The historical financial statements (including the related notes and supporting schedules) included or incorporated by reference in the Pricing Disclosure Package and the Offering Memorandum present fairly in all material respects the financial condition, results of operations and cash flows of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with accounting principles generally accepted in the United States applied on a consistent basis throughout the periods involved (except as disclosed therein).

(aa) The unaudited pro forma financial information and related notes thereto included in the Pricing Disclosure Package and the Offering Memorandum has been prepared in accordance with the Commission's rules and guidance with respect to pro forma financial information, and the assumptions underlying such pro forma financial information are reasonable and are set forth in each of the Pricing Disclosure Package and the Offering Memorandum.

(bb) Grant Thornton LLP, who have certified certain financial statements of the Company, whose report is incorporated by reference in the Pricing Disclosure Package and the Offering Memorandum and who have delivered the Grant Thornton initial letter referred to in Section 7(f) hereof, are independent registered public accountants as required by the Securities Act and the rules and regulations thereunder.

(cc) KPMG LLP, who have certified certain financial statements of the Company, and who have delivered the KPMG initial letter referred to in Section 7(h) hereof, are independent registered public accountants as required by the Securities Act and the rules and regulations thereunder.

(dd) Except as otherwise disclosed in the Pricing Disclosure Package and the Offering Memorandum, the Company and the Guarantors maintain a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and that has been designed by, or under the supervision of, the Company's and each Guarantors' respective principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Except as otherwise disclosed in or contemplated by the Pricing Disclosure Package and the Offering Memorandum, the Company and the Guarantors maintain internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with

management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. As of the date of the most recent balance sheet of Hillman Companies and its consolidated subsidiaries reviewed or audited by KPMG LLP and the audit committee of the board of directors of Hillman Companies, except as otherwise disclosed in or contemplated by the Pricing Disclosure Package and the Offering Memorandum, there were no material weaknesses in Hillman Companies' internal controls.

(ee) Except as otherwise disclosed in or contemplated by the Pricing Disclosure Package and the Offering Memorandum, (i) the Company and the Guarantors maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act), (ii) such disclosure controls and procedures are designed to ensure that the information required to be disclosed by Hillman Companies in the reports it files or submits under the Exchange Act is accumulated and communicated to management of Hillman Companies, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure to be made; and (iii) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(ff) Except as would not have a Material Adverse Effect, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" set forth or incorporated by reference in the Preliminary Offering Memorandum contained in the Pricing Disclosure Package and the Offering Memorandum accurately and fully describes (i) the accounting policies that Hillman Companies believes are the most important in the portrayal of Hillman Companies' financial condition and results of operations and that require management's most difficult, subjective or complex judgments; (ii) the judgments and uncertainties affecting the application of critical accounting policies; and (iii) the likelihood that materially different amounts would be reported under different conditions or using different assumptions and an explanation thereof.

(gg) With respect to each of the items of financial data regarding the fiscal year ended December 31, 2010 included in the Preliminary Offering Memorandum under the caption "Summary - Preliminary Financial Data and Recent Developments" (the "***Preliminary Results***"), the Chief Financial Officer of the Company or members of the staff who are responsible for the Company's financial and accounting matters derived the amounts with respect to the fiscal-year ended December 31, 2010 referenced in the Preliminary Results from the accounting records of the Company and the accounting records of TagWorks provided to the Company, and found the amounts to be within the ranges set forth in the Preliminary Offering Memorandum.

(hh) With respect to the Preliminary Results, nothing has come to the attention of the Company that causes the Company to believe that the financial information contained in the Preliminary Results is not true, correct and accurate in all material respects.

(ii) There is and has been no failure on the part of Hillman Companies and any of Hillman Companies' directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

(jj) Since the date of the latest audited financial statements included in the Pricing Disclosure Package and the Offering Memorandum, and except as otherwise disclosed in the Offering Memorandum, neither the Company, the Guarantors nor any of their respective subsidiaries has (i) sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or court or governmental action, order or decree, (ii) issued or granted any securities, (iii) incurred any material liability or obligation, direct or contingent, other than liabilities and obligations that were incurred in the ordinary course of business, (iv) entered into any material transaction not in the ordinary course of business, (v) declared or paid any dividend on its capital stock, and (vi) since such date, there has not been any change in the capital stock, partnership or limited liability interests as applicable, or long-term debt of the Company, the Guarantors or any of their respective subsidiaries or any adverse change, or any development involving a prospective adverse change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management or business of the Company and its subsidiaries, taken as a whole, in each case except as could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(kk) Except as would not have a Material Adverse Effect, the Company, the Guarantors and each of their respective subsidiaries has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects, except such liens, encumbrances and defects as are described in the Pricing Disclosure Package and the Offering Memorandum and such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company, the Guarantors or any of their respective subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as do not materially interfere with the use made and proposed to be made of such assets by the Company, the Guarantors or any of their respective subsidiaries.

(ll) The Company and each of its subsidiaries have such permits, licenses, patents, franchises, certificates of need and other approvals or authorizations of governmental or regulatory authorities ("***Permits***") as are necessary under applicable law to own their properties and conduct their businesses in the manner described in the Pricing Disclosure Package and the Offering Memorandum, except for any of the foregoing that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Hillman Companies and each of its subsidiaries have fulfilled and performed all of its obligations with respect to the Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder or any such Permits, except for any of the foregoing that could not reasonably be expected to have a Material Adverse Effect. Neither the Company, nor any of its subsidiaries has received notice of any revocation or modification of any such Permits, except for any notice that could not reasonably be expected to have a Material Adverse Effect.

(mm) Except as could not reasonably be expected to have a Material Adverse Effect, the Company and the Guarantors own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, know-how, software, systems and technology (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses and have not received any notice of any claim of infringement or other violation of, any such rights of others.

(nn) Except as otherwise disclosed in the Offering Memorandum, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject that could, in the aggregate, reasonably be expected to have a Material Adverse Effect or could, in the aggregate, reasonably be expected to have a material adverse effect on the performance by the Company and the Guarantors of the performance of this Agreement, the Indenture, the Notes, the Guarantees or the consummation of any of the transactions contemplated hereby. To the Company's and each Guarantors' knowledge, no such proceedings are threatened or contemplated by governmental authorities or others.

(oo) There are no contracts or other documents that would be required to be described in a registration statement filed under the Securities Act or filed as exhibits to a registration statement of the Company pursuant to Item 601(10) of Regulation S-K that have not been described in the Pricing Disclosure Package and the Offering Memorandum. The statements made in the Pricing Disclosure Package and the Offering Memorandum, insofar as they purport to constitute summaries of the terms of the contracts and other documents that are so described, constitute accurate summaries of the terms of such contracts and documents in all material respects. Neither the Company, the Guarantors nor any of their respective subsidiaries has knowledge that any other party to any such contract or other document has any intention not to render full performance as contemplated by the terms thereof.

(pp) The Company and each Guarantor carries, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries, except where the failure to maintain such insurance could not, individually or in the aggregate, have a Material Adverse Effect. The Company and the Guarantors are in compliance with the terms of such policies, neither the Company nor any Guarantor has received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance, there are no claims by the Company or the Guarantors under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause, and neither the Company nor any Guarantor has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business, in each case other than as could not reasonably be expected to have a Material Adverse Effect.

(qq) No labor disturbance by or dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of any officer of the Company or any Guarantor is imminent that could reasonably be expected to have a Material Adverse Effect.

(rr) Neither the Company nor any of the Guarantors (i) is in violation of its charter or by-laws (or similar organizational documents), (ii) is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant, condition or other obligation contained in any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject, or (iii) is in violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or its property or assets or has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except in the case of clauses (ii) and (iii), to the extent any such conflict, breach, violation, failure or default could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ss) (i) There are no proceedings that are pending, or known to be threatened, against the Company or any of its subsidiaries under any laws, regulations, ordinances, rules, orders, judgments, decrees, permits or other legal requirements of any governmental authority, including without limitation any international, foreign, national, state, provincial, regional, or local authority, relating to pollution, the protection of human health or safety, the environment, or natural resources, or to use, handling, storage, manufacturing, transportation, treatment, discharge, disposal or release of or exposure to hazardous or toxic substances or wastes, pollutants or contaminants ("***Environmental Laws***") in which a governmental authority is also a party, other than such proceedings regarding which it is reasonably believed no monetary sanctions of $100,000 or more will be imposed and (ii) the Company, the Guarantors and their respective subsidiaries are not aware of any issues regarding compliance with Environmental Laws, including any pending or proposed Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that could reasonably be expected to have a Material Adverse Effect.

(tt) The Company, the Guarantors and each of their respective subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date hereof, subject to permitted extensions, and have paid all taxes due, and no tax deficiency has been determined adversely to the Company, the Guarantors or any of their respective subsidiaries. Neither the Company nor any Guarantor has any knowledge of any tax deficiencies that have been, or could reasonably be expected to be asserted against the Company, the Guarantors and each of their respective subsidiaries, that could, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(uu) (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended ("***ERISA***")) that is sponsored or maintained within the United States and with respect to which the Company has any direct or indirect liability, whether contingent or otherwise (each a "***Plan***") has been established and administered in all material respects in compliance with its terms and with the requirements of

all applicable statutes, rules and regulations including ERISA and the Code; (ii) with respect to each Plan, no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption or that have been corrected, that would result in a material liability to the Company ; (iii) no Plan is subject to Title IV of ERISA; and (iv) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is in the form of a prototype plan with respect to which the IRS has issued a favorable opinion letter, in each case to the effect that the Plan satisfies the requirements of Section 401(a) of the Code and that its related trust is exempt from tax under Section 501(a) of the Code and nothing has occurred, whether by action or by failure to act, which would be reasonably be expected to cause the loss of such qualification.

(vv) No subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in the Pricing Disclosure Package and the Offering Memorandum and as could not be reasonably expected to impact the ability of the Company or the Guarantors to make payments on the Notes when due.

(ww) The statistical and market-related data included in the Pricing Disclosure Package and the Offering Memorandum and the consolidated financial statements of the Company and its subsidiaries included in the Pricing Disclosure Package and the Offering Memorandum are based on or derived from sources that the Company believes to be reliable in all material respects.

(xx) Neither of the Company nor any Guarantor is, and after giving effect to the offer and sale of the Notes and the application of the proceeds therefrom as described under "Use of Proceeds" in each of the Pricing Disclosure Package and the Offering Memorandum will be an "investment company" or a company "controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder.

(yy) The statements set forth in each of the Pricing Disclosure Package and the Offering Memorandum under the caption "Description of Notes," insofar as they purport to constitute a summary of the terms of the Notes and the Guarantees and under the captions "Certain United States Federal Income Tax Considerations," "The Transactions," "Description of Certain Other Indebtedness," "Management" and "Plan of Distribution," insofar as they purport to summarize the provisions of the laws and documents referred to therein, are accurate summaries in all material respects.

(zz) Except as described in the Offering Memorandum, there are no contracts, agreements or understandings between the Company, any Guarantor and any person granting such person the right to require the Company or any Guarantor to file a registration statement under the Securities Act with respect to any securities of the Company or any Guarantor (other than the Registration Rights Agreement) owned or to be owned by such person or to require the

Company or any Guarantor to include such securities in the securities registered pursuant to the Registration Rights Agreement or in any securities being registered pursuant to any other registration statement filed by the Company or any Guarantor under the Securities Act.

(aaa) Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that could give rise to a valid claim against any of them or the Initial Purchasers for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Notes.

(bbb) Except as would not have a Material Adverse Effect, none of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Notes), will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System

(ccc) The Company and its affiliates have not taken, directly or indirectly, any action designed to or that has constituted or that could reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company or the Guarantors in connection with the offering of the Notes.

(ddd) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company and the Guarantors, any director, officer, agent, employee or other person associated with or acting on behalf of the Company, the Guarantors or any of their respective subsidiaries, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(eee) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "***Money Laundering Laws***") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(fff) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("***OFAC***"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by any officer of the Company or the Guarantors and delivered to the Representatives or counsel for the Initial Purchasers in connection with the offering of the Notes shall be deemed a representation and warranty by the Company or such Guarantor, jointly and severally, as to matters covered thereby, to each Initial Purchaser.

3. *Purchase of the Notes by the Initial Purchasers, Agreements to Sell, Purchase and Resell.*

(a) The Company and the Guarantors, jointly and severally hereby agree, on the basis of the representations, warranties, covenants and agreements of the Initial Purchasers contained herein and subject to all the terms and conditions set forth herein, to issue and sell to the Initial Purchasers and, upon the basis of the representations, warranties and agreements of the Company and the Guarantors herein contained and subject to all the terms and conditions set forth herein, each of the Initial Purchasers agree, severally and not jointly, to purchase from the Company, at a purchase price of 107.500% of the principal amount thereof, the total principal amount of Notes set forth opposite the name of such Initial Purchaser in Schedule I hereto. The Company and the Guarantors shall not be obligated to deliver any of the securities to be delivered hereunder except upon payment for all of the securities to be purchased as provided herein.

(b) Each of the Initial Purchasers, severally and not jointly hereby represents and warrants to the Company that it will offer the Notes for sale upon the terms and conditions set forth in this Agreement and in the Pricing Disclosure Package. Each of the Initial Purchasers, severally and not jointly, hereby represents and warrants to, and agrees with, the Company, on the basis of the representations, warranties and agreements of the Company and the Guarantors, that such Initial Purchaser: (i) is a QIB with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Notes; (ii) is purchasing the Notes pursuant to a private sale exempt from registration under the Securities Act; (iii) in connection with the Exempt Resales, will solicit offers to buy the Notes only from, and will offer to sell the Notes only to, the Eligible Purchasers in accordance with this Agreement and on the terms contemplated by the Pricing Disclosure Package; (iv) will not offer or sell the Notes, nor has it offered or sold the Notes by, or otherwise engaged in, any form of general solicitation or general advertising (within the meaning of Regulation D, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) and will not engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act, in connection with the offering of the Notes; and (v) has offered the Notes and will offer and sell the Notes (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S and, accordingly, neither it nor any persons acting on its behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such persons have complied and will

comply with the offering restrictions requirement of Regulation S. The Initial Purchasers have advised the Company that they will offer the Notes to Eligible Purchasers at a price initially equal to 109.250% of the principal amount thereof, plus accrued interest, if any, from the date of issuance of the Notes. Such price may be changed by the Initial Purchasers at any time without notice.

(c) The Initial Purchasers have not nor, prior to the later to occur of (A) the Closing Date and (B) completion of the distribution of the Notes, will not, use, authorize use of, refer to or distribute any material in connection with the offering and sale of the Notes other than (i) the Preliminary Offering Memorandum, the Pricing Disclosure Package, the Offering Memorandum, (ii) any written communication that contains no "issuer information" (as defined in Rule 433(h)(2) under the Act) that was not included (including through incorporation by reference) in the Preliminary Offering Memorandum or any Free Writing Offering Document listed on Schedule IV hereto, (iii) the Free Writing Offering Documents listed on Schedule IV hereto, (iv) any written communication prepared by such Initial Purchaser and approved by the Company in writing, or (v) any written communication that contains the terms of the Notes in the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum.

(d) Each of the Initial Purchasers hereby acknowledges that upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Notes (and all securities issued in exchange therefore or in substitution thereof) shall bear legends substantially in the forms as set forth in the "Notice to Investors" section of the Pricing Disclosure Package and Offering Memorandum (along with such other legends as the Company and its counsel deem necessary).

Each of the Initial Purchasers understands that the Company and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Sections 7(c), 7(d) and 7(e) hereof, counsel to the Company and counsel to the Initial Purchasers, will rely upon the accuracy and truth of the foregoing representations, warranties and agreements, and the Initial Purchasers hereby consent to such reliance.

4. *Delivery of the Notes and Payment Therefor.* Delivery to the Initial Purchasers of and payment for the Notes shall be made at the New York offices of Latham & Watkins LLP, at 10:00 A.M., New York City time, on March 16, 2011 (the "***Closing Date***"). The place of closing for the Notes and the Closing Date may be varied by agreement between the Initial Purchasers and the Company.

The Notes will be delivered to the Initial Purchasers, or the Trustee as custodian for The Depository Trust Company ("***DTC***"), against payment by or on behalf of the Initial Purchasers of the purchase price therefor by wire transfer in immediately available funds, by causing DTC to credit the Notes to the account of the Initial Purchasers at DTC. The Notes will be evidenced by one or more global securities in definitive form and will be registered in the name of Cede & Co. as nominee of DTC. The Notes to be delivered to the Initial Purchasers shall be made available to the Initial Purchasers in New York City for inspection and packaging not later than 10:00 A.M., New York City time, on the business day next preceding the Closing Date.

5. *Agreements of the Company and the Guarantors.* The Company and the Guarantors, jointly and severally, agree with each of the Initial Purchasers as follows:

(a) The Company and the Guarantors furnish to the Initial Purchasers, without charge, not later than the second business day following the date of the Offering Memorandum, such number of copies of the Offering Memorandum as may then be amended or supplemented as they may reasonably request.

(b) The Company and the Guarantors will prepare the Offering Memorandum in a form approved by the Initial Purchasers and will not make any amendment or supplement to the Pricing Disclosure Package or to the Offering Memorandum of which the Initial Purchasers shall not previously have been advised or to which they shall reasonably object in a timely manner after being so advised.

(c) Subject to the proviso in Section 5(f), the Company and each of the Guarantors consents to the use of the Pricing Disclosure Package and the Offering Memorandum in accordance with the securities or Blue Sky laws of the jurisdictions in which the Notes are offered by the Initial Purchasers and by all dealers to whom Notes may be sold, in connection with the offering and sale of the Notes.

(d) If, at any time prior to completion of the distribution of the Notes by the Initial Purchasers to Eligible Purchasers, any event occurs or information becomes known that, in the judgment of the Company or any of the Guarantors or in the reasonable opinion of counsel for the Initial Purchasers, should be set forth in the Pricing Disclosure Package or the Offering Memorandum so that the Pricing Disclosure Package or the Offering Memorandum, as then amended or supplemented, does not include any untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Pricing Disclosure Package or the Offering Memorandum in order to comply with any law, the Company and the Guarantors will forthwith prepare an appropriate supplement or amendment thereto, and will expeditiously furnish to the Initial Purchasers and dealers a reasonable number of copies thereof.

(e) None of the Company nor any Guarantor will make any offer to sell or solicitation of an offer to buy the Notes that would constitute a Free Writing Offering Document without the prior consent of the Representatives, which consent shall not be unreasonably withheld or delayed. If at any time following issuance of a Free Writing Offering Document any event occurred or occurs as a result of which such Free Writing Offering Document conflicts with the information in the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum or, when taken together with the information in the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum, includes an untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, as

promptly as practicable after becoming aware thereof, the Company will give notice thereof to the Initial Purchasers through the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Initial Purchaser a Free Writing Offering Document or other document which will correct such conflict, statement or omission.

(f) Promptly from time to time to take such action as the Initial Purchasers may reasonably request to qualify the Notes for offering and sale under the securities or Blue Sky laws of such jurisdictions as the Initial Purchasers may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes; *provided* that in connection therewith the Company shall not be required to (i) qualify as a foreign corporation in any jurisdiction in which it would not otherwise be required to so qualify, (ii) file a general consent to service of process in any such jurisdiction, or (iii) subject itself to taxation in any jurisdiction in which it would not otherwise be subject.

(g) For a period commencing on the date hereof and ending on the 90th day after the date of the Offering Memorandum, the Company and the Guarantors agree not to, directly or indirectly, (i) offer for sale, sell, or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any debt securities of the Company substantially similar to the Notes or securities convertible into or exchangeable for such debt securities of the Company, or sell or grant options, rights or warrants with respect to such debt securities of the Company or securities convertible into or exchangeable for such debt securities of the Company, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such debt securities of the Company, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of debt securities of the Company or other securities, in cash or otherwise, (iii) file or cause to be filed a registration statement, including any amendments, with respect to the registration of debt securities of the Company substantially similar to the Notes or securities convertible, exercisable or exchangeable into debt securities of the Company, or (iv) publicly announce an offering of any debt securities of the Company substantially similar to the Notes or securities convertible or exchangeable into such debt securities, in each case without the prior written consent of Barclays Capital Inc., on behalf of the Initial Purchasers, except any offer or sale of Notes, Exchange Notes, Guarantees or Exchange Guarantees pursuant to the Registration Rights Agreement, and any filings with the SEC related thereto.

(h) So long as any of the Notes are outstanding and the Company and the Guarantors are so required pursuant to the Indenture, the Company and the Guarantors will, furnish at their expense to the Initial Purchasers, and, upon request, to the holders of the Notes and prospective purchasers of the Notes the information required by Rule 144A(d)(4) under the Securities Act (if any).

(i) The Company and the Guarantors will apply the net proceeds from the sale of the Notes to be sold by it hereunder substantially in accordance with the description set forth in the Pricing Disclosure Package and the Offering Memorandum under the caption “Use of Proceeds.”

(j) The Company, the Guarantors and their respective affiliates will not take, directly or indirectly, any action designed to or that has constituted or that reasonably could be expected to cause or result in the stabilization or manipulation of the price of any security of the Company or the Guarantors in connection with the offering of the Notes.

(k) The Company and the Guarantors will use all commercially reasonable efforts to permit the Notes to be eligible for clearance and settlement through DTC.

(l) For a period of one year (calculated in accordance with paragraph (d) of Rule 144 under the Securities Act) from the Closing Date, the Company and the Guarantors will not, and will not permit any of their respective affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Notes that have been acquired by any of them, except (i) for Notes that are sold in a transaction registered under the Securities Act or (ii) in the opinion of counsel, the buyer of such Notes is not acquiring "restricted securities" under Rule 144 under the Securities Act.

(m) The Company and the Guarantors agree not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of the Notes in a manner that would require the registration under the Securities Act of the sale to the Initial Purchasers or the Eligible Purchasers of the Notes. The Company and the Guarantors will take reasonable precautions designed to insure that any offer or sale, direct or indirect, in the United States or to any U.S. person (as defined in Rule 902 under the Securities Act), of any Notes or any substantially similar security issued by the Company or any Guarantor, within six months subsequent to the date on which the distribution of the Notes has been completed (as notified to the Company by the Initial Purchasers), is made under restrictions and other circumstances reasonably designed not to affect the status of the offer and sale of the Notes in the United States and to U.S. persons contemplated by this Agreement as transactions exempt from the registration provisions of the Securities Act, including any sales pursuant to Rule 144A under, or Regulations D or S of, the Securities Act.

(n) The Company and the Guarantors agree to comply with all the terms and conditions of the Registration Rights Agreement and all agreements set forth in the representation letters of the Company and the Guarantors to DTC relating to the approval of the Notes by DTC for "book entry" transfer.

(o) The Company and the Guarantors will do and perform all things required or necessary to be done and performed under this Agreement by them prior to the Closing Date, and to satisfy all conditions precedent to the Initial Purchasers' obligations hereunder to purchase the Notes.

6. *Expenses.* Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company and the Guarantors, jointly and severally, agree to pay all expenses, costs, fees and taxes incident to and in connection with: (a) the preparation, printing, filing and distribution of the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Offering Memorandum (including, without limitation, financial statements and exhibits) and all amendments and supplements thereto (including the

fees, disbursements and expenses of the Company's and the Guarantors' accountants and counsel, but not, however, legal fees and expenses of the Initial Purchasers' counsel incurred in connection therewith); (b) the preparation, printing (including, without limitation, word processing and duplication costs) and delivery of this Agreement, the Indenture, the Registration Rights Agreement, all Blue Sky memoranda and all other agreements, memoranda, correspondence and other documents printed and delivered in connection therewith and with the Exempt Resales (but not, however, legal fees and expenses of the Initial Purchasers' counsel incurred in connection with any of the foregoing other than reasonable and documented fees of counsel plus reasonable disbursements incurred in connection with the preparation, printing and delivery of such Blue Sky memoranda); (c) the issuance and delivery by the Company of the Notes and by the Guarantors of the Guarantees and any taxes payable in connection therewith; (d) the qualification of the Notes and Exchange Notes for offer and sale under the securities or Blue Sky laws of the several states and any foreign jurisdictions as the Initial Purchasers may designate (including, without limitation, the reasonable and documented out of pocket fees and disbursements of the Initial Purchasers' counsel relating to such registration or qualification); (e) the furnishing of such copies of the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Offering Memorandum, and all amendments and supplements thereto, as may be reasonably requested for use in connection with the Exempt Resales; (f) the preparation of certificates for the Notes (including, without limitation, printing and engraving thereof); (g) the approval of the Notes by DTC for "book-entry" transfer; (h) the rating of the Notes and the Exchange Notes; (i) the obligations of the Trustee, any agent of the Trustee and the counsel for the Trustee in connection with the Indenture, the Notes, the Guarantees, the Exchange Notes and the Exchange Guarantees; (j) the performance by the Company and the Guarantors of their other obligations under this Agreement; and (k) all of the travel expenses of the Company's officers and employees and any other expenses of the Company in connection with attending or hosting meetings with prospective purchasers of the Notes, and expenses associated with any electronic road show. For the avoidance of doubt, nothing in this section shall require the Company and the Guarantors to pay any fees or disbursements of counsel to the Initial Purchasers, other than those fees and disbursements described in clauses (b) and (d) above.

7. *Conditions to Initial Purchasers' Obligations.* The respective obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and on and as of the Closing Date, of the representations and warranties of the Company and the Guarantors contained herein, to the performance by the Company and the Guarantors of their respective obligations hereunder, and to each of the following additional terms and conditions:

(a) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Notes, the Guarantees, the Exchange Notes, the Exchange Guarantees, the Registration Rights Agreement, the Indenture, the Acquisition Agreement, the Pricing Disclosure Package and the Offering Memorandum, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Initial Purchasers, and the Company and the Guarantors shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(b) Paul, Weiss, Rifkind, Wharton & Garrison LLP shall have furnished to the Initial Purchasers its written opinion and negative assurance letter, as counsel to the Company and the Guarantors, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers, substantially in the form of Exhibit B-1 and B-2 hereto.

(c) Holland & Knight LLP shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company and the Guarantors, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers, substantially in the form of Exhibit B-3 hereto.

(d) Califf & Harper, P.C. shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company and the Guarantors, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers, substantially in the form of Exhibit B-4 hereto.

(e) The Initial Purchasers shall have received from Latham & Watkins LLP, counsel for the Initial Purchasers, such opinion or opinions and negative assurance letter, dated the Closing Date, with respect to the issuance and sale of the Notes, the Pricing Disclosure Package, the Offering Memorandum and other related matters as the Initial Purchasers may reasonably require, and the Company shall have furnished to such counsel such documents and information as such counsel reasonably requests for the purpose of enabling them to pass upon such matters.

(f) At the time of execution of this Agreement, the Initial Purchasers shall have received from Grant Thornton LLP a letter, in form and substance reasonably satisfactory to the Initial Purchasers, addressed to the Initial Purchasers and dated the date hereof (i) confirming that it is an independent public accountant within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Pricing Disclosure Package, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and (iii) covering such other matters as are ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(g) With respect to the letter of Grant Thornton LLP referred to in the preceding paragraph and delivered to the Initial Purchasers concurrently with the execution of this Agreement (the "***Grant Thornton initial letter***"), Grant Thornton LLP shall have furnished to the Initial Purchasers a "bring-down letter" addressed to the Initial Purchasers and dated the Closing Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the Closing Date (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in each of the Pricing

Disclosure Package or the Offering Memorandum, as of a date not more than three days prior to the date of the Closing Date), the conclusions and findings of such firm with respect to the financial information and other matters covered by the Grant Thornton initial letter, and (iii) confirming in all material respects the conclusions and findings set forth in the Grant Thornton initial letter.

(h) At the time of execution of this Agreement, the Initial Purchasers shall have received from KPMG LLP a letter, in form and substance reasonably satisfactory to the Initial Purchasers, addressed to the Initial Purchasers and dated the date hereof (i) confirming that it is an independent public accountant within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Pricing Disclosure Package, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and (iii) covering such other matters as are ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(i) With respect to the letter of KPMG LLP referred to in the preceding paragraph and delivered to the Initial Purchasers concurrently with the execution of this Agreement (the "***KPMG initial letter***"), KPMG LLP shall have furnished to the Initial Purchasers a "bring-down letter" addressed to the Initial Purchasers and dated the Closing Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the Closing Date (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in each of the Pricing Disclosure Package or the Offering Memorandum, as of a date not more than three days prior to the date of the Closing Date), the conclusions and findings of such firm with respect to the financial information and other matters covered by the KPMG initial letter, and (iii) confirming in all material respects the conclusions and findings set forth in the KPMG initial letter.

(j) (i) Neither the Company, any Guarantor nor any of their respective subsidiaries shall have sustained, since the date of the latest audited financial statements included in the Pricing Disclosure Package and the Offering Memorandum, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, or (ii) since such date, there shall not have been any change in the capital stock or long-term debt of the Company, any Guarantor or any of their respective subsidiaries or any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management or business of the Company, the Guarantors and their respective subsidiaries, taken as a whole, the effect of which, in any such case described in clause (i) or (ii), is, individually or in the aggregate, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the offering or the delivery of the Notes being delivered on the Closing Date on the terms and in the manner contemplated in the Pricing Disclosure Package and the Offering Memorandum.

(k) The Company and each Guarantor shall have furnished or caused to be furnished to the Initial Purchasers dated as of the Closing Date a certificate of the Chief Executive Officer and Chief Financial Officer of the Company and each Guarantor, or other officers satisfactory to the Initial Purchasers, as to such matters as the Representatives may reasonably request, including, without limitation, a statement that the representations, warranties and agreements of the Company and the Guarantors in Section 2 are true and correct on and as of the Closing Date, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date.

(l) The Notes shall be eligible for clearance and settlement through DTC.

(m) The Company and the Guarantors shall have executed and delivered the Registration Rights Agreement and the Initial Purchasers shall have received an original copy thereof, duly executed by the Company and the Guarantors.

(n) The Company, the Guarantors and the Trustee have executed and delivered the Indenture, and the Initial Purchasers have received an original copy thereof, duly executed by the Company, the Guarantors and the Trustee.

(o) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the Nasdaq Stock Market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States, or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offering or delivery of the Notes being delivered on the Closing Date on the terms and in the manner contemplated in the Offering Memorandum or that, in the judgment of the Representatives, could materially and adversely affect the financial markets or the markets for the Notes and other debt securities.

(p) Substantially concurrent with the closing of the offering of the Notes, the Acquisition shall be consummated in accordance with the terms of the Acquisition Agreement as set forth in the Pricing Disclosure Package and the Offering Memorandum.

(q) There shall exist at and as of the Closing Date no condition that would constitute a default (or an event that with notice or the lapse of time, or both, would constitute a default) under the Indenture as in effect at the Closing Date (or an event that with notice or lapse of time, or both, would constitute such a default or material breach).

(r) On or prior to the Closing Date, the Company and the Guarantors shall have furnished to the Initial Purchasers such further certificates and documents as the Initial Purchasers may reasonably request.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

8. *Indemnification and Contribution.*

(a) The Company and each Guarantor hereby agree, jointly and severally, to indemnify and hold harmless each Initial Purchaser, its affiliates, directors, officers and employees and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which that Initial Purchaser, affiliate, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Free Writing Offering Document, the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum or in any amendment or supplement thereto, (B) in any Blue Sky application or other document prepared or executed by the Company or any Guarantor (or based upon any written information furnished by the Company or any Guarantor) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "***Blue Sky Application***"), or (C) in any materials or information provided to investors by, or with the approval of, the Company or any Guarantor in connection with the marketing of the offering of the Notes ("***Marketing Materials***"), including any road show or investor presentations made to investors by the Company (whether in person or electronically) or (ii) the omission or alleged omission to state in any Free Writing Offering Document, the Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application or in any Marketing Materials, any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and shall reimburse each Initial Purchaser and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided*, *however*, that the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged

untrue statement or omission or alleged omission made in any Free Writing Offering Document, Preliminary Offering Memorandum, the Pricing Disclosure Package or Offering Memorandum, or in any such amendment or supplement thereto, or in any Blue Sky Application or in any Marketing Materials, in reliance upon and in conformity with written information concerning such Initial Purchaser furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information consists solely of the information specified in Section 8(e). The foregoing indemnity agreement is in addition to any liability that the Company or the Guarantors may otherwise have to any Initial Purchaser or to any affiliate, director, officer, employee or controlling person of that Initial Purchaser.

(b) Each Initial Purchaser, severally and not jointly, hereby agrees to indemnify and hold harmless the Company, each Guarantor, their respective officers and employees, each of their respective directors, and each person, if any, who controls the Company or any Guarantor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company, any Guarantor or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Free Writing Offering Document, Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum or in any amendment or supplement thereto, (B) or in any Blue Sky Application or (C) in any Marketing Materials, or (ii) the omission or alleged omission to state in any Free Writing Offering Document, Preliminary Offering Memorandum, the Pricing Disclosure Package or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application or in any Marketing Materials, any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Initial Purchaser furnished to the Company through the Representatives by or on behalf of that Initial Purchaser specifically for inclusion therein, which information is limited to the information set forth in Section 8(e). The foregoing indemnity agreement is in addition to any liability that any Initial Purchaser may otherwise have to the Company, any Guarantor or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; *provided*, *however*, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under this Section 8 except to the extent it has been materially prejudiced (by the forfeiture of substantive rights or defenses) by such failure and; *provided*, *further*, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel

reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided*, *however*, that the indemnified party or parties shall have the right to employ its or their own counsel in any such action if (i) the indemnified party and the indemnifying party shall have so mutually agreed; (ii) the indemnifying party shall have failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party or parties; (iii) the indemnified party or parties shall have reasonably concluded, based on the advice of counsel, that there may be legal defenses available to them that are different from or in addition to those available to the indemnified party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying party, on the one hand, and the indemnified party, on the other hand, and representation of both sets of parties by the same counsel would present a conflict due to actual or potential differing interests between them, and in any such event the reasonable and documented out-of-pocket fees and expenses of such separate counsel shall be paid by the indemnifying party. In no event shall the indemnifying parties be liable for the reasonable fees and expenses of more than one counsel (together with appropriate local counsel) at any time for all indemnified parties in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances; *provided* that if the use of such counsel chosen to represent all indemnified parties would present such counsel with a conflict of interest, each indemnified party shall have the right to select separate counsel to defend such action on behalf of such indemnified party. No indemnifying party shall (x) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party, or (y) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, from the offering of the Notes, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as

is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by the Company and the Guarantors, on the one hand, and the total underwriting discounts and commissions received by the Initial Purchasers with respect to the Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Notes under this Agreement as set forth on the cover page of the Offering Memorandum. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Guarantors, or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. For purposes of the preceding two sentences, the net proceeds deemed to be received by the Company shall be deemed to be also for the benefit of the Guarantors, and information supplied by the Company shall also be deemed to have been supplied by the Guarantors. The Company, the Guarantors and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the net proceeds from the sale to Eligible Purchasers of the Notes initially purchased by it exceeds the amount of any damages that such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective purchase obligations and not joint.

(e) The Initial Purchasers severally confirm and the Company and the Guarantors acknowledge and agree that the statements with respect to the offering of the Notes by the Initial Purchasers set forth in (i) the second sentence of the second to last paragraph on the front cover of the Offering Memorandum and (ii) the sub-section entitled "Stabilization and Short Positions" and the fourth, fifth and sixth sentences of the first paragraph and the second paragraph of the sub-section entitled "Rule 144A and Regulation S" of the section entitled "Plan of Distribution," in the Pricing Disclosure Package and the Offering Memorandum are correct and constitute the only information concerning such Initial Purchasers furnished in writing to the Company or any Guarantor by or on behalf of the Initial Purchasers specifically for inclusion in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Offering Memorandum or in any amendment or supplement thereto.

9. *Defaulting Initial Purchasers.*

(a) If, on the Closing Date, any Initial Purchaser defaults in its obligations to purchase the Notes that it has agreed to purchase under this Agreement, the remaining non-defaulting Initial Purchasers may in their discretion arrange for the purchase of such Notes by the non-defaulting Initial Purchasers or other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Initial Purchaser, the non-defaulting Initial Purchasers do not arrange for the purchase of such Notes, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Initial Purchasers to purchase such Notes on such terms. In the event that within the respective prescribed periods, the non-defaulting Initial Purchasers notify the Company that they have so arranged for the purchase of such Notes, or the Company notifies the non-defaulting Initial Purchasers that it has so arranged for the purchase of such Notes, either the non-defaulting Initial Purchasers or the Company may postpone the Closing Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Initial Purchasers may be necessary in the Pricing Disclosure Package, the Offering Memorandum or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Pricing Disclosure Package or the Offering Memorandum that effects any such changes. As used in this Agreement, the term "Initial Purchaser" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule I hereto that, pursuant to this Section 9, purchases Notes that a defaulting Initial Purchaser agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Notes of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Company as provided in paragraph (a) above, the aggregate principal amount of such Notes that remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Notes, then the Company shall have the right to require each non-defaulting Initial Purchaser to purchase the principal amount of Notes that such Initial Purchaser agreed to purchase hereunder plus such Initial Purchaser's pro rata share (based on the principal amount of Notes that such Initial Purchaser agreed to purchase hereunder) of the Notes of such defaulting Initial Purchaser or Initial Purchasers for which such arrangements have not been made; *provided* that the non-defaulting Initial Purchasers shall not be obligated to purchase more than 110% of the aggregate principal amount of Notes that they agreed to purchase on the Closing Date pursuant to the terms of Section 3.

(c) If, after giving effect to any arrangements for the purchase of the Notes of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Company as provided in paragraph (a) above, the aggregate principal amount of such Notes that remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Notes, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement shall terminate without liability on the part of the non-defaulting Initial Purchasers. Any termination of this Agreement pursuant to this Section 9 shall be without liability on the part

of the Company or the Guarantors, except that the Company and each of the Guarantors will continue to be liable for the payment of expenses as set forth in Section 6 and except that the provisions of Section 8 shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Initial Purchaser of any liability it may have to the Company, the Guarantors or any non-defaulting Initial Purchaser for damages caused by its default.

10. *Termination*. The obligations of the Initial Purchasers hereunder may be terminated by the Initial Purchasers by notice given to and received by the Company prior to delivery of and payment for the Notes if, prior to that time, any of the events described in Sections 7(j) or 7(o) shall have occurred or if the Initial Purchasers shall decline to purchase the Notes for any reason permitted under this Agreement.

11. *Reimbursement of Initial Purchasers' Expenses*. If (a) the Company for any reason fails to tender the Notes for delivery to the Initial Purchasers, or (b) the Initial Purchasers shall decline to purchase the Notes for any reason permitted under this Agreement, the Company and the Guarantors shall reimburse the Initial Purchasers for all reasonable and documented out-of-pocket expenses (including fees and disbursements of one firm of outside counsel for the Initial Purchasers) incurred by the Initial Purchasers in connection with this Agreement and the proposed purchase of the Notes, and upon demand the Company and the Guarantors shall pay the full amount thereof to the Initial Purchasers. If this Agreement is terminated pursuant to Section 9 by reason of the default of one or more Initial Purchasers, the Company and the Guarantors shall not be obligated to reimburse any defaulting Initial Purchaser on account of those expenses.

12. *Notices, etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to any Initial Purchasers, shall be delivered or sent by hand delivery, mail, telex, overnight courier or facsimile transmission to Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration with a copy to Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, Attention: Greg Rodgers (Fax: 212-751-4864), and with a copy, in the case of any notice pursuant to Section 8(c), to the Director of Litigation, Office of the General Counsel, Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019;

(b) if to the Company or any Guarantor, shall be delivered or sent by mail, telex, overnight courier or facsimile transmission to The Hillman Group, Inc., 10590 Hamilton Avenue, Cincinnati, Ohio 45231-1764, Attention: Chief Financial Officer (Fax: 513-595-8297), with a copy to Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attention: John C. Kennedy (Fax: 212-492-0025);

provided, *however*, that any notice to an Initial Purchaser pursuant to Section 8(c) shall be delivered or sent by hand delivery, mail, facsimile or electronic transmission to such Initial Purchaser at its address set forth in its acceptance telex to Barclays Capital Inc., which address will be supplied to any other party hereto by Barclays Capital Inc. upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers by Barclays Capital Inc.

13. *Persons Entitled to Benefit of Agreement.* This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Company, the Guarantors and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that the representations, warranties, indemnities and agreements contained in this Agreement shall also be deemed to be for the benefit of the other indemnified parties referred to in clauses 8(a) and (b), and their respective successors and assigns. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 14, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

14. *Survival.* The respective indemnities, rights of contribution, representations, warranties and agreements of the Company, the Guarantors and the Initial Purchasers contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of any of them or any person controlling any of them.

15. *Definition of the Terms "Business Day", "Affiliate", and "Subsidiary".* For purposes of this Agreement, (a) "business day" means any day on which the New York Stock Exchange, Inc. is open for trading, and (b) "affiliate" and "subsidiary" have the meanings set forth in Rule 405 under the Securities Act.

16. *Governing Law*. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York**

17. *Waiver of Jury Trial.* The Company and each of the Initial Purchasers hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

18. *No Fiduciary Duty.* The Company and the Guarantors acknowledge and agree that in connection with this offering, or any other services the Initial Purchasers may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Initial Purchasers: (a) no fiduciary or agency relationship between the Company, and Guarantor and any other person, on the one hand, and the Initial Purchasers, on the other, exists; (b) the Initial Purchasers are not acting as advisors, expert or otherwise, to the Company and the Guarantors, including, without limitation, with respect to the determination of the purchase price of the Notes, and such relationship between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, is entirely and solely commercial, based on arms-length negotiations; (c) any duties and obligations that the Initial Purchasers may have to the Company and the Guarantors shall be limited to those duties and obligations specifically stated herein; (d)

the Initial Purchasers and their respective affiliates may have interests that differ from those of the Company and the Guarantors; and (e) the Company and the Guarantors have consulted their own legal and financial advisors to the extent they deemed appropriate. The Company and the Guarantors hereby waive any claims that the Company and the Guarantors may have against the Initial Purchasers with respect to any breach of fiduciary duty in connection with the Notes.

19. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

20. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement among the Company, the Guarantors and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

THE HILLMAN GROUP, INC.

By /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

HILLMAN INVESTMENT COMPANY
THE HILLMAN COMPANIES, INC.
ALL POINTS INDUSTRIES, INC.
SUNSUB C INC.
SERV-A-LITE PRODUCTS, INC.

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

Accepted:

BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. INCORPORATED

By BARCLAYS CAPITAL INC., as
Authorized Representative

By: /s/ Benjamin J. Burton
Name: Benjamin J. Burton
Title: Managing Director

SCHEDULE I

Initial Purchasers	Principal Amount of Notes to be Purchased
Barclays Capital Inc.	$ 25,000,000
Morgan Stanley & Co. Incorporated	$ 25,000,000
Total	$ 50,000,000

SCHEDULE II

LIST OF GUARANTORS

HILLMAN COMPANIES, INC.

HILLMAN INVESTMENT CO.

ALL POINTS INDUSTRIES, INC.

SUNSUB C INC.

SERV-A-LITE PRODUCTS, INC.

SCHEDULE III

The Hillman Group, Inc.

$50,000,000 10.875% Senior Notes due 2018

March 11, 2011

Pricing Supplement

Pricing Supplement dated March 11, 2011 to the Preliminary Offering Memorandum dated March 11, 2011 of the Hillman Group, Inc. This Pricing Supplement is qualified in its entirety by reference to the Preliminary Offering Memorandum. The information in this Pricing Supplement supplements the Preliminary Offering Memorandum and supersedes the information in the Preliminary Offering Memorandum to the extent it is inconsistent with the information in the Preliminary Offering Memorandum. Capitalized terms used in this Pricing Supplement but not defined have the meanings given them in the Preliminary Offering Memorandum.

Issuer	The Hillman Group, Inc.
Guarantors	The Hillman Companies, Inc. Hillman Investment Co. All Points Industries, Inc. SunSub C Inc. Serv-A-Lite Products, Inc. and each of the Issuer's future Domestic Subsidiaries
Title of Securities	10.875% Senior Notes due 2018 (the "Notes")
Aggregate Principal Amount	$50,000,000
Gross Proceeds	$54,625,000 (excluding accrued and unpaid interest from December 1, 2010 to the date of delivery paid in addition to the issue price, which will be paid to the applicable holders on the next interest payment date, June 1, 2011)
Distribution	144A/Regulation S with Registration Rights
Maturity Date	June 1, 2018
Issue Price	109.250%, plus pre-issuance accrued and unpaid interest from December 1, 2010
Coupon	10.875%
Yield to Maturity	9.092%
Spread to Benchmark Treasury	632 basis points
Benchmark Treasury	3.875% due May 15, 2018
Interest Payment Dates	June 1 and December 1 of each year, beginning on June 1, 2011
Record Dates	May 15 and November 15 of each year

Ratings*	B3 (Moody's)/CCC+ (S&P)
Trade Date	March 11, 2011
Settlement Date	March 16, 2011 (T+3) We expect that delivery of the notes will be made against payment therefor on or about the third business day following the date of confirmation of orders with respect to the notes (this settlement cycle being referred to as "T+3").
Make-Whole Redemption	Make-whole redemption at Treasury Rate + 50 basis points prior to June 1, 2014
Optional Redemption	On or after June 1, 2014, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, on the Notes redeemed during the twelve-month period indicated beginning on June 1 of the years indicated below:

Year	Price
2014	105.438%
2015	102.719%
2016 and thereafter	100.000%

Equity Clawback	Up to 35% at 110.875% prior to June 1, 2013
Change of Control	101% plus accrued and unpaid interest
Joint Book-Running Managers	Barclays Capital Inc. Morgan Stanley & Co. Incorporated
CUSIP Numbers	Rule 144A: 43162R AC8 Regulation S: U4328P AB4
ISIN Numbers	Rule 144A: US43162RAC88 Regulation S: USU4328PAB41
Denominations	Minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof

* Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

This material is strictly confidential and has been prepared by the Issuer solely for use in connection with the proposed offering of the securities described in the Preliminary Offering Memorandum. This material is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the securities. Please refer to the Preliminary Offering Memorandum for a complete description.

The securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being offered only to (1) "qualified institutional buyers" as defined in Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act, and this communication is only being distributed to such persons.

This communication is not an offer to sell the securities and it is not a solicitation of an offer to buy the securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

SCHEDULE IV

A. Each document provided as an amendment or supplement to the Preliminary Offering Memorandum:

None.

B. Free Writing Offering Documents:

None.

SCHEDULE V

LIST OF SUBSIDIARIES

ALL POINTS INDUSTRIES, INC.

SUNSUB C INC

THE HILLMAN GROUP CANADA, LTD

SUNSOURCE INTEGRATED SERVICES DE MEXICO S.A. DE C.V.

SERV-A-LITE PRODUCTS, INC.

Exhibit A

FORM OF REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "***Agreement***") is made and entered into as of March 16, 2011 by and among the Hillman Group, Inc., a Delaware corporation (the "***Company***"), the guarantors listed on Schedule I hereto (the "***Guarantors***") and Barclays Capital Inc. and Morgan Stanley & Co. Incorporated, as representatives of the several initial purchasers named in Schedule I attached to the Purchase Agreement (as defined below) (each such initial purchaser, an "***Initial Purchaser***" and, together, the "***Initial Purchasers***"), each of whom has agreed to purchase the Company's 10.875% Senior Notes Due 2018 (the "***Initial Notes***") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated March 11, 2011 (the "***Purchase Agreement***"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Initial Notes, the Company and the Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture, dated as of May 28, 2010, among the Company, the Guarantors and Wells Fargo Bank, National Association, as trustee, relating to the Initial Notes and the Exchange Notes, as amended and supplemented by the First Supplemental Indenture, dated as of December 29, 2010 (as so amended and supplemented, the "***Indenture***").

The parties hereby agree as follows:

1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

Affiliate: As defined in Rule 144 of the Act.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Business Day: Any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If the time to perform any action hereunder falls on a day that is not a Business Day, such time will be extended to the next Business Day and no Special Interest shall accrue for the intervening period.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Exchange Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof, and (c) the delivery by the Company to the Registrar (as defined in the Indenture) under the Indenture of Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Initial Notes tendered by Holders thereof pursuant to the Exchange Offer.

Consummation Deadline: As defined in Section 3(b) hereof.

Effectiveness Deadline: As defined in Sections 3(a) and 4(a) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

Exchange Notes: The Company's 10.875% Senior Notes due 2018 to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

Exchange Offer: The exchange and issuance by the Company of a principal amount of Exchange Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Initial Notes that are validly tendered and not withdrawn by such Holders in connection with such exchange and issuance.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Filing Deadline: As defined in Sections 3(a) and 4(a) hereof.

Free Writing Prospectus: Each offer to sell or solicitation of an offer to buy the Initial Notes or the Exchange Notes that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act, prepared by or on behalf of the Company or used or referred to by the Company in connection with the sale of the Initial Notes or the Exchange Notes.

Holders: As defined in Section 2 hereof.

Interest Payment Date: As defined in the Initial Notes and Exchange Notes.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Recommencement Date: As defined in Section 6(d) hereof.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company and the Guarantors relating to (a) an offering of Exchange Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement, (ii) including the Prospectus included therein, and (iii) including all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Rule 144: Rule 144 promulgated under the Act.

Shelf Registration Statement: As defined in Section 4 hereof.

Special Interest. As defined in Section 5 hereof.

Suspension Notice: As defined in Section 6(d) hereof.

Transfer Restricted Securities: Each Initial Note until the earliest to occur of (a) the date on which such Initial Note has been exchanged in the Exchange Offer by a Person other than a Broker-Dealer for an Exchange Note and is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) following the exchange by a Broker-Dealer in the Exchange Offer of an Initial Note for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement, (c) the date on which such Initial Note has been effectively registered under the Act and disposed of in accordance with the Shelf Registration Statement; (d) the date on which such Initial Note is sold or otherwise distributed to a Person who is not the Company or an Affiliate of the Company; *provided*, that an Initial Note will not cease to be a Transfer Restricted Security for purposes of the Exchange Offer by virtue of this clause (d); or (e) the earliest date that is no less than two years after the date of the Indenture and on which all such Initial Notes (except for Initial Notes held by an Affiliate of the Company) are no longer subject to any restrictions on transfer under the Act, including Rule 144.

2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "***Holder***") whenever such Person owns Transfer Restricted Securities.

3. REGISTERED EXCHANGE OFFER

(a) To the extent not prohibited by any applicable law or Commission policy, the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission no later than the 180th day after the initial issuance of the Initial Notes (such date being the "***Filing Deadline***"), (ii) use all commercially reasonable efforts to cause such Exchange Offer Registration Statement to become effective no later than 270 days after the Filing Deadline (such 270th day being the "***Effectiveness Deadline***"), (iii) in connection with the foregoing, use all commercially reasonable efforts to (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement, and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Exchange Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, *provided*, *however*, that neither the Company nor any Guarantor shall be required to take any action that would subject them to general service of process or taxation in any jurisdiction where they are not already subject, and (iv) unless the Exchange Offer shall not be permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a)(i) below have been complied with), upon the effectiveness of such Exchange Offer Registration Statement, commence and use all commercially reasonable efforts to Consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Exchange Notes to be offered in exchange for the Initial Notes that are Transfer Restricted Securities and (ii) resales of Exchange Notes by Broker-Dealers that tendered into the Exchange Offer Initial Notes that such Broker-Dealer acquired for its own account as a result of market-making activities or other trading activities (other than Initial Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) To the extent not prohibited by any applicable law or Commission policy, the Company and the Guarantors shall use all commercially reasonable efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; *provided, however,* that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use all commercially reasonable efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 Business Days or longer, if required by the federal securities laws, after the date on which the Exchange Offer Registration Statement has become effective (such 30th day, or such later date required by the federal securities laws, being the "***Consummation Deadline***").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than

Initial Notes acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement.

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Exchange Notes received by such Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the Prospectus contained in the Exchange Offer Registration Statement is available for sales of Exchange Notes by Broker-Dealers, the Company and the Guarantors agree to use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than five Business Days after such request, at any time during such period.

4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company and the Guarantors are not (A) required to file the Exchange Offer Registration Statement or (B) permitted to Consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) any Holder notifies the Company prior to the 20th Business Day following Consummation of the Exchange Offer that (A) such Holder is prohibited by law or Commission policy from participating in the Exchange Offer, (B) such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Initial Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) use all commercially reasonable efforts to file, on or prior to the later of (i) 30 days after the earlier of (A) the date as of which the Company determines that the Exchange Offer Registration Statement will not be or cannot be, as the case may be, filed as a result of clause (a)(i) above and (B) the date on which the Company receives the notice specified in clause (a)(ii) above and (ii) 180 days after the initial issuance of the Initial Notes (such later date, the "***Shelf Filing Deadline***"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "***Shelf Registration Statement***")), covering the resale of all Transfer Restricted Securities, and

(y) use all commercially reasonable efforts to cause such Shelf Registration Statement to become effective on or prior to the later of (i) 60 days after the Shelf Filing Deadline and (ii) 270 days after the initial issuance of the Initial Notes (such later date, the "***Shelf Effectiveness Deadline***").

If, after the Company and the Guarantors have filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company and the Guarantors are required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i)(B) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; *provided* that, in such event, the Company and the Guarantors shall remain obligated to meet the Shelf Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use all commercially reasonable efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and 6(c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least one year (as extended pursuant to Section 6(c)(i) or 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto or are no longer Transfer Restricted Securities.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement No Holder may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 15 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act, or other information reasonably requested by the Company or required by Regulation S-K of the Act, for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder shall be entitled to Special Interest pursuant to Section 5 hereof unless and until (and from and after such time) such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading and shall promptly supply such other information as the Company may from time to time reasonably request.

5. SPECIAL INTEREST

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to 30 Business Days after the Effectiveness Deadline with respect to the Exchange Offer Registration Statement, or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose (each such event referred to in clauses (i) through (iv), a "***Registration Default***"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder affected thereby special interest ("***Special Interest***") in an amount equal to 0.25% per annum of the principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of the first such Registration Default. The amount of Special Interest shall increase by an additional 0.25% per annum of the principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Special Interest of 0.50% per annum of the principal amount of Transfer Restricted Securities; *provided* that the Company and the Guarantors shall in no event be required to pay Special Interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of clause (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of clause (ii) above, (3) upon Consummation of the Exchange Offer, in the case of clause (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of clause (iv) above, the Special Interest payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii), or (iv), as applicable, shall cease on the date of such cure and the interest rate on such Transfer Restricted Securities will revert to the interest rate on such Transfer Restricted Securities prior to the applicable Registration Default.

All accrued Special Interest shall be paid by the Company and the Guarantors (or the Company and the Guarantors will cause the Paying Agent to make such payment on their behalf) to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture, the Initial Notes and the Exchange Notes. Notwithstanding the fact that any securities for which Special Interest are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay Special Interest with respect to securities that accrued prior to the time that such securities ceased to be Transfer Restricted Securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use all commercially reasonable efforts to effect such exchange and to permit the resale of Exchange Notes by Broker-Dealers that tendered in the Exchange Offer Initial Notes that such Broker-Dealer acquired for its own account as a result of its market-making activities or other trading activities (other than Initial Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(aa) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to use all commercially reasonable efforts to either (x) seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to Consummate an Exchange Offer for such Transfer Restricted Securities, or (y) file, in accordance with Section 4(a) hereof, a Shelf Registration Statement to permit the registration and/or resale of the Transfer Restricted Securities that would otherwise be covered by the Exchange Offer Registration Statement but for the announcement of a change in Commission policy. In the case of clause (x) above, the Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level but shall not be required to take action not commercially reasonable to affect a change of Commission policy. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise reasonably required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted, and (C) diligently pursuing a resolution (which need not be favorable and which need not be a written resolution) by the Commission staff.

(ab) As a condition to its participation in the Exchange Offer, each Holder (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any Person to participate in,

a distribution of the Exchange Notes to be issued in the Exchange Offer, (C) it is acquiring the Exchange Notes in its ordinary course of business, and (D) only if such Holder is a Broker-Dealer that will receive Exchange Notes in exchange for Initial Notes that such Broker-Dealer acquired for its own private account as a result of market making or other trading activities, it will deliver a Prospectus, as required by law, in connection with any sale of such Exchange Notes. As a condition to its participation in the Exchange Offer, each Holder using the Exchange Offer to participate in a distribution of the Exchange Notes shall acknowledge and agree that, if the resales are of Exchange Notes obtained by such Holder in exchange for Initial Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(ac) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that the Company and Guarantors have not entered into any arrangement or understanding with any Person to distribute the Exchange Notes to be received in the Exchange Offer and that, to the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer, and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(aa) comply with all the provisions of Section 6(c) below and use all commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or

methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof, and

(ii) issue to any purchaser of Initial Notes covered by any Shelf Registration Statement contemplated by this Agreement, upon the request of the purchaser, registered Initial Notes having an aggregate principal amount equal to the aggregate principal amount of Initial Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation in the names as such purchaser shall designate; *provided* that such purchaser provides all documentation reasonably requested by the Company in connection with such issuance.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(aa) use all commercially reasonable efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file as promptly as practicable an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use all commercially reasonable efforts to cause such amendment to be declared effective as soon as practicable.

(ab) use all commercially reasonable efforts to prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A, and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(ac) advise (a) each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement), and (b) each Holder who has provided notice to the Company promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the happening of any event that requires the Company to make changes in the Registration Statement or the Prospectus in order that the Registration Statement or the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein do not contain an untrue statement of material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use all commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(ad) subject to Section 6(d), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ae) furnish to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the reasonable review and comment of such Holders in connection with such sale, if any, for a period of at least three Business Days, and the Company will not file any such Registration Statement or

Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within three Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(af) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus in connection with such exchange, registration or sale, if any, provide copies of such document to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, subject to execution and delivery of customary confidentiality agreements, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(ag) make available, at reasonable times, for inspection by each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors reasonably requested and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; *provided* that any Holder or representative thereof requesting or receiving such information shall agree to be bound by customary confidentiality agreements and procedures with respect thereto;

(ah) if requested by any Holders whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities and the use of the Registration Statement or Prospectus for market making activities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ai) upon request, furnish to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) in connection with such exchange, registration or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(aj) upon request, deliver to each Holder whose Transfer Restricted Securities have been included in a Shelf Registration Statement (in the case of a Shelf Registration Statement) without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holders reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law and subject to Section 6(d) hereof) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(ak) upon the reasonable request of such Holder, enter into such agreements (including an underwriting agreement containing customary terms), and make such representations and warranties, and take all such other reasonable and customary actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to a Shelf Registration Statement contemplated by this Agreement, all to such extent as may be customarily and reasonably requested by any Holder or Holders of Transfer Restricted Securities who hold at least 50% in aggregate principal amount of such class of Transfer Restricted Securities; *provided*, that, the Company and the Guarantors shall not be required to enter into any such agreement more than once with respect to all of the Transfer Restricted Securities and may delay entering into such agreement if the Board of Directors of the Company determines in good faith that it is in the best interests of the Company and the Guarantors not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company and the Guarantors. In such connection, the Company and the Guarantors shall:

(i) upon the request of any Holder, furnish (or in the case of paragraphs (2) and (3), use its commercially reasonable efforts to cause to be furnished) to each such Holder (in the case of the Shelf Registration Statement) and any underwriter, upon the effectiveness of the Shelf Registration Statement, as the case may be:

a certificate in customary form, dated such date, signed on behalf of the Company and each Guarantor by (x) the Chief Executive Officer or any Vice President, and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, such matters as such Holders may reasonably request;

a customary opinion (including a customary negative assurance statement), dated the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors in customary form and covering such other matters as such Holder may reasonably request; and

a customary comfort letter, dated the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 8(e) of the Purchase Agreement; and

(ii) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(al) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided, however,* that the Company and the Guarantors shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation in any jurisdiction where it is not now so subject;

(am) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to enable such Transfer Restricted Securities to be registered in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(an) use all commercially reasonable efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(ao) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company; and

(ap) otherwise use all commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 under the Act (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act).

(d) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(i) or 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a "***Suspension Notice***"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "***Recommencement Date***"). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses, or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the Recommencement Date.

7. REGISTRATION EXPENSES

All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) the reasonable fees and disbursements of counsel for the Company and the Guarantors, and, in the case of a Shelf Registration Statement, the reasonable and documented fees and disbursements of one counsel for all of the Holders of Transfer Restricted Securities selected by the Holders of a majority in principal amount of Transfer Restricted Securities being registered; (v) all application and filing fees in connection with listing the Exchange Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance); *provided, however,* that in no event shall the Company or the Guarantors be responsible for any underwriting discounts and commissions, brokerage commissions and transfer taxes, and fees attributable to the sale or other disposition of Transfer Restricted Securities.

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities or judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus, Free Writing Prospectus or any "issuer information" (as defined in Rule 433 of the Act) filed or required to be filed pursuant to Rule 433(d) under the Act or in any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by or on behalf of any of the Holders.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company and the Guarantors by or on behalf of such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds the sum of: (i) the amount paid by such Holder for such Transfer Restricted Securities plus (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "***Indemnified party***"), the indemnified party shall promptly notify the Person against whom such indemnity may be sought (the "***Indemnifying party***") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all reasonable fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the reasonable fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party has failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party, or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party has been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the

case of the parties indemnified pursuant to Section 8(a), and by the Company and Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action effected with its written consent (which consent shall not be unreasonably withheld). No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened claim, action, suit or proceeding in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such claim, action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities, or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c) hereof, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

(e) The Company, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately

preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total amount received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds the sum of: (i) the amount paid by such Holder for such Transfer Restricted Securities plus (ii) the amount of any damages that such Holder has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

9. RULE 144A AND RULE 144

The Company and each Guarantor agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A under the Act.

10. MISCELLANEOUS

(a) Remedies. The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantors' obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) Free Writing Prospectus. The Company represents, warrants and covenants that it (including its agents and representatives) will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) in connection with the issuance and sale of the Initial Notes and the Exchange Notes, other than (i) any communication pursuant to Rule 134, Rule 135 or Rule 135c under the Securities

Act, (ii) any document constituting an offer to sell or solicitation of an offer to buy the Initial Notes or the Exchange Notes that falls within the exception from the definition of prospectus in Section 2(a)(10)(a) of the Securities Act, or (iii) a prospectus satisfying the requirements of section 10(a) of the Securities Act or of Rule 430, Rule 430A, Rule 430B, Rule 430C or Rule 431 under the Securities Act.

(c) No Inconsistent Agreements. The Company and any Guarantor will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Company and any Guarantor have not previously entered into, nor is currently a party to, any agreement granting any registration rights with respect to its securities to any Person that would require such securities to be included in any Registration Statement filed hereunder. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities, and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Additional Guarantors. The Company shall cause any of its Domestic Subsidiaries (as defined in the Indenture) that becomes, prior to the consummation of the Exchange Offer, a Guarantor in accordance with the terms and provisions of the Indenture to become a party to this Agreement as a Guarantor.

(f) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(g) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier or air courier guaranteeing overnight delivery:

(aa) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ab) if to the Company or the Guarantors:

The Hillman Group
10590 Hamilton Avenue
Cincinnati, Ohio 45231-1764
Attention: Chief Financial Officer
Fax: 513-595-8297

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: John C. Kennedy
Fax: 212-492-0025

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(h) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; *provided* that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(k) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(l) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(m) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(Signature Pages Follow.)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

The Hillman Group, Inc.

By: _____
Name: James P. Waters
Title: Chief Financial Officer

Hillman Investment Company
The Hillman Companies, Inc.
All Points Industries, Inc.
SunSub C Inc.
Serv-A-Lite Products, Inc.

By: _____
Name: James P. Waters
Title: Chief Financial Officer

BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. INCORPORATED

By: BARCLAYS CAPITAL INC.

By _____
Name:
Title:

SCHEDULE I

Guarantors

Hillman Investment Company

The Hillman Companies, Inc.

All Points Industries, Inc.

SunSub C Inc.

Serv-A-Lite Products, Inc.

ANNEX A

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for unregistered notes where such unregistered notes were acquired as a result of market-making activities or other trading activities. To the extent any such broker-dealer participates in the exchange offer, we have agreed that for a period of up to 180 days we will use commercially reasonable efforts to make this prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale, and will deliver as many additional copies of this prospectus and each amendment or supplement to this prospectus and any documents incorporated by reference in this prospectus as such broker-dealer may reasonably request.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be deemed to be an “underwriter” within the meaning of the Securities Act and any profit on any such resale of exchange notes and any commissions or concessions received by any such Persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offer and will indemnify the holders of outstanding notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

Exhibit B

Company Counsel Opinion

March 16, 2011

Barclays Capital Inc.
Morgan Stanley & Co. Incorporated
As Representatives of the several
Initial Purchasers named in Schedule I attached hereto,
c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

We have acted as special counsel to The Hillman Group, Inc., a Delaware corporation (the "Company"), and the Guarantors referred to below in connection with the Purchase Agreement, dated March 11, 2011, among the Initial Purchasers named on Schedule I thereof (the "Initial Purchasers"), the Company and the guarantors named on Schedule II thereof (the "Guarantors") (the "Purchase Agreement"), relating to the purchase today by the Initial Purchasers of $50,000,000 aggregate principal amount of 10.875% Senior Notes due 2018 (the "Notes") of the Company. The Notes are to be issued under the Indenture, dated as of May 28, 2010, among the Company, the Guarantors and Wells Fargo Bank, National Association, as Trustee (the "Trustee"), as amended and supplemented by the first supplemental indenture dated as of December 29, 2010 (as so supplemented, the "Indenture"). This opinion is being furnished at the request of the Company as contemplated by Section 7(b) of the Purchase Agreement. Capitalized terms used and not otherwise defined in this letter have the respective meanings given those terms in the Purchase Agreement.

In connection with the furnishing of this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

1. the Purchase Agreement;
2. the Indenture (including the guarantees created therein (the "Guarantees"));
3. the Registration Rights Agreement, dated as of March 16, 2011 (the "Registration Rights Agreement"), among the Company, the Guarantors and the Initial Purchasers;
4. the Notes issued on the date of this letter;
5. the form of Exchange Note (the "Exchange Note") attached as an Exhibit to the Indenture (including the guarantees created therein (the "Exchange Guarantees"));
6. the Preliminary Offering Memorandum, dated March 11, 2011 (the "Preliminary Offering Memorandum");
7. the Pricing Term Sheet, dated March 11, 2011 (the "Pricing Term Sheet" and together with the Preliminary Offering Memorandum, the "Pricing Disclosure Package");
8. the Offering Memorandum regarding the Notes, dated March 11, 2011 (the "Final Memorandum");
9. the Acquisition Agreement, dated as of March 10, 2011 (the "Acquisition Agreement"), by and between the Company and TagWorks, L.L.C.; and
10. those documents incorporated by reference into the Final Memorandum set forth on Schedule I hereto.

In addition, we have examined: (i) such corporate records of the Company and each Guarantor listed on Schedule II hereto (each a "Delaware Guarantor") that we have considered appropriate, including a copy of the certificate of incorporation, as amended, and by-laws, as amended, of the Company and each Delaware Guarantor certified by the Company or such Delaware Guarantor as in effect on the date of this letter (collectively,

the "Charter Documents") and copies of resolutions of the board of directors of the Company and of each Delaware Guarantor relating to the issuance of the Notes and the Guarantees, each certified by the Company and the Delaware Guarantors, as applicable; and (ii) such other certificates, agreements and documents as we deemed relevant and necessary as a basis for the opinions and beliefs expressed below. We have also relied upon oral and written statements of officers and representatives of the Company and the Delaware Guarantors, the factual matters contained in the representations and warranties of the Company and the Delaware Guarantors made in the Purchase Agreement and upon certificates of public officials and the officers of the Company and the Delaware Guarantors. The documents incorporated by reference into the Final Memorandum were prepared by the Company without our participation.

In our examination of the documents referred to above, we have assumed, without independent investigation, the genuineness of all signatures, the legal capacity of all individuals who have executed any of the documents reviewed by us, the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as certified, photostatic, reproduced or conformed copies of valid existing agreements or other documents, the authenticity of the latter documents and that the statements regarding matters of fact in the certificates, records, agreements, instruments and documents that we have examined are accurate and complete. We have also assumed, without independent investigation, that (i) All Points Industries, Inc. and Serv-A-Lite Products (the "Non-Delaware Guarantors") are validly existing and in good standing under the laws of their jurisdictions of organization, (ii) each of the

Non-Delaware Guarantors has all necessary corporate power and authority to execute, deliver and perform its obligations under the Purchase Agreement, the Registration Rights Agreement and the Indenture, (iii) the execution, delivery and performance of the Purchase Agreement, the Registration Rights Agreement and the Indenture have been duly authorized by all necessary corporate action of the Non-Delaware Guarantors and do not violate the charter documents or other organizational documents of the Non-Delaware Guarantors or the laws of their respective jurisdictions of organization and (iv) the due execution and delivery of the Purchase Agreement, the Registration Rights Agreement and the Indenture by the Non-Delaware Guarantors under the laws of their respective jurisdictions of organization. We have also assumed that you have complied with all of your obligations and agreements arising under the Registration Rights Agreement, if any, and that this agreement represents a valid and legally binding obligation of yours, that the Indenture has been duly authorized and executed by, and represents a valid and legally binding obligation of, the Trustee and the due authentication of the Notes by the Trustee in the manner described in the certificate of the Trustee delivered to you today.

Whenever we indicate that our opinion is based upon our knowledge or words of similar import, our opinion is based solely on the actual knowledge of the attorneys in this firm who are representing the Company in connection with the Purchase Agreement and without any independent verification.

Based upon the above, and subject to the stated assumptions, exceptions and qualifications, we are of the opinion that:

1. Each of the Company and the Delaware Guarantors has been duly incorporated in Delaware and is validly existing and in good standing under the laws of the State of Delaware.

2. The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under the Purchase Agreement, the Registration Rights Agreement, the Indenture, the Notes and the Exchange Notes and to own and hold its properties and conduct its business as described in the Pricing Disclosure Package and the Final Memorandum. Each Delaware Guarantor has all necessary corporate power and authority to execute, deliver and perform its obligations under the Purchase Agreement, the Registration Rights Agreement and the Indenture (including, the Guarantees and the Exchange Guarantees) and to own and hold its properties and conduct its business as described in the Pricing Disclosure Package and the Final Memorandum.

3. The Notes have been duly authorized by the Company. The Notes, when duly executed, issued and delivered by the Company against payment as provided in the Purchase Agreement, will constitute valid and legally binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except that the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law); and the Notes, when issued and delivered, will conform in all material respects to the description contained in the Pricing Disclosure Package and the Final Memorandum under the caption "Description of Notes."

4. The Indenture has been duly authorized, executed and delivered by the Company and each Delaware Guarantor. The Indenture (including the Guarantees by the Guarantors therein) is a valid and legally binding obligation of the Company and each Guarantor, enforceable against the Company and each Guarantor in accordance with its terms, except that the enforceability of the Indenture may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law); and the Indenture conforms in all material respects to its description contained in the Pricing Disclosure Package and the Final Memorandum under the caption "Description of Notes."

5. The Purchase Agreement has been duly authorized, executed and delivered by each of the Company and the Delaware Guarantors.

6. The Registration Rights Agreement has been duly authorized, executed and delivered by the Company and each Delaware Guarantor and assuming the due authorization, execution and delivery thereof by the Initial Purchasers, is a valid and legally binding obligation of the Company and each Guarantor, enforceable against the Company and each Guarantor in accordance with its terms, except that the enforceability of the Registration Rights Agreement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting

creditors' rights generally and subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law) and except to the extent that the indemnification and contribution provisions of the Registration Rights Agreement may be unenforceable.

7. The Exchange Notes have been duly authorized by the Company.

8. The Exchange Guarantees have been duly authorized by each Delaware Guarantor.

9. The statements in the Final Memorandum under the heading "Certain United States Federal Income Tax Considerations," to the extent that they constitute summaries of United States federal law or regulation or legal conclusions, have been reviewed by us and fairly summarize the matters described under that heading in all material respects.

10. Based upon the representations, warranties and agreements of the Company and the Guarantors in Section 2(b) and Section 2(y) of the Purchase Agreement and of the Initial Purchasers in Section 3(b) of the Purchase Agreement, it is not necessary in connection with the offer, sale and delivery of the Notes (including the Guarantees) to the Initial Purchasers under the Purchase Agreement or in connection with the initial resale of the Notes (including the Guarantees) by the Initial Purchasers in accordance with Section 3(b) of the Purchase Agreement to register the Notes or the Guarantees under the Act, it being understood that we express no opinion as to any subsequent resale of the Notes.

11. The issuance, execution, sale and delivery of the Notes by the Company, the execution and delivery by the Company and each Guarantor of the Purchase Agreement, the Registration Rights Agreement, the Indenture, the Exchange Notes and the Acquisition Agreement (in each case to the extent it is a party thereto) will not (i) result in a violation of the Charter Documents, (ii) breach or result in a default under any agreement, indenture or instrument listed on Schedule III to this opinion or (iii) violate Applicable Law or any judgment, order or decree of any court or arbitrator known to us, except, in the case of clauses (ii) and (iii) above, where the breach, default or violation could not reasonably be expected to have a material adverse effect on the Company, the Guarantors and their subsidiaries, taken as a whole. For purposes of this letter, the term "Applicable Law" means the General Corporation Law of the State of Delaware (the "GCL") and those laws, rules and regulations of the United States of America and the State of New York in each case which in our experience are normally applicable to the transactions of the type contemplated by the Purchase Agreement (other than the United States federal securities laws, any state securities or Blue Sky laws of the various states, anti-fraud laws and the rules and regulations of the Financial Industry Regulatory Authority, Inc.) but without us having made any special investigation as to applicability of any specific rule or regulation.

12. No consent, approval, authorization or order of, or filing, registration or qualification with, any Governmental Authority, which has not been obtained, taken or made is required by the Company and the Guarantors under any Applicable Law for the issuance, sale and delivery of the Notes or the execution and

delivery by the Company and the Guarantors of the Purchase Agreement, the Registration Rights Agreement, the Indenture, the Exchange Notes and the Acquisition Agreement, except as may be required in connection with the registration of the Notes (including the Guarantees) and the Exchange Notes (including the Exchange Guarantees) under the Registration Rights Agreement. For purposes of this opinion, the term "Governmental Authority" means any executive, legislative, judicial, administrative or regulatory body of the State of New York, the State of Delaware or the United States of America.

13. The Company is not and, after giving effect to the offering and sale of the Notes and the application of their proceeds as described in the Final Memorandum under the heading "Use of Proceeds," will not be required to be registered as an investment company under the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

14. Except as otherwise disclosed in the Pricing Disclosure Package and the Final Memorandum, to our knowledge, there are no legal proceedings pending or overtly threatened against the Company or any of its subsidiaries which could reasonably be expected to have a material adverse effect on the Company, the Guarantors and their subsidiaries, taken as a whole.

The opinions expressed above are limited to the laws of the State of New York, the GCL, and the federal laws of the United States of America. Our opinions are rendered only with respect to the laws, and the rules, regulations and orders under those laws, that are currently in effect.

This letter is furnished by us solely for your benefit in connection with the transactions referred to in the Purchase Agreement and may not be circulated to, or relied upon by, any other person without our prior written consent.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

Schedule I

Documents Incorporated by Reference

1. Annual Report on Form 10-K/A of The Hillman Companies, Inc. filed on May 4, 2010;
2. Quarterly Reports on Form 10-Q of The Hillman Companies, Inc. filed on August 16, 2010 and November 15, 2010; and
3. Current Reports on Form 8-K of The Hillman Companies, Inc. filed on May 5, 2010, May 12, 2010, June 4, 2010, September 17, 2010, September 24, 2010, October 14, 2010 and January 7, 2011.

Delaware Guarantors

The Hillman Companies, Inc.

Hillman Investment Company

SunSub C Inc.

Material Agreements

1. Credit Agreement, dated as of March 31, 2004, by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., Merrill Lynch Capital as Administrative Agent, Issuing Lender and Swingline Lender, JP Morgan Chase Bank as Syndication Agent, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and JP Morgan Securities as Joint Lead Arrangers and Joint Lead Bookrunners.
2. Subordination and Intercreditor Agreement, dated March 31, 2004, by and among The Hillman Group, Inc., The Hillman Companies, Inc. and certain of its subsidiaries, Allied Capital Corporation and Merrill Lynch Capital, as Administrative Agent.
3. The Hillman Companies, Inc. 2004 Stock Option Plan, adopted on March 31, 2004.
4. The Hillman Companies, Inc. Amended and Restated 2004 Stock Option Plan, adopted on December 2004.
5. The Hillman Companies, Inc. Employee Securities Purchase Plan, adopted on March 31, 2004.
6. Hillman Investment Company Employee Securities Purchase Plan, adopted on March 31, 2004.
7. HCI Securities Purchase Agreement, dated March 31, 2004, by and among Code Hennessy & Simmons IV LP, HCI Acquisition Corp., Ontario Teachers' Pension Plan Board, HarbourVest Partners VI – Direct Fund, L.P. and each of the persons listed on Schedule A thereto.
8. Joinder to Securities Purchase Agreement, dated March 31, 2004, by each of Hillman Investment Company, The Hillman Group, Inc., SunSource Technology Services LLC, The Hillman Group Canada Ltd., SunSub C, Inc., SunSub Holdings LLC and SunSource Integrated Services de Mexico, SA.
9. Hillman Investment Company Securities Purchase Agreement, dated March 31, 2004, by and among Code Hennessy & Simmons IV LP, Hillman Investment Company, Ontario Teachers' Pension Plan Board, HarbourVest Partners VI – Direct Fund, L.P. and each of the persons listed on Schedule A thereto.
10. Employment Agreement, dated March 31, 2004, by and between The Hillman Group, Inc. and Max W. Hillman.
11. Executive Securities Agreement, dated March 31, 2004, by and between Max W. Hillman and HCI Acquisition Corp.
12. Employment Agreement, dated March 31, 2004, by and between The Hillman Group, Inc. and Richard P. Hillman, dated March 31, 2004.
13. Executive Securities Purchase Agreement, dated March 31, 2004, by and between HCI Acquisition Corp. and Richard P. Hillman.

14. Employment Agreement, dated March 31, 2004, by and between The Hillman Group, Inc. and James P. Waters.

15. Executive Securities Agreement, dated March 31, 2004, by and between HCI Acquisition Corp. and James P. Waters.

16. Executive Securities Agreement, dated March 31, 2004, by and between HCI Acquisition Corp. and George L. Heredia.

17. Executive Securities Agreement, dated March 31, 2004, by and between HCI Acquisition Corp. and Terry R. Rowe.

18. SunSource Inc. Nonqualified Deferred Compensation Plan, dated as of August 1, 2000.

19. The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan (amended and restated), effective as of January 1, 2003.

20. First Amendment to The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan, as of March 30, 2004.

21. Asset Purchase Agreement, dated January 5, 2006, between The SteelWorks Corporation and The Hillman Group, Inc.

22. Supply Agreement, dated January 5, 2006, between The SteelWorks Corporation and The Hillman Group, Inc.

23. Amended and Restated Credit Agreement dated July 21, 2006, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, Merrill Lynch Capital, JPMorgan Chase Bank, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.

24. Amended and Restated Credit Agreement dated July 21, 2006, amended as of August 7, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, GE Business Financial Services Inc., JPMorgan Chase Bank, GE Capital Markets, Inc. and J.P. Morgan Securities Inc.

25. Third Amendment to Loan Agreement dated May 6, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., AEA Mezzanine Fund II LP, AEA Mezzanine Fund II LLC, AEA Mezzanine (Unleveraged) Fund LP, Connecticut General Life Insurance Company, Life Insurance Company of North America, Dick & Betsy Devos Foundation, Vanderweide Family Foundation, Douglas & Maria Devos Foundation, The Jerry & Marcia Tubergen Foundation, and GE Business Financial Services Inc.

26. Fourth Amendment to Loan Agreement, dated August 7, 2009, among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., AEA Mezzanine Fund II LP, AEA Mezzanine Fund II LLC, AEA Mezzanine (Unleveraged) Fund LP, Connecticut General Life Insurance Company, Life Insurance Company of North America, Dicky & Betsy Devos Foundation, Vanderweide Family Foundation and GE Business Financial Services Inc.

27. Amended and Restated Employment Agreement, dated December 21, 2008, by and between The Hillman Group, Inc. and Max W. Hillman.

28. Amended and Restated Employment Agreement, dated December 21, 2008, by and between The Hillman Group, Inc. and Richard P. Hillman.

29. Amended and Restated Employment Agreement, dated December 21, 2008, by and between The Hillman Group, Inc. and James P. Waters.

30. Agreement and Plan of Merger, dated April 21, 2010, by and among OHCP HM Acquisition Corp., OHCP HM Merger Sub Corp., The Hillman Companies, Inc. and the Representatives named herein.

31. Employment Agreement, dated as of April 21, 2010, by and between The Hillman Group, Inc. and Ali Fartaj.

32. Purchase Agreement, dated as of May 18, 2010, among OHCP HM Merger Sub Corp. and the Initial Purchasers named therein.

33. Credit Agreement, dated as of May 28, 2010, among OHCP HM Acquisition Corp. OHCP HM Merger Sub Corp., The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., the lenders from time to time party hereto, Barclays Bank PLC, as Administrative Agent, Issuing Lender and Swingline Lender, Barclays Capital and Morgan Stanley Senior Funding, Inc., as Joint Lead Arrangers and Syndication Agents, Barclays Capital, Morgan Stanley Senior Funding, Inc. and GE Capital Markets, Inc. as Joint Bookrunnners and General Capital Corporation, as Documentation Agent.

34. Borrower Assumption Agreement, dated as of June 1, 2010, among The Hillman Companies, Inc., The Hillman Group, Inc. and Barclays Bank plc, as Administrative and Collateral Agent.

35. Joinder Agreement, dated May 28, 2010, among The Hillman Group, Inc. and the Guarantors party thereto.

36. Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and Max W. Hillman, Jr.

37. Executive Letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and Richard P. Hillman.

38. Executive letter Agreement, dated as of April 21, 2010, between The Hillman Group, Inc. and James P. Waters.

39. Separation Agreement, dated as of September 28, 2010, between The Hillman Group, Inc. and Ali Fartaj.

Exhibit 12.1

THE HILLMAN COMPANIES, INC.
Computation of Ratio of Income to Fixed Charges
Year Ended December 31, 2010
(Dollars in thousands)

Income before Income Taxes	$(38,836)
Add fixed charges:	
Interest expense	47,137
Amortization of debt expense	1,450
Interest portion of rent expense	2,868
Adjusted income	$ 12,619
Fixed charges:	
Interest expense	47,137
Amortization of debt expense	1,450
Interest portion of rent expense	2,868
Fixed Charges	$ 51,455
Ratio of earnings to Fixed Charges (1)	0.25

(1) The ratio of earnings to fixed charges has been computed by adding income before income taxes and fixed charges to derive adjusted income, and dividing adjusted income by fixed charges. Fixed charges consist of interest expense on debt (including the amortization of debt expense) and one-third (the proportion deemed representative of the interest portion) of rent expense.

Exhibit 21.1

SUBSIDIARIES – As of December 31, 2010

1. Hillman Group Capital Trust
   Organized in the State of Delaware
2. Hillman Investment Company
   Incorporated in the State of Delaware
3. The Hillman Group, Inc.
   Incorporated in the State of Delaware
   a. All Points Industries, Inc.
      Incorporated in the State of Florida
   b. Serv-A-Lite Products, Inc.
      Incorporated in the State of Illinois
   c. SunSource Integrated Services de Mexico S.A. de C.V.
      Incorporated in Ciudad de Mexico, Mexico
   d. The Hillman Group Canada, Ltd.
      Incorporated in the Province of Ontario, Canada
   e. SunSub C, Inc.
      Incorporated in the State of Delaware

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Max W. Hillman, certify that:

1. I have reviewed this annual report on Form 10-K of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2011

/s/ Max W. Hillman
Max W. Hillman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James P. Waters, certify that:

1. I have reviewed this annual report on Form 10-K of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2011

/s/ James P. Waters
James P. Waters
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2010, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Max W. Hillman, the Chief Executive Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Max W. Hillman

Name: Max W. Hillman
Date: March 31, 2011

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2010, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, James P. Waters, the Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ James P. Waters

Name: James P. Waters
Date: March 31, 2011