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, 2011

Commission file number 1-13293

The Hillman Companies, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**23-2874736** (I.R.S. Employer Identification No.)
10590 Hamilton Avenue **Cincinnati, Ohio** (Address of principal executive offices)	**45231** (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 26, 2012, 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, 2011 was $123,199,718.

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 $506.5 million in 2011. 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, Australia, 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; 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 sheets as of December 31, 2011 and 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 1, 2011, the Hillman Group purchased certain assets of Micasa Trading Corporation ("Micasa"), a Miami, Florida based distributor of the OOK brand of picture hangers and related products ("Ook" or the "Ook Acquisition"). The initial purchase price was approximately $15.3 million paid in cash at closing. The closing purchase price is subject to closing adjustments for certain changes in the working capital obtained in the Ook Acquisition as provided in the purchase agreement. In addition, subject to fulfillment of certain performance conditions in the purchase agreement, Hillman will pay Micasa an additional earn-out payment of up to $6.0 million in 2013. The asset acquisition met the definition of a business for business combinations.

Micasa was established in 1964 and developed into a major supplier of picture hanging fasteners and innovative parts within the retail hardware market. The Ook brand's excellence in this specialty category strengthens Hillman's position of providing value-added products and services to home centers and hardware retailers.

The Hillman Group

The Company is organized as six separate business segments, the largest of which is (1) The Hillman Group, operating primarily in the United States. The other business segments consist of subsidiaries of the Hillman Group, operating in (2) Canada under the name The Hillman Group Canada, Ltd., (3) Mexico under the name SunSource Integrated Services de Mexico SA de CV, (4) Florida under the name All Points Industries, Inc., (5) Australia under the name The Hillman Group Australia Pty. Ltd. and (6) the U.S. market under the name TagWorks. Retail outlets served by the Hillman business segments 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 14 strategically located distribution centers in the United States, Australia, Canada and Mexico (See Item 2 – Properties). The Company closed its distribution center in Portland, OR in October 2010 and closed its distribution center in Lacrosse, WI in December 2011. The impact of closing these facilities was not material to Company operations. Customer orders processed from these facilities were shifted to existing facilities in Shafter, CA, East Moline, IL and Forest Park, OH. Hillman utilizes third-party logistics providers to warehouse and ship customer orders in Mexico and Australia. Currently, orders are shipped within 48 hours and, for the year ended December 31, 2011, the Company had a 97.7% 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 key duplicating process utilizes computer aided alignment, indexing and duplication of keys. This system has been placed in over 14,100 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 534 vendors, the largest of which accounted for approximately 10.0% of the Company's annual purchases and the top five of which accounted for approximately 29.0% of its annual purchases. About 45.4% 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 remain the core of Hillman's business and the product line encompasses approximately 64,000 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 acquisitions of Ook and Serv-A-Lite Products, Inc. ("Servalite"), which were completed on December 1, 2011 and December 29, 2010, respectively, expanded the Company's line of picture hanging products, 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 55.2% of the Company's total revenues in 2011, as compared to 55.8% in 2010.

Keys and Key Accessories

Hillman designs and manufactures 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 ("F&I") 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 14,100 Axxess Programs placed in North American retailers including Wal-Mart, Kmart, Sears, The Home Depot, Lowe's and Menards.

The Precision Laser Key System was introduced 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 technology eliminates the effect of natural wear on the customer's key by reproducing the original key pattern. Hillman has placed approximately 867 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 conjunction with the March 16, 2011 acquisition of Tagworks LLC, an Arizona limited liability company (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 a next generation consumer operated key duplicating system.

In 2011, Hillman began market testing the innovative FastKey consumer operated key duplication system. FastKey utilizes technology from the Precision Laser Key System and combines a consumer-friendly vending system which allows retail shoppers to duplicate the most popular home, office and small lock keys. The FastKey System covers a large percentage of the key market and features a unique key sleeve that ensures proper insertion, alignment and duplication of the key. Consumers who attempt to duplicate keys not included in the FastKey system receive a 'service slip' identifying their key and referring them to the main Hillman key cutting location within the store. The FastKey market test has demonstrated the ability to increase overall key sales at the store retail level.

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 8,300 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, fashion key and accessory programs have been introduced which include 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.

Keys, key accessories and Code Cutter units represented approximately 21.9% of the Company's total revenues in 2011, as compared to 22.8% in 2010.

Engraving

Quick-Tag™ is a patented, 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 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 500 FIDO™ systems in PETCO stores as of December 31, 2011.

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. The TagWorks System combines an innovative, consumer-operated machine with an attractive off-board merchandising display. The Tagworks System utilizes laser printing technology and allows the consumer to watch the impressive engraving process. The off-board merchandising allows premium-priced tags to be displayed in store-front locations and is proving effective at increasing the average price per transaction.

Hillman purchases a wide variety of materials and components to manufacture the Axxess Key Duplication, Quick-Tag™, and TagWorks engraving machines, many of which are manufactured to its specifications. Management does not believe that the Company 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.

Engraving products represented approximately 8.2% of the Company's total revenues in 2011, as compared to 6.3% in 2010.

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 developments, 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 6.5% of the Company's total revenues in 2011, as compared to 7.5% in 2010.

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 Hardware and True Value. In addition, Hillman is the primary supplier of metal shapes to many wholesalers throughout the country.

Threaded rod generated approximately 6.1% of the Company's total revenues in 2011, as compared to 6.5% in 2010.

Builder's Hardware

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 2011, the Company expanded the placement of the Hardware Essentials line to customers in the F&I channel. The launch to the F&I channel provided successful conversions in over 300 locations and is driving strong sales performance for retailers.

The Builder's Hardware category generated approximately 2.0% of the Company's total revenues in 2011, as compared to 1.1% in 2010.

Markets and Customers

Hillman sells its products to national accounts such as Lowe's, Home Depot, Wal-Mart, Tractor Supply, Sears, Menards, PetSmart 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 15,000 F&I retail outlets. These individual dealers are typically members of the larger cooperatives, such as True Value, Ace Hardware, and Do-It-Best. The Company ships 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 20,000 customers, the top five of which accounted for approximately 46.1% of its total revenue in 2011. Lowe's is the single largest customer, representing approximately 23.1% of total revenue, Home Depot is the second largest at approximately 10.7% and Wal-Mart is the third largest at approximately 7.2% of total revenue. No other customer accounted for more than 5.0% of the Company's total revenue in 2011.

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 496 employees and 30 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 237 people, and is managed by 20 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. On average, each sales representative is responsible for approximately 49 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 Company's 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.

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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, 2011, the Company had 2,026 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 $3.4 million as of December 31, 2011 and approximately $3.2 million as of December 31, 2010.

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. The economic slowdown has, and any delay in the recovery could lead to further, 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 deteriorate in 2012 or through fiscal 2013, 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, general expectations do not call for significant economic growth to return 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.

In the past several years, 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 2012 or through fiscal 2013. 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 41.0% of net sales and 52.0% of the year-end accounts receivable balance for 2011. 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 Australian, Canadian, Mexican 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 against the U.S. dollar by 4.6% in 2011 and 3.3% in 2010. Significant appreciation of the RMB or other currencies in countries where the Company sources its products 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 – Quantitative and Qualitative Disclosures About Market Risk” 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 the recent Ook Acquisition, may result in unforeseen difficulties and may require a disproportionate amount of resources and management 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 subsequent acquisitions of Servalite, TagWorks and Ook, the Company has $457.4 million of goodwill and $49.9 million of indefinite-lived trade names recorded on its Consolidated Balance Sheet at December 31, 2011. The Company is required to periodically determine if its goodwill or indefinite-lived trade names 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 trade names, 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, 2011, total indebtedness was $621.1 million, consisting of $105.4 million of indebtedness of Hillman and $515.7 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 governing our notes and 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 several years has 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 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 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 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 a leverage ratio 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 4.75x, excluding the junior subordinated debentures, as of December 31, 2011. 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 Senior Secured Credit Facilities 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, have unreasonably small capital for the business in which it is engaged or 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 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 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, 2011, the notes were effectively junior to $2.1 million of indebtedness and other current liabilities (including trade payables) of our non-guarantor subsidiaries. Our non-guarantor subsidiaries held $21.3 million of our consolidated assets as of December 31, 2011.

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	186,553	Office, Mfg., Distribution
Flagstaff, Arizona	6,029	Office, Distribution
Jacksonville, Florida	96,500	Distribution
Shafter, California	84,000	Distribution
Lewisville, Texas	80,500	Distribution
Goodlettsville, Tennessee	72,000	Mfg., Distribution
East Moline, Illinois	111,300	Office, Distribution
Pompano Beach, Florida	38,800	Office, Distribution
Miami, Florida	3,000	Office, Distribution
Monterrey, Mexico	13,200	Distribution
Mississauga, Ontario	34,700	Office, Distribution
Melbourne, Australia	15,608	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 November 23, 2011, Steelworks Hardware LLC, the owner of the Steelworks trade mark and a party to a licensing and marketing agreement with Hillman that originated in 2005 and automatically renewed for a three year period beginning in May 2010, filed a complaint against Hillman Group, Ace Hardware Corporation, Lowe's Companies, Inc., Lowe's Home Centers, Inc. and True Value Company in the United States District Court for the Northern District of Illinois Eastern Division. The complaint alleged a series of claims against Hillman Group and the other named defendants, including trade mark and trade dress infringement in violation of the Lanham Act, violations of Illinois Consumer Fraud and Unfair Trade Practices Acts and common law breach of contract, conspiracy and tort claims.

On March 20, 2012, the Company agreed to pay $1,635,251 to Steelworks Hardware LLC in full settlement of all alleged claims and plaintiff legal fees in this matter. The settlement cost and plaintiff legal fees were recorded in our consolidated results of operations as of December 31, 2011.

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. A ruling on the claim construction hearing was handed down on November 22, 2011 and was favorable to the Company's position. A trial date on the patent case is set for the fourth quarter of 2012.

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 – Mine Safety Disclosures.

Not Applicable.

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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. The following table sets forth the high and low closing sale prices as reported on the NYSE Amex for the Trust Preferred Securities.

2011	High	Low
First Quarter	$29.60	$28.74
Second Quarter	30.40	29.05
Third Quarter	30.10	26.50
Fourth Quarter	29.99	28.55

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

The Trust Preferred Securities have a liquidation value of $25.00 per security. As of March 5, 2012, there were 462 holders of Trust Preferred Securities. As of March 26, 2012, the total number of Trust Preferred Securities outstanding was 4,217,724. As of March 26, 2012, 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, 2011 and 2010, the Company paid $12.2 million and $12.2 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 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 payments are immediately payable by the Company at the end of the Deferral Period. There were no deferrals of distribution payments to holders of the Trust Preferred Securities in 2011 or 2010.

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 2011.

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 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 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 and 2007; and consolidated financial data of the Successor as of and for the year ended December 31, 2011 and 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			
(dollars in thousands)	Year Ended 12/31/11	Seven Months Ended 12/31/10	Five Months Ended 5/28/10	Year Ended December 31, 2009	2008	2007
Income Statement Data:						
Net sales	$ 506,526	$ 276,680	$185,716	$458,161	$481,923	$445,628
Cost of Sales (exclusive of depreciation and amortization)	252,491	136,554	89,773	224,642	244,647	215,733
Acquisition and integration expense	2,805	11,150	11,342	—	—	—
Net loss	(9,779)	(8,038)	(25,208)	(1,230)	(1,165)	(7,922)
Balance Sheet Data at December 31:						
Total assets	$1,127,851	$1,052,778	N/A	$628,481	$650,677	$660,358
Long-term debt & capital lease obligations (1)	315,709	300,714	N/A	208,163	253,069	281,800
10.875% Senior Notes	200,000	150,000	N/A	—	—	—
Mandatorily redeemable preferred stock	—	—	N/A	111,452	100,146	89,773
Management purchased preferred options	—	—	N/A	6,617	6,016	5,298

(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 the caption "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

Hillman is 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 $506.5 million in 2011. 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, Australia, 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; 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.

Merger Transaction

On May 28, 2010, Hillman was acquired by affiliates of 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 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 CHS owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, 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 acquisition of the Company on May 28, 2010, Hillman Group issued $150.0 million aggregate principal amount of its senior notes due 2018 (the "10.875% Senior Notes"). On March 16, 2011, Hillman Group completed an offering of $50.0 million aggregate principal amount of its 10.875% Senior Notes. Hillman Group received a premium of $4.625 million on the $50.0 million 10.875% Senior Notes offering. The 10.875% Senior Notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

The Senior Facilities contain financial and operating covenants. These covenants require the Company to maintain certain financial ratios, including a leverage ratio. 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 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.

Effective April 18, 2011, the Company completed an amendment to the credit agreement governing its Senior Facilities. The Senior Facilities amendment eliminated the total leverage and interest coverage covenants and reduced the secured leverage covenant to 4.75x with no future step downs. The term loan pricing was modified to reduce the Eurodollar Margin and the Base Rate Margin by 25 basis points and reduce the floor on Eurodollar and Base Rate Loans by an additional 25 basis points. In connection with the amendment to the credit agreement, the Company incurred loan discount costs of $1.25 million. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount and debt issuance costs will be amortized over the term of the amended Senior Facilities. The Company was in compliance with all provisions and covenants of the amended Senior Facilities as of December 31, 2011.

Effective November 4, 2011, the Company entered into a Joinder Agreement to its credit agreement under the existing Senior Facilities (the "Incremental Facility"). The Incremental Facility increased the aggregate term loan commitments available to Hillman Group under the Senior Facilities by $30 million. In connection with the Incremental Facility, the Company incurred loan discount costs of $0.75 million. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount costs will be amortized over the term of the amended Senior Facilities. The aggregate principal amount of commitments under the Senior Facilities, after giving effect to the Incremental Facility, is $350 million. The Company used the proceeds for general corporate purposes.

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 was 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 initially designated as a cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement which modified the interest rate on the Senior Facilities. The critical terms for the 2010 Swap no longer matched the terms of the amended Senior Facilities and the 2010 Swap was de-designated.

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 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 31, 2011, Servalite was merged with and into Hillman Group, with Hillman Group as the surviving entity.

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 paid additional consideration of $12.5 million to the sellers of TagWorks on October 31, 2011, and will pay an additional earn-out payment of $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. Effective December 31, 2011, TagWorks was merged with and into Hillman Group, with Hillman Group as the surviving entity.

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On December 1, 2011, the Hillman Group purchased certain assets of Micasa, a Miami, Florida based producer of the Ook brand of picture hangers and related products pursuant to the Ook Acquisition. The initial purchase price of the Ook Acquisition was approximately $15.3 million paid in cash at closing. The closing purchase price is subject to post closing adjustments for certain changes in the working capital obtained in the Ook Acquisition as provided in the purchase agreement.

In addition, subject to fulfillment of certain conditions provided in the purchase agreement, Hillman Group will pay Micasa an additional undiscounted contingent consideration of up to $6.0 million in March 2013. The March 2013 additional consideration is contingent on achieving a defined earnings target.

Product Revenues

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

	Successor		Predecessor	
	Year Ended December 31, 2011	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009
Net sales				
Keys	$ 85,410	$ 48,897	$ 32,716	$ 78,012
Engraving	41,734	17,038	12,242	35,518
Letters, numbers and signs	33,079	22,026	12,859	34,287
Fasteners	279,564	154,319	103,457	253,703
Threaded rod	31,135	17,360	12,471	30,118
Code cutter	3,312	1,844	1,377	3,353
Builders hardware	10,080	3,137	1,753	3,832
Other	22,212	12,059	8,841	19,338
Consolidated net sales	$506,526	$ 276,680	$185,716	$458,161

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Results of Operations

Sales and Profitability for the year ended December 31, 2011, the seven months ended December 31, 2010 and the five months ended May 28, 2010:

	Successor				Predecessor	
	Year ended December 31, 2011		Seven Months ended December 31, 2010		Five Months ended May 28, 2010	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$506,526	100.0%	$276,680	100.0%	$185,716	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	252,491	49.8%	136,554	49.4%	89,773	48.3%
Selling	85,326	16.8%	45,883	16.6%	33,568	18.1%
Warehouse & delivery	55,063	10.9%	30,470	11.0%	19,945	10.7%
General & administrative	29,377	5.8%	14,407	5.2%	10,284	5.5%
Stock compensation expense	—	— %	—	— %	19,053	10.3%
Acquisition and integration	2,805	0.6%	11,150	4.0%	11,342	6.1%
Depreciation	21,333	4.2%	11,007	4.0%	7,283	3.9%
Amortization	20,717	4.1%	10,669	3.9%	2,678	1.4%
Management and transaction fees to related party	110	0.0%	—	— %	438	0.2%
Other (income) expense, net	851	0.2%	(145)	(0.1%)	114	0.1%
Income (loss) from operations	38,453	7.6%	16,685	6.0%	(8,762)	(4.7%)
Interest expense	40,679	8.0%	20,712	7.5%	8,327	4.5%
Interest expense on mandatorily redeemable preferred stock & management purchased preferred options	—	— %	—	— %	5,488	3.0%
Interest expense on junior subordinated debentures	12,610	2.5%	7,356	2.7%	5,254	2.8%
Investment income on trust common securities	(378)	(0.1%)	(220)	(0.1%)	(158)	(0.1%)
Loss before taxes	(14,458)	(2.9%)	(11,163)	(4.0%)	(27,673)	(14.9%)
Income tax benefit	(4,679)	(0.9%)	(3,125)	(1.1%)	(2,465)	(1.3%)
Net loss	$ (9,779)	(1.9%)	$ (8,038)	(2.9%)	$ (25,208)	(13.6%)

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 prior to this period of recession. This slowdown has reduced the annual level of consumer and business spending, including the spending by our customers. In addition, the less favorable economic conditions of recent years, 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 2012 or through fiscal 2013, 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. Recently, there have been certain signs of improvement in economic activity, however, conditions are not expected to improve significantly in the near term. While recent economic growth reports are good news, there still exists concern about downside risk to future growth and the high unemployment rate. These factors 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. In the second 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 most of 2010 and 2011, the Company has seen an end to decreasing costs and, in certain instances, moderate increases in the costs for our products and the most critical commodities used in the manufacture of our products. Additionally, unfavorable exchange rate fluctuations have increased the costs for many of our products. The Company took pricing action in the first half of 2011 in an attempt to offset a portion of the product cost increases. 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.

Successor Year Ended December 31, 2011 vs Predecessor Five Month Period of January 1 – May 28, 2010

Revenues

Successor net sales for the year ended December 31, 2011 ("2011 twelve month period") were $506.5 million, or $2.03 million per shipping day. The 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. The increase in revenues of $320.8 million was directly attributable to comparing operating results of 249 shipping days in the 2011 twelve month period compared to operating results from 105 shipping days in the 2010 five month period. The sales per shipping day of $2.03 million in the 2011 twelve month period were approximately 14.7% higher than the sales per shipping day of $1.77 million in the 2010 five month period. The increase in sales per day for the 2011 twelve month period was the result of including the incremental sales from the acquisitions of Servalite, TagWorks, and Ook together with higher seasonal sales per day during the June through December period in the twelve months of 2011 compared to the average sales per day for the January to May 2010 period.

Expenses

Operating expenses for the year ended December 31, 2011 were $214.7 million compared to $104.6 million for the period of January 1 – May 28, 2010. The increase in operating expenses for the year ended December 31, 2011 is primarily due to the longer 249 day ship period for the year of 2011 compared to the 105 day ship period in the 2010 five month period The following changes in underlying trends also impacted the change in operating expenses:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 49.8% in the 2011 twelve month period compared to 48.3% in the 2010 five month period. The rate increase in the 2011 twelve month period is the result of an unfavorable sales product mix and the impact of cost increases in certain commodities used in our products, particularly steel, copper, nickel and zinc. The Company initiated pricing action in the first half of 2011 to recover a portion of the increased product costs.
- Selling expense was $85.3 million, or 16.8% of net sales in 2011 twelve month period compared to $33.6 million, or 18.1% of net sales in the 2010 five month period. When expressed as a percentage of sales, the costs for service reps, employee benefits, and new displays were lower in the 2011 twelve month period than the 2010 five month period.
- Warehouse and delivery expense was $55.1 million, or 10.9% of net sales, in the 2011 twelve month period compared to $19.9 million, or 10.7% of net sales, in the 2010 five month period. Freight expense, the largest component of warehouse and delivery expense, increased from 4.3% of net sales in the 2010 five month period to 4.6% of net sales in the 2011 twelve month period.
- Stock compensation expenses from stock options granted under the 2004 Common Stock Option Plan of the Predecessor 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. There was no stock compensation expense recorded for year ended December 31, 2011.
- 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. The Company incurred $2.8 million for the year 2011 for banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks Acquisition, Ook Acquisition and start-up of operations for Hillman Australia.
- Depreciation expense was $21.3 million in the 2011 twelve month period compared to $7.3 million in the 2010 five month period, or an estimated annual amount of $17.5 million. The annual amount of depreciation expense in the 2011 twelve month period was the result of the increase in fixed assets subject to depreciation acquired in the acquisitions of Servalite and TagWorks.
- Amortization expense was $20.7 million for the year ended December 31, 2011. The amortization expense was $2.7 million in the 2010 five month period, or an estimated annualized rate of approximately $6.4 million. The higher estimated annual amount of amortization expense in the year of 2011 was the result of the increase in intangible assets subject to amortization acquired in the acquisitions of Servalite, TagWorks and Ook.
- Interest expense was $40.7 million in the year ended December 31, 2011, compared to $8.3 million in the 2010 five month period, or an estimated annual rate of $20.0 million. The increase in interest expense for the year of 2011 was primarily the result of the higher level of debt outstanding as a result of the Merger Transaction, the TagWorks Acquisition and the Ook Acquisition.
- The Successor incurred no interest expense 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 $5.5 million for the 2010 five month period.

Successor Year Ended December 31, 2011 vs Successor Seven Month Period of May 28 to December 31, 2010

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, 2011 of $506.5 million, or $2.03 million per shipping day. The increase in revenues of $229.8 million for the 2011 twelve month period was directly attributable to comparing operating results of 249 shipping days in 2011 to the results from 144 shipping days in the 2010 seven month period. The increase in sales per day for the 2011 twelve month period was the result of including the incremental sales from the acquisitions of Servalite, TagWorks, and Ook which were partially offset by the high seasonal sales per day during the June through December period in the seven months of 2010 compared to the average sales per day for the January to December 2011 period.

Expenses

Operating expenses for the year ended December 31, 2011 were $214.7 million compared to $123.6 million for the period of May 28 – December 31, 2010. The increase in operating expenses for the year ended December 31, 2011 is primarily due to the longer 249 day ship period for the year of 2011 compared to the 144 day ship period in the 2010 seven month period The following changes in underlying trends also impacted the change in operating expenses:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 49.8% in the 2011 twelve month period compared to 49.4% in the 2010 seven month period. The rate increase in the 2011 twelve month period is the result of an unfavorable sales product mix and the impact of cost increases in certain commodities used in our products, particularly steel, copper, nickel and zinc. The Company initiated pricing action in the first half of 2011 to recover a portion of the increased product costs.
- Selling expense was $85.3 million, or 16.8% of net sales in 2011 twelve month period compared to $45.9 million, or 16.6% of net sales in the 2010 seven month period. When expressed as a percentage of sales, the costs for service reps, employee benefits, and new displays were comparable in the 2011 twelve month period to the 2010 seven month period.
- Warehouse and delivery expense was $30.5 million, or 11.0% of net sales, in the 2010 seven month period compared to $55.1 million, or 10.9% of net sales in the year of 2011.
- 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. The Company incurred $2.8 million for the year 2011 for banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks Acquisition, Ook acquisition and start-up of operations for Hillman Australia.
- Amortization expense was $20.7 million for the year ended December 31, 2011. Amortization expense was $10.7 million in the 2010 seven month period, or an estimated annualized rate of approximately $18.3 million. The higher annual rate of amortization expense for the 2011 twelve month period was due to the increase in intangible assets subject to amortization acquired as a result of the Servalite, TagWorks, and Ook acquisitions.
- Interest expense was $40.7 million in the year ended December 31, 2011, compared to $20.7 million in the 2010 seven month period, or an estimated annual rate of $35.5 million. The increase in interest expense for the year of 2011 was primarily the result of the higher level of debt outstanding as a result of the Merger Transaction, the TagWorks Acquisition and the Ook Acquisition.

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Results of Operations (continued)

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 Seven Months ended December 31, 2010 Amount	 % of Total	Predecessor Five Months ended May 28, 2010 Amount	 % of Total	 Year ended December 31, 2009 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%
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%
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 and transaction fees to related party	—	— %	438	0.2%	1,010	0.2%
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%)

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.

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:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 48.3% in the 2010 five month period compared to 49.0% for the year ended December 31, 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 lower cost of sales percentage in the first five months of 2010 benefited from the lower product costs experienced in the second half of 2009.
- 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 Interest Rate Swap Agreement entered into by the Company on August 29, 2008 (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.

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:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 49.4% in the 2010 seven month period compared to 49.0% for the year ended December 31, 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.
- 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.

Income Taxes

Successor Year Ended December 31, 2011, Successor Seven Month Period Ended December 31, 2010, and Predecessor Five Month Period Ended May 28, 2010

The effective income tax rates were 32.4% for the twelve month successor period ended December 31, 2011, 28.0% for the seven month successor period ended December 31, 2010, and 8.9% for the five month predecessor period ended May 28, 2010. The change in the effective income tax rate differed from the federal statutory rate in the twelve month successor period ended December 31, 2011 and 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 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 2011 and 2010 income tax events.

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.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the year ended December 31, 2011 (Successor), the seven months ended December 31, 2010 (Successor), the five months ended May 28, 2010 (Predecessor) and the year ended December 31, 2009 (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

Net cash provided by operating activities for the year ended December 31, 2011 of $24.2 million was generated by the net loss of $9.8 million adjusted for non-cash charges of $40.7 million for depreciation, amortization, dispositions of equipment, deferred taxes, deferred financing, and other non-cash interest which was partially offset by cash related adjustments of $6.7 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In 2011, routine operating activities used cash for an increase in inventories of $2.2 million, accounts receivable of $4.4 million and other assets of $3.3 million. Accounts payable, accrued liabilities and other items accounted for the remaining $3.2 million increase of cash provided by 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.

Investing Activities

Net cash used for investing activities was $73.5 million for the year ended December 31, 2011. The Company used $40.3 million for the TagWorks Acquisition and $15.3 million for the Ook Acquisition. Capital expenditures for the year totaled $17.9 million, consisting of $8.8 million for key duplicating machines, $4.5 million for engraving machines, $3.4 million for computer software and equipment and $1.2 million for plant equipment and other equipment purchases.

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.

Financing Activities

Net cash provided by financing activities was $53.8 million for the year ended December 31, 2011. The borrowings on senior notes and senior term loans provided $81.3 million, net of financing fees, which was used primarily for the acquisitions discussed in investing activities and other Company purposes. During 2011, the Company used cash to make payments of $12.5 million for additional acquisition consideration, $12.0 million on the revolving credit loans and $3.0 million for principal payments on the senior term loans.

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.

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 $123.2 million as of December 31, 2011, represents an increase of $2.8 million from the December 31, 2010 level of $120.4 million as follows:

(dollars in thousands)

	Amount
Increase in cash and cash equivalents	$ 4,442
Increase in accounts receivable, net	7,055
Increase in inventories, net	6,274
Increase in other current assets	2,382
Decrease in deferred taxes	531
Increase in accounts payable	(2,849)
Increase in senior term loans & capital lease obligations	(301)
Increase in additional acquisition consideration	(12,387)
Decrease in accrued salaries and wages	450
Increase in accrued pricing allowances	(373)
Decrease in accrued income and other taxes	(214)
Increase in accrued interest	(794)
Decrease in other accrued liabilities	(1,445)
Net increase in working capital for the year ended December 31, 2011	$ 2,771

Contractual Obligations

The Company's contractual obligations in thousands of dollars as of December 31, 2011 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)	$115,411	$ —	$ —	$ —	$115,411
Long Term Senior Term Loans	315,575	3,200	6,400	305,975	—
10.875% Senior Notes	200,000	—	—	—	200,000
Additional Acquisition Consideration	12,387	12,387	—	—	—
KeyWorks Licensing Agreement	3,720	466	883	821	1,550
Interest payments (2)	208,663	37,503	74,574	65,219	31,367
Operating Leases	38,898	8,000	9,307	5,637	15,954
Deferred Compensation Obligations	3,754	364	728	728	1,934
Capital Lease Obligations	151	38	66	47	—
Purchase Obligations	525	350	175	—	—
Other Long Term Obligations	2,354	1,084	1,016	254	—
Uncertain Tax Position Liabilities	4,440	1,438	—	—	3,002
Total Contractual Cash Obligations (3)	$905,878	$64,830	$93,149	$378,681	$369,218

(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 5.0% as of December 31, 2011, 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, 2011 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, 2011, the Company had $25.5 million available under its secured credit facilities. The Company had approximately $315.7 million of outstanding debt under its secured credit facilities at December 31, 2011, consisting of $315.6 million in term loans and $0.1 million in capitalized lease obligations. The term loans consisted of $315.6 million in Term B-2 Loans at a three (3) month LIBOR rate plus margin of 5.0%. The capitalized lease obligations were at various interest rates.

At December 31, 2011 and 2010, the Company borrowings were as follows:

(dollars in thousands)	December 31, 2011 Facility Amount	December 31, 2011 Outstanding Amount	December 31, 2011 Interest Rate	December 31, 2010 Facility Amount	December 31, 2010 Outstanding Amount	December 31, 2010 Interest Rate
Term B-1 Loan		$ —	—		$ —	—
Term B-2 Loan		315,575	5.00%		288,550	5.50%
Total Term Loans		315,575			288,550	
Revolving credit facility	$30,000	—	5.50%	$30,000	12,000	5.50%
Capital leases & other obligations		134	various		164	various
Total secured credit		315,709			300,714	
10.875% senior notes		200,000	10.875%		150,000	10.875%
Total borrowings		$515,709			$450,714	

On May 28, 2010, the Company and certain of its subsidiaries closed the Senior Facilities, consisting of a $290 million term loan and a $30 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 acquisition of the Company on May 28, 2010, Hillman Group issued $150 million aggregate principal amount of its 10.875% Senior Notes. On March 16, 2011, Hillman Group completed an offering of $50 million aggregate principal amount of its 10.875% Senior Notes. Hillman Group received a premium of $4.625 million on the $50.0 million 10.875% Senior Notes offering. The 10.875% Senior Notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Effective April 18, 2011, the Company completed an amendment to the credit agreement governing its Senior Facilities. The Senior Facilities amendment eliminated the total leverage and interest coverage covenants and reduced the secured leverage covenant to 4.75x with no future step downs. The term loan pricing was modified to reduce the Eurodollar Margin and the Base Rate Margin by 25 basis points and reduce the floor on Eurodollar and Base Rate Loans by an additional 25 basis points. In connection with the amendment to the credit agreement, the Company incurred loan discount costs of $1.25 million. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount and debt issuance costs will be amortized over the term of the amended Senior Facilities.

Effective November 4, 2011, the Company entered into a Joinder Agreement to its credit agreement under the existing Senior Facilities (the "Incremental Facility"). The Incremental Facility increased the aggregate term loan commitments available to Hillman Group under the Senior Facilities by $30 million. In connection with the Incremental Facility, the Company incurred loan discount costs of $0.75 million. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount costs will be amortized over the term of the amended Senior Facilities. The aggregate principal amount of commitments under the Senior Facilities, after giving effect to the Incremental Facility, is $350 million. The Company used the proceeds for general corporate purposes.

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 the secured leverage ratio described above and limit 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 agreement, all amounts outstanding, together with accrued interest, could be declared immediately due and payable by our lenders. Below are the calculations of the financial covenant, as amended on April 18, 2011, with the Senior Facilities requirement for the twelve months ended December 31, 2011:

(dollars in thousands)	Actual	Ratio Requirement
Secured Leverage Ratio		
Senior term loan balance	$315,575	
Revolver	—	
Capital leases and other credit obligations	134	
Total debt	$315,709	
Adjusted EBITDA (1)	$ 91,795	
Leverage ratio (must be below requirement)	3.44	4.75

(1) Adjusted EBITDA is a non-GAAP measure defined as income from operations ($38,453) plus depreciation ($21,333), amortization ($20,717), stock compensation expense ($0), restructuring costs ($2,113), acquisition and integration expenses ($2,805), litigation settlement costs ($2,120), consigned inventory cost ($1,118), management fees ($110), foreign exchange losses ($446) and other ($1,004). The Adjusted EBITDA also includes pro-forma EBITDA of $1,576 for the TagWorks Acquisition. The Ook Acquisition had no EBITDA in 2011 prior to Hillman ownership.

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 recorded management fee charges of $110 for the year ended December 31, 2011 and $0 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 the year ended December 31, 2009.

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 $311 thousand for the year ended December 31, 2011 and $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 for the year ended December 31, 2009.

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 $641 thousand and $520 thousand as of December 31, 2011 and 2010, 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 $7.4 million and $11.0 million at December 31, 2011 and 2010, 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 for the reporting units as of October 1. The estimated fair value of each reporting unit subject to the impairment test 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, 2011 and 2010.

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, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ materially 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. The Company believes the liability recorded for such insurance reserves is adequate as of December 31, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ materially from this estimate.

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 198.3 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, 2011 and 2010.

The fair value of the management owned common stock is 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, 2011, 2010, and 2009, the Company has applied valuation multiples of 9.78x, 9.83x, 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 $26.85.

The calculation of the fair value of the Successor Common Stock as of December 31, 2011 and 2010 and the Predecessor Class A Common Stock and Class B Common Stock as of December 31, 2009, respectively, is detailed below:

(dollars in thousands)	Successor December 31, 2011	Successor December 31, 2010	Predecessor December 31, 2009
Trailing twelve fiscal months EBITDA (1)	$ 92,262	$ 85,056	$ 83,303
Valuation Multiple (2)	9.78	9.83	8.00
Hillman Enterprise Value Excluding Servalite	902,462	835,717	666,424
Ook Fair Value (3)	15,323	—	—
Servalite Fair Value (3)	—	21,335	—
Hillman Enterprise Value	917,785	857,052	666,424
Less:			
Senior term loans	315,575	288,550	157,849
Bank revolving credit	—	12,000	—
10.875% senior notes	200,000	150,000	—
Unsecured subordinated notes	—	—	49,820
Junior subordinated debentures redemption value, net (4)	105,446	105,446	105,446
Total Debt	621,021	555,996	313,115
Plus:			
Cash	12,027	7,585	17,164
Proceeds from option exercise	33,314	32,284	—
Less:			
Accrued Hillman Investment Company Class A Preferred (5)	—	—	117,434
Accrued Hillman Class A Preferred (5)	—	—	173,358
	—	—	290,792
Common Equity Value	342,105	340,925	79,681
Liquidity & Minority Discount on Common Only (6)	—	—	23,904
Discounted Common Equity Value	342,105	340,925	55,777
Fully-diluted Common Shares outstanding	342,105	340,925	10,227
Fully-diluted Discounted Value Per Common Share	$ 1,000	$ 1,000	$ 5,454

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

	December 31, 2011	December 31, 2010	December 31, 2009
Income from operations	$ 38,453	$ 7,923	$ 49,334
Depreciation and amortization	42,050	31,637	23,905
Management fees	110	438	1,010
Stock compensation expense	—	19,053	8,737
Acquisition and integration	2,805	22,492	—
Exchange rate (gain) loss	446	(391)	(536)
Restructuring cost	2,113	—	—
Excess legal on patent litigation	665	1,897	—
Litigation settlement cost	2,120	—	—
Consigned inventory cost	1,118	—	—
Royalty on engraving products	—	771	—
Other adjustments	2,382	1,236	853
EBITDA	$ 92,262	$ 85,056	$ 83,303

The other adjustments include 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) - Ook was acquired on December 1, 2011 and Servalite was acquired on December 29, 2010. Their respective purchase prices were deemed the 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, 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, 2011 and 2010. The fair values of the fixed rate senior notes and junior subordinated debentures were determined utilizing current trading prices obtained from indicative market data at December 31, 2011 and 2010, respectively. See Note 16, Fair Value Measurements of the Notes to the Consolidated Financial Statements.

Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The amendments in this Update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This Update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. The amendments in this Update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operations or financial condition.

In June 2011, the FASB issued ASU No. 2011-05, “Presentation of Comprehensive Income,” requiring most entities to present items of net income and other comprehensive income either in one continuous statement - referred to as the statement of comprehensive income - or in two separate, but consecutive, statements of net income and other comprehensive income. The new requirements are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operation or financial condition.

In September 2011, the FASB issued ASU No. 2011-08, “Testing Goodwill for Impairment”. This Update addresses concerns about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles - Goodwill and Other. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The new requirements are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operation or financial condition.

In December 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income". Under the amendments in Update 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when and where reclassification adjustments are presented. The amendments in this Update are effective at the same time as the amendments in Update 2011-05; effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidating 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 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 2010 Swap was effective 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 initially designated a cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement and as a result the 2010 Swap was no longer considered effective and de-designated as a cash flow hedge.

Based on the Company's exposure to variable rate borrowings at December 31, 2011, 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 $2.0 million.

The Company is exposed to foreign exchange rate changes of the Australian, Canadian and Mexican currencies as it impacts the $10.1 million net asset value of its foreign subsidiaries as of December 31, 2011. 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, 2011, 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 and solely because of the material weakness described below, management has concluded that our internal control over financial reporting was not effective as of December 31, 2011. Management identified a number of deficiencies related to the design and operating effectiveness of certain information technology ("IT") controls that have a direct impact on our financial reporting. In 2011, the technology organization went through organizational and operational change, which impacted operating procedures and directly contributed to the noted deficiencies. As of December 31, 2011, deficiencies existed with the monitoring controls surrounding both change management and administrative system access. In addition, certain deficiencies were noted in automated, application and manual business controls that are dependent on system information for their effective operation and, as a result, financial information may not be accurately reflected in key reports or in the general ledger.

The Company is not aware of any transactions that were improperly undertaken as a result of this material weakness and therefore does not believe that such material weakness had any material impact on the Company's financial statements.

In light of the foregoing conclusion, management undertook additional procedures in order that management could conclude that reasonable assurance exists 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.

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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 26, 2012

/s/ ANTHONY A. VASCONCELLOS

Anthony A. Vasconcellos
Chief Financial Officer
Dated: March 26, 2012

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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, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2011 (Successor), 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 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 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 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, 2011 and 2010, and the results of its operations and its cash flows for the year ended December 31, 2011 (Successor), 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 26, 2012

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of The Hillman Companies, Inc. and subsidiaries (a Delaware corporation) (the "Company") for the year ended December 31, 2009. Our audit 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 audit.

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 audit 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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of The Hillman Companies, Inc. and subsidiaries' operations and their cash flows for the year 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 statements of operations, stockholders' equity and cash flows for the year ended 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 for the year then ended December 31, 2009. 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, 2011 and 2010 and for the year ended December 31, 2011, 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.

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

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,027	$ 7,585
Restricted investments	364	227
Accounts receivable	63,565	56,510
Inventories	103,975	97,701
Deferred income taxes	9,908	9,377
Other current assets	5,646	3,401
Total current assets	195,485	174,801
Property and equipment	66,342	52,512
Goodwill	457,443	439,589
Other intangibles	386,202	363,076
Restricted investments	3,390	3,251
Deferred income taxes	—	379
Deferred financing fees	13,055	14,322
Investment in trust common securities	3,261	3,261
Other assets	2,673	1,587
Total assets	$1,127,851	$1,052,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,273	$ 28,424
Current portion of senior term loans	3,200	2,900
Additional acquisition consideration	12,387	—
Current portion of capitalized lease and other obligations	31	30
Accrued expenses:		
Salaries and wages	5,628	6,078
Pricing allowances	5,728	5,355
Income and other taxes	2,253	2,039
Interest	2,203	1,409
Deferred compensation	364	227
Other accrued expenses	9,207	7,899
Total current liabilities	72,274	54,361
Long-term senior term loans	310,550	285,650
Bank revolving credit	—	12,000
Long-term capitalized lease and other obligations	103	134
Long-term senior notes	204,248	150,000
Junior subordinated debentures	115,411	115,837
Deferred compensation	3,390	3,251
Deferred income taxes	123,888	129,284
Other non-current liabilities	7,193	2,283
Total liabilities	837,057	752,800

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)	December 31, 2011	December 31, 2010
Common stock with put options:		
Common stock, $.01 par, 5,000 shares authorized, 198.3 issued and outstanding at December 31, 2011 and 2010.	12,247	12,247
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
Preferred Stock:		
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2011 and 2010.	—	—
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized, 4,801.7 issued and outstanding at December 31, 2011 and 2010.	—	—
Additional paid-in capital	296,544	296,394
Accumulated deficit	(17,817)	(8,038)
Accumulated other comprehensive loss	(180)	(625)
Total stockholders' equity	278,547	287,731
Total liabilities and stockholders' equity	$1,127,851	$1,052,778

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

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

	Successor		Predecessor	
	Year ended December 31, 2011	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009
Net sales	$ 506,526	$ 276,680	$ 185,716	$ 458,161
Cost of sales (exclusive of depreciation and amortization shown separately below)	252,491	136,554	89,773	224,642
Selling, general and administrative expenses	169,766	90,760	82,850	159,150
Acquisition and integration (Note 22)	2,805	11,150	11,342	—
Depreciation	21,333	11,007	7,283	16,993
Amortization	20,717	10,669	2,678	6,912
Management and transaction fees to related party	110	—	438	1,010
Other (income) expense, net	851	(145)	114	120
Income (loss) from operations	38,453	16,685	(8,762)	49,334
Interest expense, net	40,679	20,712	8,327	15,521
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	—	5,488	12,312
Interest expense on junior subordinated debentures	12,610	7,356	5,254	12,820
Investment income on trust common securities	(378)	(220)	(158)	(378)
(Loss) income before income taxes	(14,458)	(11,163)	(27,673)	9,059
Income tax (benefit) provision	(4,679)	(3,125)	(2,465)	10,289
Net loss	$ (9,779)	$ (8,038)	$ (25,208)	$ (1,230)

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	
	Year Ended December 31, 2011	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009
Cash flows from operating activities:				
Net loss	$ (9,779)	$ (8,038)	$ (25,208)	$ (1,230)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	42,050	21,676	9,961	23,905
Dispositions of property and equipment	53	60	74	243
Deferred income tax provision (benefit)	(4,634)	(5,660)	(1,921)	8,673
Deferred financing and original issue discount amortization	2,011	1,294	515	1,275
Interest on mandatorily redeemable preferred stock and management purchased options	—	—	5,488	12,312
Stock-based compensation expense	—	—	19,053	8,737
Other non-cash interest and change in value of interest rate swap	1,250	392	—	—
Changes in operating items:				
Accounts receivable	(4,441)	14,686	(16,816)	1,633
Inventories	(2,175)	(11,661)	2,959	18,282
Other assets	(3,251)	(1,156)	124	949
Accounts payable	672	7,051	1,830	(6,219)
Other accrued liabilities	2,291	(5,780)	4,352	3,627
Other items, net	166	(1,665)	(894)	(190)
Net cash provided by (used for) operating activities	24,213	11,199	(483)	71,997
Cash flows from investing activities:				
Ook acquisition	(15,323)	—	—	—
Tagworks acquisition	(40,271)	—	—	—
Payments for Quick Tag and Laser Key licenses	—	(12,750)	—	—
Servalite acquisition	—	(21,335)	—	—
Capital expenditures	(17,935)	(9,675)	(5,411)	(12,971)
Net cash used for investing activities	(73,529)	(43,760)	(5,411)	(12,971)
Cash flows from financing activities:				
Borrowings of senior term loans	30,000	290,000	—	—
Repayments of senior term loans	(2,975)	(149,756)	(9,544)	(45,000)
Discount on senior term loans	(2,000)	—	—	—
Borrowings of revolving credit loans	9,444	12,600	—	—
Repayments of revolving credit loans	(21,444)	(600)	—	—
Payment of additional acquisition consideration	(12,490)	—	—	—
Principal payments under capitalized lease obligations	(30)	(50)	(459)	(394)
Repayments of unsecured subordinated notes	—	(49,820)	—	—
Borrowings of senior notes	50,000	150,000	—	—
Premium on senior notes	4,625	—	—	—
Financing fees, net	(1,372)	(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	53,758	38,879	(10,003)	(48,995)
Net increase (decrease) in cash and cash equivalents	4,442	6,318	(15,897)	10,031
Cash and cash equivalents at beginning of period	7,585	1,267	17,164	7,133
Cash and cash equivalents at end of period	$ 12,027	$ 7,585	$ 1,267	$ 17,164

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 Common Stock Class A	Predecessor Common Stock Class C	Predecessor Preferred Stock Class A	Successor Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
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 mezzanine	—	—	—	—	(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
Net loss	—	—	—	—	—	(9,779)	—	$ (9,779)	(9,779)
Sale of 150 Holdco common shares (4)	—	—	—	—	150	—	—		150
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	(179)	(179)	(179)
Change in derivative security value due to de-designation (1)	—	—	—	—	—	—	624	624	624
Comprehensive loss								$ (9,334)	
Balance at December 31, 2011 - Successor	$ —	$ —	$ —	$ —	$296,544	$ (17,817)	$ (180)		$ 278,547

(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.
(4) In January 2011, the Company 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, net of $3,261 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 ("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 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 excess of the purchase price over the net assets has been allocated to goodwill and intangible assets based upon an independent valuation appraisal. The intangible assets and goodwill are deductible for income tax purposes over a 15 year life.

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	79,297
Other current assets	11,497
Property and equipment	53,607
Goodwill	432,245
Intangible assets	366,400
Other non-current assets	3,644
Total assets acquired	1,016,530
Less:	
Accounts payable	(21,021)
Deferred income taxes	(133,249)
Junior subordinated debentures	(105,443)
Junior subordinated debentures premium	(7,378)
Other liabilities assumed	(22,203)
Net assets acquired	$ 727,236

The following table indicates the unaudited pro-forma financial statements of the Company for the years ended December 31, 2011, 2010 (excludes acquisition and integration charges of $22,492 as discussed in Note 22), and 2009. 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, 2009.

	2011	2010	2009
Net Sales	521,604	514,572	498,339
Net Loss	(8,650)	(2,370)	(1,290)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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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 acquisitions had been effective January 1, 2009, 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 organized as six separate business segments, the largest of which is (1) The Hillman Group operating primarily in the United States. The other business segments consist of subsidiaries of the Hillman Group operating in (2) Canada under the name The Hillman Group Canada, Ltd., (3) Mexico under the name SunSource Integrated Services de Mexico SA de CV, (4) Florida under the name All Points Industries, Inc., (5) Australia under the name The Hillman Group Australia Pty. Ltd. and (6) the U.S. market as TagWorks (which was merged with and into Hillman Group effective December 31, 2011). 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, 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. The Company has approximately 20,000 customers, the largest three of which accounted for 41.0% of net sales in 2011.

Correction of Prior Period Disclosures:

The Company has revised certain subsidiary financial information within the Supplemental Consolidating Guarantor and Non-Guarantor Financial Information for the consolidating balance sheet as of December 31, 2010 and consolidating statement of cash flows for the seven months ended December 31, 2010 which were included in the report filed for the annual period ended December 31, 2010. The pushdown allocated goodwill and intangible assets to the subsidiaries and goodwill, intangible assets, deferred taxes and investments in subsidiaries as of December 31, 2010, as well as the changes in cash flows associated with the deferred income tax provision (benefit) and changes in operating items: other items, net for the seven months ended December 31, 2010. We have determined the revision of certain Supplemental Consolidating Guarantor and Non-Guarantor Financial Information disclosures in previous filings to not be material.

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 $2,627 and $1,299 at December 31, 2011 and 2010, 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.

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

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 Plan.

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 $641 and $520 as of December 31, 2011 and 2010, respectively.

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 $7,406 and $11,010 at December 31, 2011 and 2010, 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 $161 in the Successor year ended December 31, 2011, $1,134 in the Successor seven month period ended December 31, 2010, $246 in the Predecessor period ended May 28, 2010 and $2,837 for the year ended December 31, 2009.

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.

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

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, 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 year ended December 31, 2011, the seven month period ended December 31, 2010 or the year ended December 31, 2009.

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 year ended December 31, 2011, the seven months ended December 31, 2010, the five months ended May 28, 2010 or the year ended December 31, 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 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.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies: (continued)

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, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ materially 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 Company believes the liability recorded for such health insurance reserves is adequate as of December 31, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ materially from this estimate.

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 $1,327 in the Successor year ended December 31, 2011, $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 for the year ended December 31, 2009.

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 HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies: (continued)

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 $21,695 in the Successor year ended December 31, 2011, $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 in the year ended December 31, 2009.

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 $1,187 in the Successor year ended December 31, 2011, $476 in the Successor seven month period ended December 31, 2010, $446 in the Predecessor period ended May 28, 2010 and $1,198 in the year ended December 31, 2009.

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 198.3 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, 2011. 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".

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

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, 2011 and 2010 because of the short maturity of these instruments. The fair values of the fixed rate senior notes and junior subordinated debentures at December 31, 2011 and 2010 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.

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 and have no ineffectiveness 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, Mexican and Australian 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.

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

Comprehensive Income (Loss):

The components of comprehensive loss were as follows:

	Successor		Predecessor	
	Year ended December 31, 2011	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009
Net loss	$ (9,779)	$ (8,038)	$ (25,208)	$ (1,230)
Foreign currency translation adjustment, net	(179)	(1)	17	(197)
Change in derivative security value, net (1)	624	(624)	1,161	297
Comprehensive loss	$ (9,334)	$ (8,663)	$ (24,030)	$ (1,130)

(1) Utilizing an income tax rate of 38.7%, 38.6%, 38.7%, and 38.7% for the periods ended December 31, 2011 and 2010, May 28, 2010 and December 31, 2009, respectively.

The accumulated other comprehensive loss of $180 at December 31, 2011 consisted entirely of the cumulative change in foreign currency translation adjustment. 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
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3. Recent Accounting Pronouncements:

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this Update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This Update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. The amendments in this Update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operations or financial condition.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income," requiring most entities to present items of net income and other comprehensive income either in one continuous statement - referred to as the statement of comprehensive income - or in two separate, but consecutive, statements of net income and other comprehensive income. The new requirements are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operation or financial condition.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment". This Update addresses concerns about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles - Goodwill and Other. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The new requirements are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operation or financial condition.

In December 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income". Under the amendments in Update 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when and where reclassification adjustments are presented. The amendments in this Update are effective at the same time as the amendments in Update 2011-05; effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidating results of operations or financial condition.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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4. Acquisitions:

On December 1, 2011, the Hillman Group purchased certain assets of Micasa Trading Corporation ("Micasa"), a Miami, Florida based producer of the Ook brand of picture hangers and related products ("Ook" or the "Ook Acquisition"). The initial purchase price of the Ook Acquisition was approximately $15,323 paid in cash at closing. The closing purchase price is subject to post closing adjustments for certain changes in the working capital obtained in the Ook Acquisition as provided in the purchase agreement. The asset acquisition met the definition of a business for business combinations.

In addition, subject to fulfillment of certain conditions provided in the purchase agreement, Hillman Group will pay Micasa an additional undiscounted contingent consideration of up to $6,000 in March 2013. The March 2013 additional consideration is contingent on achieving a defined gross profit earnings target. The fair value of the contingent consideration arrangement of $0 was estimated by applying the income approach. Key assumptions include (a) a discount rate range of 1.0 percent to 3.7 percent; and (b) a probability adjusted level of gross profit in the Ook Acquisition business.

Micasa was established in 1964 and developed into a major supplier of picture hanging fasteners and innovative parts within the retail hardware market. The Ook brand's excellence in this specialty category strengthens Hillman's position of providing value-added products and services to home centers and hardware retailers.

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

Account receivable	$ 2,030
Inventory	2,600
Deferred income taxes	769
Goodwill	5,662
Intangibles	6,000
Total assets acquired	17,061
Less:	
Liabilities assumed	1,738
Total purchase price	$15,323

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

4. Acquisitions: (continued)

On March 16, 2011, Hillman Group acquired all of the membership interests in TagWorks, an Arizona limited liability company (the "TagWorks Acquisition") for an initial purchase price of $40,000 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, Hillman Group paid additional consideration of $12,500 to the sellers of TagWorks on October 31, 2011, and, subject to fulfillment of certain conditions provided in the purchase agreement, will pay additional undiscounted contingent consideration of up to $12,500 in March 2012. The March 2012 additional consideration was contingent on achieving defined revenue and earnings targets which were achieved as of December 31, 2011. The fair value of the total contingent consideration arrangement of $12,387 at December 31, 2011 was estimated by applying the income approach. Key assumptions include (a) a discount rate range of 1.0 percent to 3.7 percent (b) a probability adjusted level of revenues in TagWorks and (c) a probability adjusted level of EBITDA in TagWorks.

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 the TagWorks Acquisition, 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 occurred concurrently with the offering of $50,000 aggregate principal amount of Hillman Group's 10.875% Senior Notes due 2018. Hillman Group used the net proceeds of the note offering to fund the TagWorks Acquisition, to repay a portion of indebtedness under its revolving credit facility and to pay related transaction and financing fees. The notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group.

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

Account receivable	$ 735
Inventory	1,086
Other current assets	217
Deferred income taxes	24
Property and equipment	17,403
Goodwill	14,996
Intangibles	34,840
Total assets acquired	69,301
Less:	
Liabilities assumed	4,622
Total purchase price	$64,679

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.

Effective December 31, 2011, TagWorks was merged with and into Hillman Group, with Hillman Group as the surviving entity.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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4. Acquisitions: (continued)

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 $21,517 paid in cash.

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

Account receivable	$ 2,633
Inventory	5,485
Other current assets	86
Deferred income taxes	1,341
Property and equipment	49
Goodwill	4,537
Intangibles	9,100
Total assets acquired	23,231
Less:	
Liabilities assumed	1,714
Total purchase price	$21,517

The excess of the purchase price over the net assets has been allocated to goodwill and intangible assets based upon an independent valuation appraisal. The intangible assets and goodwill are deductible for income tax purposes over a 15 year life.

Effective March 31, 2011, Servalite was merged with and into Hillman Group, with Hillman Group as the surviving entity.

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 recorded management fee charges and expenses from OHCP of $110 for the year ended December 31, 2011 and 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 for the year ended December 31, 2009.

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 $311 for the year ended December 31, 2011 and $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 for the year ended December 31, 2009.

6. Income Taxes:

The components of the Company's income tax provision for the three years ended December 31, 2011 were as follows:

	Successor		Predecessor	
	Year ended December 31, 2011	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009
Current:				
Federal & State	$ 217	$ 96	$ 83	$ 1,579
Foreign	317	108	73	102
Total current	534	204	156	1,681
Deferred:				
Federal & State	(5,119)	(4,348)	(2,063)	7,907
Foreign	(130)	38	91	196
Total deferred	(5,249)	(4,310)	(1,972)	8,103
Valuation allowance	36	981	(649)	505
Provision for income taxes	$ (4,679)	$ (3,125)	$ (2,465)	$ 10,289

The Company has U.S. federal net operating loss ("NOL") carryforwards for tax purposes, totaling $64,920 as of December 31, 2011, that are available to offset future taxable income. These carry forwards expire from 2023 to 2031. 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 $2,083 which expire from 2027 to 2031. Management has recorded a valuation reserve of $71 against the deferred tax asset recorded for the foreign NOL benefit.

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6. Income Taxes: (continued)

The Company has state net operating loss carryforwards with an aggregate tax benefit of $3,047 which expire from 2012 to 2031. 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 $296 has been recorded for these deferred tax assets. In 2011, the valuation allowance for state net operating loss carryforwards increased by $214. 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 $1,593 as of December 31, 2011. 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 $588 for this capital loss carryforward to fully offset the deferred tax asset in 2011. 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 2011, the valuation allowance for the capital loss carryforward was decreased by $20 in the twelve month period. The decrease was attributed to utilization in the carryforward period. The Company has $187 of general business tax credit carryforwards which expire from 2012 to 2030. A valuation allowance of $143 has been established for these tax credits. The Company has $12 of foreign tax credit carryforwards which expire from 2020 to 2021. A valuation allowance of $12 has been established for these tax credits.

A deferred tax asset of $1,940 has been recorded for costs that were capitalized in connection with the Merger Transaction. Costs totaling $5,013 were capitalized in connection with the Merger Transaction including $1,138 of investment banking fees, $1,370 of consulting fees, $1,964 of legal and accounting fees, and $541 of other miscellaneous transaction costs. 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 $1,940 for the entire amount of the deferred tax asset related to these non-amortizable capitalized costs.

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.

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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, 2011 and 2010:

	As of December 31, 2011		As of December 31, 2010	
	Current	Non-current	Current	Non-current
Deferred Tax Asset:				
Inventory	$ 6,429	$ —	$ 6,576	$ —
Bad debt reserve	1,243	—	752	—
Casualty loss reserve	419	492	386	368
Accrued bonus / deferred compensation	889	1,377	1,062	1,319
Litigation settlement accrual	629	—	—	—
Medical insurance reserve	190	—	277	—
Accrued resets and buy backs	—	—	314	—
Deferred lease incentive	—	454	—	—
Original issue discount amortization	—	509	—	537
Derivative security value	—	—	—	392
Transaction costs	—	3,498	—	5,171
Federal / foreign net operating loss	—	23,233	—	18,695
State net operating loss	—	3,047	—	2,691
Unrecognized tax benefit	—	(4,440)	—	(4,433)
Federal capital loss carryforwards	—	588	—	608
Tax credit carryforwards	—	2,559	—	2,489
All other items	852	639	746	607
Gross deferred tax assets	10,651	31,956	10,113	28,444
Valuation allowance for deferred tax assets	(743)	(2,236)	(736)	(2,091)
Net deferred tax assets	$ 9,908	$ 29,720	$ 9,377	$ 26,353
Deferred Tax Liability:				
Intangible asset amortization	$ —	$ 141,169	$ —	$ 146,493
Property and equipment	—	12,439	—	8,765
Deferred tax liabilities	$ —	$ 153,608	$ —	$ 155,258
Net deferred tax liability		$ 113,980		$ 119,528
Long term net deferred tax liability		$ 123,888		$ 129,284
Current net deferred tax asset		9,908		9,377
Long term net deferred tax asset		—		379
Net deferred tax liability		$ 113,980		$ 119,528

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6. Income Taxes: (continued)

The valuation allowance at December 31, 2011 was $2,979. 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.

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	
	Year ended December 31, 2011	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009
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	-0.9%	-0.4%	-0.1%	0.6%
State and local income taxes, net of U.S. federal income tax benefit	2.5%	3.2%	0.9%	10.7%
Adjustment of reserve for change in valuation allowance and other items	-1.2%	-9.2%	2.3%	5.8%
Adjustment for change in tax law	-2.6%	0.0%	0.3%	3.0%
Adjustment of the general tax reserve	0.0%	0.0%	-5.6%	0.0%
Permanent differences:				
Interest expense on mandatorily redeemable preferred stock	0.0%	0.0%	-6.2%	42.5%
Stock based compensation expense	0.0%	0.0%	-17.5%	18.3%
Meals and entertainment expense	-0.9%	-0.6%	-0.2%	1.2%
Other permanent differences	0.0%	0.0%	0.0%	0.2%
Reconciliation of tax return to tax provision	0.5%	0.0%	0.0%	-3.7%
Effective income tax rate	32.4%	28.0%	8.9%	113.6%

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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6. Income Taxes: (continued)

The Company has recorded an $8 increase in the reserve for unrecognized tax benefits in the twelve month period ended December 31, 2011 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 three years follows:

	Successor		Predecessor
	2011	2010	2009
Unrecognized tax benefits - January 1	$4,433	$2,879	$ 2,872
Gross increases - tax positions in current period	8	1,557	—
Gross increases - tax positions in prior period	—	—	7
Gross decreases - tax positions in prior period	—	(3)	—
Unrecognized tax benefits - December 31	$4,441	$4,433	$ 2,879
Amount of unrecognized tax benefit that, if recognized would affect the company's effective tax rate	$4,441	$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 anticipates that total unrecognized tax benefits could decrease by $1,438 due to the settlement of audits and the expiration of statute of limitations prior to December 31, 2012.

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, 2011, 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 2008. However, the IRS can make adjustments to losses carried forward by the Company from 2004 forward and utilized on its federal return.

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7. Property and Equipment:

Property and equipment, net, consists of the following at December 31, 2011 and 2010:

	Estimated Useful Life (Years)	2011	2010
Land	n/a	$ 531	$ 531
Buildings	27	772	751
Leasehold improvements	3-10	4,797	4,664
Machinery and equipment	2-10	83,518	54,165
Furniture and fixtures	3-5	684	597
Construction in process		3,489	1,316
Property and equipment, gross		93,791	62,024
Less: Accumulated depreciation		27,449	9,512
Property and equipment, net		$66,342	$52,512

Machinery and equipment includes capitalized software of $5,287 and $5,126 as of December 31, 2011 and 2010, respectively. Capitalized interest of $99 and $42 was recorded for the years ended December 31, 2011 and 2010, respectively.

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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 and the acquisitions of Servalite and Tagworks were determined through separate independent appraisals. 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 Ook were determined by management pending an independent appraisal. The Ook intangible asset values may be adjusted by management for any changes upon completion of the independent appraisal. Other intangibles, net as of December 31, 2011 and 2010 consist of the following:

	Estimated Useful Life (Years)	December 31, 2011	Estimated Useful Life (Years)	December 31, 2010
Customer relationships	20	$ 326,200	20	$ 295,120
Trademarks - All Others	Indefinite	49,660	Indefinite	48,871
Trademarks - TagWorks	5	240	—	—
Patents	5-20	20,200	5-20	15,900
Quick Tag license	6	11,500	6	11,500
Laser Key license	5	1,250	5	1,250
KeyWorks license	10	4,100	—	—
Non compete agreements	5.5-10	4,200	5.5	1,104
Lease agreement	0.5	240	—	—
Intangible assets, gross		417,590		373,745
Less: Accumulated amortization		31,388		10,669
Other intangibles, net		$ 386,202		$ 363,076

The Predecessor Company’s amortization expense for amortizable assets was $2,678 and $6,912 for the five months ended May 28, 2010 and the year ended December 31, 2009, respectively. The Successor Company’s amortization expense for amortizable assets was $10,669 and $20,717 for the seven months ended December 31, 2010 and the year ended December 31, 2011. For the years ending December 31, 2012, 2013, 2014, 2015 and 2016, the Successor’s amortization expense for amortizable assets is estimated to be $21,580, $21,380, $21,380, $20,719 and $18,792, 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 acquisition of the Company on May 28, 2010, Hillman Group issued $150,000 aggregate principal amount of its senior notes due 2018 (the “10.875% Senior Notes”). On March 16, 2011, Hillman Group completed an offering of $50,000 aggregate principal amount of its 10.875% Senior Notes. Hillman Group received a premium of $4,625 on the $50,000 10.875% Senior Notes offering. The 10.875% Senior Notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group. 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 a leverage ratio. 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.

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9. Long-Term Debt: (continued)

Effective April 18, 2011, the Company completed an amendment to the credit agreement governing its Senior Facilities. The Senior Facilities amendment eliminated the total leverage and interest coverage covenants and reduced the secured leverage covenant to 4.75x with no future step downs. The term loan pricing was modified to reduce the Eurodollar Margin and the Base Rate Margin by 25 basis points and reduce the floor on Eurodollar and Base Rate Loans by an additional 25 basis points. In connection with the amendment to the credit agreement, the Company incurred loan discount costs of $1,250. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount and debt issuance costs will be amortized over the term of the amended Senior Facilities. The Company was in compliance with all provisions and covenants of the amended Senior Facilities as of December 31, 2011.

Effective November 4, 2011, the Company entered into a Joinder Agreement to its credit agreement under the existing Senior Facilities (the "Incremental Facility"). The Incremental Facility increased the aggregate term loan commitments available to Hillman Group under the Senior Facilities by $30,000. In connection with the Incremental Facility, the Company incurred loan discount costs of $750. As the modification of the Senior Facilities agreement was not substantial, the unamortized loan discount costs will be amortized over the term of the amended Senior Facilities. The aggregate principal amount of commitments under the Senior Facilities, after giving effect to the Incremental Facility, is $350,000. The Company used the proceeds for general corporate purposes.

As of December 31, 2011 and 2010, long-term debt is summarized as follows:

	2011	2010
Revolving Credit Agreement	$ —	$ 12,000
Term Loan B	315,575	288,550
10.875% Senior Notes	200,000	150,000
Capital Leases	134	164
	515,709	450,714
Less: amounts due in one year	3,231	2,930
Long-term debt	$512,478	$447,784

The aggregate minimum principal maturities of the long-term debt for each of the five years following December 31, 2011 are as follows:

	Amount
2012	$ 3,231
2013	3,231
2014	3,227
2015	3,228
2016	302,792
2017 and thereafter	—

As of December 31, 2011, the Company had $25,459 available under its revolving credit agreement and letter of credit commitments outstanding of $4,541. The Company had outstanding debt of $315,709 under its secured credit facilities at December 31, 2011, consisting of $315,575 in Term B-2 loans and $134 in capitalized lease obligations. The term loan consisted of $315,575 in Term B-2 Loans currently at a three (3) month LIBOR rate of 5.00%. 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, 2011:

	Capital Leases	Operating Leases
2012	$ 38	$ 8,000
2013	36	5,758
2014	30	3,549
2015	30	2,941
2016	17	2,696
Later years	—	15,954
Total minimum lease payments	151	$38,898
Less amounts representing interest	(17)	
Present value of net minimum lease payments (including $31 currently payable)	$134	

The rental expense for all operating leases was $9,039, $4,989, $3,616, and $8,716 for the Successor year ended December 31, 2011, seven months ended December 31, 2010, Predecessor five months ended May 28, 2010 and Predecessor year ended December 31, 2009, 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, 2011 and 2010, the Company's consolidated balance sheets included $3,754 and $3,478, 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 $364 and $227 as of December 31, 2011 and 2010, respectively.

The assets held in the NQDC are classified as an investment in trading securities. The Company recorded trading gains of $19 and offsetting compensation expense for the year ended December 31, 2011. 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.

During the year ended December 31, 2011, distributions from the deferred compensation plan aggregated $233. 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 year ended December 31, 2009, distributions from the deferred compensation plan aggregated $1,792.

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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, 2011:

Non-current assets - junior subordinated debentures - preferred	$ 112,150
Non-current assets - junior subordinated debentures - common	3,261
Total assets	$ 115,411
Non-current liabilities - trust preferred securities	$ 112,150
Stockholder's equity - trust common securities	3,261
Total liabilities and stockholders' equity	$ 115,411

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.

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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.

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13. Common and Preferred Stock: (continued)

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 198.3 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, 2011.

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 was mandatorily redeemable on March 31, 2028 and, prior to the Merger Transaction, was classified as debt in the Company's consolidated balance sheets. The Hillman Investment Company Class A Preferred Stock was 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 and $11,008 for the Predecessor five months ended May 28, 2010 and the year ended December 31, 2009, respectively. The dividends on the mandatorily redeemable Class A Preferred Stock were 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 year ended December 31, 2009, interest expense of $37 was included in the accompanying consolidated statements of operations.

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13. Common and Preferred Stock: (continued)

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 were recorded as interest expense in the accompanying consolidated statement of operations. Additionally, under the terms of the ESA, the Purchased Options could be put back to the Company at fair value if employment was 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 and $1,304 was recorded for the Predecessor five months ended May 28, 2010 and the year ended December 31, 2009, respectively, to recognize the increase in fair value of the Purchased Options.

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.

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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 and $680 was recorded in the accompanying consolidated statements of operations for the Predecessor five months ended May 28, 2010 and the year ended December 31, 2009, 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 and $3,311 was recognized in the accompanying consolidated statements of operations for the Predecessor five month period ended May 28, 2010 and the year ended December 31, 2009, 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 could be put back to the Company at fair value upon termination. Unvested shares of the Class B Common Stock were 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 had not been recognized. The Class B common shares were fully vested as of March 31, 2009.

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

Under the Option Plan, the Company granted 26,700 common options on November 23, 2010, granted 5,584 common options on December 23, 2010, granted 300 common options on January 3, 2011, and granted 730 common options on May 26, 2011. 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 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, 2011 and 2010, and therefore, no compensation expense was recorded in the accompanying consolidated statements of operations for the year ended December 31, 2011 or 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 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 was 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 initially designated as a cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement which modified the interest rate on the Senior Facilities. The critical terms for the 2010 Swap no longer matched the terms of the amended Senior Facilities and the 2010 Swap was de-designated. As a result, $643 of previously unrecognized losses recorded as a component of other comprehensive income were recognized as interest expense in the year ended December 31, 2011.

At December 31, 2011, the fair value of the 2010 Swap was $(1,205) and was reported on the consolidated balance sheet in other non-current liabilities with an interest charge recorded in the statement of operations for the change in fair value since the date the 2010 Swap was de-designated. As of December 31, 2010, the fair value of the 2010 Swap of $(1,016) was reported on the consolidated balance sheet in other non-current liabilities with a related deferred tax asset of $392 and an unrealized loss of $(624) recorded as a component of other comprehensive income in stockholders' equity.

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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.

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, 2011			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,754	$ —	$ —	$ 3,754
Interest rate swaps	—	(1,205)	—	(1,205)

	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)

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16. Fair Value Measurements: (continued)

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 year ended December 31, 2011, the unrealized gains on these securities of $19 were recorded as other income by the Successor Company. An offsetting entry for the same amount, increasing the deferred compensation liability and compensation expense within SG&A, was also recorded.

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. An offsetting entry for the same amount, increasing 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, 2011 and 2010 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, 2011 and 2010 were determined by utilizing current trading prices obtained from indicative market data.

	December 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
10.875% Senior Notes	$200,000	$197,250	$150,000	$164,062
Junior Subordinated Debentures	115,411	129,371	115,837	125,153

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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 $2,354 recorded for such risk insurance reserves is adequate as of December 31, 2011, but due to judgments inherent in the reserve estimate, it is possible the ultimate costs will differ materially from this estimate.

As of December 31, 2011, the Company has provided certain vendors and insurers letters of credit aggregating $4,541 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 $1,867 recorded for such group health insurance reserves is adequate as of December 31, 2011, but due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ materially from this estimate.

On November 23, 2011, Steelworks Hardware LLC, the owner of the Steelworks trade mark and a party to a licensing and marketing agreement with Hillman that originated in 2005 and automatically renewed for a three year period beginning in May 2010, filed a complaint against Hillman Group, Ace Hardware Corporation, Lowe's Companies, Inc., Lowe's Home Centers, Inc. and True Value Company in the United States District Court for the Northern District of Illinois Eastern Division. The complaint alleged a series of claims against Hillman Group and the other named defendants, including trade mark and trade dress infringement in violation of the Lanham Act, violations of Illinois Consumer Fraud and Unfair Trade Practices Acts and common law breach of contract, conspiracy and tort claims.

On March 20, 2012, the Company agreed to pay $1,635 to Steelworks Hardware LLC in full settlement of all alleged claims and plaintiff legal fees in this matter. The settlement cost and plaintiff legal fees were recorded in our consolidated results of operations as of December 31, 2011.

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. A ruling on the claim construction hearing was handed down on November 22, 2011 and was favorable to the Company's position. A trial date on the patent case is set for the fourth quarter of 2012.

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17. Commitments and Contingencies: (continued)

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.

18. Statements of Cash Flows:

Supplemental disclosures of cash flow information are presented below:

	Successor		Predecessor	
	Year ended December 31, 2011	Seven Months ended December 31, 2010	Five Months ended May 28, 2010	Year ended December 31, 2009
Cash paid during the period for:				
Interest on junior subordinated debentures	$ 12,232	$ 7,136	$ 5,096	$ 12,442
Interest	$ 38,192	$ 19,409	$ 7,710	$ 14,043
Income taxes	$ 749	$ 122	$ 575	$ 1,759
Non-cash investing activities:				
Property and equipment purchased with capital lease	$ —	$ 152	$ —	$ 27
Non-cash financing activities:				
Increase in accrued dividends on preferred stock	$ —	$ —	$ —	$ 16,872

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19. Quarterly Data (unaudited):

2011	Total	Fourth	Third	Second	First
Net sales	$506,526	$122,259	$137,577	$135,396	$111,294
Income from operations	38,453	4,816	14,855	15,695	3,087
Net (loss) income	(9,779)	(5,483)	1,454	(868)	(4,882)

2010	Total	Fourth	Third	Second	First
Net sales	$462,396	$106,265	$122,715	$124,956	$108,460
Income from operations	7,923	5,582	14,300	(22,127)	10,168
Net (loss) income	(33,246)	(3,689)	1,450	(29,438)	(1,569)

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, 2011, the largest three customers accounted for 41.0% of sales and 52.0% of the year-end accounts receivable balance. 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. No other customer accounted for more than 5.0% of the Company's total sales in 2011, 2010 or 2009.

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 10.0% of the Company's total purchases and 3.9% of the Company's total trade payables on December 31, 2011.

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21. Segment Reporting and Geographic Information:

The Company's segment reporting structure uses the Company's management reporting structure as the foundation for how the Company manages its business. The Company periodically evaluates its segment reporting structure in accordance with ASC 350-20-55 and has concluded that it has six reporting units as of December 31, 2011. The United States segment, excluding All Points and Tagworks, is the only segment considered material by Company management as of December 31, 2011. The segments are as follows:

- United States – excluding the All Points and Tagworks divisions
- All Points
- Tagworks
- Canada
- Mexico
- Australia

Our United States segment distributes fasteners and related hardware items, threaded rod, keys, key duplicating systems and accessories, and identification items, such as tags and letters, numbers and signs to hardware stores, home centers, mass merchants, and other retail outlets primarily in the United States.

Our All Points segment is a Florida based distributor of commercial and residential fasteners catering to the hurricane protection industry in the southern United States. All Points has positioned itself as a major supplier to manufacturers of railings, screen enclosures, windows and hurricane shutters.

Our Tagworks segment provides innovative pet ID tag programs to a leading pet products chain retailer in the United States using a unique, patent-protected / patent-pending technology and product portfolio.

Our Canada segment distributes fasteners and related hardware items, threaded rod, keys, key duplicating systems and accessories, and identification items, such as tags and letters, numbers and signs to hardware stores, home centers, mass merchants, and other retail outlets in Canada.

Our Mexico segment distributes fasteners and related hardware items to hardware stores, home centers, mass merchants, and other retail outlets in Mexico.

Our Australia segment distributes keys, key duplicating systems and accessories to home centers and other retail outlets in Australia.

The Company uses profit or loss from operations to evaluate the performance of its segments. Profit or loss from operations is defined as income from operations before interest and tax expenses. Hillman accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. Segment revenue excludes intersegment sales related to the sales or transfer of products between segments which is consistent with the segment revenue information provided to the Company's chief operating decision maker. Segment Income (Loss) from Operations for Mexico and Australia include insignificant costs allocated from the United States, excluding All Points and Tagworks segment, while the remaining operating segments do not include any allocations.

In 2011, the Company concluded that it used a multiple segment operating structure. The Company has updated and expanded its 2010 segment reporting and geographic information to conform to the 2011 presentation.

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21. Segment Reporting and Geographic Information (continued):

The table below presents revenues and income from operations for our reportable segments for the year ended December 31, 2011, the seven months ended December 31, 2010, the five months ended May 28, 2010 and the year ended December 31, 2009.

	Successor		Predecessor	
	Year Ended December 31, 2011	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009
Revenues				
United States, excluding All Points and Tagworks	$459,623	$ 258,391	$ 175,470	$433,646
All Points	15,236	10,087	6,244	15,056
TagWorks	13,808	—	—	—
Canada	11,762	5,053	1,759	4,479
Mexico	5,832	3,149	2,243	4,980
Australia	265	—	—	—
Total revenues	$506,526	$ 276,680	$ 185,716	$458,161
Segment Income (Loss) from Operations				
United States, excluding All Points and Tagworks	$ 34,654	$ 16,025	$ (9,288)	$ 48,495
All Points	487	362	122	146
TagWorks	3,343	—	—	—
Canada	(727)	88	123	536
Mexico	942	269	270	255
Australia	(324)	—	—	—
Total segment income (loss) from operations	$ 38,375	$ 16,744	$ (8,773)	$ 49,432
Reconciliation (1)				
Total segment income (loss) from operations	$ 38,375	$ 16,744	$ (8,773)	$ 49,432
Elimination of intercompany profit (loss)	78	(59)	11	(98)
Total income (loss) from operations	$ 38,453	$ 16,685	$ (8,762)	$ 49,334

(1) This table reconciles segment income (loss) from operations to total income (loss) from operations.

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21. Segment Reporting and Geographic Information (continued):

Assets by segment as of December 31, 2011 and 2010 were as follows:

	December 31, 2011	December 31, 2010
Assets:		
United States, excluding All Points and Tagworks	$1,025,334	$1,035,674
All Points	8,052	7,193
TagWorks	62,912	—
Canada	13,269	5,605
Mexico	17,097	4,306
Australia	1,187	—
Total Assets	$1,127,851	$1,052,778

	As of December 31, 2011	As of December 31, 2010
Cash & cash equivalents		
United States	$ 9,400	$ 6,286
Canada	968	1,027
Mexico	1,560	272
Australia	99	—
Consolidated cash & cash equivalents	$ 12,027	$ 7,585

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

	Successor		Predecessor	
	Year Ended December 31, 2011	Seven Months Ended December 31, 2010	Five Months Ended May 28, 2010	Year Ended December 31, 2009
Net sales				
Keys	$ 85,410	$ 48,897	$ 32,716	$ 78,012
Engraving	41,734	17,038	12,242	35,518
Letters, numbers and signs	33,079	22,026	12,859	34,287
Fasteners	279,564	154,319	103,457	253,703
Threaded rod	31,135	17,360	12,471	30,118
Code cutter	3,312	1,844	1,377	3,353
Builders hardware	10,080	3,137	1,753	3,832
Other	22,212	12,059	8,841	19,338
Consolidated net sales	$506,526	$ 276,680	$185,716	$458,161

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22. Acquisition and Integration Expenses:

For the year ended December 31, 2011, the Company incurred $2,805 of expenses for banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks Acquisition, Ook Acquisition and the start-up of operations for Hillman Australia.

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.

23. Subsequent Events:

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, 2011 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 Australian, 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.

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

Consolidating Statements of Operations
For the year ended December 31, 2011
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 465,033	$ 23,634	$ 17,859	$ —	$ 506,526
Cost of sales	—	227,719	14,627	10,223	(78)	252,491
Selling, general and administrative expenses	19	155,891	7,026	6,830	—	169,766
Acquisition and integration expense	—	2,642	—	163	—	2,805
Depreciation	—	21,139	121	73	—	21,333
Amortization	18,433	2,077	207	—	—	20,717
Intercompany administrative (income) expense	—	(240)	—	238	2	—
Management and transaction fees to related party	—	110	—	—	—	110
Other (income) expense, net	(19)	447	(16)	441	(2)	851
Income from operations	(18,433)	55,248	1,669	(109)	78	38,453
Intercompany interest (income) expense	(12,231)	12,231	—	—	—	—
Interest expense, net	(426)	41,105	—	—	—	40,679
Interest expense on junior subordinated debentures	12,610	—	—	—	—	12,610
Investment income on trust common securities	(378)	—	—	—	—	(378)
Income (loss) before equity in subsidiaries' income	(18,008)	1,912	1,669	(109)	78	(14,458)
Equity in subsidiaries' income (loss)	2,599	836	—	—	(3,435)	—
Income (loss) before income taxes	(15,409)	2,748	1,669	(109)	(3,357)	(14,458)
Income tax provision (benefit)	(5,552)	149	608	116	—	(4,679)
Net income (loss)	$ (9,857)	$ 2,599	$ 1,061	$ (225)	$ (3,357)	$ (9,779)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(179)	—	(179)
Change in derivative security value	—	624	—	—	—	624
Total comprehensive income (loss)	$ (9,857)	$ 3,223	$ 1,061	$ (404)	$ (3,357)	$ (9,334)

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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(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
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	—	—	—	—	—	—
Other (income) expense, 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)
Income (loss) before equity in subsidiaries’ income	(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
Selling, general and administrative expenses	19,069	60,784	1,396	1,601	—	82,850
Acquisition and integration	—	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
Other (income) expense, net	(16)	(11)	217	(76)	—	114
Income (loss) 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)
Income (loss) before equity in subsidiaries' income	(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
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
Other (income) expense, net	(286)	921	10	(523)	(2)	120
Income (loss) 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)
Income (loss) before equity in subsidiaries' income	(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 Balance Sheet
As of December 31, 2011
(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	$ 8,852	$ 547	$ 2,627	$ —	$ 12,027
Restricted investments	364	—	—	—	—	364
Accounts receivable	—	59,429	1,273	2,863	—	63,565
Inventories	—	95,757	5,117	3,361	(260)	103,975
Deferred income taxes	8,176	1,676	587	211	(742)	9,908
Other current assets	—	10,620	3,976	(8,950)	—	5,646
Total current assets	8,541	176,334	11,500	112	(1,002)	195,485
Intercompany notes receivable	105,446	—	—	—	(105,446)	—
Investments in subsidiaries	(628,481)	91,378	—	—	537,103	—
Property and equipment	—	65,897	174	271	—	66,342
Goodwill	419,752	26,409	58	10,944	280	457,443
Other intangibles	329,891	47,655	250	8,406	—	386,202
Restricted investments	3,390	—	—	—	—	3,390
Deferred income taxes	28,200	321	(108)	561	(28,974)	—
Deferred financing fees	—	13,055	—	—	—	13,055
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	1,676	25	972	—	2,673
Total assets	$ 270,000	$ 422,725	$ 11,899	$ 21,266	$ 401,961	$1,127,851
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ —	$ 29,997	$ 655	$ 621	$ —	$ 31,273
Current portion of senior term loans	—	3,200	—	—	—	3,200
Current portion of capitalized lease obligations	—	31	—	—	—	31
Additional acquisition consideration	—	12,387	—	—	—	12,387
Accrued expenses:						
Salaries and wages	—	5,303	110	215	—	5,628
Pricing allowances	—	5,291	—	437	—	5,728
Income and other taxes	(549)	2,342	15	445	—	2,253
Interest	—	2,203	—	—	—	2,203
Deferred compensation	364	—	—	—	—	364
Other accrued expenses	—	8,762	39	406	—	9,207
Total current liabilities	(185)	69,516	819	2,124	—	72,274

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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, 2011
(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)						
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Long term senior term loans	—	310,550	—	—	—	310,550
Bank revolving credit	—	—	—	—	—	—
Long term portion of capitalized lease obligations	—	103	—	—	—	103
Long term senior notes	—	204,248	—	—	—	204,248
Junior subordinated debentures	115,411	—	—	—	—	115,411
Deferred compensation	3,390	—	—	—	—	3,390
Deferred income taxes, net	149,704	448	199	3,253	(29,716)	123,888
Other non-current liabilities	—	7,193	—	—	—	7,193
Total liabilities	268,320	697,504	1,018	5,377	(135,162)	837,057
Common stock with put options:						
Common stock, $.01 par, 5,000 shares authorized, 198.4 issued and outstanding at December 31, 2011.	12,247	—	—	—	—	12,247
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2011.	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,801.6 issued and outstanding at December 31, 2011.	—	—	50	—	(50)	—
Additional paid-in capital	117,221	(68,624)	10,306	16,437	221,204	296,544
Accumulated deficit	(127,788)	(206,155)	525	113	315,488	(17,817)
Accumulated other comprehensive loss	—	—	—	(661)	481	(180)
Total stockholders' equity	(10,567)	(274,779)	10,881	15,889	537,123	278,547
Total liabilities and stockholders' equity	$ 270,000	$ 422,725	$ 11,899	$ 21,266	$ 401,961	$1,127,851

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	—	50,142	3,435	2,933	—	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	—	6,625	4,068	(7,292)	—	3,401
Total current assets	7,495	145,944	21,151	549	(338)	174,801
Intercompany notes receivable	105,446	—	—	—	(105,446)	—
Investments in subsidiaries	(615,609)	48,267	—	—	567,342	—
Property and equipment	—	52,005	276	231	—	52,512
Goodwill	419,562	1,561	7,242	10,944	280	439,589
Other intangibles	347,950	—	6,345	8,781	—	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	$ 296,779	$ 263,391	$ 34,838	$ 21,546	$ 436,224	$ 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

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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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)						
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 leases	—	134	—	—	—	134
Long term senior notes	—	150,000	—	—	—	150,000
Junior subordinated debentures	115,837	—	—	—	—	115,837
Deferred compensation	3,251	—	—	—	—	3,251
Deferred income taxes, net	151,358	—	151	3,389	(25,614)	129,284
Other non-current liabilities	—	2,283	—	—	—	2,283
Total liabilities	270,390	605,775	2,682	5,013	(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
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2010.	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,801.6 issued and outstanding at December 31, 2010.	—	—	65	—	(65)	—
Additional paid-in capital	116,591	(133,371)	31,867	16,677	264,630	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	14,142	(342,384)	32,156	16,533	567,284	287,731
Total liabilities and stockholders' equity	$ 296,779	$ 263,391	$ 34,838	$ 21,546	$ 436,224	$1,052,778

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

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

Consolidating Statement of Cash Flows
For the year ended December 31, 2011
(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)	$ (12,456)	$ 1,763	$ 1,061	$ (225)	$ 78	$ (9,779)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	18,433	23,216	328	73	—	42,050
Dispositions of property and equipment	—	42	11	—	—	53
Deferred income tax provision (benefit)	(8,866)	(203)	1,350	3,085	—	(4,634)
Deferred financing and original issue discount amortization	(803)	2,814	—	—	—	2,011
Other non-cash interest and change in value of interest rate swap	—	1,250	—	—	—	1,250
Changes in operating items:						
Accounts receivable	—	(6,673)	2,162	70	—	(4,441)
Inventories	—	(7,647)	5,527	23	(78)	(2,175)
Other assets	—	(4,691)	92	1,348	—	(3,251)
Accounts payable	—	387	(4)	289	—	672
Other accrued liabilities	(265)	4,053	(1,708)	211	—	2,291
Other items, net	3,957	8,989	(9,361)	(3,419)	—	166
Net cash provided by (used for) operating activities	—	23,300	(542)	1,455	—	24,213
Cash flows from investing activities:						
Payment for TagWorks acquisition	—	(40,271)	—	—	—	(40,271)
Payment for Ook acquisition	—	(15,323)	—	—	—	(15,323)
Capital expenditures	—	(17,778)	(30)	(127)	—	(17,935)
Other, net	—	—	—	—	—	—
Net cash used for investing activities	—	(73,372)	(30)	(127)	—	(73,529)
Cash flows from financing activities:						
Borrowings of senior term loans	—	30,000	—	—	—	30,000
Repayments of senior term loans	—	(2,975)	—	—	—	(2,975)
Discount on senior senior term loans	—	(2,000)	—	—	—	(2,000)
Borrowings of revolving credit loans	—	9,444	—	—	—	9,444
Repayments of revolving credit loans	—	(21,444)	—	—	—	(21,444)
Payment of additional acquisition consideration	—	(12,490)	—	—	—	(12,490)
Principal payments under capitalized lease obligations	—	(30)	—	—	—	(30)
Borrowings of senior notes	—	50,000	—	—	—	50,000
Premium on senior notes	—	4,625	—	—	—	4,625
Financing fees, net	—	(1,372)	—	—	—	(1,372)
Net cash (used for) provided by financing activities	—	53,758	—	—	—	53,758
Net (decrease) increase in cash and cash equivalents	—	3,686	(572)	1,328	—	4,442
Cash and cash equivalents at beginning of period	1	5,166	1,119	1,299	—	7,585
Cash and cash equivalents at end of period	$ 1	$ 8,852	$ 547	$ 2,627	$ —	$ 12,027

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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)	(8,031)	(1,125)	176	3,320	—	(5,660)
Deferred financing and original issue discount amortization	2,590	(1,296)	—	—	—	1,294
Other non-cash interest and change in value of interest rate swap	—	392	—	—	—	392
Changes in operating items:						
Accounts receivable	—	14,195	727	(236)	—	14,686
Inventories	—	(11,030)	(100)	(590)	59	(11,661)
Other assets	—	(2,626)	38	1,444	(12)	(1,156)
Accounts payable	—	7,229	(374)	196	—	7,051
Other accrued liabilities	(69)	(11,228)	4	417	5,096	(5,780)
Other items, net	199,620	(214,228)	21,567	(3,540)	(5,084)	(1,665)
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

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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	Consolidating Adjustments	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 stock and 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)
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

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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, 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	
Additions charged to cost and expense	81		395	
Deductions from Merger Transaction	—		(2,279)	
Deductions from acquired company	98		(193)	
Deductions due to:				
Others	58	(A)	1,527	(A)
Ending Balance - December 31, 2011 - Successor	$ 641		$ 7,406	

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

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"), are those controls and procedures that are designed to ensure 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. 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. Based upon that evaluation, and solely as a result of the material weakness in internal control over financial reporting described below, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were not effective, as of the end of the period covered by this Report. We view our internal control over financial reporting as an integral part of our disclosure controls and procedures.

In light of the foregoing conclusion, the Company's management undertook additional procedures in order that management could conclude that reasonable assurance exists regarding the reliability of financial reporting and the preparation of the consolidated financial statements included in this Report. Accordingly, notwithstanding the material weakness described below, the Company's management has concluded that the consolidated financial statements included in this annual report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the period presented in conformity with generally accepted accounting principles ("GAAP").

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Pursuant to the rules and regulations of the 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 the Company's internal control over financial reporting as of December 31, 2011, 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 concluded that internal control over financial reporting was not effective as of December 31, 2011. 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. As a result of management's assessment, the Company concluded that the material weakness described below existed as of December 31, 2011. The material weakness also existed throughout quarterly periods ending March 31, 2011, June 30, 2011 and September 30, 2011.

Our management identified a number of deficiencies related to the design and operating effectiveness of certain information technology ("IT") controls that have a direct impact on our financial reporting. In 2011, the technology organization went through organizational and operational change, which impacted operating procedures and directly contributed to the noted deficiencies. As of December 31, 2011, deficiencies existed with the monitoring controls surrounding both change management and administrative system access. In addition, certain deficiencies were noted in automated, application and manual business controls that are dependent on system information for their effective operation and, as a result, financial information may not be accurately reflected in key reports or in the general ledger.

The Company is not aware of any transactions that were improperly undertaken as a result of this material weakness and therefore does not believe that such material weakness had any material impact on the Company's financial statements.

Plan for Remediation of Material Weakness

Management is, and intends to continue, taking appropriate and reasonable steps to make the necessary improvements to remediate this material weakness in internal over financial reporting. In particular, a senior level manager has been assigned responsibility for internal controls within the Information Technology department. Additionally, administrative access is currently being evaluated for appropriateness and any other necessary control enhancements will be implemented.

Management believes that the measures described above will facilitate remediation of the material weakness we have identified and will continue to strengthen our internal control over financial reporting. The Company is actively involved in improving the effectiveness and efficiency of its internal controls over financial reporting.

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 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 Exchange Act of 1934,) as amended, that occurred during the quarter ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except as described above under Management's Annual Report on 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 (70)	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., Finance Scholars Group, Inc. and Kaba Holding AG. Mr. Andrien previously served as a director of Cogniscape LLC. 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 (60)	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., Hunter Fan, Inc., Maritz, Inc., St. Louis Academy of Science and Natures Variety, where he serves as Vice Chairman. Mr. Caulk previously served as a director of Ascendia Brands, Inc. in 2008. Mr. Caulk was selected to serve on our board of directors due to his extensive management experience.
Michael S. Green (39)	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 (65)	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 Board of Woodstream Corp.

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Name and Age	Position and Five-year Employment History
	Mr. Hillman previously served as a director of SunSource Technology Services Inc. and the Boards of State Industrial Products, Inc. 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.
David Jones (62)	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 (58)	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 Trustee of Fidelity Funds and served as a director of The Western Union Company from 2006 to 2011. He also currently serves as director of Dave & Buster's, Inc. since 2010. Mr. Lacy was selected to serve on our board of directors due to his extensive management experience.
Kevin Mailender (34)	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 (45)	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 determined that it does not currently have an "audit committee financial expert" (within the meaning of applicable rules of the SEC) serving on the audit committee. The Company is not required to have an "audit committee financial expert" and the Board of Directors has determined that the members of the audit committee, Messrs. Andrien and Caulk, are sufficiently financially sophisticated, as required by NYSE AMEX listing standards, to perform their roles and responsibilities as audit committee members. As further described herein, Messrs. Andrien and Caulk have each held chief executive officer positions at, and served as directors of, U.S. corporations.

Risk Oversight and Board Structure

The board of directors executes its oversight responsibility for risk management directly 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.

Annual Performance Based Bonuses

The compensation committee believes the Company's annual bonus program is structured to appropriately balance 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

Executives and other employees of the Company are also eligible to receive stock options to acquire Holdco common stock under the OHCP HM Acquisition Corp. 2010 Stock Option Plan (the "Option Plan"). The Option Plan is administered by the Holdco board of directors. No stock options were granted to named executive officers or other employees in fiscal year 2011. In fiscal year 2010, the Holdco board of directors granted a total of 25,725 options to members of executive management. These option grants included options subject to service-vesting (in equal annual installments over a five-year period) and options subject to vesting based on annual performance during a five-year period, with possible acceleration upon a change of control. Since the vesting is staggered and in some cases tied directly to long-term performance, employees should not be incentivized to achieve only short-term increases in stock price.

Code of Ethics

The Company has adopted a code of business conduct and 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 business conduct and ethics can be accessed via its website at http://www.hillmangroup.com. The Company will disclose amendments to or waivers from a provision of the code of ethics on Form 8-K.

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The executive officers of the Company (including the executive officers of The Hillman Group, Inc., a wholly-owned indirect subsidiary of the Company) are set forth below:

Executive Officers

Name and Age	Position with the Company; Five-year Employment History
Max W. Hillman (65)	President and Chief Executive Officer of The Hillman Companies, Inc., Chief Executive Officer of The Hillman Group, Inc. See pages 109 and 110 for five-year employment history.
James P. Waters (50)	Executive Vice President and Chief Operating Officer of The Hillman Companies, Inc. and The Hillman Group, Inc. Mr. Waters has been with the Company since September 1999. From November 2001 to June 2011, Mr. Waters served as Chief Financial Officer and Secretary of The Hillman Companies, Inc., and Vice President, Chief Financial Officer and Secretary of The Hillman Group, Inc.
Anthony A. Vasconcellos (47)	Chief Financial Officer, Treasurer and Secretary of The Hillman Companies, Inc. and The Hillman Group, Inc. since October 2011. From July 2010 through January 2011, Mr. Vasconcellos was a consultant with Vasco Company. From September 1998 to April 2010, Mr. Vasconcellos served as Chief Financial Officer, and from 2005 also as Executive Vice President, of Townsquare Media, Inc. (formerly known as Regent Communications, Inc.).
Robert J. Lackman (55)	Senior Vice President of Operations for The Hillman Group, Inc. Prior to joining Hillman in November 2010, Mr. Lackman was employed by Duro Bag Manufacturing Co., where he served as Executive Vice President of Purchasing and Supply Chain from November 2008. From January 2007 to October 2008, he served as Vice President of Purchasing and Supply Chain of Broder Bros., Co. Prior to 2007 he held the position of Director of Procurement, Global Importing & Supply Chain of xpedx.
George L. Heredia (53)	Senior Vice President of Engraving and Engineering Services for The Hillman Group, Inc. since September 2003. Mr. Heredia has held various executive positions with the Company since April 2000.
Albert M. Church (43)	Senior Vice President of Sales and Service for The Hillman Group, Inc. since March 2007. He joined Hillman in 1995 and had taken on increasing responsibilities.

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

Item 11 – Executive Compensation

Compensation Discussion and Analysis

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 Commission are collectively referred to herein as our "named executive officers" or "NEOs" for fiscal year 2011:

- Max W. Hillman, Chief Executive Officer and President
- James P. Waters, Executive Vice President and Chief Operating Officer
- Anthony A. Vasconcellos, Chief Financial Officer, Treasurer and Secretary
- Robert J. Lackman, Senior Vice President of Operations, The Hillman Group, Inc.
- George L. Heredia, Senior Vice President of Engraving and Engineering Services, 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. In determining the components and levels of NEO compensation each year, the Compensation Committee considers Company performance, the business objectives for specific divisions of the Company, personal management performance objectives as well as each individual's performance and potential to enhance long-term stockholder value. To remain competitive, the Compensation Committee also periodically reviews compensation survey information published by various organizations as another factor in setting NEO compensation. The Compensation Committee relies on judgment and does not have any formal guidelines or formulas for allocating between long-term and currently paid compensation, cash and non-cash compensation, or among different forms of non-cash compensation for the Company's NEOs.

Components of Total Compensation

Compensation packages in 2011 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 Bonuses	Motivate the attainment of annual Company, division and individual financial, operational and strategic goals by paying bonuses determined by the achievement of specified performance targets with a performance period of one year.
Discretionary Bonuses	From time to time, the Company may award discretionary bonuses to compensate executives for special contributions or extraordinary circumstances or events. On March 23, 2011, the Board of Directors awarded Mr. Waters a special $100,000 discretionary bonus payment in recognition of his extraordinary contributions to the successful completion of the acquisition and integration of TagWorks.

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 through the use of multi-year vesting awards.
Severance and Change of Control Benefits	Promote long-term retention and align the interests of executives with stockholders in the event of a 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	Participation in Company-wide benefit health and retirement programs, provide financial security and additional compensation commensurate with senior executive level duties and responsibilities.

Process

Role of the Compensation Committee and Management

The Compensation Committee meets annually to review and consider base salary and any proposed adjustments, prior year annual performance bonus results and targets for the current year and any long term incentive awards. The Compensation Committee also reviews the compensation package for all new executive officer hires.

The key member of management involved in the compensation process is our Chief Executive Officer ("CEO"), Max W. Hillman. Our CEO presents recommendations for each element of compensation for each NEO, other than himself, 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.

Determination of CEO Compensation

The Compensation Committee determines the level of each element of compensation for our CEO and presents its recommendations to the full Board of Directors for review and approval. Consistent with its determination process for other NEOs, the Compensation Committee considers a variety of factors when determining compensation for our CEO, including past corporate and individual performance, general market survey data for similar size companies, and the degree to which the individual's contributions have the potential to influence the outcome of the Company's short- and long-term operating goals and alignment with shareholder value.

Assessment of Market Data and Use of Compensation Consultants

In establishing the compensation for each NEO, the Compensation Committee considers information about the compensation practices of companies both within and outside our industry and geographic region, and considers evolving compensation trends and practices generally. The Compensation Committee periodically reviews third-party market data published by various organizations such the Employers Resource Association of Cincinnati, the National Association of Manufacturers and the Compensation Data Manufacturing and Distribution Survey. The Compensation Committee may review such survey data for market trends and developments, and as one factor when making its annual compensation determinations. The Compensation Committee does not typically use market data to establish specific targets for compensation or any particular component of compensation, and does not otherwise numerically benchmark its compensation decisions. Rather, the Compensation Committee may review survey information about the type and amount of compensation paid to executives in similar positions and with similar responsibilities as reported on an aggregate basis for companies with comparable sales volume and number of employees both within and outside its industry and geographic region. The Company did not utilize a compensation consultant during fiscal years 2010 and 2011.

Short Term Compensation Elements

Base Salary

Hillman believes that executive base salaries are an essential element to attract and retain talented and qualified executives. Base salaries are designed to provide financial security and a minimum level of fixed compensation for services rendered to the Company. Base salary adjustments may reflect 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.

Base salaries are generally effective on January 31 of the applicable year. The rate of annual base salary for each NEO for fiscal years 2009, 2010 and 2011 are set forth below.

Name	2009 Base Salary	2010 Base Salary	2011 Base Salary
Max W. Hillman	$ 425,000	$ 435,000	$ 445,000
James P. Waters	$ 250,000	$ 262,000	$ 300,000(1)
Anthony A. Vasconcellos(2)	—	—	$ 275,000
Robert J. Lackman(3)	—	$ 235,000	$ 240,000
George L. Heredia	$ 243,000	$ 243,000	$ 243,000
Albert M. Church	$ 220,000	$ 227,000	$ 235,000

(1) Mr. Waters' 2011 annual salary as of January 31, 2011 was $270,000, and was increased to $300,000 effective June 19, 2011 in recognition of his expanded duties in connection with his promotion to Executive Vice President and Chief Operating Officer.
(2) Mr. Vasconcellos was hired effective October 5, 2011.
(3) Mr. Lackman was hired effective November 1, 2010.

The increase, if any, in base salary for each NEO for a fiscal year reflects each individual's particular skills, responsibilities, experience and prior year performance. The fiscal year 2011 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.

The Company determined that employee base salary compensation for 2011 should generally reflect an average increase of 3% to compensate employees for cost of living increases, subject to adjustments to reflect specific factors relating to individual performance and expectations for the year. As with other elements of NEO compensation, Mr. Hillman made recommendations for base salary adjustments to the Compensation Committee (other than for himself). Mr. Waters' salary for 2011 reflects an annual increase of 3% effective January 1, 2011 as well as an additional increase in base salary from $270,000 to $300,000 effective June 19, 2011 in recognition of his expanded responsibilities as Executive Vice President and Chief Operating Officer. Mr. Heredia received no salary increase in 2011 as a result of the lack of growth in the engraving business in 2010.

Annual Performance-Based Bonuses

Pursuant to their employment agreements, each NEO is eligible to receive an annual cash bonus under the terms of a performance-based bonus plan. Each employment agreement specifies an annual target and maximum bonus as a percentage of the NEO's annual base salary, which percentages may be adjusted (but not decreased below those stated in the NEO's employment agreement) for any particular year in the Company's discretion. The specific performance criteria and performance goals are established annually by our Compensation Committee in consultation with our CEO (other than with respect to himself) and approved by our Board of Directors. The performance targets are communicated to the NEOs following formal approval by the Compensation Committee and Board of Directors, which is normally around late February. The table below shows the target bonus and maximum bonuses as a percentage of base salary for each NEO for 2011, with the exception of Mr. Vasconcellos. Since Mr. Vasconcellos was hired in the fourth quarter of fiscal year 2011, he did not participate in the Company's 2011 annual bonus plan for executives, but was paid a fixed bonus of $25,000 for 2011. Generally, the higher the level of responsibility of the named executive officer within the Company, the greater the percentages of base salary applied for that individual's target and maximum bonus compensation.

2011 Target and Maximum Bonus

Name	2011 Target Bonus as % of Base Salary	2011 Maximum Bonus as% of Base Salary
Max W. Hillman	65%	124%
James P. Waters(1)	45%	90%
Robert J. Lackman	35%	70%
George L. Heredia	35%	70%
Albert M. Church	35%	70%

(1) Mr. Waters' target bonus was increased from 35% to 45% of base salary and his maximum bonus was increased from 70% to 90% on June 19, 2011 in connection with his expanded duties relating to his promotion to Executive Vice President and Chief Operating Officer.

For 2011, each NEO's annual bonus (other than for Mr. Vasconcellos) was determined based on actual performance in several categories of pre-established performance criteria as further described below. If actual results for each performance category equal the specified target performance level, the total 2011 bonus is the target bonus shown above. If actual results for each performance category equal or exceed the specified maximum performance level, the total 2011 bonus is the maximum bonus shown above. As described below, for some performance criteria, a portion of the target bonus may be payable if actual results for that category are less than the target performance level but are at least equal to a specified threshold level of performance.

The table below shows for fiscal year 2011 the performance criteria selected for each NEO (other than for Mr. Vasconcellos) and the relative weight of total target and maximum bonus assigned to each component.

2011 Performance Criteria and Relative Weight

Name	EBITDA	ROANTA	GM	Safety	PMOs
Max W. Hillman	30%	25%	15%	—	30%
James P. Waters	30%	30%	—	10%	30%
Robert J. Lackman	30%	30%	—	10%	30%
George L. Heredia	30%	—	30%	10%	30%
Albert M. Church	30%	—	30%	10%	30%

For 2011, the bonus criteria for all NEOs included a Company performance goal measured by earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted for other items included in the calculation of the fair value of the Company common stock and excluding EBITDA from acquisitions completed during 2011. Other than for Messrs. Heredia and Church, who have no asset management responsibilities, 2011 bonus criteria for each NEO also included the Company's overall return on net tangible assets ("ROANTA"). Mr. Hillman's bonus criteria for 2011 included Company-wide gross sales margin ("GM") (in dollars), and because they have direct sales responsibility, the 2011 bonus criteria for Messrs. Heredia and Church also included a GM component: for Mr. Heredia, based on the engraving division; and for Mr. Church, based on Lowes and Home Depot sales. The 2011 bonus criteria for NEOs other than Mr. Hillman also included Company-wide performance in safety matters.

The remaining criteria for each NEO consisted of personal management objectives ("PMOs") based on the attainment of special project or division-based goals. Messrs. Hillman, Waters and Lackman each had two PMOs each for 2011 which were weighted equally. The completion of specified project milestones in connection with the Tempe reorganization represented 50% of the PMO performance category for Messrs. Hillman, Waters and Lackman, and 100% of the PMO performance category for Mr. Heredia. The other 2011 PMOs were as follows: Mr. Hillman, 50% based on objective acquisition integration metrics; Mr. Waters, 50% based on targeted EBITDA for Servalite and Mr. Lackman, 50% based on reducing the warehouse expense percentage of shipping and servicing costs. Mr. Church's 2011 PMO was based 100% on reducing field service expense as a percentage of "National Account" net sales.

The 2011 bonus payments were determined based on actual results as compared to specified goals for each performance category. With respect to EBITDA, ROANTA, GM and safety matters, actual 2011 results were compared to specified quantitative threshold, target and maximum performance goals. For each category, no bonus was payable unless the performance results were at least equal to the category threshold goal. Actual performance in fiscal year 2011 for EBITDA, ROANTA and GM was below the threshold performance goals so no bonus amount was payable with respect to those performance categories. The Company successfully reduced its recordable OSHA safety incidents in 2011 by 25% more than the target performance level, so 2011 bonus payments for each NEO other than Mr. Hillman included 125% of the target bonus for safety matters. The table below summarizes the threshold, target and maximum goals and actual performance for fiscal year 2011 for EBITDA, ROANTA and GM.

Performance Category	2011 Performance Goals ($ in millions)			2011 Actual
	Threshold	Target	Maximum	Results
EBITDA	$ 85.52	$ 90.03	$ 94.53	$ 82.0
ROANTA	50.3%	52.9%	55.5%	50.1%
GM - Company	$258.83	$266.85	$274.87	$ 245.68
GM - Lowes & Home Depot	$ 76.23	$ 78.59	$ 80.94	$ 74.84
GM - Engraving	$ 20.45	$ 21.08	$ 21.72	$ 19.14

The determination of the amount of 2011 bonus payable in respect of the quantitative PMOs was based on actual fiscal year 2011 results compared to specified threshold, target and maximum goals. Servalite EBITDA exceeded the maximum PMO performance goal for Mr. Waters so one-half of his PMO bonus was payable at the maximum level. For Mr. Lackman, one-half of his PMO bonus was payable at 128% of target based on warehouse expense ratio between the target and maximum performance levels. Mr. Church's PMO bonus was based solely on reducing field service cost center expenses and was payable at 126% of target based on results between the target and maximum performance levels. The amount of bonus payable in respect of the qualitative PMOs was based on the Compensation Committee's subjective assessment of the level of performance achieved as compared to target goals and milestones. The Compensation Committee determined that the PMO based on a qualitative evaluation of the reorganization of Tempe operations was satisfied at 100% of target, so one-half of the PMO-based target bonus was payable to each of Messrs. Hillman, Waters and Lackman, and 100% of the PMO-based target bonus was payable to Mr. Heredia. Mr. Hillman's other PMO was based on a qualitative assessment of acquisition integrations which the Compensation Committee determined was not satisfied at the target level.

The table below shows the amount of annual performance bonus earned by each NEO for fiscal year 2011 in each performance category.

2011 Bonus Payments by Criteria

Name	EBITDA	ROANTA	GM	Safety	PMOs	Total
Max W. Hillman	$ 0	$ 0	$ 0	—	$43,388	$43,388
James P. Waters	$ 0	$ 0	—	$14,620	$52,631	$67,251
Robert J. Lackman	$ 0	$ 0	—	$10,500	$28,749	$39,249
George L. Heredia	$ 0	—	$ 0	$10,631	$25,515	$36,146
Albert M. Church	$ 0	—	$ 0	$10,281	$31,132	$41,413

Long Term Compensation Elements

No NEO was granted any stock options or other long-term compensation awards in 2011.

Severance and Change in Control Benefits

The Company has entered into an Employment Agreement with each NEO that provides for severance payments and benefits in the event his employment is terminated under specified conditions including death, disability, termination by the Company without “cause” or his resignation for “good reason” (each as defined in the agreements). Pursuant to the employment agreements certain severance payments and benefits may be accelerated if such termination or resignation occurs within 90 days following a change in control. The payments provided 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 resultant employment termination. The severance payments and benefits payable both in the event of, and independently from, a change in control are in amounts the Company has determined are 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 generally available to all full-time 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 most other full-time employees are covered under a 401(k) retirement savings plan (the “Defined Contribution Plan”) which permits employees to make tax-deferred contributions and provides for a matching contribution 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 of Directors, subject to the terms and conditions of the plan.

Nonqualified Deferred Compensation Plan

All NEOs and certain other 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 employee deferrals.

Perquisites

Messrs. Hillman, Waters, Vasconcellos, Lackman and Heredia are entitled to reimbursement for the reasonable expenses of leasing or buying a car up to $700 per month ($1,050 per month for Mr. Hillman). Mr. Hillman receives up to $500 per month as reimbursement for membership dues at country clubs whose services he uses in part for business and client development purposes.

Miscellaneous

The Company does not have any equity or security ownership guidelines for executives, including the named executive officers. The Company considers the accounting and tax treatment of particular forms of compensation awarded to named executive officers as part of its overall review of compensation, but does not structure its compensation practices to comply with specific accounting or tax treatment.

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, 2011 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.

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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, 2011, December 31, 2010, and December 31, 2009 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)($)	Bonus ($)(2)	Option Awards (3)($)	Non-Equity Incentive Plan Compensation (4)($)	Nonqualified Deferred Compensation Earnings (5)($)	All Other Compensation (8)($)	Total ($)
Max W. Hillman	2011	443,846	—	—	43,388	—	13,718	500,952
President and CEO	2010	433,846	—	0	232,250	—	31,895	697,991
The Hillman Companies, Inc.	2009	425,000	—	—	368,900	—	28,592	822,492
James P. Waters(6)	2011	286,000	100,000	—	67,251	—	9,261	462,512
Executive VP and COO	2010	260,615	—	0	80,318	—	12,148	353,081
The Hillman Companies, Inc.	2009	237,308	—	—	175,000	—	8,298	420,606
Anthony A. Vasconcellos(7)	2011	56,058	25,000	—	—	—	2,500	83,558
CFO, Treasurer and Secretary	2010		—	—	—	—	—	—
The Hillman Companies, Inc.	2009		—	—	—	—	—	—
Robert J. Lackman	2011	239,423	—	—	39,249	—	16,429	295,101
Senior VP of Operations	2010	31,635	35,000	—	—	—	1,131	67,766
The Hillman Group, Inc.	2009	—	—	—	—	—	—	—
George L. Heredia	2011	243,000	—	—	36,146	—	16,325	295,471
Senior VP of Engraving and Engineering Services	2010	243,000	—	0	59,771	—	17,476	320,247
The Hillman Group, Inc.	2009	243,000	—	—	119,070	—	15,058	377,128
Albert M. Church	2011	234,077	—	—	41,413	—	107,736	383,226
Senior VP of Sales and Service	2010	226,192	—	0	81,083	—	72,874	380,149
The Hillman Group, Inc.	2009	220,000	—	—	139,535	—	183,057	542,592

(1) Represents base salary paid including any deferral of salary into the Company's 401(k) plan and the Hillman Nonqualified Deferred Compensation Plan. Base salary adjustments are generally effective January 31 of each fiscal year. Mr. Waters' base salary was increased to $270,000 on January 31, 2011 and was increased to $300,000 effective June 19, 2011 in recognition of his expanded duties in connection with his promotion to Executive Vice President and Chief Operating Officer.

(2) Mr. Waters received a discretionary bonus payment of $100,000 in 2011 in recognition of his extraordinary service in connection with the acquisition and integration of TagWorks. Mr. Vasconcellos joined the Company effective October 5, 2011 and received a fixed bonus of $25,000 in lieu of a performance-based bonus. Mr. Lackman joined the Company effective November 2010 and in lieu of a performance-based bonus for that year received a fixed payment of $35,000.

(3) The amount included in the "Option Awards" column represents the grant date fair value of options calculated in accordance with FASB ASC Topic 718. See Note 14, Stock-Based Compensation, to the accompanying consolidated financial statements for details. No NEO was granted stock options in 2011 or 2009. In November 2010, each of the NEOs then in office was granted options to purchase shares of Holdco common stock under the Option Plan.

(4) Represents earned bonus for services rendered in each year based on achievement of performance goals.
(5) There were no above market earnings in the Hillman Nonqualified Deferred Compensation Plan for the NEOs.
(6) Mr. Waters served as Chief Financial Officer and Secretary through June 19, 2011.
(7) Mr. Vasconcellos was hired as Chief Financial Officer, Treasurer and Secretary effective October 5, 2011.

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(8) All other compensation consists of the following:

Named Executive Officer	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 ($)	Merger Transactions Payment (1)	Total ($)
Max W. Hillman	2011	4,108	2,500	559	6,551	—	—	13,718
	2010	11,863	2,500	12,325	5,207	—	—	31,895
	2009	3,746	—	12,600	12,246	—	—	28,592
James P. Waters	2011	3,776	2,500	2,985	—	—	—	9,261
	2010	8,859	2,500	789	—	—	—	12,148
	2009	5,559	1,971	768	—	—	—	8,298
Anthony A. Vasconcellos	2011	—	2,500	—	—	—	—	2,500
	2010	—	—	—	—	—	—	—
	2009	—	—	—	—	—	—	—
Robert J. Lackman	2011	5,529	2,500	8,400	—	—	—	16,429
	2010	—	—	1,131	—	—	—	1,131
	2009	—	—	—	—	—	—	—
George L. Heredia	2011	5,425	2,500	8,400	—	—	—	16,325
	2010	9,076	—	8,400	—	—	—	17,476
	2009	6,658	—	8,400	—	—	—	15,058
Albert M. Church(2)	2011	5,118	2,500	1,746	—	—	98,372	107,736
	2010	5,198	2,500	1,420	—	63,756	—	72,874
	2009	2,229	1,550	1,060	—	178,218	—	183,057

(1) Reflects the cash payment made to Mr. Church in fiscal year 2011 pursuant to the Merger Agreement. A portion of the cash payable in connection with the cancellation of Mr. Church’s stock options outstanding at the time of the Merger Transaction was placed in escrow and $98,372 was released from escrow in fiscal year 2011. No other NEOs held options at the time of the Merger Transaction.

(2) At the Company’s request, Mr. Church relocated from his home in Charlotte, North Carolina to Cincinnati, Ohio in July 2008. The Company’s policy is to reimburse relocating executives for moving expenses and all costs associated with the sale of their existing homes. Amounts reimbursed were grossed up for income taxes. Additionally, the Company reimbursed Mr. Church in 2009 for the loss suffered on the sale of his North Carolina residence when the housing market in Charlotte deteriorated. The 2010 reimbursement included additional amounts for the gross up of income taxes on amounts reimbursed in 2009.

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Grants of Plan-Based Awards Table for Fiscal Year 2011

The table below summarizes the non-equity incentive awards granted to named executed officers in 2011. There were no equity award grants to named executive officers in 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)(2)	Target ($)	Maximum ($)
Max W. Hillman			289,249	551,800
James P. Waters			116,957	233,914
Anthony A. Vasconcellos (3)			—	—
Robert J. Lackman			84,000	168,000
George L. Heredia			85,050	170,100
Albert M. Church			82,250	164,500

(1) The amounts in this table reflect the 2011 performance-based bonus awards that each NEO was eligible to receive pursuant to the terms of his employment agreement and the Company's 2011 performance bonus plan. Each NEO's overall target and maximum performance based bonus for 2011 was determined as a percentage of base salary.

(2) There is no single threshold level of bonus payment under the 2011 annual bonus plan. See the description of Annual Performance Bonus in the CD&A for a description of the specific performance components and more detail regarding the determination of actual 2011 annual performance bonus payments.

(3) As described in the notes to the Summary Compensation Table, Mr. Vasconcellos received a fixed bonus for 2011.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth the number of unexercised options held by the NEOs at December 31, 2011. No stock awards were outstanding at the end of fiscal year 2011.

Name	Option Awards: 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	280	1,120	2,800	1,000	11/23/2020
James P. Waters	175	700	1,750	1,000	11/23/2020
Anthony A. Vasconcellos	—	—	—	—	—
Robert J. Lackman	105	420	1,050	1,000	11/23/2020
George L. Heredia	105	420	1,050	1,000	11/23/2020
Albert M. Church	140	560	1,400	1,000	11/23/2020

All stock options reported in the table above are options to acquire Holdco common stock granted under the Option Plan in 2010. Pursuant to each named executive officer's stock option award agreement, these options 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 November 23, 2010, subject to the optionee's continued employment with Hillman on each such vesting date. The first installment of that tranche vested on November 23, 2011. 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 vest as of the performance measurement date for a later period if the cumulative performance goal is met in such later period. No portion of the performance-based options have yet become vested.

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 Holdco board of directors, 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 service-vesting 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 service-vesting 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 service-vesting or performance-based options, as applicable, granted to other employees, will be reduced in the discretion of the Holdco board of directors 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 Holdco board of directors 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 Holdco board of directors 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 at or after age 61, 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 service-vesting 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 Hillman only, on termination due to retirement his 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.

Option Exercises and Stock Vested During Fiscal Year 2011

No named executive officer exercised any stock options during the year ended December 31, 2011 and there were no stock awards outstanding or eligible for vesting during fiscal year 2011.

Nonqualified Deferred Compensation for Fiscal Year 2011

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 contributions 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, 2011:

Name	Executive Contributions ($) (1)	Company Matching Contributions ($) (2)	Aggregate Earnings ($) (3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at 12/31/11 ($)
Max W. Hillman	49,856	2,500	27,571	—	2,069,526
James P. Waters	35,535	2,500	3,430	—	267,041
Anthony A. Vasconcellos	10,048	2,500	47	—	12,595
Robert J. Lackman	11,971	2,500	(209)	—	14,262
George L. Heredia	42,036	2,500	(1,297)	—	43,819
Albert M. Church	15,758	2,500	(1,709)	(7,268)	34,199

(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 or 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 Deferred Compensation Plan were at market rates and are excluded from the Summary Compensation Table.

Potential Payments Upon Termination or Change in Control

Severance Payments and Benefits under Employment Agreements

The Company has an employment agreement in effect with each of its named executive officers. The employment agreements provide for an initial term of three years beginning May 28, 2010 (October 5, 2011 for Mr. Vasconcellos and November 1, 2010 for Mr. Lackman) and automatically renew for successive one-year terms thereafter unless either the Company or the executive provides notice of non-renewal. The Company's non-renewal notice must be provided 180 days in advance for Messrs. Hillman and Waters, 90 days in advance for Messrs. Vasconcellos, Lackman and Heredia and 60 days in advance for Mr. Church. Each executive's non-renewal notice must be provided 180 days in advance, except for Mr. Church who may provide notice 60 days in advance. The employment agreement with each NEO provides for specified payments and benefits in connection with a termination of employment.

No severance payments or benefits are payable in the event of a termination for cause or resignation without good reason (each as defined below). For each NEO, in the event of termination by reason of executive's death, disability or due to non-renewal by the executive, the executive would be entitled to a prorated portion of his annual bonus, if any, for the year in which termination occurs, based on actual performance results for the full year and payable when bonuses are paid to other senior executives. Additional severance payments and benefits for each NEO are described below.

For all NEOS, severance payments and benefits are conditioned upon the execution by the executive of a release of claims against the Company and his continued compliance with the restrictive covenants contained in the employment agreement. The employment agreements require the executive not to disclose at any time confidential information of the Company or of 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 executive is also required during employment and for one year thereafter not to compete with the Company and is required not to solicit the employees, customers or business relations of the Company or make disparaging statements about the Company during employment and for two years thereafter. For Messrs. Hillman, Waters and Church, the post-employment non-compete period is extended to two years following termination of employment (other than within 90 days following a change in control for Messrs. Hillman and Waters) by reason of termination by the Company without cause (or Company non-renewal for Messrs. Hillman and Waters) or resignation with good reason. For each NEO other than Mr. Church, non-renewal by the Company is treated the same as a termination by the Company without cause.

Max Hillman and James Waters

For Messrs. Hillman and Waters, in the event of termination of employment during the initial term by reason of termination by the Company without cause, resignation with good reason or due to non-renewal by the Company, the executive would be entitled to (i) continued payments of base salary for a period of two years following termination, (ii) an amount equal to the greater of the average of the annual bonuses paid to him during the most recent three years preceding the year in which termination occurs or the most recent bonus paid to him prior to termination (whichever is greater, the "Termination Bonus Amount"), paid in the year following termination when annual bonuses are payable to other senior executives, (iii) a prorated portion of his annual bonus, if any, for the year in which termination occurs payable when bonus payments for such year are made to other senior executives and (iv) Company-paid continuation of health benefits coverage for 12 months and life and disability benefits coverage for 6 months.

If the executive's employment is terminated after the initial term by reason of termination by the Company without cause or his resignation with good reason, the executive would receive the same severance payments and benefits described in the preceding paragraph except that he would be entitled to only 50% of the Termination Bonus Amount.

In the event of a termination by the Company without cause or resignation with good reason within 90 days following a change in control (as defined below), the executive would be entitled to (i) a lump sum payment equal to the sum of one year of his then current rate of base salary plus the Termination Bonus Amount (or 50% of the Termination Bonus Amount if the termination occurs after the initial term), payable within 30 days of termination and (ii) a prorated portion of his annual bonus, if any, for the year in which termination occurs payable when bonus payments for such year are made to other senior executives.

Anthony Vasconcellos, Robert Lackman and George Heredia

For Messrs. Vasconcellos, Lackman and Heredia, in the event of termination during the initial term by reason of termination by the Company without cause or resignation with good reason, the executive would be entitled to (i) continued payments of base salary for a period of one year following termination, (ii) the Termination Bonus Amount paid in the year following termination, (iii) a prorated portion of his annual bonus for the year in which termination occurs payable when bonus payments for such year are made to other senior executives and (iv) Company-paid continuation of health benefits coverage for 12 months and life and disability benefits coverage for 6 months.

In the event of termination of employment after the initial term due to termination by the Company without cause or resignation with good reason, the executive would receive the same severance payments and benefits described in the preceding paragraph except that he would be entitled to only 50% of the Termination Bonus Amount.

In the event of termination by the Company without cause or resignation with good reason, within 90 days following a change in control, the executive would be entitled to (i) a lump sum payment equal to the sum of one year of his then current rate of base salary plus the Termination Bonus Amount (or 50% of the Termination Bonus Amount if the termination occurs after the initial term), payable within 30 days of termination and (ii) a prorated portion of his annual bonus for year in which termination occurs payable when bonus payments for such year are made to other senior executives.

Albert Church

For Mr. Church, in the event of a termination by the Company without cause or resignation with good reason during the initial term of his employment agreement, he would be entitled to (i) continued payments of base salary at the rate then in effect for a period of two years following termination, (ii) the Termination Bonus Amount paid in the year following termination when annual bonuses are payable to other senior executives, (iii) a prorated portion of his annual bonus for the year in which termination occurs payable when bonus payments for such year are made to other senior executives, and (iv) Company-paid continuation of health benefits coverage for 12 months and life and disability benefits coverage for 12 months. Mr. Church is also entitled to receive reimbursement for the cost of relocating back to North Carolina if less than five years have passed since his move to Cincinnati which occurred in July 2008.

In the event of termination of employment after the initial term by reason of termination by the Company without cause or resignation with good reason, he would receive the same severance payments and benefits outlined in the preceding paragraph except that he would be entitled to only 50% of the Termination Bonus Amount and only 6 months of continued life and disability benefits coverage.

In the event of a non-renewal by the Company, Mr. Church is entitled to a prorated bonus for the year of termination payable when bonus payments for such year are made to other senior executives.

Mr. Church’s employment agreement does not contain special severance provisions regarding a change in control.

For purposes of the employment agreements, “cause” generally 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 the Company; (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 the Company which is not cured within ten days after written notice from the Company.

“Good reason” is defined generally as (i) any material diminution in the executive’s position, authority or duties with the Company, (ii) the Company reassigning the executive to work at a location that is more than 75 miles from the executive’s current work location, (iii) for Mr. Hillman only, his removal from the Board without cause, (iv) (except for Mr. Church) 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 employment agreement by the Company, which is not cured within 10 days following written notice from the executive. For Messrs. Vasconcellos, Lackman and Heredia, the Company has a ten-day period to cure all circumstances otherwise constituting good reason.

For purposes of the employment agreements, “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.

Option Vesting

All service-vesting options held by the NEOs will vest if the OH IRR (as defined above) 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 service-vesting 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 service-vesting or performance-based options, as applicable, granted to other employees, will be reduced in the discretion of the Holdco board of directors so that the OH IRR does not drop below 15% or 20% as applicable.

Estimated Payments Upon Termination of Employment or Change in Control

The table below shows the severance payments and benefits that each NEO would receive upon (1) death, disability or non-renewal by executive; (2) termination without cause, resignation with good reason or non-renewal by the Company (during initial term); (3) termination without cause, resignation with good reason or non-renewal by the Company (after initial term); (4) termination without cause, resignation with good reason or non-renewal by the Company within 90 days of a change in control (during the initial term); and (5) termination without cause, resignation with good reason or non-renewal by the Company within 90 days of a change in control (after the initial term). The amounts are calculated as if the date of termination (and change in control where applicable) were December 31, 2011. For purposes of the table, the cost of continuing health care, life and disability insurance coverage is based on the current Company cost for the level of such coverage elected by the executive.

Name	Death, Disability or non-renewal by Executive ($) (1)	Termination without cause or resignation with good reason (during initial term) ($)	Termination without cause or resignation with good reason (after initial term) ($)	Termination without cause or resignation with good reason within 90 days of a change in control (during initial term) (2) ($)	Termination without cause or resignation with good reason within 90 days of a change in control (after initial term) (2) ($)
Max W. Hillman	43,388	1,218,146	1,083,370	757,940	623,164
James P. Waters	67,251	783,521	731,343	471,607	419,429
Anthony A. Vasconcellos (3)	25,000	338,395	325,895	325,000	312,500
Robert J. Lackman	39,249	326,639	309,139	314,249	296,749
George L. Heredia	36,146	368,220	329,874	355,837	317,491
Albert M. Church (4)	41,413	622,830	572,624	622,830	572,624

(1) The amounts in this column reflect the prorated annual bonus for the year of termination, which for termination on December 31, 2011, would be the full value of the 2011 annual bonus paid to the NEO.

(2) Excludes the value of Holdco stock options which may be subject to accelerated vesting upon a change in control. The value of Holdco common stock as of December 31, 2011, as determined by the Holdco board of directors did not exceed the exercise price of the stock options.

(3) Mr. Vasconcellos was hired in 2011 and thus has no history of annual bonus payments from the Company prior to 2011. For purposes of the table, we have included a Termination Bonus Amount equal to his actual bonus for 2011 ($25,000).

(4) For Mr. Church, the amounts in the table do not include possible relocation expenses.

Director Compensation for Fiscal Year 2011

The following table sets forth compensation earned by the Company's directors who are not also employees of the Company during the year ended December 31, 2011.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	Total ($)
Tyler Wolfram (1)	0	—	—	0
Michael Green (1)	0	—	—	0
Kevin Mailender (1)	0	—	—	0
Maurice P. Andrien, Jr. (2)	56,000	0(4)	—	56,000
Robert Caulk (2)	74,750	0(5)	—	74,750
David Jones (2)	325,000	—	—	325,000
Alan Lacy (2)	50,000	—	—	50,000

(1) Mr. Wolfram, Mr. Green and Mr. Mailender are employed and compensated by OHCP and were not compensated for their services on the Board during the year ended December 31, 2011.

(2) Messrs. Andrien and Lacy are each entitled to receive an annual Board fee of $50,000. Mr. Caulk's rate of annual Board fee for the first quarter of 2011 was $50,000. In conjunction with the TagWorks acquisition, Mr. Caulk assumed increased oversight responsibility and his Board fee was increased to an annual rate of $75,000, effective April 1, 2011. Mr. Jones is entitled to an annual Board fee of $75,000. Additionally, on March 16, 2011 Mr. Jones was awarded a discretionary bonus payment of $250,000 in recognition of his contributions to the successful acquisition of TagWorks. Additionally, Mr. Andrien and Mr. Caulk are each entitled to receive $6,000 annually as compensation for serving on the Audit Committee.

(3) The amount reported in this column represents the grant date fair value of the option awards calculated in accordance with FASB ASC Topic 718.

(4) In January 2011, Mr. Andrien was granted options to purchase 300 shares of Holdco common stock under the Option Plan, which options are divided into two equal vesting tranches. Additionally, in May 2011, Mr. Andrien was granted options to purchase 300 shares of Holdco common stock under the Option Plan, which options are divided into two equal vesting tranches. The service-based vesting tranche is eligible to vest in annual installments of 20% on each of the first five anniversaries of the Merger Transaction provided the OH IRR is at least 8% once Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P. has monetized its investment in Holdco, and will become 100% vested upon the occurrence of a change in control if the OH IRR is at least 8%. The second tranche is eligible to vest at the rate of 50% or 100% depending on the level of OH IRR at the time of a change in control.

(5) In May 2011 Mr. Caulk was granted options to purchase 430 shares of Holdco common stock under the Option Plan. Mr. Caulk's options are divided into two equal vesting tranches with the terms described above in footnote 4.

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

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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 OHCP HM Acquisition Corp. (“Holdco”). All of the shares of capital stock of Holdco are owned by Oak Hill Capital Partners III, L.P., Oak Hill Capital Management Partners III, L.P. and officers, directors and employees of the Company. The following table sets forth information as of the close of business on December 31, 2011 as to the share ownership of Holdco by the directors, executive officers and holders of 5% or more of the shares of Holdco.

	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	150	*
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 (4)	2,280	*
James P. Waters (5)	1,475	*
Anthony A. Vasconcellos	—	—
Robert J. Lackman (6)	105	—
George L. Heredia (7)	1,605	*
Albert M. Church (8)	490	*
All Directors and Executive Officers as a Group (13 persons)	7,755	2.5

* 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 308,791 shares outstanding as of December 31, 2011.

(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.

(4) Includes 280 vested Holdco stock options

(5) Includes 175 vested Holdco stock options

(6) Includes 105 vested Holdco stock options

(7) Includes 105 vested Holdco stock options

(8) Includes 140 vested Holdco stock options

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 recorded management fee and expense charges of $110,000 for the year ended December 31, 2011 and had 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 for the year ended December 31, 2009.

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 "Mann Lease"). The Company engaged a real estate broker to ensure the terms of the Mann Lease were at market. The transaction was approved by the Company's Board of Directors. 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 $311,339 for the year ended December 31, 2011 and $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 for the year ended December 31, 2009.

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 without prior approval of the Board of Directors of 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 for the 2011 audit were approximately $529,240. The aggregate fees billed by KPMG LLP and Grant Thornton LLP for the 2010 audit were approximately $329,000 and $41,554, respectively.

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. In 2011, KPMG LLP billed $10,560 for the year ended December 31, 2010 and in 2010 Grant Thornton LLP billed $7,245 for the year ended December 31, 2010 in connection with audits 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.

All Other Fees

In 2011, KPMG LLP billed the Company approximately $377,350 for work in connection with the senior note debt offering, consultations involving responses to comment letter received from the SEC staff and due diligence work in connection with the Ook, TagWorks and Servalite acquisitions. Also in 2011, Grant Thornton LLP billed the Company approximately $113,850 for work in connection with the senior note debt offering and approximately $38,827 for work in connection with restatement of the prior financial statements.

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.

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. In accordance with its policies and procedures, the Audit Committee pre-approved 100% of the audit and non-audit services performed by KPMG LLP and Grant Thornton for the years ended December 31, 2011 and 2010.

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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)
3.14	Amended and Restated Certificate of Incorporation of Hillman Investment Company. (28) (Exhibit 3.5)
3.15	Articles of Organization of TAGWORKS, L.L.C., as amended. (28) (Exhibit 3.11)
3.16	Operating Agreement of TAGWORKS, L.L.C., as amended. (28) (Exhibit 3.12)
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. (26) (Exhibit 4.12)

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. (26) (Exhibit 4.13)
4.14	Second Supplemental Indenture governing the 10.875% Senior Notes due 2018, dated April 1, 2011, by and among The Hillman Group, Inc., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee. (27) (Exhibit 4.2)
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	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. (26) (Exhibit 10.42)
10.41	OHCP HM Acquisition Corp. 2010 Stock Option Plan, adopted as of May 28, 2010. (29) (Exhibit 10.1)
10.42	Form of Option Award Agreement – Max Hillman and Richard Hillman. (29) (Exhibit 10.2)
10.43	Form of Option Award Agreement – All Recipients. (29) (Exhibit 10.3)
10.44	Amendment No. 1 to Credit Agreement, dated as of December 22, 2010, among The Hillman Companies, Inc., The Hillman Group, Inc., OHCP HM Merger Sub Corp., certain subsidiaries of OHCP HM Merger Sub Corp. and Barclays Bank PLC, as Administrative Agent. (27) (Exhibit 10.1)

10.45	Stock Purchase Agreement, dated as of December 29, 2010, by and among The Hillman Group, Inc., Thomas Rowe and Mary Jennifer Rowe. (29) (Exhibit 10.4)
10.46	Development Alliance Agreement, dated as of March 10, 2011, by and among Keyworks-KeyExpress, LLC, The Hillman Group, Inc and the persons identified as Members on the signature pages thereto. (29) (Exhibit 10.5)
10.47	Employment Agreement, dated as of October 11, 2011 and effective as of October 5, 2011, by and between The Hillman Group, Inc. and Anthony A. Vasconcellos. (30) (Exhibit 10.37)
10.48	Amendment No. 2 to Credit Agreement, dated as of April 18, 2011, among OHCP HM Acquisition Corp., The Hillman Companies, Inc., The Hillman Group, Inc., the Lenders (as defined in the Credit Agreement), Barclays Bank PLC, as Administrative Agent and, for purposes of Section 6 and 7 thereof, certain subsidiaries of OHCP HM Acquisition Corp., as Guarantors. (27) (Exhibit 10.3)
10.49	Joinder Agreement, dated as of November 4, 2011, by and among Barclays Bank PLC, as a New Lender, The Hillman Companies, Inc., The Hillman Group, Inc., Barclays Bank PLC, as Administrative Agent and, solely for purposes of Sections 17(a) and 17(b) thereof, each other Credit Party party thereto, pursuant to the Credit Agreement, dated as of May 28, 2010 (as amended by Amendment No. 1 to Credit Agreement dated as of December 22, 2010 and Amendment No. 2 to Credit Agreement dated as of April 18, 2011), among OHCP HM Acquisition Corp, The Hillman Companies, Inc. and The Hillman Group, Inc., the banks and other lending institutions from time to time party thereto, and Barclays Bank PLC, as Administrative Agent, Issuing Lender and Swingline Lender. (31) (Exhibit 99.1)
10.50*	Form of Employment Agreement, by and between The Hillman Group, Inc. and Robert J. Lackman.
10.51*	Employment Agreement, dated as of January 14, 2008, by and between The Hillman Group, Inc. and Albert Church.
10.52*	Executive Letter Agreement, dated as of April 21, 2010, by and between The Hillman Group, Inc. and Albert Church.
10.53*	Employment Agreement, dated as of April 21, 2010, by and between The Hillman Group, Inc. and George Heredia.
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, 2011)
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.
101**	The following financial information from the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 26, 2012, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010, (ii) Consolidated Statements of Operations for the year ended December 31, 2011 (Successor), the seven months ended December 31, 2010 (Successor), the five months ended May 28, 2010 (Predecessor) and the year ended December 31, 2009 (Predecessor), (iii) Consolidated Statements of Cash Flows for the year ended December 31, 2011 (Successor), the seven months ended December 31, 2010 (Successor), the five months ended May 28, 2010 (Predecessor) and the year ended December 31, 2009, (iv) Consolidated Statements of Changes in Stockholders Equity as of December 31, 2011 and December 31, 2010 (Successor), May 28, 2010 and December 31, 2009 (Predecessor), and (v) Notes to Consolidated Financial Statements.

(Predecessor), (iv) Consolidated Statement of Stockholders' Equity for the year ended December 31, 2011 (Successor), seven months ended December 31, 2010 (Successor), five months ended May 28, 2010 (Predecessor) and year ended December 31, 2009 (Predecessor), and (v) Notes to Consolidated Financial Statements.

(1) Filed as an exhibit to Registration Statement No. 333-44733 on Form S-2.
(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.
(26) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2010.
(27) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended March 31, 2011.
(28) Filed as an exhibit to Registration No. 333-175527 on Form S-4.
(29) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011.
(30) Filed as an exhibit to Amendment No. 1 to Registration No. 333- 175527 on Form S-4.
(31) Filed as an exhibit to the Current Report on Form 8-K filed on November 7, 2011.
* Filed herewith.
** This exhibit will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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 26, 2012	By:	/s/ Anthony A. Vasconcellos
		Anthony A. Vasconcellos
	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 26, 2012
/s/ Tyler Wolfram Tyler Wolfram	Chairman and Director	March 26, 2012
/s/ Harold J. Wilder Harold J. Wilder	Principal Accounting Officer	March 26, 2012
/s/ Maurice P. Andrien, Jr. Maurice P. Andrien, Jr.	Director	March 26, 2012
/s/ Robert L. Caulk Robert L. Caulk	Director	March 26, 2012
/s/ Michael S. Green Michael S. Green	Director	March 26, 2012
/s/ David Jones David Jones	Director	March 26, 2012
/s/ Alan Lacy Alan Lacy	Director	March 26, 2012
/s/ Kevin Mailender Kevin Mailender	Director	March 26, 2012

Exhibit 10.50

THE HILLMAN GROUP, INC.
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of September , 2010, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and Rob Lackman ("Executive").

WHEREAS, upon the consummation of the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of September , 2010, by and among The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman"), OHCP HM Acquisition Corp., a Delaware corporation (the "Purchaser"), and certain other parties thereto, the Purchaser shall acquire 100% of the issued and outstanding capital stock of Hillman in a reverse subsidiary merger pursuant to which Hillman shall be the surviving corporation (the "Merger"); and

WHEREAS, in connection with and subject to the consummation of the Merger, the Company desires to enter into this Agreement with Executive pursuant to which the Company will employ Executive as its Senior Vice President Operations on the terms set forth in this Agreement, and following the consummation of the Merger Executive is willing to serve the Company in such capacity for the period and upon such terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment. The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the consummation of the Merger (the date of such consummation, the "Effective Date") and ending as provided in Section 4(a) hereof (the "Employment Period"). This Agreement shall automatically terminate without any action on the part of any Person and be void ab initio if the Merger Agreement is terminated in accordance with its terms and neither the Company, the Purchaser nor any other Person shall have any liability to Executive under this Agreement if the Merger is not consummated.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Senior Vice President Operations of the Company and shall have the normal duties, responsibilities, functions and authority of the Senior Vice President Operations, subject to the power and authority of the Board or the Chief Executive Officer to expand or limit such duties, responsibilities, functions and authority and to overrule actions of officers of the Company. During the Employment Period, Executive shall render such administrative, financial and other executive and managerial services to Hillman and its Subsidiaries which are consistent with Executive's position as the Board or the Chief Executive Officer may from time to time direct.

(b) During the Employment Period, Executive shall report to the Board and the Chief Executive Officer and shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of Hillman and its Subsidiaries. Executive shall perform his duties, responsibilities and functions to Hillman and its Subsidiaries hereunder to the best of his abilities in a diligent, trustworthy, professional and efficient manner and shall comply with the Company's and its Subsidiaries' policies and procedures in all material respects. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Board; provided that Executive may serve as an officer or director of, or otherwise participate in, purely educational, welfare, social, religious or civic organizations so long as such activities do not interfere with Executive's employment.

(c) For purposes of this Agreement, "Subsidiaries" shall mean, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of the Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or member or general partner of such limited liability company, partnership, association, or other business entity. For purposes of this Agreement, "Person" shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity or any department, agency, or political subdivision thereof.

3. Compensation and Benefits.

(a) During the Employment Period, Executive's base salary shall be $235,000 per annum or such higher rate as the Board may determine from time to time (such amount, as may be increased from time to time, and not decreased after any such increase, based on no less frequent than an annual review by the Board, the "Base Salary"), which Base Salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices in effect from time to time. During the period beginning on the Effective Date and ending December 31, 2010, the

Base Salary shall be pro rated on an annualized basis. In addition, during the Employment Period, Executive shall be entitled to participate in employee benefit programs and receive perquisites reasonably comparable to those in effect as of the date hereof and as determined by the Board, including, without limitation, participation in group health insurance and disability insurance, life insurance, participation in the Company's 401K plan, 4 weeks of vacation and paid holidays and participation in the Company's deferred compensation plan (provided that any participation in such deferred compensation plan is funded solely by the Executive other than match by the Company of $.25 per $1.00 up to $2,500). During the Employment Period, the Company shall reimburse Executive for reasonable expenses incurred by Executive in connection with leasing an automobile (including lease payments, licenses and insurance) not to exceed $700 per month (or, if Executive seeks to purchase an automobile, reimbursement of reasonable expenses incurred in connection with such purchase, including car loan payments, licenses and insurance), subject to the Company's requirements with respect to reporting and documentation of such expenses. Executive shall bear the cost of gas, cost of repairs on the automobile, and costs of any tickets, traffic offenses or fines of any kind.

(b) During the Employment Period, the Company shall reimburse Executive for all ordinary and reasonable business expenses incurred by him in the course of performing his duties and responsibilities under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(c) In addition to the Base Salary, the Company shall pay to Executive cash bonus compensation pursuant to the terms of a performance–based bonus plan. The bonus plan will provide for performance–based targets to be agreed to annually by the Chief Executive Officer of the Company and the Board. If 100% of such bonus targets are met in a year, Executive shall be entitled to a bonus equal to 35% of his Base Salary for that year. If the Company and its Subsidiaries perform at a level in excess of 100% of the bonus targets, the Executive shall be entitled to a proportionately higher amount of bonus compensation up to a maximum of 70% of his Base Salary for that year, i.e., with each 1% increase above 100% of the bonus target, Executive shall be entitled to an additional 0.35% of his Base Salary for that year. Executive shall be entitled to bonus compensation in a proportionately reduced amount if the Company and its Subsidiaries perform at a level that is less than 100% of the bonus targets but in excess of 85% of the bonus targets, i.e., with each 1% decrease below 100% of the bonus target, Executive's bonus shall be reduced from the bonus he would have received had the Company and its Subsidiaries met 100% of the bonus target by 0.35% of his Base Salary for that year. Executive shall not be entitled to a bonus if 85% or less of the bonus targets are met. Bonuses shall be paid in the calendar year immediately following the calendar year that contains the end of the relevant performance period and in accordance with the Company's general payroll practices (in effect from time to time). During the period beginning on the Effective Date and ending December 31, 2010, the bonus compensation shall be pro rated on an annualized basis.

4. Term.

(a) The Employment Period shall be three years beginning on the Effective Date (the 'Initial Term") and shall automatically be renewed on the same terms and conditions set forth herein as modified from time to time by the parties hereto for additional one–year periods unless the Company gives Executive written notice of the election not to renew the Employment Period (a "Notice of Non–Renewal") at least 90 days prior to any such renewal date or Executive gives the Company a Notice of Non–Renewal at least 180 days prior to any such renewal date (the end of the Initial Term or the end of an effective one–year extension period being referred to herein as the "Expiration Date"); provided that (i) the Employment Period shall terminate prior to its Expiration Date immediately upon Executive's resignation (with or without Good Reason, as defined below), death or Disability, and (ii) the Employment Period may be terminated by the Company at any time prior to its Expiration Date for Cause (as defined below) or without Cause. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive. Notwithstanding anything to the contrary herein, the termination of the employment of the Executive as a result of the Company providing the Executive a Notice of Non–Renewal shall be treated as a termination of the Executive without Cause.

(b) In the event of Executive's death or Disability, or upon the Expiration Date, Executive shall be entitled to payment of (i) all accrued and unpaid Base Salary through the date of termination or expiration of the Employment Period, (ii) all accrued and unused vacation, and (iii) expense reimbursement pursuant to Section 3(b) of this Agreement (collectively, the "Accrued Payments"), and a pro rated portion (based on the number of days that have elapsed from the beginning of the bonus period until the date of termination or expiration of the Employment Period) of the bonus for the year in which termination or expiration of the Employment Period occurs as determined pursuant to Section 3(c) above (the "Prorated Bonus"). In addition, in the event of Executive's Disability, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(c) If the Employment Period is terminated by the Company for Cause, or if Executive resigns without Good Reason, Executive shall be entitled to payment of the Accrued Payments. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(d) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive severance compensation in an amount as determined below:

(i) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive (A) an amount equal to his then applicable Base Salary, (B) the Termination Bonus Amount (as defined in Section 4(d)(ii)), if such termination is during the Initial Term, or 50% of the Termination Bonus Amount, if such termination is after the Initial Term, and (C) health continuation coverage during the period beginning on the date of the termination of the Employment Period and ending twelve months thereafter, at the Company's expense. For purposes of determining Executive's rights to COBRA continuation coverage, the date of termination of the Employment Period shall be the date of the COBRA qualifying event. In addition, Executive shall be permitted to participate, during the period beginning on the date of the termination of the Employment Period and ending six months thereafter, in the Company's group life and disability coverages, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees, at the Company's expense.

(ii) The severance payments outlined in (i) of this Section 4(d) are in addition to the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that, if not a part of the severance payments outlined in Section 4(d)(i)(C) above, Executive pays all of the premiums and similar costs and expenses for such coverage. Severance payments will be paid and benefit coverage will be provided pursuant to this Section 4(d) only if Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto and only so long as Executive has not breached the provisions of Sections 6 and 7 hereof. Severance payments under Section 4(d)(i)(A) above shall be paid by continuation of regular payroll compensation payments beginning on the date of termination of the Employment Period but in no event less frequently than monthly and continuing in the case of Section 4(d)(i)(A), for one year commencing as provided in Section 5. The severance payment under Section 4(d)(i)(B) above shall be paid in a lump sum in the year following the date of termination of the Employment Period at the same time that annual bonuses are paid to other senior executives of the Company. For purposes of Section 4(d) hereof, "Termination Bonus Amount" shall mean an amount equal to the greater of: (A) the annual average of Executive's annual bonuses for the preceding three years and (B) the amount of Executive's last annual bonus received prior to the termination of the Employment Period.

(e) If a Change of Control occurs, and within 90 days after such Change of Control, the Employment Period is terminated by the Company without

Cause or Executive resigns with Good Reason, Executive shall be entitled to a lump sum payment payable 30 days after such termination or resignation in an amount equal to the amount payable pursuant to Sections 4(d)(i)(A) and (B). In addition, Executive shall be entitled to receive the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Payments will not be paid under this Section 4(e) unless Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto. A "Change of Control" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the investors purchasing shares in Hillman and/or its Subsidiaries as of the date hereof and their affiliates) 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 (whether by merger, consolidation, reorganization, combination, sale or transfer of Hillman's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of Hillman's assets determined on a consolidated basis; provided, that a Change of Control shall not include a Public Offering or the consummation of the Merger; provided, further, that such Change of Control also constitutes a change in control event for purposes of Code Section 409A (as defined below) (a "409A Change of Control"). A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock. In the event the Change of Control is not a 409A Change in Control, the payments described in this Section 4(e) shall still be paid, but the schedule of such payments shall be the schedules described in Section 4(d).

(f) The amounts payable pursuant to Sections 4(d) and 4(e) are mutually exclusive, and under no circumstances shall Executive be entitled to receive payments under both Sections.

(g) Executive agrees and acknowledges that Executive shall be responsible for the payment of any and all taxes arising from continued coverage under the Company's benefit plans.

(h) Upon the expiration of the Employment Period, to the extent permitted under the terms of any applicable life insurance policy, Executive shall be permitted to purchase from the Company life insurance policies issued in his name; provided that Executive pays the purchase price of any such life insurance policies, including any fees and expenses associated with such a transfer.

(i) For purposes of this Agreement, "Cause" is defined as (i) willful failure to substantially perform duties hereunder, other than due to Disability; (ii) willful act which constitutes gross misconduct or fraud and which is injurious to Hillman or its Subsidiaries; (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 (including Sections 6 and 7 hereof) with the Company which is not cured within ten (10) days after written notice from the Company.

(j) For purposes of this Agreement, "Good Reason" means termination of this Agreement by Executive due to (i) any material diminution in Executive's position, authority or duties with the Company, (ii) the Company reassigning Executive to work at a location that is more than seventy–five (75) miles from his current work location, (iii) 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 (iv) a material breach of Sections 3 or 4 of this Agreement by the Company, which in each case of (i) through (iv) is not cured within 10 days following written notice from Executive. Executive must provide notice of resignation for Good Reason within ninety (90) days following Executive's knowledge of the event or facts constituting Good Reason, otherwise such event or facts shall not constitute Good Reason under this Agreement.

(k) For purposes of this Agreement, "Disability" shall mean Executive's inability to perform the essential duties, responsibilities and functions of his position with the Company and its Subsidiaries for more than 26 weeks in any 12–month period as a result of any mental or physical disability or incapacity as defined in the Americans with Disabilities Act or as otherwise determined by the Board in its reasonable good faith judgment.

5. Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages to Executive for failing to comply with Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's termination of employment. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, then the following shall apply:

(i) To the extent any such cash payment or continuing benefit to be provided is not "deferred compensation" for purposes of Code Section 409A, then such payment or benefit shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

(ii) To the extent any such cash payment or continuing benefit to be provided is "deferred compensation" for purposes of Code Section 409A, then such payments or benefits shall be made or commence upon the sixtieth (60) day following Executive's termination of employment. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Agreement had such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's termination of employment. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(d) To the extent that this Agreement provides for the reimbursement of expenses or the provision of in–kind benefits that constitute "non–qualified deferred compensation" under Code Section 409A, the following shall apply: (i) All such reimbursements under shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee; (ii) Any right to reimbursement or in kind benefits shall not be subject to liquidation or exchange for another benefit; and (iii) No such reimbursement, expenses eligible for reimbursement, or in–kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in–kind benefits to be provided, in any other taxable year.

(e) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(g) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

6. Confidential Information.

(a) Obligation to Maintain Confidentiality. Executive acknowledges that the information, observations and data (including trade secrets) obtained by him during the course of his employment with the Company and its Subsidiaries concerning the business or affairs of Hillman or any its Subsidiaries ("Confidential Information") are the property of Hillman or such Subsidiary. Therefore, Executive agrees that he shall not at any time during the Employment Period or thereafter disclose to any person or entity or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to Confidential Information, Third Party Information (as defined in Section 6(b) below), Work Product (as defined in Section 6(c) below) or the business of Hillman or any other Subsidiaries which he may then possess or have under his control.

(b) Third Party Information. Executive understands that Hillman and its Subsidiaries and Affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on Hillman's and its Subsidiaries' and affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 6(a) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of Hillman or its Subsidiaries and affiliates who need to know such information in connection with their work for Hillman or such Subsidiaries and affiliates) or use, except in connection with his work for Hillman or its Subsidiaries and affiliates, Third Party Information unless expressly authorized by a member of the Board in writing.

(c) Intellectual Property, Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to Hillman's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company and its Subsidiaries, whether before or after the date of this Agreement ("Work Product"), belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Executive acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

7. Non–Compete, Non–Solicitation.

(a) Non–Compete. In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that during the course of his employment with the Company and its Subsidiaries he has and shall become familiar with the Company's trade secrets and with other Confidential Information and that his services have been and shall continue to be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Period and for one year following either the date of termination of the Employment Period for any reason or the Expiration Date, Executive shall not, directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in the process of being implemented during the Employment Period or on the date of the termination or expiration of the Employment Period, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Executive acknowledges (i) that the business of the Company and its Subsidiaries will be conducted throughout the United States, (ii) notwithstanding the state of incorporation or principal office of the Company or any of its Subsidiaries, or any of its executives or employees (including the Executive), it is expected that the Company and its Subsidiaries will have business activities and have valuable business relationships within its industry throughout the United States and (iii) as part of his responsibilities, Executive will be traveling throughout the United States in furtherance of the business and relationships of the Company and its Subsidiaries. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) Non–Solicitation. During the Employment Period and for two years following either the date of termination of the Employment Period or the Expiration Date, Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Period or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business (or materially reduce the amount of business done) with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its Subsidiaries).

(c) Scope of Restrictions. If, at the time of enforcement of this Section 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(d) Equitable Relief. In the event of the breach or a threatened breach by Executive of any of the provisions of this Section 7, the Company would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by Executive of this Section 7, the time periods referenced in this Section 7 shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges that the provisions of Section 7 above are in consideration of (i) employment with the Company, and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Executive agrees and acknowledges that the restrictions contained in Section 7 above are reasonable, do not preclude him from earning a livelihood, that he has reviewed his rights and obligations under this Agreement with his legal counsel and that

he fully understands the terms and conditions contained herein. In addition, Executive agrees and acknowledges that the potential harm to the Company of the non–enforcement of Section 7 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

9. Survival. Sections 4(b) through 22, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

At the last known address in the Company's personnel records.

Notices to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: Chief Executive Officer

and

Oak Hill Capital Partners
One Stamford Plaza
263 Tresser Blvd., 15th Floor
Stamford, CT 06901
Fax: (203) 724–2815
Attn: Tyler J. Wolfram

With copies, which shall not constitute notice, to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Fax: (212) 492-0570
Attn: Angelo Bonvino

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company’s right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

18. Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

19. Indemnification and Reimbursement of Payments on Behalf of Executive. The Company and its Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its Subsidiaries or Executive's ownership interest, if any, in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity). In the event the Company or any of its Subsidiaries does not make such deductions or withholdings, Executive shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

20. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE BETWEEN OR AMONG ANY OF THE PARTIES HERETO, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREBY AND/OR THE RELATIONSHIP ESTABLISHED AMONG THE PARTIES HEREUNDER.

21. Corporate Opportunity. During the Employment Period, Executive shall submit to the Board all business, commercial and investment opportunities or offers presented to Executive or of which Executive becomes aware which relate to the areas of business engaged in by the Company at any time during the Employment Period ("Corporate Opportunities"). Unless approved by the Board, Executive shall not accept or pursue, directly or indirectly, any Corporate Opportunities on Executive's own behalf.

22. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation, any administrative, regulatory or judicial proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments). In the event the Company requires Executive's cooperation in accordance with this paragraph, the Company shall reimburse Executive solely for reasonable travel expenses (including lodging and meals) upon submission of receipts.

23. Directors' and Officers' Liability Insurance. Executive shall be a beneficiary of any directors' and officers' liability insurance policy maintained by the Company so long as Executive remains an officer or director of the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

By: ______________________________
Name:
Title:

____
Rob Lackman

EXHIBIT A

GENERAL RELEASE

I, Rob Lackman, in consideration of and subject to the performance by The Hillman Companies, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), of its obligations under the Employment Agreement, dated as of September , 2010, (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company and its affiliates and the Company's direct or indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Sections 4(d) and 4(e) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in paragraph Sections 4(d) and 4(e) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. I also acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.

2. Except as provided in paragraph 4 below and except for the provisions of my Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross–claims, counter–claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or

arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement.

8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone. Notwithstanding anything herein to the contrary, each of the parties (and each affiliate and person acting on behalf of any such party) agree that each party (and each employee, representative, and other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction contemplated in the Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information including (without limitation) (i) any portion of any materials to the extent not related to the tax treatment or tax structure of this transaction, (ii) the identities of participants or potential participants in the Agreement, (iii) any financial information (except to the extent such information is related to the tax treatment or tax structure of this transaction), or (iv) any other term or detail not relevant to the tax treatment or the tax structure of this transaction.

9. Any non–disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self–regulatory organization or governmental entity.

10. I agree to reasonably cooperate with the Company in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. I understand and agree that my cooperation may include, but not be limited to, making myself available to the Company upon reasonable notice for interviews and factual investigations; appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Company pertinent information; and turning over to the Company all relevant documents which are or may come into my possession all at times and on schedules that are reasonably consistent with my other permitted activities and commitments. I understand that in the event the Company asks for my cooperation in accordance with this provision, the Company will reimburse me solely for reasonable travel expenses, (including lodging and meals), upon my submission of receipts.

11. I agree not to disparage the Company, its past and present investors, officers, directors or employees or its affiliates and to keep all confidential and proprietary information about the past or present business affairs of the Company and its affiliates confidential unless a prior written release from the Company is obtained. I further agree that as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or

had control over at any time (including, but not limited to, company–provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

13. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON , TO CONSIDER IT AND THE CHANGES MADE SINCE THE , VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21–DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE , EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT.

IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: ______________________________ ______________________________

Rob Lackman

Exhibit 10.51

THE HILLMAN GROUP, INC. EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of January 14, 2008, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and Albert Church ("Executive"). In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Promotion and Relocation. The Company hereby promotes Executive to the position of Senior Vice President Sales Service, and Executive hereby accepts such promotion, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in Section 4(a) hereof (the "Employment Period"). As a condition of the offer and acceptance of this promotion, Executive shall relocate his personal residence from North Carolina to the Cincinnati, Ohio area and shall perform his duties from an office at the Company's corporate headquarters in Cincinnati, Ohio (the "Relocation"). The Relocation shall be completed on or before July 31, 2008. If the Relocation is not completed by such date, this Agreement shall be rescinded and shall be of no further force or effect (and Executive shall return to the employment position and compensation and benefits he had with the Company prior to the execution of this Agreement), unless the parties mutually agree to extend such date or mutually agree to other terms of employment. The Company shall pay the costs associated with the Relocation as follows: (a) the Company will pay the moving company directly for the cost of moving Executive's furnishings and belongings, provided Executive obtains at least two competitive bids to justify the amount to be paid; (b) the Company will pay as grossed-up salary the closing costs and real estate fees for the sale of Executive's North Carolina home; and (c) the Company will pay as grossed-up salary the closing costs for the purchase of Executive's home in the Cincinnati area.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Senior Vice President Sales Service of the Company and shall have the normal duties, responsibilities, functions and authority of that position, including without limitation responsibilities for the Field Service and National Account Sales of the Company, subject to the power and authority of the Company to direct, expand or limit such duties, responsibilities, functions and authority. During the Employment Period, Executive shall render such administrative, financial and other executive and managerial services to the Company and its affiliates which are consistent with Executive's position as the Company may from time to time direct. For a minimum of one (1) year from the date of execution of this Agreement, Executive shall report to the President of the Company. Thereafter, at the Company's discretion. Executive may be directed to report (and thereafter shall report) to the Chief Executive Officer of the Company.

(b) During the Employment Period, Executive shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its affiliates. Executive shall perform his duties, responsibilities and functions to the Company and its affiliates hereunder to the best of his abilities in a diligent, trustworthy, professional and efficient manner and shall comply with the Company's and its affiliates' policies and procedures in all material respects. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Company; provided that Executive may serve as an officer or director of, or otherwise participate in, purely educational, welfare, social, religious or civic organizations so long as such activities do not interfere with Executive's employment.

3. Compensation and Benefits.

(a) During the Employment Period, Executive's base salary shall be $190,000 per annum prior to the completion of the Relocation and shall be increased to $220,000 per annum after the completion of the Relocation. Executive's base salary may be increased to such higher rate as the Company may determine from time to time (such amount, as may be increased from time to time based on no less frequent than an annual review by the Company, the "Base Salary"), which Base Salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices in effect from time to time. In addition, during the Employment Period, Executive shall be entitled to participate in employee benefit programs and receive perquisites reasonably comparable to those in effect as of the date hereof and as determined by the Company, including, without limitation, participation in group health insurance and disability insurance, life insurance, participation in the Company's 401k plan, vacation and paid holidays and participation in the Company's deferred compensation plan (provided that any participation in such deferred compensation plan is funded solely by the Executive other than any match by the Company).

(b) During the Employment Period, the Company shall reimburse Executive for all ordinary and reasonable business expenses incurred by him in the course of performing his duties and responsibilities under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(c) In addition to the Base Salary, the Company shall pay to Executive cash bonus compensation pursuant to the terms of a performance-based bonus plan. The bonus plan will provide for performance-based targets to be agreed to annually by the Executive and the Company. If such bonus targets are met or exceeded in a year, Executive shall be entitled to a bonus equal to the following percentages of his Base Salary for that year:

After execution of this Agreement: 30% of Base Salary for achieving 100% of bonus target, increasing by 1% of Base Salary for each 1% above bonus target, to a maximum of an additional 30% of Base Salary.

After completion of the Relocation: 35% of Base Salary for achieving 100% of bonus target, increasing by 1% of Base Salary for each 1% above bonus target, to a maximum of an additional 35% of Base Salary.

Bonuses shall be paid in accordance with the Company's general payroll practices (in effect from time to time). Bonus percentages will be prorated for any partial year that different percentages are in effect.

4. Term.

(a) The Employment Period shall be three (3) years beginning on the date hereof (the 'Initial Term") and shall automatically be renewed on the same terms and conditions set forth herein as modified from time to time by the parties hereto for additional one-year periods unless the Company or Executive gives the other party written notice of the election not to renew the Employment Period at least 60 days prior to any such renewal date (the end of the Initial Term or the end of an effective one-year extension period being referred to herein as the "Expiration Date"); provided that (i) the Employment Period shall terminate prior to its Expiration Date immediately upon Executive's resignation (with or without Good Reason, as defined below), death or Disability, and (ii) the Employment Period may be terminated by the Company at any time prior to its Expiration Date for Cause (as defined below) or without Cause. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive.

(b) In the event of Executive's death or Disability, or upon the Expiration Date, Executive shall be entitled to payment of all accrued and unpaid salary (including accrued vacation), expense reimbursement pursuant to Section 3(b) of this Agreement, and a pro rata share (based on the number of days that have elapsed from the beginning of the bonus period until the date of termination of the Employment Period) of that year's bonus as determined pursuant to Section 3(c) above. In addition, in the event of Executive's Disability, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to receive his Base Salary, or any other perquisites or employee benefits or bonuses for periods after the termination of the Employment Period, except as otherwise specifically provided for in the Company's employee benefit plans or as otherwise expressly required by applicable law.

(c) If the Employment Period is terminated by the Company for Cause, or if Executive resigns without Good Reason, Executive shall only be entitled to receive his Base Salary through the date of such termination, resignation or expiration, accrued vacation and expense reimbursement pursuant to Section 3(b) of this Agreement. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its affiliates thereafter, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(d) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive severance compensation in an amount as determined below:

(i) If, during the Initial Term, the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive (provided Executive has completed the Relocation): (A) an amount equal to two times his then applicable Base Salary, (B) an amount equal to the Termination Bonus Amount (as defined in Section 4(d)(iii)), and (C) health continuation coverage during the period beginning on the date of the termination of the Employment Period and ending on the first anniversary thereof, at the Company's expense. For purposes of determining Executive's rights to COBRA continuation coverage as required under Section 4980B of the Internal Revenue Code ("COBRA"), the date of termination of the Employment Period shall be the date of the COBRA qualifying event. In addition, Executive shall be permitted to participate, during the period beginning on the date of the termination of the Employment Period and ending on the first anniversary thereof, in the Company's group life and disability coverages, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees, at the Company's expense. Further, the Company will reimburse Executive for the costs of relocating back to North Carolina, consistent with the payments for the costs of the Relocation set forth in Section 1 above.

(ii) If, after the Initial Term, the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive (provided Executive has completed the Relocation): (A) an amount equal to his then applicable Base Salary, (B) 50% of the Termination Bonus Amount (as defined in Section 4(d)(iii)), and (C) health continuation coverage during the period beginning on the date of the termination of the Employment Period and ending six months thereafter, at the Company's expense. For purposes of determining Executive's rights to COBRA continuation coverage, the date of termination of the Employment Period shall be the date of the COBRA qualifying event. In addition, Executive shall be permitted to participate, during the period beginning on the date of the termination of the Employment Period and ending six months thereafter, in the Company's group life and disability coverages, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees, at the Company's expense. Further, if five years have not expired from the date Executive completed the Relocation, the

Company will reimburse Executive for the costs of relocating back to North Carolina, consistent with the payment for the costs of the Relocation set forth in Section 1 above.

(iii) The severance payments outlined in (i) and (ii) of this Section 4(d) are in addition to all accrued and unpaid Base Salary through the date of termination of the Employment Period, plus accrued vacation, plus a prorated portion (based on the number of days which have elapsed from the beginning of the bonus period until the date of termination of the Employment Period) of the bonus for the year in which the termination occurs (as determined pursuant to Section 3(c) above), plus expense reimbursement pursuant to Section 3(b) of this Agreement. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that, if not a part of the severance payments outlined in Sections 4(d)(i)(C) and 4(d)(ii)(C) above. Executive pays all of the premiums and similar costs and expenses for such coverage. Severance payments will be paid and benefit coverage will be provided only if Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto and only so long as Executive has not breached any of the provisions of Sections 5 or 6 hereof. Severance payments under Sections 4(d)(i)(A) and 4(d)(ii)(A) above shall be paid by continuation of regular payroll compensation payments beginning on the date of termination of the Employment Period and continuing, in the case of Section 4(d)(i)(A) for two years, and in the case of Section 4(d)(ii)(A), for one year. Severance payments under Sections 4(d)(i)(B) and 4(d)(ii)(B) above shall be paid annually, at the date bonuses are paid in the year following the date of termination of the Employment Period. For purposes of Section 4(d) hereof, "Termination Bonus Amount" shall mean an amount equal to the greater of: (A) the annual average of Executive's annual bonuses for the preceding three years and (B) the amount of Executive's last annual bonus received prior to the termination of the Employment Period.

(e) Executive agrees and acknowledges that Executive shall be responsible for the payment of any and all taxes arising from continued coverage under the Company's benefit plans.

(f) Upon the expiration of the Employment Period, to the extent permitted under the terms of any applicable life insurance policy, Executive shall be permitted to purchase from the Company life insurance policies issued in his name; provided that Executive pays the purchase price of any such life insurance policies, including any fees and expenses associated with such a transfer.

(g) For purposes of this Agreement, "Cause" is defined as (i) willful failure to substantially perform duties hereunder, other than due to Disability; (ii) a willful act which constitutes gross misconduct or fraud and which is injurious to the Company or its affiliates; (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 (including Sections 5 and 6 hereof) with the Company which is not cured within ten (10) days after written notice from the Company.

(h) For purposes of this Agreement, "Good Reason" means termination of the Employment Agreement by Executive due to (i) any material diminution in Executive's position, authority or duties with the Company, (ii) the Company reassigning Executive to work at a location that is more than seventy-five (75) miles from the Company's corporate headquarters in Cincinnati, Ohio, or (iii) a material breach of Sections 5 or 6 of this Agreement by the Company which is not cured within 10 days following written notice from Executive. For purposes of this Agreement, "Disability" shall mean Executive's inability to perform the essential duties, responsibilities and functions of his position with the Company and its affiliates for more than 26 weeks in any 12-month period as a result of any mental or physical disability or incapacity as defined in the Americans with Disabilities Act or as otherwise determined by the Company in its reasonable good faith judgment.

5. Confidential Information.

(a) Obligation to Maintain Confidentiality. Executive acknowledges that the information, observations and data (including trade secrets) obtained by him during the course of his employment with the Company and its affiliates concerning the business or affairs of the Company or any its affiliates ("Confidential Information") are the property of the Company or such affiliate. Therefore, Executive agrees that he shall not disclose to any person or entity or use for his own purposes any Confidential Information without the prior written consent of the Company, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to Confidential Information, Third Party Information (as defined in Section 5(b) below), Work Product (as defined in Section 5(c) below) or the business of the Company or any other affiliates which he may then possess or have under his control.

(b) Third Party Information. Executive understands that the Company and its affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's and its affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 5(a) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its affiliates who need to know such information in connection with their work for the Company or such affiliates) or use, except in connection with his work for the Company or its affiliates, Third Party Information unless expressly authorized by the Company in writing.

(c) Intellectual Property, Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to the Company's or any of its affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company and its affiliates, whether before or after the date of this Agreement ("Work Product"), belong to the Company or such affiliate. Executive shall promptly disclose such Work Product to the Company and, at the Company's expense, perform all actions reasonably requested by the Company (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Executive acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

6. Non-Compete, Non-Solicitation.

(a) Non-Compete. In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that during the course of his employment with the Company and its affiliates he has and shall become familiar with the Company's trade secrets and with other Confidential Information and that his services have been and shall continue to be of special, unique and extraordinary value to the Company and its affiliates. Therefore, Executive agrees that, during the Employment Period and (i) in the event of termination of the Employment Period by the Company without Cause or resignation with Good Reason during the Initial Term, two years following the date of such termination of the Employment Period, or (ii) in the event of termination of the Employment Period by the Company without Cause or by Executive with Good Reason after the Initial Term, one year following the date of such termination of the Employment Period, or (iii) in the event of termination of the Employment Period by the Company for Cause or by Executive without Good Reason, one year following the date of such termination of the Employment Period, or (iv) upon the expiration on the Expiration Date of the Employment Period or termination of the Employment Period due to Disability, one year following the date of such termination of the Employment Period, Executive shall not, directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any business competing with the businesses of the Company or its affiliates, as such businesses exist or are in the process of being implemented during the Employment Period or on the date of the termination or expiration of the Employment Period, within any geographical area in which the Company or its affiliates engage or plan to engage in such businesses. Executive acknowledges (i) that the business of the Company and its affiliates will be conducted throughout the United States, (ii) notwithstanding the state of incorporation or principal office of the Company or any of its affiliates, or any of its executives or employees (including the Executive), it is expected that the Company and its affiliates will have business activities and have valuable business relationships within its industry throughout the United States and (iii) as part of his responsibilities, Executive will be traveling throughout the United States in furtherance of the business and relationships of the Company and its affiliates. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) Non-Solicitation. During the Employment Period and for two years following the date of termination or expiration of the Employment Period, Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any affiliate to leave the employ of the Company or such affiliate, or in any way interfere with the relationship between the Company or any affiliate and any employee thereof, (ii) hire any person who was an employee of the Company or any affiliate at any time during the Employment Period or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any affiliate to cease doing business (or materially reduce the amount of business done) with the Company or such affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any affiliate (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its affiliates).

(c) Scope of Restrictions. If, at the time of enforcement of this Section 6, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(d) Equitable Relief. In the event of the breach or a threatened breach by Executive of any of the provisions of this Section 6, the Company would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by Executive of this Section 6, the time periods referenced in this Section 6 shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

7. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (ii) Executive is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with

any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges that the provisions of Section 6 above are in consideration of (i) the promotion, increased compensation, increased bonus opportunities, and increased benefits provided pursuant to this Agreement and (ii) additional good and valuable consideration as set forth in this Agreement. In addition, Executive agrees and acknowledges that the restrictions contained in Section 6 above are reasonable, do not preclude him from earning a livelihood, that he has reviewed his rights and obligations under this Agreement with his legal counsel and that he fully understands the terms and conditions contained herein. In addition, Executive agrees and acknowledges that the potential harm to the Company of the non-enforcement of Section 6 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

8. Survival. Sections 4(b) through 21, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

9. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Albert Church
3246 Planters Ridge Road
Charlotte, NC 28270

Notices to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: Chief Executive Officer

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

10. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under

applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

11. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

12. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

15. Choice of Law and Forum. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Ohio, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Ohio or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Ohio. Any action brought to enforce or to contest the terms of this Agreement shall be brought exclusively in the courts of the State of Ohio located in Hamilton County, Ohio, or in the United States District Court for the Southern District of Ohio, Western Division, at Cincinnati, Ohio. Each party, by that party's execution of this Agreement, irrevocably submits to the exclusive jurisdiction of those courts with respect to all matters relating to this Agreement.

16. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

17. Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

18. Indemnification and Reimbursement of Payments on Behalf of Executive. The Company and its affiliates shall be entitled to deduct or withhold from any amounts owing from the Company or any of its affiliates to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its affiliates or Executive's ownership interest in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity). In the event the Company or any of its affiliates does not make such deductions or withholdings. Executive shall indemnify the Company and its affiliates for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

19. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE BETWEEN OR AMONG ANY OF THE PARTIES HERETO, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREBY AND/OR THE RELATIONSHIP ESTABLISHED AMONG THE PARTIES HEREUNDER.

20. Corporate Opportunity. During the Employment Period, Executive shall submit to the Company all business, commercial and investment opportunities or offers presented to Executive or of which Executive becomes aware which relate to the areas of business engaged in by the Company at any time during the Employment Period ("Corporate Opportunities"). Unless approved by the Company, Executive shall not accept or pursue, directly or indirectly, any Corporate Opportunities on Executive's own behalf.

21. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its affiliates in any internal investigation, any administrative, regulatory or judicial proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments). In the event the Company requires Executive's cooperation in accordance with this paragraph, the Company shall reimburse Executive solely for reasonable travel expenses (including lodging and meals) upon submission of receipts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

/s/ James P. Waters

By: James P. Waters
Its: CFO

/s/ Albert Church

Albert Church

EXHIBIT A

GENERAL RELEASE

I, Albert Church, in consideration of and subject to the performance by The Hillman Group, Inc., a Delaware corporation (together with its affiliates, the "Company"), of its obligations under the Employment Agreement, dated as of January 14, 2008, (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company and its affiliates and the Company's direct or indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 4(d) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in paragraph Section 4(d) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. I also acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.

2. Except as provided in paragraph 4 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law; or under any other local, state, or federal law, regulation, ordinance or court decision; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress,

defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I also agree not to seek reemployment with the Company. I recognize that nothing in this paragraph or in any other provision of this Agreement shall be construed to prevent me from filing or maintaining a charge of discrimination with the Equal Employment Opportunity Commission or any other state or local government agency responsible for enforcing federal, state, or local, anti-discrimination laws. If such a proceeding is instituted or maintained by such an agency or by me, I understand and agree that all of my covenants and waivers under this Agreement shall remain in full force and effect, and I shall not be entitled to (and I hereby waive any right to) any relief specific to me, including but not limited to reinstatement, back pay, front pay, benefits, or any damages of any kind with respect to such charge, claim or action.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement.

8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone. Notwithstanding anything herein to the contrary, each of the parties (and each affiliate and person acting on behalf of any such party) agree that each party (and each employee, representative, and other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction contemplated in the Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information including (without limitation) (i) any portion of any materials to the extent not related to the tax treatment or tax structure of this transaction, (ii) the identities of participants or potential participants in the Agreement, (iii) any financial information (except to the extent such information is related to the tax treatment or tax structure of this transaction), or (iv) any other term or detail not relevant to the tax treatment or the tax structure of this transaction.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self-regulatory organization or governmental entity.

10. I agree to reasonably cooperate with the Company in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. I understand and agree that my cooperation may include, but not be limited to, making myself available to the Company upon reasonable notice for interviews and factual investigations; appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Company pertinent information; and turning over to the Company all relevant documents which are or may come into my possession all at times and on schedules that are reasonably consistent with my other permitted activities and commitments. I understand that in the event the Company asks for my cooperation in accordance with this provision, the Company will reimburse me solely for reasonable travel expenses, (including lodging and meals), upon my submission of receipts.

11. I agree not to disparage the Company, its past and present investors, officers, directors or employees or its affiliates and to keep all confidential and proprietary information about the past or present business affairs of the Company and its affiliates confidential unless a prior written release from the Company is obtained. I further agree that as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or had control over at any time (including, but not limited to, company-provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

13. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON , TO CONSIDER IT AND THE CHANGES MADE SINCE THE , VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE , EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: January 14, 2008

/s/ Albert M. Church
Albert Church.

Exhibit 10.52

Albert Church

Dear Chip,

Reference is made to (i) the Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 21, 2010, by and among The Hillman Companies, Inc., a Delaware corporation ("Hillman"), OHCP HM Acquisition Corp., a Delaware corporation (the "Purchaser"), and certain other parties thereto, and (ii) your existing employment agreement with The Hillman Group, Inc. (the "Company") dated January 14, 2008 (the "Employment Agreement"). Capitalized terms not otherwise defined in this letter agreement have the meanings given to such terms in your Employment Agreement.

This letter serves to confirm that the consummation of the transactions contemplated by the Merger Agreement (the "Merger") will constitute a change of control of the Company and that following this change of control your Employment Agreement will remain in full force and effect and will remain unchanged except as provided for in this letter agreement.

1. Your Employment Agreement will have a new 'Initial Term' that will begin on the closing date of the Merger and continue until the third anniversary thereof.
2. Your Base Salary will continue to be $227,000 per annum or such higher rate as the Board may determine from time to time, and will be subject to an annual review by the Board on or around January 31 of each year during the Employment Period.
3. If at any time your Employment Period is terminated by the Company without Cause or you resign for Good Reason in accordance with the terms of your Employment Agreement, the duration of your non-compete obligations pursuant to Section 6(n) of your Employment Agreement will be extended for an additional one year period (i.e. through the second anniversary of the date of termination), to the extent such non-compete obligations do not already extend for two years following the date of termination of your Employment Period in accordance with Section 6(a)(i), during which period the Company will continue to make severance payments to you in substantially equal installments consistent with the Company's payroll practices at the same annual rate as during the first year following termination of your Employment Period as calculated in accordance with Section 4(d) of your Employment Agreement. You acknowledge that your sale of any securities of the Company and its subsidiaries in connection with the Merger constitutes additional consideration for your non-compete obligation under your Employment Agreement, as extended by this letter agreement.

The miscellaneous provisions and governing law provisions set forth in your Employment Agreement shall apply to this letter agreement. To the extent that a provision of this letter agreement conflicts with or differs from a provision of your Employment Agreement, such provision of this letter agreement shall prevail and govern for all purposes and in all respects.

This letter agreement will automatically terminate without any action on the part of Hillman, the Company or any other person or entity and be void ab initio if the Merger Agreement is terminated in accordance with its terms and neither the Company, the Purchaser nor any other person or entity shall have any liability to you under this letter agreement if the Merger is not consummated.

If you are in agreement with the terms of this letter agreement, please sign below and return an executed copy to Mr. Max Hillman, c/o The Hillman Group, Inc., with a copy to Mr. Tyler Wolfram, c/o Oak Hill Capital Partners, via fax to (203) 724-2815 or e-mail to TWolfram@oakhillcapital.com

Your sincerely,

The Hillman Group, Inc.

/s/ Max Hillman

Name: Max Hillman
Title: CFO

Agreed and Accepted:

/s/ Albert Church

Name: Albert Church

Exhibit 10.53

THE HILLMAN GROUP, INC.
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of April 21, 2010, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and George Heredia ("Executive").

WHEREAS, upon the consummation of the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 21, 2010, by and among The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman"), OHCP HM Acquisition Corp., a Delaware corporation (the "Purchaser"), and certain other parties thereto, the Purchaser shall acquire 100% of the issued and outstanding capital stock of Hillman in a reverse subsidiary merger pursuant to which Hillman shall be the surviving corporation (the "Merger"); and

WHEREAS, in connection with and subject to the consummation of the Merger, the Company desires to enter into this Agreement with Executive pursuant to which the Company will employ Executive as its Senior Vice President Engraving/GM Tempe on the terms set forth in this Agreement, and following the consummation of the Merger Executive is willing to serve the Company in such capacity for the period and upon such terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment. The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the consummation of the Merger (the date of such consummation, the "Effective Date") and ending as provided in Section 4(a) hereof (the "Employment Period"). This Agreement shall automatically terminate without any action on the part of any Person and be void ab initio if the Merger Agreement is terminated in accordance with its terms and neither the Company, the Purchaser nor any other Person shall have any liability to Executive under this Agreement if the Merger is not consummated.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Senior Vice President Engraving/GM Tempe of the Company and shall have the normal duties, responsibilities, functions and authority of the Senior Vice President Engraving/GM Tempe, subject to the power and authority of the Board or the Chief Executive Officer to expand or limit such duties, responsibilities, functions and authority and to overrule actions of officers of the Company. During the Employment Period, Executive shall render such administrative, financial and other executive and managerial services to Hillman and its Subsidiaries which are consistent with Executive's position as the Board or the Chief Executive Officer may from time to time direct.

(b) During the Employment Period, Executive shall report to the Board and the Chief Executive Officer and shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of Hillman and its Subsidiaries. Executive shall perform his duties, responsibilities and functions to Hillman and its Subsidiaries hereunder to the best of his abilities in a diligent, trustworthy, professional and efficient manner and shall comply with the Company's and its Subsidiaries' policies and procedures in all material respects. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Board; provided that Executive may serve as an officer or director of, or otherwise participate in, purely educational, welfare, social, religious or civic organizations so long as such activities do not interfere with Executive's employment.

(c) For purposes of this Agreement, "Subsidiaries" shall mean, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of the Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or member or general partner of such limited liability company, partnership, association, or other business entity. For purposes of this Agreement, "Person" shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity or any department, agency, or political subdivision thereof.

3. Compensation and Benefits.

(a) During the Employment Period, Executive's base salary shall be $243,000 per annum or such higher rate as the Board may determine from time to time (such amount, as may be increased from time to time, and not decreased after any such increase, based on no less frequent than an annual review by the Board, the "Base Salary"), which Base Salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices in effect from time to time. During the period beginning on the Effective Date and ending December 31, 2010, the

Base Salary shall be pro rated on an annualized basis. In addition, during the Employment Period, Executive shall be entitled to participate in employee benefit programs and receive perquisites reasonably comparable to those in effect as of the date hereof and as determined by the Board, including, without limitation, participation in group health insurance and disability insurance, life insurance, MERP benefits (up to $2,500 of out–of–pocket medical expenses per annum), participation in the Company's 401K plan, vacation and paid holidays and participation in the Company's deferred compensation plan (provided that any participation in such deferred compensation plan is funded solely by the Executive other than match by the Company of $.25 per $1.00 up to $2,500). During the Employment Period, the Company shall reimburse Executive for reasonable expenses incurred by Executive in connection with leasing an automobile (including lease payments, licenses and insurance) not to exceed $700 per month (or, if Executive seeks to purchase an automobile, reimbursement of reasonable expenses incurred in connection with such purchase, including car loan payments, licenses and insurance), subject to the Company's requirements with respect to reporting and documentation of such expenses. Executive shall bear the cost of gas, cost of repairs on the automobile, and costs of any tickets, traffic offenses or fines of any kind.

(b) During the Employment Period, the Company shall reimburse Executive for all ordinary and reasonable business expenses incurred by him in the course of performing his duties and responsibilities under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(c) In addition to the Base Salary, the Company shall pay to Executive cash bonus compensation pursuant to the terms of a performance–based bonus plan. The bonus plan will provide for performance–based targets to be agreed to annually by the Chief Executive Officer of the Company and the Board. If 100% of such bonus targets are met in a year, Executive shall be entitled to a bonus equal to 35% of his Base Salary for that year. If the Company and its Subsidiaries perform at a level in excess of 100% of the bonus targets, the Executive shall be entitled to a proportionately higher amount of bonus compensation up to a maximum of 70% of his Base Salary for that year, i.e., with each 1% increase above 100% of the bonus target, Executive shall be entitled to an additional 0.35% of his Base Salary for that year. Executive shall be entitled to bonus compensation in a proportionately reduced amount if the Company and its Subsidiaries perform at a level that is less than 100% of the bonus targets but in excess of 85% of the bonus targets, i.e., with each 1% decrease below 100% of the bonus target, Executive's bonus shall be reduced from the bonus he would have received had the Company and its Subsidiaries met 100% of the bonus target by 0.35% of his Base Salary for that year. Executive shall not be entitled to a bonus if 85% or less of the bonus targets are met. Bonuses shall be paid in the calendar year immediately following the calendar year that contains the end of the relevant performance period and in accordance with the Company's general payroll practices (in effect from time to time).

4. Term.

(a) The Employment Period shall be three years beginning on the Effective Date (the ‘Initial Term”) and shall automatically be renewed on the same terms and conditions set forth herein as modified from time to time by the parties hereto for additional one–year periods unless the Company gives Executive written notice of the election not to renew the Employment Period (a “Notice of Non–Renewal”) at least 90 days prior to any such renewal date or Executive gives the Company a Notice of Non–Renewal at least 180 days prior to any such renewal date (the end of the Initial Term or the end of an effective one–year extension period being referred to herein as the “Expiration Date”); provided that (i) the Employment Period shall terminate prior to its Expiration Date immediately upon Executive’s resignation (with or without Good Reason, as defined below), death or Disability, and (ii) the Employment Period may be terminated by the Company at any time prior to its Expiration Date for Cause (as defined below) or without Cause. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive. Notwithstanding anything to the contrary herein, the termination of the employment of the Executive as a result of the Company providing the Executive a Notice of Non–Renewal shall be treated as a termination of the Executive without Cause.

(b) In the event of Executive’s death or Disability, or upon the Expiration Date, Executive shall be entitled to payment of (i) all accrued and unpaid Base Salary through the date of termination or expiration of the Employment Period, (ii) all accrued and unused vacation, and (iii) expense reimbursement pursuant to Section 3(b) of this Agreement (collectively, the “Accrued Payments”), and a pro rated portion (based on the number of days that have elapsed from the beginning of the bonus period until the date of termination or expiration of the Employment Period) of the bonus for the year in which termination or expiration of the Employment Period occurs as determined pursuant to Section 3(c) above (the “Prorated Bonus”). In addition, in the event of Executive’s Disability, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company’s group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company’s employee benefit plans or as otherwise expressly required by applicable law.

(c) If the Employment Period is terminated by the Company for Cause, or if Executive resigns without Good Reason, Executive shall be entitled to payment of the Accrued Payments. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company’s group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(d) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive severance compensation in an amount as determined below:

(i) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive (A) an amount equal to his then applicable Base Salary, (B) the Termination Bonus Amount (as defined in Section 4(d)(ii)), if such termination is during the Initial Term, or 50% of the Termination Bonus Amount, if such termination is after the Initial Term, and (C) health continuation coverage during the period beginning on the date of the termination of the Employment Period and ending twelve months thereafter, at the Company's expense. For purposes of determining Executive's rights to COBRA continuation coverage, the date of termination of the Employment Period shall be the date of the COBRA qualifying event. In addition, Executive shall be permitted to participate, during the period beginning on the date of the termination of the Employment Period and ending six months thereafter, in the Company's group life and disability coverages, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees, at the Company's expense.

(ii) The severance payments outlined in (i) of this Section 4(d) are in addition to the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that, if not a part of the severance payments outlined in Section 4(d)(i)(C) above, Executive pays all of the premiums and similar costs and expenses for such coverage. Severance payments will be paid and benefit coverage will be provided pursuant to this Section 4(d) only if Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto and only so long as Executive has not breached the provisions of Sections 6 and 7 hereof. Severance payments under Section 4(d)(i)(A) above shall be paid by continuation of regular payroll compensation payments beginning on the date of termination of the Employment Period but in no event less frequently than monthly and continuing in the case of Section 4(d)(i)(A), for one year commencing as provided in Section 5. The severance payment under Section 4(d)(i)(B) above shall be paid in a lump sum in the year following the date of termination of the Employment Period at the same time that annual bonuses are paid to other senior executives of the Company. For purposes of Section 4(d) hereof, "Termination Bonus Amount" shall mean an amount equal to the greater of: (A) the annual average of Executive's annual bonuses for the preceding three years and (B) the amount of Executive's last annual bonus received prior to the termination of the Employment Period.

(e) If a Change of Control occurs, and within 90 days after such Change of Control, the Employment Period is terminated by the Company without Cause or Executive resigns with Good Reason, Executive shall be entitled to a lump sum payment payable 30 days after such termination or resignation in an amount equal to the amount payable pursuant to Sections 4(d)(i)(A) and (B). In addition, Executive shall be entitled to receive the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Payments will not be paid under this Section 4(e) unless Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto. A "Change of Control" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the investors purchasing shares in Hillman and/or its Subsidiaries as of the date hereof and their affiliates) 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 (whether by merger, consolidation, reorganization, combination, sale or transfer of Hillman's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of Hillman's assets determined on a consolidated basis; provided, that a Change of Control shall not include a Public Offering or the consummation of the Merger; provided, further, that such Change of Control also constitutes a change in control event for purposes of Code Section 409A (as defined below) (a "409A Change of Control"). A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock. In the event the Change of Control is not a 409A Change in Control, the payments described in this Section 4(e) shall still be paid, but the schedule of such payments shall be the schedules described in Section 4(d).

(f) The amounts payable pursuant to Sections 4(d) and 4(e) are mutually exclusive, and under no circumstances shall Executive be entitled to receive payments under both Sections.

(g) Executive agrees and acknowledges that Executive shall be responsible for the payment of any and all taxes arising from continued coverage under the Company's benefit plans.

(h) Upon the expiration of the Employment Period, to the extent permitted under the terms of any applicable life insurance policy, Executive shall be permitted to purchase from the Company life insurance policies issued in his name; provided that Executive pays the purchase price of any such life insurance policies, including any fees and expenses associated with such a transfer.

(i) For purposes of this Agreement, "Cause" is defined as (i) willful failure to substantially perform duties hereunder, other than due to Disability; (ii) willful act which constitutes gross misconduct or fraud and which is injurious to Hillman or its Subsidiaries; (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 (including Sections 6 and 7 hereof) with the Company which is not cured within ten (10) days after written notice from the Company.

(j) For purposes of this Agreement, "Good Reason" means termination of this Agreement by Executive due to (i) any material diminution in Executive's position, authority or duties with the Company, (ii) the Company reassigning Executive to work at a location that is more than seventy–five (75) miles from his current work location, (iii) 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 (iv) a material breach of Sections 3 or 4 of this Agreement by the Company, which in each case of (i) through (iv) is not cured within 10 days following written notice from Executive. Executive must provide notice of resignation for Good Reason within ninety (90) days following Executive's knowledge of the event or facts constituting Good Reason, otherwise such event or facts shall not constitute Good Reason under this Agreement.

(k) For purposes of this Agreement, "Disability" shall mean Executive's inability to perform the essential duties, responsibilities and functions of his position with the Company and its Subsidiaries for more than 26 weeks in any 12–month period as a result of any mental or physical disability or incapacity as defined in the Americans with Disabilities Act or as otherwise determined by the Board in its reasonable good faith judgment.

5. Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages to Executive for failing to comply with Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's termination of employment. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, then the following shall apply:

(i) To the extent any such cash payment or continuing benefit to be provided is not "deferred compensation" for purposes of Code Section 409A, then such payment or benefit shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

(ii) To the extent any such cash payment or continuing benefit to be provided is "deferred compensation" for purposes of Code Section 409A, then such payments or benefits shall be made or commence upon the sixtieth (60) day following Executive's termination of employment. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Agreement had such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's termination of employment. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(d) To the extent that this Agreement provides for the reimbursement of expenses or the provision of in–kind benefits that constitute "non–qualified deferred compensation" under Code Section 409A, the following shall apply: (i) All such reimbursements under shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee; (ii) Any right to reimbursement or in kind benefits shall not be subject to liquidation or exchange for another benefit; and (iii) No such reimbursement, expenses eligible for reimbursement, or in–kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in–kind benefits to be provided, in any other taxable year.

(e) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(g) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

6. Confidential Information.

(a) Obligation to Maintain Confidentiality. Executive acknowledges that the information, observations and data (including trade secrets) obtained by him during the course of his employment with the Company and its Subsidiaries concerning the business or affairs of Hillman or any its Subsidiaries ("Confidential Information") are the property of Hillman or such Subsidiary. Therefore, Executive agrees that he shall not at any time during the Employment Period or thereafter disclose to any person or entity or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to Confidential Information, Third Party Information (as defined in Section 6(b) below), Work Product (as defined in Section 6(c) below) or the business of Hillman or any other Subsidiaries which he may then possess or have under his control.

(b) Third Party Information. Executive understands that Hillman and its Subsidiaries and Affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on Hillman's and its Subsidiaries' and affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 6(a) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of Hillman or its Subsidiaries and affiliates who need to know such information in connection with their work for Hillman or such Subsidiaries and affiliates) or use, except in connection with his work for Hillman or its Subsidiaries and affiliates, Third Party Information unless expressly authorized by a member of the Board in writing.

(c) Intellectual Property, Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to Hillman's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company and its Subsidiaries, whether before or after the date of this Agreement ("Work Product"), belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Executive acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

7. Non–Compete, Non–Solicitation.

(a) Non–Compete. In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that during the course of his employment with the Company and its Subsidiaries he has and shall become familiar with the Company's trade secrets and with other Confidential Information and that his services have been and shall continue to be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Period and for one year following either the date of termination of the Employment Period for any reason or the Expiration Date, Executive shall not, directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in the process of being implemented during the Employment Period or on the date of the termination or expiration of the Employment Period, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Executive acknowledges (i) that the business of the Company and its Subsidiaries will be conducted throughout the United States, (ii) notwithstanding the state of incorporation or principal office of the Company or any of its Subsidiaries, or any of its executives or employees (including the Executive), it is expected that the Company and its Subsidiaries will have business activities and have valuable business relationships within its industry throughout the United States and (iii) as part of his responsibilities, Executive will be traveling throughout the United States in furtherance of the business and relationships of the Company and its Subsidiaries. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) Non–Solicitation. During the Employment Period and for two years following either the date of termination of the Employment Period or the Expiration Date, Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Period or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business (or materially reduce the amount of business done) with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its Subsidiaries).

(c) Scope of Restrictions. If, at the time of enforcement of this Section 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(d) Equitable Relief. In the event of the breach or a threatened breach by Executive of any of the provisions of this Section 7, the Company would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by Executive of this Section 7, the time periods referenced in this Section 7 shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges that the provisions of Section 7 above are in consideration of (i) employment with the Company, and (ii) additional good and valuable consideration as set forth in this Agreement. In

addition, Executive agrees and acknowledges that the restrictions contained in Section 7 above are reasonable, do not preclude him from earning a livelihood, that he has reviewed his rights and obligations under this Agreement with his legal counsel and that he fully understands the terms and conditions contained herein. In addition, Executive agrees and acknowledges that the potential harm to the Company of the non–enforcement of Section 7 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

9. Survival. Sections 4(b) through 22, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

At the last known address in the Company's personnel records.

Notices to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: Chief Executive Officer

and

Oak Hill Capital Partners
One Stamford Plaza
263 Tresser Blvd., 15th Floor
Stamford, CT 06901
Fax: (203) 724–2815
Attn: Tyler J. Wolfram

With copies, which shall not constitute notice, to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Fax: (212) 492-0570
Attn: Angelo Bonvino

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

18. Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

19. Indemnification and Reimbursement of Payments on Behalf of Executive. The Company and its Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its Subsidiaries or Executive's ownership interest, if any, in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity). In the event the Company or any of its Subsidiaries does not make such deductions or withholdings, Executive shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

20. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE BETWEEN OR AMONG ANY OF THE PARTIES HERETO, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREBY AND/OR THE RELATIONSHIP ESTABLISHED AMONG THE PARTIES HEREUNDER.

21. Corporate Opportunity. During the Employment Period, Executive shall submit to the Board all business, commercial and investment opportunities or offers presented to Executive or of which Executive becomes aware which relate to the areas of business engaged in by the Company at any time during the Employment Period ("Corporate Opportunities"). Unless approved by the Board, Executive shall not accept or pursue, directly or indirectly, any Corporate Opportunities on Executive's own behalf.

22. Executive’s Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation, any administrative, regulatory or judicial proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company’s request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive’s possession, all at times and on schedules that are reasonably consistent with Executive’s other permitted activities and commitments). In the event the Company requires Executive’s cooperation in accordance with this paragraph, the Company shall reimburse Executive solely for reasonable travel expenses (including lodging and meals) upon submission of receipts.

23. Directors’ and Officers’ Liability Insurance. Executive shall be a beneficiary of any directors’ and officers’ liability insurance policy maintained by the Company so long as Executive remains an officer or director of the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

By: /s/ Max W. Hillman
Name: Max W. Hillman
Title: CEO

/s/ George Heredia
George Heredia

EXHIBIT A

GENERAL RELEASE

I, George Heredia, in consideration of and subject to the performance by The Hillman Companies, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), of its obligations under the Employment Agreement, dated as of April , 2010, (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company and its affiliates and the Company's direct or indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Sections 4(d) and 4(e) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in paragraph Sections 4(d) and 4(e) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. I also acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.

2. Except as provided in paragraph 4 below and except for the provisions of my Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross–claims, counter–claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or

arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement.

8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone. Notwithstanding anything herein to the contrary, each of the parties (and each affiliate and person acting on behalf of any such party) agree that each party (and each employee, representative, and other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction contemplated in the Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information including (without limitation) (i) any portion of any materials to the extent not related to the tax treatment or tax structure of this transaction, (ii) the identities of participants or potential participants in the Agreement, (iii) any financial information (except to the extent such information is related to the tax treatment or tax structure of this transaction), or (iv) any other term or detail not relevant to the tax treatment or the tax structure of this transaction.

9. Any non–disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self–regulatory organization or governmental entity.

10. I agree to reasonably cooperate with the Company in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. I understand and agree that my cooperation may include, but not be limited to, making myself available to the Company upon reasonable notice for interviews and factual investigations; appearing at the Company’s request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Company pertinent information; and turning over to the Company all relevant documents which are or may come into my possession all at times and on schedules that are reasonably consistent with my other permitted activities and commitments. I understand that in the event the Company asks for my cooperation in accordance with this provision, the Company will reimburse me solely for reasonable travel expenses, (including lodging and meals), upon my submission of receipts.

11. I agree not to disparage the Company, its past and present investors, officers, directors or employees or its affiliates and to keep all confidential and proprietary information about the past or present business affairs of the Company and its affiliates confidential unless a prior written release from the Company is obtained. I further agree that as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or

had control over at any time (including, but not limited to, company–provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

13. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON , TO CONSIDER IT AND THE CHANGES MADE SINCE THE , VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21–DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE , EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT.

IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: ____________________ ____________________

George Heredia

Exhibit 12.1

THE HILLMAN COMPANIES, INC.
Computation of Ratio of Income to Fixed Charges
Year Ended December 31, 2011
(Dollars in thousands)

Income before Income Taxes	$(14,458)
Add fixed charges:	
Interest expense	53,289
Amortization of debt expense	2,975
Interest portion of rent expense	3,013
Adjusted income	$ 44,819
Fixed charges:	
Interest expense	53,289
Amortization of debt expense	2,975
Interest portion of rent expense	3,013
Fixed Charges	$ 59,277
Ratio of earnings to Fixed Charges (1)	0.76

(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, 2011

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. SunSource Integrated Services de Mexico S.A. de C.V.
      Incorporated in Ciudad de Mexico, Mexico

   c. The Hillman Group Canada, Ltd.
      Incorporated in the Province of Ontario, Canada

   d. The Hillman Group Australia PTY Ltd.
      Incorporated in Sydney, Australia

   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; and

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 26, 2012

/s/ Max W. Hillman
Max W. Hillman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Anthony A. Vasconcellos, 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; and

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 26, 2012

/s/ Anthony A. Vasconcellos
Anthony A. Vasconcellos
Chief Financial Officer

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, 2011, (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 26, 2012

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, 2011, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Anthony A. Vasconcellos, 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/ Anthony A. Vasconcellos

Name: Anthony A. Vasconcellos
Date: March 26, 2012