UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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 [X] NO[ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES [ ] NO [X]

On May 12, 2004 there were 6,212.9 Class A Common Shares issued and outstanding, 1,000.0 Class B Common Shares issued and outstanding, 2,787.1 Class C Common Shares issued and outstanding by the Registrant and 4,217,724 Trust Preferred Securities issued and outstanding by the Hillman Group Capital Trust. The Trust Preferred Securities trade on the American Stock Exchange under symbol HLM.Pr.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

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Item 1.

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

	Successor	Predecessor
	March 31, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,071	$ 1,528
Restricted investments	1,133	1,145
Accounts receivable, net	40,840	35,383
Inventories, net	65,496	64,772
Deferred income taxes	7,382	5,283
Other current assets	4,791	5,770
Total current assets	132,713	113,881
Property and equipment, net	63,417	64,601
Goodwill	236,179	134,725
Other intangibles, net	152,461	9,631
Deferred income taxes, net	—	20,498
Restricted investments	5,182	5,932
Deferred financing fees, net	7,592	5,638
Other assets	536	927
Total assets	$ 598,080	$ 355,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 22,903	$ 16,836
Current portion of senior term loans	2,175	9,268
Current portion of capitalized lease obligations	49	54
Accrued expenses:		
Salaries and wages	2,872	4,467
Employee benefits and related withholdings	9,119	—
Pricing allowances	4,323	8,242
Income and other taxes	1,876	1,966
Deferred compensation	1,133	1,145
Other accrued expenses	9,864	13,363
Total current liabilities	54,314	55,341
Long term senior term loans	215,325	51,290
Bank revolving credit	2,198	43,495
Long term capitalized lease obligations	131	140
Long term unsecured subordinated notes	47,500	—
Long term unsecured subordinated notes to related party	—	44,062
Junior subordinated debentures	114,725	—
Mandatorily redeemable preferred stock (Note 7)	57,121	—
Management purchased preferred options	3,230	—
Deferred compensation	5,182	5,932
Deferred income taxes, net	3,246	—
Other non-current liabilities	6,828	5,605
Total liabilities	509,800	205,865

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

	Successor	Predecessor
	March 31, 2004 (Unaudited)	**December 31, 2003**
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)		
Common Stock with put options:		
Class A Common stock $.01 par, 23,141 shares authorized 407.6 issued and outstanding at March 31, 2004	407	—
Class B Common stock, $.01 par, 2,500 shares authorized, 1,000 issued and outstanding at March 31, 2004	1,000	—
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	—	102,364
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par, 1,000,000 shares authorized, none outstanding at December 31, 2003	—	—
Class A Preferred stock, $.01 par, 238,889 shares authorized, 82,104.8 issued and outstanding at March 31, 2004	1	—
Common Stock:		
Common stock, $.01 par, 20,000,000 shares authorized, 7,118,484 issued and outstanding at December 31, 2003	—	71
Class A Common stock, $.01 par, 23,141 shares authorized, 5805.3 issued and outstanding at March 31, 2004	—	—
Class C Common stock, $.01 par, 30,109 shares authorized, 2,787.1 issued and outstanding at March 31, 2004	—	—
Additional paid-in capital	86,872	52,310
Accumulated deficit	—	(4,647)
Accumulated other comprehensive loss	—	(130)
Total stockholders' equity	86,873	47,604
Total liabilities and stockholders' equity	$ 598,080	$ 355,833

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands)

	March 31, 2004	March 31, 2003
Predecessor		
Net sales	$ 78,997	$69,989
Cost of sales	35,780	31,664
Gross profit	43,217	38,325
Operating expenses:		
Selling, general and administrative expenses	30,999	28,200
Non-recurring expense (Note 9)	30,707	—
Depreciation	3,799	3,467
Amortization	321	371
Management fee to related party	524	450
Total operating expenses	66,350	32,488
Other (expense) income, net	(140)	53
(Loss) income from operations	(23,273)	5,890
Interest expense, net	3,841	3,635
Interest expense on junior subordinated notes	3,058	—
Distributions on guaranteed preferred beneficial interests	—	3,058
Write-down of note receivable	—	5,657
Loss before income taxes	(30,172)	(6,460)
Income tax benefit	(10,856)	(615)
Net loss	$(19,316)	$ (5,845)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands)

	Successor	Predecessor	
	At Inception	March 31 2004	March 31 2003
Cash flows from operating activities:			
Net loss	$ —	$(19,316)	$ (5,845)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	—	4,120	3,838
Deferred income tax benefit	—	(10,287)	(621)
PIK interest on unsecured subordinated notes	—	506	483
Write-down of note receivable	—	—	5,657
Changes in operating items, net of effects of acquisitions:			
Increase in accounts receivable, net	—	(5,457)	(7,100)
Increase in inventories, net	—	(724)	(1,906)
(Increase) decrease in other assets	(170)	1,464	369
Increase in accounts payable	—	5,832	573
(Decrease) increase in other accrued liabilities	(25,937)	23,157	(6,032)
Other items, net	—	6	755
Net cash used for operating activities	(26,107)	(699)	(9,829)
Cash flows from investing activities:			
Capital expenditures	—	(2,586)	(3,294)
Other, net	—	(23)	152
Net cash used for investing activities	—	(2,609)	(3,142)
Cash flows from financing activities:			
Borrowings of senior term loans	217,500	—	—
Repayments of senior term loans	(60,558)	—	(2,317)
Borrowings of revolving credit loans	2,198	4,709	13,754
Repayments of revolving credit loans	(48,204)	—	—
Borrowings of unsecured subordinated notes	47,500	—	—
Repayments of unsecured subordinated notes	(44,569)	—	—
Principal payments under capitalized lease obligations	—	(14)	(14)
Financing fees, net	(7,592)	—	8
Purchase of predecessor common stock	(214,724)	—	—
Receipt of successor equity proceeds	147,980	—	—
Merger transaction expenses	(2,171)	—	—
Prepayment penalty	(1,097)	—	—
Net cash provided by financing activities	36,263	4,695	11,431
Net increase (decrease) in cash and cash equivalents	10,156	1,387	(1,540)
Cash and cash equivalents at beginning of period	2,915	1,528	2,768
Cash and cash equivalents at end of period	$ 13,071	$ 2,915	$ 1,228

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2004

	Predecessor Common Stock	Successor Common Stock		Additional Paid-in Capital
		Class A	Class C	
Beginning Balance at December 31, 2003- Predecessor	$ 71	$ —	$ —	$ 52,310
Net Loss				
Change in cumulative foreign translation adjustment (1)				
Ending Balance at March 31, 2004 - Predecessor	71	—	—	52,310
Close Predecessor's stockholder's equity at merger date	(71)	—	—	(52,310)
Issuance of 5,805.3 shares of Class A Common Stock		—		5,443
Issuance of 2,787.1 shares of Class C Common Stock			—	2,787
Issuance of 82,104.8 shares of The Hillman Companies, Inc. Class A Preferred Stock				78,642
Ending Balance at March 31, 2004 - Successor	$ —	$ —	$ —	$ 86,872

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Class A Preferred Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Beginning Balance at December 31, 2003- Predecessor	$ —	$ (4,647)	$ (130)	$ 47,604
Net Loss		(19,316)		(19,316)
Change in cumulative foreign translation adjustment (1)			10	10
Ending Balance at March 31, 2004 - Predecessor	—	(23,963)	(120)	28,298
Close Predecessor's stockholder's equity at merger date	—	23,963	120	(28,298)
Issuance of 5,805.3 shares of Class A Common Stock				5,443
Issuance of 2,787.1 shares of Class C Common Stock				2,787
Issuance of 82,104.8 shares of The Hillman Companies, Inc. Class A Preferred Stock	1			78,643
Ending Balance at March 31, 2004 - Successor	$ 1	$ —	$ —	$ 86,873

(1) The cumulative foreign translation adjustment represents the only item of other comprehensive income.

SEE ACCOMPANYING NOTES TO 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. (the "Company" or "Hillman") and its indirect, wholly owned subsidiaries including an investment trust, Hillman Group Capital Trust (the "Trust"). All significant intercompany balances and transactions have been eliminated.

On March 31, 2004, The Hillman Companies, Inc. was acquired by an affiliate of Code Hennessy & Simmons LLC ("CHS"). Pursuant to the terms and conditions of an Agreement and Plan of Merger ("Merger Agreement") dated as of February 14, 2004, the Company was merged with an affiliate of CHS with the Company surviving the merger ("Merger Transaction"). The total consideration paid in the Merger Transaction was $511.6 million including repayment of outstanding debt and including the value of the Company's outstanding Trust Preferred Securities. The merger consideration is subject to certain post-closing working capital and other adjustments.

Prior to the merger, Allied Capital Corporation ("Allied Capital") owned 96.8 % of the Company's common stock. As a result of the change of control, an affiliate of CHS owns 49.1% of the Company's common stock and 54.5% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owns 27.9% of the Company's common stock and 31.0% of the Company's voting common stock and HarborVest Partners VI owns 8.7% of the Company's common stock and 9.7% of the Company's voting common stock. Certain members of management own 14.1% of the Company's common stock and 4.5% of the Company's voting common stock.

CHS is a private equity firm that manages approximately $1.56 billion in capital in four funds. The acquisition of the Company by CHS adds to their existing portfolio of middle market manufacturing and distribution businesses.

The Company's Consolidated Balance Sheet as of March 31, 2004 and its related Statements of Operations, Cash Flows and Changes in Stockholders' Equity for the periods presented prior to March 31, 2004 are referenced herein as the predecessor financial statements (the "Predecessor" or "Predecessor Financial Statements"). The Company's Consolidated Balance Sheet as of March 31, 2004 and its related Statements of Operations, Cash Flows and Changes in Stockholders' Equity for period presented at inception of the Merger Transaction are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements"). The accompanying Successor Financial Statements reflect the allocation of the aggregate purchase price of $511.6, including the value of the Company's Trust Preferred Securities, to the assets and liabilities of Hillman based on fair values at the date of the merger in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations." The Company is in the process of obtaining third-party valuations of certain assets acquired in connection with the Merger Transaction. Thus, the allocation of the purchase price is subject to change. Any amounts attributable to such assets are expected to be finalized during 2004. The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

(dollars in thousands)

1. Basis of Presentation (continued):

Accounts Receivable	$ 40,840
Inventory	65,496
Property and equipment	63,417
Goodwill	236,179
Intangible assets	152,461
Other assets	11,551
Total assets acquired	569,944
Less:	
Liabilities assumed	45,968
Junior subordinated debentures	114,725
Total assumed liabilities	160,693
Total purchase price	$409,251

The purchase price includes transaction related costs aggregating $2,171 which were associated with CHS's purchase of the Company.

The pro forma net loss of the Company for the three months ended March 31, 2004 and 2003 is $19,593 (including non-recurring charges of $30,707 as discussed in Note 9) and $6,161, respectively. The pro forma net loss gives effect to the Merger Transaction as if it had occurred on January 1, 2004 and January 1, 2003, respectively. The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of the operating results that would have occurred if the acquisition had been effective January 1, 2004 and 2003, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the historical financial results of the Company, the Company's financing arrangements, and certain purchase accounting adjustments.

The accompanying unaudited consolidated financial statements present information in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by generally accepted accounting principles for complete financial statements. Management believes the financial statements include all normal recurring accrual adjustments necessary for a fair presentation. Operating results for the three months ended March 31, 2004 do not necessarily indicate the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report filed on Form 10-K for the year ended December 31, 2003.

2. Summary of Significant Accounting Policies:

Cash Equivalents:

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.

Restricted Investments:

Restricted investments represent assets held in a Rabbi Trust to fund deferred compensation liabilities due to certain Company employees.

2. Summary of Significant Accounting Policies (continued):

Inventories:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the first-in, first-out 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.

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. The cost and related accumulated depreciation are removed from their respective accounts when assets are sold or otherwise disposed of and the resulting gain or loss is reflected in current operations.

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, if shorter, over the terms of the related leases.

Long-Lived Assets:

Under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company has evaluated 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.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities (temporary differences) and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are provided for tax benefits where it is more likely than not that certain future tax benefits will not be realized. Adjustments to valuation allowances are recorded from changes in utilization of the tax related item.

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan (the "plan"). The plan provides for a matching contribution for eligible employees of 50% of each dollar contributed by the employee up to 6% of employee's compensation. In addition, the plan provides an annual contribution in amounts authorized by the Board, subject to the terms and conditions of the plan.

Revenue Recognition:

Revenue from sales of products is recorded upon the passing of title and risks of ownership to the customer, which occurs upon the shipment of goods.

(dollars in thousands)

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 financial statements at the date of the related sale. Rebates are estimated based on the anticipated rebate to be paid and 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.

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 Statements of Operations. For the three months ended March 31, 2004 and 2003, shipping and handling costs included in SG&A were $3,628 and $3,557, respectively.

Research and Development:

The Company incurs research and development costs in connection with improvements to the key duplicating and engraving machines. For the three months ended March 31, 2004 and 2003, research and development expenses, consisting primarily of internal wages and benefits, were $277 and $293, respectively.

Stock-Based Compensation:

The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock option plan. For the three months ended March 31, 2004 the Company recognized compensation expense for certain options granted under the stock option plan with an exercise price less than the market value of the underlying common stock on the date of grant (See Note 7, Common and Preferred Stock). There would have been no effect on net earnings, assuming the fair value recognition provisions of Statements of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation had been applied.

Translation of Foreign Currencies:

The translation of the Company's Canadian foreign 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.

Comprehensive Loss:

The components of comprehensive loss for the three months ended March 31, 2004 and 2003 were as follows:

	Three Months Ended March 31	
	2004	2003
Net loss	$ 19,316	$ 5,845
Foreign currency translation adjustment	(10)	36
Comprehensive loss	$ 19,306	$ 5,881

(dollars in thousands)

2. Summary of Significant Accounting Policies (continued):

Reclassifications:

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation.

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 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. Actual results could differ from those estimates.

3. Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 provides for the non-amortization of goodwill. Goodwill is now subject to at least an annual assessment for impairment by applying a fair value-based test. Goodwill totaling $236,179 was recorded in connection with the Merger Transaction. Other intangible assets will be amortized over their useful lives and will be subject to a lower of cost or market impairment testing.

The values assigned to intangible assets in connection with the March 31, 2004 Merger Transaction were determined by a preliminary independent appraisal. The intangible asset values may be adjusted for any changes determined upon completion of work on the independent appraisal. Intangible assets as of March 31, 2004 and December 31, 2003 consist of the following:

	March 31, 2004	December 31, 2003
Customer Relationships	$100,000	$ —
Trademarks	34,461	6,500
Patents	10,000	6,700
Proprietary Software	—	1,000
Non Compete Agreements	8,000	1,250
Intangible assets, gross	152,461	15,450
Less: Accumulated amortization	—	5,819
Intangible assets, net	$152,461	$ 9,631

Amortization expense for amortizable assets for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 are estimated to be $8,696, $11,167, $11,167 , $11,167 , and $7,792 , respectively.

4. Contingencies:

Under the Company's insurance programs, commercial umbrella coverage is obtained for catastrophic exposure and aggregate losses in excess of normal claims. Beginning in 1991, the Company has retained risk on certain expected losses from both asserted and unasserted claims related to worker's compensation, general liability and automobile as well as the health benefits of certain employees. Provisions for losses expected under these programs are recorded based on an analysis of historical insurance claim data and certain actuarial assumptions. As of March 31, 2004, the Company has provided insurers letters of credit aggregating $4,499 related to certain insurance programs.

4. Contingencies (continued):

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 should not have a material adverse effect on the consolidated financial position, operations or cash flows of the Company.

5. Related Party Transactions:

On September 26, 2001, the Company was acquired by Allied Capital pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of June 18, 2001. In connection with the Allied acquisition, the Company was obligated to pay management fees to a subsidiary of Allied Capital for management services rendered in the amount of $1,800 per year, plus out of pocket expenses, for calendar years subsequent to 2001. The Company has recorded a management fee charge of $524 and $450 for the three months ended March 31, 2004 and 2003, respectively. Payment of management fees was due annually after delivery of the Company's annual audited financial statements to the Board of Directors of the Company. The obligation to pay management fees to Allied Capital was terminated upon the payment of outstanding fees in the amount of $2,324 on March 31, 2004 in connection with the close of the Merger Transaction.

On March 31, 2004, the Company was acquired by an affiliate of Code Hennessy & Simmons LLC. In connection with the CHS acquisition, the Company is obligated to pay management fees to a subsidiary of CHS in the amount of $58 per month and to pay management fees to a subsidiary of OTPP in the amount of $26 per month, plus out of pocket expenses, for each month commencing with the closing date of the Merger Transaction.

The Company incurred interest expense to Allied Capital on the subordinated debt at a fixed rate of 18.0% per annum. Cash interest payments were required on a quarterly basis at a fixed rate of 13.5% with the remaining 4.5% fixed rate (the "PIK Amount") being added to the principal balance. The subordinated debt and accrued interest thereon of $45,571 were paid in full at March 31, 2004 in connection with the Merger Transaction.

6. Long Term Debt:

On March 31, 2004 the Company, through its Hillman Group, Inc. subsidiary, refinanced its revolving credit and senior term loans with a Senior Credit Agreement consisting of a $40,000 revolving credit (the "Revolver") and a $217,500 term loan (the "Term Loan"). The Senior Credit Agreement has a seven-year term and provides borrowings at interest rates based on the London Inter-bank Offered Rates (the "LIBOR") plus a margin of between 2.25% and 3.00% (the "LIBOR Margin"), or prime (the "Base Rate") plus a margin of between 1.25% and 2.0% (the "Base Rate Margin"). The applicable LIBOR Margin and Base Rate Margin is based on the Company's leverage at the date of the preceding fiscal quarter. In accordance with the Senior Credit Agreement, letter of credit commitment fees are based on the average daily face amount of each outstanding letter of credit multiplied by a Letter of Credit Margin of between 2.25% and 3.00% per annum. The Letter of Credit Margin is also based on the Company's leverage at the date of the preceding fiscal quarter. The Company also pays a Commitment fee of 0.50% per annum on the average daily unused Revolver balance.

The Senior Credit Agreement, among other provisions, contains financial covenants requiring the maintenance of specific leverage and interest coverage ratios and levels of financial position, restricts the incurrence of additional debt and the sale of assets, and permits acquisitions with the consent of the lenders.

6. Long Term Debt (continued):

On March 31, 2004 the Company, through its Hillman Group, Inc. subsidiary, issued $47,500 of unsecured subordinated notes to Allied Capital Corporation maturing on September 30, 2011 ("Subordinated Debt Issuance"). Interest on the Subordinated Debt Issuance is at a fixed rate of 13.5% per annum, with cash interest payments required on a quarterly basis at a fixed rate of 11.25% commencing April 15, 2004. The outstanding principal balance of the Subordinated Debt Issuance shall be increased on a quarterly basis at the remaining 2.25% fixed rate (the "PIK Amount"). All of the PIK Amounts are due on the maturity date of the Subordinated Debt Issuance.

The Company is subject to a prepayment charge on the Subordinated Debt equal to 6% of the outstanding principal if paid prior to March 31, 2006, 3% of the outstanding principal if paid after March 31, 2006 but prior to March 31, 2007 and 1% of the outstanding principal if paid after March 31, 2007 but before March 31, 2008.

The Company incurred financing fees of $6,539 and $1,053 in connection with the Senior Credit Agreement and the Subordinated Debt issuance, respectively. These fees were capitalized as deferred financing fees as of March 31, 2004 and will be amortized over the lives of the respective credit agreements.

7. Common and Preferred Stock:

Common Stock issued in connection with the Merger Transaction:

There are 23,141 authorized shares of Class A Common Stock, 6,212.9 of which are issued and outstanding. Each share of Class A Common Stock entitles its holder to one vote. Each holder of Class A Common Stock is entitled at any time to convert any or all of the shares into an equal number of shares of Class C Common Stock.

There are 2,500 authorized shares of Class B Common Stock, 1,000 of which are issued and outstanding. Holders of Class B Common Stock have no voting rights. The Class B Common was issued to certain members of the Company's management and is subject to vesting over five years with 20% vesting on each anniversary of the Merger Transaction.

In connection with the Merger Transaction, certain members of management entered into an Executive Securities Agreement ("ESA"). The ESA provides for the method and terms under which management proceeds were invested in the Company. Under the terms of the ESA, management shareholders have the right to put their Class A Common Stock and Class B Common Stock back to the Company at fair market value if employment is terminated for other than cause. If terminated for cause, the management shareholders can generally put the Class A Common Stock and Class B Common Stock back to the Company for the lower of the fair market value or cost. Accounting Series Release No. 268 requires certain securities whose redemption is not in the control of the issuer to be classified outside of permanent equity. The put feature embedded in management's Class A Common Stock and Class B Common Stock allow redemption at the holder's option under certain circumstances. Accordingly management's 407.6 Class A Common Stock shares and 1,000 Class B Common Stock shares have been classified between liabilities and stockholder's equity in the accompanying Consolidated Balance Sheet.

There are 30,109 authorized shares of Class C Common Stock, 2,787.1 of which are issued and outstanding. Each share of Class C Common Stock entitles its holder to one vote, provided that the aggregate voting power of Class C Common Stock (with respect to the election of directors) never exceeds 30%. Each holder of Class C Common Stock is entitled at any time to convert any or all of the shares into an equal number of shares of Class A Common Stock.

Preferred Stock issued in connection with the Merger Transaction:

The Company has 238,889 authorized shares of Class A Preferred Stock, 82,104.8 of which are issued and outstanding and 13,450.7 of which are reserved for issuance upon the exercise of options to purchase shares of Class A Preferred Stock. Holders of Class A Preferred Stock are not entitled to any voting rights. Holders of Class A Preferred Stock are entitled to preferential dividends that shall accrue on a daily basis at the rate of 11.5% per annum of the sum of the Liquidation Value (as defined in the Certificate of Incorporation) thereof plus all accumulated and unpaid dividends thereon.

Hillman Investment Company, a subsidiary of the Company, has 166,667 authorized shares of Class A Preferred Stock, 57,282.4 of which are issued and outstanding and 9,384.2 of which are reserved for issuance upon the exercise of options to purchase shares of Class A Preferred Stock. Holders of Class A Preferred Stock are not entitled to any voting rights. Holders of Class A Preferred Stock are entitled to preferential dividends that shall accrue on a daily basis at the rate of 11.0% per annum on the sum of the Liquidation Value (as defined in the Certificate of Incorporation) thereof plus all accumulated and unpaid dividends thereon.

7. Common and Preferred Stock (continued):

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 requires certain financial instruments with both debt and equity characteristics to be classified as debt. The statement requires initial and subsequent valuation of this debt at a present or fair market value and was effective July 1, 2003. The Hillman Investment Company Class A Preferred Stock is mandatorily redeemable on March 31, 2028 and in accordance with SFAS 150 has been classified as debt in the accompanying March 31, 2004 Balance Sheet.

Stock Options:

On March 30, 2004, the Company granted 1,085,116 common stock options under the SunSource Inc. 2001 Stock Incentive Plan (the "2001 Incentive Plan"). The options were issued with an exercise price below the fair market value of the common stock on the grant date. The fair value of the stock on March 30, 2004 was $29.20 per share and the weighted average exercise price was $6.76 per share. Compensation expense of $24,353 was recorded in the first quarter of 2004 for the excess of the fair market value over the exercise price.

Prior to the Merger Transaction the Company had 349,641 options issued in connection with the 1998 SunSource Equity Compensation Plan ("1998 Incentive Plan"). The options were 100% vested and had a weighted average strike price of $4.19 per share. In connection with the Merger Agreement, 154,641 of the 1998 Incentive Plan options and 75,714 of the 2001 Incentive Plan options 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 have a weighted average strike price of $170.69. The fair value of the Hillman Investment Company Class A Preferred Stock options have been included with the underlying security in the accompanying Consolidated Balance Sheets. SFAS 150 requires security instruments with a redemption date that is certain to occur to be classified as liabilities. Thus, the Hillman Companies, Inc. Class A Preferred Stock options, which have a March 31, 2014 expiration date, have been classified at their fair market 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. Additionally, under the terms of the ESA, the Purchased Options can be put back to the Company at fair market value if employment is terminated.

The remaining 1998 Incentive Plan Options and 2001 Incentive Plan Options were cancelled and converted into rights to receive a pro rata share of the merger consideration. The 1998 Incentive Plan and the 2001 Incentive Plan were then terminated.

On March 31, 2004, the Company adopted The Hillman Companies, Inc. 2004 Stock Option Plan ("Common Option Plan") following Board and shareholder approval. Grants under the Common Option Plan will consist of non-qualified stock options for the purchase of Class B Common Shares. The number of Class B Common Shares authorized for issuance under the Common Option Plan is not to exceed 256.41 shares. Unless otherwise consented to by the Board, the aggregate number of Class B Common Shares for which options may be granted under the Common Option Plan cannot exceed 51.28 in any one calendar year.

(dollars in thousands)

7. Common and Preferred Stock (continued):

The Common Option Plan is administered by a Committee of the Board. The Committee determines the term of each option, provided, however, that the exercise period may not exceed ten years from date of grant. No options have been awarded under the Common Option Plan as of March 31, 2004.

On March 31, 2004, certain members of the 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 vest over five years with 20% vesting on each anniversary of the Merger Transaction.

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

In September 1997, The Hillman Group Capital Trust ("Trust"), a subsidiary trust, completed a $105.4 million 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 and the related 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 preferred security holders at an annual rate of 11.6% on the liquidation amount of $25 per preferred 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 distributions 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 (ii) the Company is not the primary beneficiary of the Trust pursuant to the provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entries" ("FIN 46R"). Accordingly, pursuant to the requirements of FIN 46R, the Company has de-consolidated the Trust at March 31, 2004. Summarized below is the condensed financial information of the Trust as of March 31, 2004.

Non-current assets- junior subordinated debentures	$114,725
Non-current liabilities — Trust Preferred Securities	$114,725

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.

In accordance with SFAS 150, the TOPrS constitute mandatorily redeemable financial instruments. The Company guarantees the obligations of the Trust on the Trust Preferred Securities. Upon adoption of SFAS 150 on January 1, 2004, the guaranteed preferred beneficial interest in the Company's Junior Subordinated Debentures have been reclassified prospectively from the mezzanine section to the long-term liabilities section of the Consolidated Balance Sheet. Items previously shown separately on the Consolidated Statement of Operations as preferred security distributions of guaranteed preferred beneficial interests are classified as interest expense in the current period in accordance with the requirements of SFAS 150.

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

On March 31, 2004, the Junior Subordinated Debentures were recorded at the fair value of $114,725 based on the price underlying the Trust Preferred Securities of $27.20 per share upon close of trading on the American Stock Exchange on that date. The premium on the Junior Subordinated Debentures of $9,279 will be amortized over their remaining life.

9. Non-Recurring Expense:

During the three month period ended March 31, 2004, the Company incurred $30,707 of non-recurring, one-time charges. The charges included a $24,353 non-cash expense for stock options granted in connection with the Merger Transaction at an exercise price below fair market value. See Note 7, Common and Preferred Stock for additional details. Payroll taxes on the stock option grant of $397 were also recorded in the first quarter of 2004. In addition, the Company recorded Merger Transaction costs incurred by the selling shareholders which consisted primarily of investment banking and legal fees of $4,035. Finally, in connection with the Merger Transaction the Company awarded bonuses to certain members of management totaling $1,922.

10. Note Receivable:

On April 13, 2002, the Company entered into a Unit Repurchase Agreement with GC-Sun Holdings, L.P. ("G-C"), pursuant to which G-C exercised its call right under the G-C partnership agreement to purchase the Company's interest in G-C. The Unit Repurchase Agreement closed on June 25, 2002. In exchange for its interest in G-C, the Company received a $10,000 subordinated note from G-C. Interest on the note is payable quarterly at a rate of 18% from May 1, 2002 to April 30, 2003, 17% from May 1, 2003 to April 30, 2004, and 16% thereafter. G-C's payment of interest on the note is subject to certain restrictions under the terms of the subordinated note agreement. If such restrictions do not permit the current payment of interest in cash when due, accrued interest is added to the principal.

In February 2003, G-C sold the assets of its largest operating division, Kar Products. The proceeds of the sale were primarily used to pay down G-C's senior creditors. Following the sale of Kar Products, the Company estimated the enterprise value of G-C based on the cash flows and book value of the remaining operating division under a held for sale methodology. The excess of the estimated enterprise value less debt obligations senior to the G-C note were determined to be insufficient to support the value of the G-C note and accrued interest. Accordingly, the Company recorded a $5,657 charge to income in the first quarter of 2003 to write-down the face value of the note and accrued interest thereon to its estimated future cash flows. The Company recorded additional charges to income of $5,600 in the remainder of 2003 for changes in the assessments of the estimated amounts recoverable under the note. On March 30, 2004, the G-C note was distributed to the Predecessor common shareholders of the Company.

11. Subsequent Event:

The Senior Credit Agreement requires the Company to enter into and maintain interest rate protection instruments such that at least 50% of its total debt, including the Junior Subordinated Debentures, bears interest at a fixed or capped rate. Accordingly, effective April 28, 2004, the Company entered into an Interest Rate Swap Agreement ("Swap") with a two-year term for a notional amount of $50 million. The Swap fixes the interest rate on $50 million of the Senior Term Loan at a rate of 1.17% plus the applicable interest rate margin for the first three months of the Swap with incremental increases ranging from 28 to 47 basis points in each successive quarter.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 notes thereto appearing elsewhere herein.

General

The Hillman Companies, Inc. ("Hillman" or the "Company"), is one of the largest providers of value-added merchandising services and hardware-related products to retail markets in North America. The Company, through its wholly owned subsidiary, The Hillman Group, Inc. (the "Hillman Group") provides merchandising services and hardware and related products, such as, fasteners and similar items, key duplication equipment, keys and related accessories and identification equipment and items to retail outlets, primarily hardware stores, home centers and mass merchants.

On March 31, 2004, The Hillman Companies, Inc. was acquired by an affiliate of Code Hennessy & Simmons LLC ("CHS"). Pursuant to the terms and conditions of an Agreement and Plan of Merger ("Merger Agreement") dated as of February 14, 2004, the Company was merged with an affiliate of CHS with the Company surviving the merger ("Merger Transaction"). The total consideration paid in the Merger Transaction was $511.6 million including repayment of outstanding debt and including the value of the Company's outstanding Trust Preferred Securities. The merger consideration is subject to certain post-closing working capital and other adjustments.

Prior to the Merger Transaction, Allied Capital Corporation ("Allied Capital") owned 96.8 % of the Company's common stock. As a result of the change of control, an affiliate of CHS owns 49.1% of the Company's common stock and 54.5% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owns 27.9% of the Company's common stock and 31.0% of the Company's voting common stock and HarborVest Partners VI owns 8.7% of the Company's common stock and 9.7% of the Company's voting common stock. Certain members of management own 14.1% of the Company's common stock and 4.5% of the Company's voting common stock.

Financing Arrangements

On March 31, 2004, the Company, through its Hillman Group subsidiary, refinanced its revolving credit and senior term loans with a Senior Credit Agreement consisting of a $40.0 million revolving credit (the "Revolver") and a $217.5 million term loan (the "Term Loan"). The Senior Credit Agreement has a seven-year term and provides borrowings at interest rates based on the London Interbank Offered Rates (the "LIBOR") plus a margin of between 2.25% and 3.00% (the "LIBOR Margin"), or prime (the "Base Rate") plus a margin of between 1.25% and 2.0% (the "Base Rate Margin"). The applicable LIBOR Margin and Base Rate Margin is based on the Company's leverage at the date of the preceding fiscal quarter. In accordance with the Senior Credit Agreement, letter of credit commitment fees are based on the average daily face amount of each outstanding letter of credit multiplied by a Letter of Credit Margin of between 2.25% and 3.00% per annum. The Letter of Credit Margin is also based on the Company's leverage at the date of the preceding fiscal quarter. The Company also pays a Commitment fee of 0.50% per annum on the average daily unused Revolver balance.

On March 31, 2004, the Company, through its Hillman Group subsidiary, issued $47.5 million of unsecured subordinated notes to Allied Capital maturing on September 30, 2011 (“Subordinated Debt Issuance”). Interest on the Subordinated Debt Issuance is at a fixed rate of 13.5% per annum, with cash interest payments required on a quarterly basis at a fixed rate of 11.25% commencing April 15, 2004. The outstanding principal balance of the Subordinated Debt Issuance shall be increased on a quarterly basis at the remaining 2.25% fixed rate (the “PIK Amount”). All of the PIK Amounts are due on the maturity date of the Subordinated Debt Issuance.

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.

Results of Operations

Three Months Ended March 31, 2004 and 2003

Net sales increased $9.0 million or 12.9% in the first quarter of 2004 to $79.0 million from $70.0 million in 2003. Sales to national accounts represented $5.6 million of the $9.0 million total sales increase in the first quarter primarily as a result of increased fastener, keys, and letters, numbers, and signs ("LNS") sales to Lowe's and increased keys and LNS sales to Home Depot. Franchise and independent ("F&I") accounts increased $2.6 million from the comparable period in 2003. The increased F&I sales were the result of improved economic activity at the retail level and increased sales of galvanized fasteners used in the newly formulated treated lumber. The F&I accounts are typically individual hardware dealers who are members of larger cooperatives, such as TruServ, Ace, and Do-It-Best. Other sales, including regional accounts and engraving products were up $0.8 million compared to the first quarter of 2003.

The Company's gross profit was 54.7% in the first quarter of 2004 compared to 54.8% in the first quarter of 2003. The margin rate decrease from the prior year was the result of increasing fastener product costs, primarily from our overseas suppliers.

The Company's consolidated selling, general and administrative expenses ("S,G&A") increased $2.8 million or 9.9% from $28.2 million in the first quarter of 2003 to $31.0 million in the first quarter of 2004. Selling expenses increased $1.9 million or 13.6% primarily as a result of an increase in service labor and outside service cost for newly opened national account locations and conversion of merchant displays in existing locations. Warehouse and delivery expenses increased $0.8 million or 8.6% primarily as a result of increased freight and labor of $0.7 million on increased sales volume. General and administrative expenses increased by only $0.1 million or 2.0%.

Total S, G&A expenses in the first quarter of 2004 expressed as a percentage of sales compared with the first quarter of 2003 are as follows:

	Three Months ended March 31,	
As a % of Sales	**2004**	**2003**
Selling Expenses	20.1%	20.0%
Warehouse and Delivery Expenses	12.8%	13.2%
General and Administrative Expenses	6.3%	7.1%
Total S, G&A Expenses	39.2%	40.3%

Loss from operations for the first quarter of 2004 was $23.3 million compared with income of $5.9 million for the same prior-year period, representing a decrease of $29.2 million. The decrease in income from operations was the result of $30.7 million in stock option compensation expense, management incentive fees, investment banking and legal fees incurred in connection with the Merger Transaction.

The Company's consolidated operating profit margin (income from operations as a percentage of sales) decreased from 8.4% in the first quarter of 2003 to (29.5%) in 2004. The operating profit margin decrease was the result of non-recurring expenses of $4.0 for investment banking and legal fees, $1.9 million in management incentives, and $24.8 million in stock option compensation and related payroll taxes recorded in connection with the Merger Transaction. The consolidated operating profit, net of non-recurring Merger Transaction costs of $30.7 million, was $7.4 million or 9.4% expressed as a percentage of sales.

Depreciation expense increased $0.3 million to $3.8 million in the first quarter of 2004 from $3.5 million in the same quarter of 2003.

Amortization expense of $0.3 million in the first quarter of 2004 decreased from $0.4 million in the same quarter of 2003.

The Company has recorded a management fee charge of $0.52 million for the first quarter of 2004 and $0.45 million for the first quarter of 2003. The Company was obligated to pay management fees to a subsidiary of Allied Capital for management services rendered in the amount of $1.8 million, plus out of pocket expenses, for calendar years subsequent to 2001. In the first quarter of 2004, the Company incurred management fees of $0.07 million in connection with the Merger Transaction in addition to the regular $0.45 million quarterly obligation. The payment of management fees was due annually after delivery of the Company's annual audited financial statements to the Board of Directors of the Company. The obligation to pay management fees to Allied Capital was terminated upon the payment of outstanding fees in the amount of $2.3 million on March 31, 2004 in connection with the close of the Merger Transaction.

In February 2003, G-C Sun Holdings, L.P. ("G-C") sold the assets of its largest operating division, Kar Products. The proceeds of the sale were primarily used to pay down G-C's senior creditors. Following the sale of Kar Products, the Company estimated the enterprise value of G-C based on the cash flows and book value of the remaining operating division. The excess of the estimated enterprise value less debt obligations senior to the G-C note were determined to be insufficient to support the value of the G-C note. Accordingly, the Company recorded a $5.7 million charge to income in the first quarter of 2003 to write-down the face value of the note and accrued interest thereon to its estimated future cash flows. The Company recorded additional charges to income of $5.6 million in the remainder of 2003 for changes in the assessments of the estimated amounts recoverable under the note.

Interest expense from credit facilities, net of interest income, increased $0.2 million to $3.8 million in the first quarter of 2004 from $3.6 million in the same period of 2003. The interest expense increase was primarily the result of the amortization of additional deferred financing costs.

For the three months ended March 31, 2004 the Company paid $3.1 million in interest on the Junior Subordinated Debentures and for the three months ended March 31, 2003 the Company paid $3.1 million in interest distributions on the guaranteed preferred beneficial interests. These interest payments were equivalent to the amounts distributed by the Trust on the Trust Preferred Securities.

The Company is subject to federal, state and local income taxes on its domestic operations and foreign income taxes on its international operations as accounted for in accordance with Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes." Deferred income taxes represent differences between the financial statement and tax basis of assets and liabilities as classified on the Company's balance sheet. The Company recorded a tax benefit for income taxes of $10.9 million on pre-tax losses of $30.2 million in the first quarter of 2004. The effective tax rate in the first quarter of 2004 was 36.0% compared to 9.5% in the first quarter of 2003. The change in the effective tax rate is due to the increase in the pre-tax loss because of the non-recurring expense incurred in the first quarter of 2004 along with a decrease in the permanent tax items in 2004 when compared to 2003 which include certain costs associated with the Merger Transaction and the write-down of the face value of the G-C Note in 2003.

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the three months ended March 31, 2004 and 2003 by classifying transactions into three major categories: operating, investing and financing activities. Cash flows from the March 31, 2004 Merger Transaction are separately discussed below.

Merger Transaction

In connection with Merger Transaction the Company issued Common Stock and Preferred Stock for $148.0 million in cash. Proceeds from the refinancing of the Senior Credit Agreement and the Subordinated Debt Issuance net of financing fees of $7.6 million provided an additional $259.8 million. The debt and equity proceeds were used to repay existing senior and subordinated debt and accrued interest thereon of $154.9 and to repurchase existing shareholder's common equity of $214.7 million and $24.8 million in compensation for stock options and related payroll taxes. The remainder of the proceeds were used to pay transaction expenses of $2.2 million and a senior credit prepayment penalty of $1.1 million.

Operating Activities

The Company's main source of liquidity is cash generated from operating activities consisting of net earnings from operations adjusted for non-cash operating items such as depreciation and changes in operating assets and liabilities such as receivables, inventories and payables.

Cash used by operating activities for the first three months of 2004 was $.6 million compared to $9.8 million in the same prior year period. Operating cash outflows have historically been the greatest in the first fiscal quarter as sales volume and inventory levels generally increase as the Company approaches the stronger spring and summer selling seasons. The seasonal working capital impact was less pronounced in the first quarter of 2004 as the net operating assets including inventory, receivables and payables increased only $.3 million compared to $8.4 million in 2003.

Investing Activities

The principal recurring investing activities are property additions primarily for key duplicating machines. Net property additions for the first three months of 2004 were $2.6 million compared to $3.3 million in the comparable prior year period. The decrease in capital expenditures in the first three months of 2004 compared to the prior year period results from a decrease in the amount of expenditures for key duplicating machines of $.3 million and a reduction in plant and equipment expenditures for the Cincinnati distribution center of $.4.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2004 was $4.7 million compared to $11.4 million for the comparable quarter in 2003. The reduction in cash provided by financing activities is primarily a function of reduced borrowings under the revolving credit facility. As discussed above revolver borrowings to fund the seasonal increase in working capital requirements were less significant in the first three months of 2003.

Liquidity and Capital Resources

The Company's working capital position (defined as current assets less current liabilities) of $78.4 million at March 31, 2004 represents an increase of $19.9 million from the December 31, 2003 level of $58.5 million primarily as a result of the seasonal increase in accounts receivable of $5.5 million and inventory of $0.7 million together with an increase in cash of $11.5 million related to the timing of certain payments received by the Company in conjunction with the Merger Transaction. The Company's current ratio (defined as current assets divided by current liabilities) increased to 2.44x at March 31, 2004 from 2.06x at December 31, 2003.

The Company's contractual obligations in thousands of dollars as of March 31, 2004 are summarized below:

		Payments Due			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**
Junior Subordinated Debentures	$114,725	$ —	$ —	$ —	$ 114,725
Long Term Senior Term Loans	217,500	2,175	4,350	4,350	206,625
Bank Revolving Credit Facility	2,198	—	—	—	2,198
Long Term Unsecured Subordinated Notes	47,500	—	—	—	47,500
Operating Leases	30,393	6,734	9,383	4,469	9,807
Deferrred Compensation Obligations	6,315	1,133	2,266	2,266	650
Capital Lease Obligations	180	49	86	45	—
Other Long Term Obligations	6,147	1,446	1,679	516	2,506
Total Contractual Cash Obligations	$424,958	$ 11,537	$17,764	$11,646	$ 384,011

All of the obligations noted above are reflected on the Company's Consolidated Balance Sheet as of March 31, 2004 except for the Operating Leases.

As of March 31, 2004, the Company had $33.3 million available under its secured credit facilities. The Company had approximately $219.9 million of outstanding debt under its secured credit facilities at March 31, 2004, consisting of $217.5 million in a term loan, $2.2 million in revolving credit borrowings and $0.2 million in capitalized lease obligations. The term loan consisted of a $217.5 million Term B Loan (the "Term Loan B") currently at a rate of 6.25%. The revolver borrowings (the "Revolver") consist of $2.2 million at a rate of 6.25%. The capitalized lease obligations were at various interest rates.

As of March 31, 2004 the Company had no material purchase commitments for capital expenditures.

Interest on the Subordinated Debt Issuance of $47.5 million which matures September 30, 2011 is at a fixed rate of 13.5% per annum, with cash interest payments being required on a quarterly basis at a fixed rate of 11.25% commencing April 15, 2004. The outstanding principal balance of the Subordinated Debt Issuance shall be increased on a quarterly basis at the remaining 2.25% fixed rate (the "PIK Amount"). All of the PIK Amounts are due on the maturity date of the Subordinated Debt Issuance. As of March 31, 2004, the outstanding Subordinated Debt Issuance including the PIK Amounts was $47.5 million.

The Senior Credit Agreement, among other provisions, contains financial covenants requiring the maintenance of specific leverage and interest coverage ratios and levels of financial position, restricts the incurrence of additional debt and the sale of assets, and permits acquisitions with the consent of the lenders. The Company was in full compliance with all provisions of the Senior Credit Agreement as of March 31, 2004.

The Company has net deferred tax assets aggregating $4.1 million as of March 31, 2004, as determined in accordance with SFAS 109. Management believes that the Company's deferred tax assets will be realized through the reversal of existing temporary differences between the financial statement and tax basis, as well as through future taxable income.

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 Note 2, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results may differ from those estimates, and such differences may be material to the consolidated financial statements.

The most significant accounting estimates inherent in the preparation of the Company's consolidated financial statements include estimates associated with its evaluation of the recoverability of goodwill as well as those used in the determination of liabilities related to insurance programs, litigation, and taxation. In addition, significant estimates form the basis for the Company's reserves with respect to sales and returns allowances, collectibility of accounts receivable, inventory valuations, deferred tax assets, and certain benefits provided to current employees. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions and product mix. The Company constantly re-evaluates these significant factors and makes adjustments where facts and circumstances dictate. Specific factors are as follows: recoverability of goodwill and intangible assets are subject to annual impairment testing; litigation is based on projections provided by legal counsel; realization of certain deferred tax assets are based on the Company's projections of

future taxable income; sales and returns and allowances are based on historical activity and customer contracts; accounts receivable reserves are based on doubtful accounts and aging of outstanding balances; inventory reserves are based on expected obsolescence and excess inventory levels; and employee benefits are based on benefit plan requirements and severance agreements. Historically, actual results have not significantly deviated from those determined using the estimates described above.

Revenue Recognition:

Revenue from sales of products is recorded upon the passing of title and risks of ownership to the customer, which occurs upon the shipment of goods.

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 anticipated rebate to be paid and 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.

Inventory Realization:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the first-in, first-out 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.

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 current operations.

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, if shorter, over the terms of the related leases.

Goodwill and Other Intangible Assets:

Prior to January 1, 2002, the Company recorded goodwill related to the excess of acquisition cost over the fair value of net assets acquired and amortized the goodwill on a straight-line basis over twenty-five to forty years. The Company adopted SFAS No. 142, “Goodwill and Other Intangible Assets” and accordingly, goodwill is no longer amortized, but is reviewed periodically for impairment. Other intangible assets arising principally from acquisitions are amortized on a straight-line basis over periods ranging from four to fifteen years.

Long-Lived Assets:

Under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company has evaluated 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.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities (temporary differences) and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are provided for tax benefits where it is more likely than not that certain future tax benefits will not be realized. Adjustments to valuation allowances are recorded from changes in utilization of the tax related item.

Self-insurance Reserves:

The Company self insures its product liability, worker's compensation and general liability losses up to $250 thousand per occurrence. Catastrophic coverage is maintained for occurrences in excess of $0.25 million up to $25.0 million.

The Company self insures its group health claims up to an annual stop loss limit of $125 thousand per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims.

Provisions for losses expected under these programs are recorded based on an analysis of historical insurance claim data and certain actuarial assumptions.

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan (the "plan"). The plan provides for a matching contribution for eligible employees of 50% of each dollar contributed by the employee up to 6% of employee's compensation. In addition, the plan provides an annual contribution in amounts authorized by the Board, subject to the terms and conditions of the plan.

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 Statements of Operations. For the three months ended March 31, 2004 and 2003, shipping and handling costs included in SG&A were $3,628 and $3,557, respectively.

Research and Development:

The Company incurs research and development costs in connection with improvements to the key duplicating and engraving machines. For the three months ended March 31, 2004 and 2003, research and development expenses, consisting primarily of internal wages and benefits, were $277 and $293, respectively.

Stock-Based Compensation:

The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock option plan. For the three months ended March 31, 2004 the Company recognized compensation expense for certain options granted under the stock option plan with an exercise price less than the market value of the underlying common stock on the date of grant (See Note 7, Common and Preferred Stock). There would have been no effect on net earnings, assuming the fair value recognition provisions of Statements of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation had been applied.

Fair Value of Financial Instruments:

Cash, accounts receivable, short-term borrowings, accounts payable, accrued liabilities and bank revolving credit are reflected in the consolidated financial statements at fair value due to short-term maturity or revolving nature of these instruments.

Translation of Foreign Currencies:

The translation of the Company's Canadian foreign 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.

Comprehensive Loss:

The components of comprehensive loss for the three month periods ended March 31, 2004 and 2003 were as follows:

	Three Months Ended March 31	
	2004	2003
Net loss	$ 19,316	$ 5,845
Foreign currency translation adjustment	(10)	36
Comprehensive loss	$ 19,306	$ 5,881

Reclassifications:

Certain amounts in the 2003 consolidated financial statements have been reclassified to conform to the 2004 presentation.

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 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. Actual results could differ from those estimates.

Please reference Note 2, Summary of Significant Accounting Policies, of Notes To Consolidated Financial Statements for additional related information.

Inflation

The Company is sensitive to inflation present in the economies of the United States and our foreign suppliers located primarily in Taiwan and China. Inflation in recent years has produced only a modest impact on the Company's operations, however the recent growth in China's economic activity has increased overall demand for materials used in the manufacture of our products. This increased demand has produced cost increases for certain of our fastener products which exceed the prevailing rate of inflation. Continued inflation and resulting cost increases over a period of years would result in significant increases in inventory costs and operating expenses. However, such higher cost of sales and operating expenses can generally be offset by increases in selling prices, although the ability of the Company's operating divisions to raise prices is dependent on competitive market conditions.

Forward Looking Statements

Certain disclosures related to acquisitions, refinancing, capital expenditures, and realization of deferred tax assets contained in this report involve risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, assumptions and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and uncertainties discussed under captions "Risk Factors" set forth in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

In some cases, you can identify forward-looking statements 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. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this Report. 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 Report might not occur.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of interest rate changes as borrowings under the senior credit facility bear interest at variable interest rates. It is Hillman's policy to enter into interest rate transactions only to the extent considered necessary to meet objectives. On March 31, 2002, the Company entered into an interest rate cap agreement on a notional amount of $26.6 million of senior term debt. The interest rate cap agreement was cancelled in connection with the refinancing of the Senior Credit Agreement. Based on Hillman's exposure to variable rate borrowings at March 31, 2004, a one percent (1%) change in the weighted average interest rate would change the annual interest expense by approximately $2.2 million.

The Company is exposed to foreign exchange rate changes of the Canadian currency as it impacts the $0.8 million net asset value of its Canadian subsidiary, The Hillman Group Canada, Ltd., as of March 31, 2004. Management considers the Company's exposure to foreign currency translation gains or losses to be minimal.

Item 4.

Controls and Procedures

(a) As of the end of the period covered by this quarterly report on Form 10-Q, the Company's chief executive officer and chief financial officer conducted an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchanges Act of 1934). Based upon this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them of any material information relating to the Company that is required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934.

(b) There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2004, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Items 1, 3, 4 & 5 — None

Item 2 — Changes in Securities and Use of Proceeds.

a) In connection with the Merger Transaction, the Rights Agreement terminated, and the Preferred Share Purchase Rights also terminated.

b) Not Applicable.

c) On March 31, 2004, the Company was acquired by an affiliate of CHS. As a result of the Merger Transaction, an affiliate of CHS owns 49.1% of the Company's common stock and 54.5% of the Company's voting common stock, OTPP owns 27.9% of the Company's common stock and 31.0% of the Company's voting common stock and HarborVest Partners VI owns 8.7 % of the Company's common stock and 9.7% of the Company's voting common stock. Certain members of management own 14.1% of the Company's common stock and 4.5% of the Company's voting common stock.

In connection with the Merger Transaction, the Company issued 6,212.9 shares of Class A Common Stock. Each share of Class A Common Stock entitles its holder to one vote. Each holder of Class A Common Stock is entitled at any time to convert any or all of the shares into an equal number of shares of Class C Common Stock. The Company also issued 1,000 shares of Class B Common Stock. Holders of Class B Common Stock have no voting stock. The Class B Common Stock was issued to certain members of management and is subject to vesting over five years with 20% vesting on each anniversary of the Merger Transaction.

The Company also issued 2,787.1 shares of Class C Common Stock. Each share of Class C Common Stock entitles its holder to one vote, provided that the aggregate voting power of Class C Common Stock (with respect to the election of directors) never exceeds 30%. Each holder of Class C Common Stock is entitled at any time to convert any or all of the shares into an equal number of shares of Class A Common Stock.

The shares of common stock issued in the Merger Transaction were not registered under the Securities Act of 1933 in reliance on the exemption from registration provided in Rule 506 under the securities Act of 1933.

d) Not Applicable.

e) Not Applicable.

Item 6 — Exhibits and Reports on Form 8-K

a) Exhibits, Including Those Incorporated by Reference.

2.1 Agreement and Plan of Merger dated as of February 14, 2004 by and among HCI Acquisition Corp., The Hillman Companies, Inc. and the Stockholders and Optionholders of The Hillman Companies, Inc. (1) (Exhibit 2.1)

4.1 * HCI Stockholders Agreement dated March 31, 2004.

4.2 * Hillman Investment Company Stockholders Agreement dated March 31, 2004.

4.3 * Registration Agreement dated March 31, 2004.

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.

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.

10.3 * Subordination and Intercreditor Agreement dated March 31, 2004.

10.4 * The Hillman Companies, Inc. 2004 Stock Option Plan.

10.5 * Hillman Companies Employee Securities Purchase Plan.

10.6 * Hillman Investment Company Employee Securities Purchase Plan.

10.7 * HCI Securities Purchase Agreement dated March 31, 2004.

10.8 * Joinder to Securities Purchase Agreement dated March 31, 2004.

10.9 * Hillman Investment Company Securities Purchase Agreement dated March 31, 2004.

10.10 * Management Agreement dated March 31, 2004.

10.11 * Employment Agreement by and between The Hillman Group, Inc. and Max W. Hillman dated March 31, 2004.

10.12 * Executive Securities Agreement between Max W. Hillman and HCI Acquisition Corp. dated March 31, 2004.

10.13 * Employment Agreement by and between The Hillman Group, Inc. and Richard P. Hillman dated March 31, 2004.

10.14 * Executive Securities Agreement between HCI Acquisition Corp. and Richard P. Hillman dated March 31, 2004.

10.15 * Employment Agreement by and between The Hillman Group, Inc. and James P. Waters dated March 31, 2004.

10.16 * Executive Securities Agreement between HCI Acquisition Corp. and James P. Waters date March 31, 2004.

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 Securities Exchange Act of 1934.

32.1 + Certification of chief executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 + Certification of chief financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) **Reports on Form 8-K.**

A Current Report on Form 8-K was filed on February 17, 2004 reporting on a unscheduled material event under Item 5 of Form 8-K (See exhibit 2.1 hereto)

A Current Report on Form 8-K was filed on April 14, 2004 reporting on a change in control under Item 1 of Form 8-K (See exhibit 2.1 hereto)

(1)- Filed on April 14, 2004 as an exhibit to the Current Report on Form 8-K.

* Filed herewith.

+ Submitted herewith.

SIGNATURES

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

THE HILLMAN COMPANIES, INC.

/s/ James P. Waters	/s/ Harold J. Wilder
James P. Waters	Harold J. Wilder
Vice President — Finance	Controller
(Chief Financial Officer)	(Chief Accounting Officer)

DATE: May 17, 2004

EXHIBIT 4.1

HCI ACQUISITION CORP.

STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (this "Agreement") is made as of March 31, 2004, by and among (i) HCI Acquisition Corp., a Delaware corporation ("HCI"), (ii) Code Hennessy & Simmons IV LP ("CHS" and, together with any partner or an affiliated fund of CHS and any other co-investor of such funds (including Randolph Street Partners VI) set forth from time to time on the attached Schedule of Stockholders under the heading "CHS Group" that at any time acquires securities of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement, the "CHS Group"), (iii) Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers", and together with each Person within the CHS Group, the "Investors"), (iv) each executive employee on the attached Schedule of Stockholders under the heading "Executives" and any other executive employee of the Company or its Subsidiaries who, at any time, acquires securities, or options to acquire securities, of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Executive" and collectively, the "Executives"), (v) HarbourVest Partners VI - Direct Fund, L.P., a Delaware limited partnership ("HarbourVest"), and (vi) each of the other Persons set forth from time to time on the attached Schedule of Stockholders under the heading "Other Investors" who, at any time, acquires securities of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Other Investor" and collectively, the "Other Investors"). The Investors, the Executives, HarbourVest and the Other Investors are collectively referred to as the "Stockholders" and individually as a "Stockholder." Capitalized terms used herein and not otherwise defined are defined in Section 9 hereof.

HCI, The Hillman Companies, Inc., a Delaware corporation ("Hillman"), and the stockholders and optionholders of Hillman have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI will be merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger (the surviving corporation in the Merger being hereinafter referred to as the "Company").

Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Stockholders, the Company, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

In connection with the consummation of the Merger, the Investors and HarbourVest acquired shares of the Common Stock and Preferred Stock pursuant to the HCI Securities Purchase Agreement, dated as of the date hereof, by and among HCI, the Investors and HarbourVest (the "Securities Purchase Agreement").

HCI and each Executive are parties to an Executive Securities Agreement dated as of the date hereof (such agreements, together with any similar agreements entered into after the

date hereof with any Executives, the "Executive Securities Agreements"), pursuant to which each Executive shall acquire certain shares of the Common Stock and options exercisable for, and/or shares of, Preferred Stock upon consummation of the Merger.

The Company and the Stockholders desire to enter into this Agreement for the purpose, among others, of (i) limiting the manner and terms by which shares of capital stock in the Company may be transferred and (ii) assuring continuity in the ownership of the Company. The execution and delivery of this Agreement is a condition to the Investors' and HarbourVest's purchase of Common Stock and Preferred Stock pursuant to the Securities Purchase Agreement.

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 to this Agreement hereby agree as follows:

1. Representations and Warranties. Each Stockholder hereby represents and warrants that (a) such Stockholder will, upon the consummation of the transactions contemplated in connection herewith, be the record owner of the amount of Stockholder Shares set forth opposite its name on the Schedule of Stockholders attached hereto, (b) this Agreement has been duly authorized, executed and delivered by such Stockholder and constitutes the valid and binding obligation of such Stockholder, enforceable in accordance with its terms, and (c) such Stockholder has not granted and is not a party to any proxy, voting trust or other agreement which is inconsistent with, conflicts with or violates any provision of this Agreement. No holder of Stockholder Shares shall grant any proxy or become party to any voting trust or other agreement which is inconsistent with, conflicts with or violates any provision of this Agreement.

2. Board of Directors.

(a) From and after the date hereof and until the provisions of this Section 2(a) cease to be effective, each Stockholder shall vote all of his Stockholder Shares which are voting shares and any other voting securities of the Company over which such Stockholder has voting control and shall take all other necessary or desirable actions within his or its control (whether in his capacity as a stockholder, director, member of a board committee or officer of the Company or otherwise, and including, without limitation, attendance at meetings in person or by proxy for purposes of obtaining a quorum and execution of written consents in lieu of meetings), and the Company shall take all necessary or desirable actions within its control (including, without limitation, calling special board and stockholder meetings), so that:

(i) the authorized number of directors on the board of directors of the Company (the "Board") shall be established at seven directors;

(ii) the following individuals shall be elected to the Board:

(A) three director representatives designated by the holders of a majority of the CHS Shares (the "CHS Directors"), who shall initially be Peter M. Gotsch, Andrew W. Code and Mark A. Dolfato;

(B) one director representative designated by Teachers (the "Teachers Director"), who shall initially be J. Mark MacDonald;

(C) one director representative who shall be the chief executive officer of the Company (the "Executive Director") and who shall initially be Max W. Hillman, Jr.;

(D) up to two director representatives, who shall not be members of the Company's management, employees or officers of the Company or its Subsidiaries or of any member of the CHS Group, Teachers, or of an Affiliate of any member of the CHS Group or Teachers (the "Independent Directors"), and who shall be designated by CHS, subject to Teachers' approval (which approval shall not be unreasonably withheld).

(iii) the composition of the board of directors of each of the Company's Subsidiaries (a "Sub Board") shall consist of the CHS Directors, the Teachers Director and the Executive Director, unless otherwise agreed by CHS and Teachers; provided, that as of the date of this Agreement, the board of directors of all of the Company's Subsidiaries (other than the Investment Company and The Hillman Group, Inc., a Delaware corporation) shall consist of those individuals appointed at the Closing, subject to CHS' and Teachers' respective right to appoint CHS Directors or a Teachers Director at any time hereafter in its sole discretion in accordance with the terms of this Section 2(a)(iii);

(iv) the Board shall establish an audit committee and a compensation committee, which shall, except as otherwise provided by applicable law or the rules or regulations of any exchange which lists the Company's securities, be composed of two CHS Directors and one Teachers Director;

(v) the Board shall establish an executive committee, which shall be composed of three CHS Directors, one Teachers Director and the Executive Director;

(vi) except as otherwise provided herein, the composition of each committee of the Board (if any) shall be proportionately equivalent to that of the Board;

(vii) the removal from the Board or a Sub Board (with or without cause) of (A) any representative designated under Section 2(a)(ii)(A) shall be at the written request of the holders of a majority of the CHS Shares and (B) any representative designated under Section 2(a)(ii)(B) shall be at the written request of Teachers, but in each of clauses (A) and (B), only upon such written request and under no other circumstances;

(viii) if the Executive Director ceases to be the chief executive officer of the Company, he shall be removed as a director of the Board and any Sub Board promptly after his employment as the chief executive officer of the Company ceases;

(ix) the removal from the Board or a Sub Board (with or without cause) of any Independent Director designated under Section 2(a)(ii)(D) shall be at the written request of the holders of a majority of the CHS Shares, but only upon such written request and under no other circumstances; and

(x) in the event that any representative designated hereunder by the holders of a majority of the CHS Shares or Teachers ceases to serve as a member of the Board or a Sub Board during his term of office, the resulting vacancy on the Board or the Sub Board shall be filled by a representative designated by the Investor initially entitled to appoint such director hereunder and such appointment shall be made immediately upon notice from any such Investor to the Company (including for this purpose by e-mail or facsimile).

(b) From and after a Public Offering and for so long as each of the CHS Group and its Affiliates (other than portfolio companies of CHS and its affiliated funds) and Teachers and its Affiliates, respectively, continue to own in the aggregate in excess of 10% of the outstanding Common Stock, Teachers and the CHS Group, respectively, shall use their commercially reasonable efforts to:

(i) cause to be nominated, in connection with each stockholder solicitation relating to the election of directors to the Board, (A) the Independent Directors of the Company serving immediately prior to the Public Offering and (B) such number of directors designated by the CHS Group that is in proportion to the amount by which the number of shares of Common Stock held by the CHS Group and its Affiliates (other than portfolio companies of CHS and its affiliated funds) bears to the total number of shares of Common Stock then outstanding (rounded to the nearest whole number);

(ii) cause the authorized number of directors of the Board to be increased to the extent necessary to implement the provisions of Section 2(b)(i); and

(iii) vote the Stockholder Shares which each such Person holds in favor of the election of such nominated designees; provided, that "independent directors" shall be included on the Board to the extent required by applicable law or the rules or regulations of any exchange which lists the Company's securities or as otherwise agreed in writing between the holders of a majority of the CHS Shares and Teachers.

(c) From and after a Public Offering and for so long Teachers and its Affiliates and the CHS Group and its Affiliates (other than portfolio companies of CHS and its affiliated funds), respectively, continue to own in the aggregate in excess of 10% of the outstanding Common Stock, Teachers and the CHS Group, respectively, shall use their commercially reasonable efforts to:

(i) cause to be nominated, in connection with each stockholder solicitation relating to the election of directors to the Board, (A) the Independent Directors of the Company serving immediately prior to the Public Offering and (B) such number of directors designated by Teachers that is in proportion to the amount by which the number of shares of Common Stock held by Teachers and its Affiliates bears to the total number of shares of Common Stock then outstanding (rounded to the nearest whole number);

(ii) cause the authorized number of directors of the Board to be increased to the extent necessary to implement the provisions of Section 2(c)(i); and

(iii) vote the Stockholder Shares which each such Person holds in favor of the election of such nominated designees; provided, that "independent directors" shall be included on the Board to the extent required by applicable law or the rules or regulations of any exchange which lists the Company's securities or as otherwise agreed in writing between the holders of a majority of the CHS Shares and Teachers.

(d) The Company shall pay or reimburse the reasonable out-of-pocket expenses incurred by each director in connection with attending the meetings of the Board, any Sub Board and any committee thereof. Any director fees or other compensation payable with respect to any Teachers Director shall be paid to Teachers.

(e) The Company shall allow two additional representatives designated by CHS and one additional representative designated by Teachers (collectively, the "Observers") to be present (whether in person or by telephone) at all meetings of the Board; provided that, the Observers shall not be entitled to vote at such meetings; and further provided that, the Observers shall not be entitled to attend such meetings if the Board determines that the attendance of the Observers would jeopardize the attorney-client privilege. The Company shall send to the Observers all of the notices, information and other materials that are distributed to the members of the Board including copies of the minutes of all meetings of the Board. If the Company proposes to take any action by written consent in lieu of a meeting of the Board, the Company shall give notice thereof to the Observers at the same time and in the same manner as

notice is given to the members of the Board. CHS and Teachers (as the case may be) shall provide to the Company the identity and address of, or any change with respect to the identity or address of, the Observers. The Company shall reimburse the Observers for the reasonable out-of-pocket expenses of such representative incurred in connection with the attendance at such meetings.

(f) The rights of Teachers under Sections 2(a) and (e) hereof shall terminate at the time when it and its Affiliates in the aggregate hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost to Teachers of less than $25,000,000, and thereafter the directors with respect to which Teachers had the right to designate shall be subject to election and removal in accordance with the Company's charter, bylaws and applicable law.

(g) The rights of the CHS Group under Sections 2(a) and (e) shall terminate at the time when the CHS Group and its Affiliates (other than portfolio companies of CHS and its affiliated funds) in the aggregate hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost to the CHS Group of less than $45,000,000, and thereafter the directors with respect to which the CHS Group had the right to designate shall be subject to election and removal in accordance with the Company's charter, bylaws and applicable law.

(h) The provisions of this Section 2 shall terminate automatically and be of no further force and effect upon the consummation of a Public Offering or a Sale of the Company; provided, however, that the provisions of Sections 2(b) and 2(c) shall survive the consummation of a Public Offering, but shall terminate if either the CHS Group and its Affiliates (other than portfolio companies of CHS) or Teachers and its Affiliates cease to own in the aggregate in excess of 10% of the outstanding Common Stock.

(i) If any party fails to designate a representative to fill a directorship pursuant to the terms of this Section 2, the individual previously holding such directorship shall be elected to such position, or if such individual fails or declines to serve as a director, the election of an individual to such directorship shall be accomplished in accordance with the Company's charter, bylaws and applicable law; provided that the party entitled to designate such directorship has received at least 10 days prior written notice of such failure and has not designated a representative prior to any such election, and provided, further, that the Stockholders shall vote to remove such individual if the party which failed to designate such directorship so directs.

3. Irrevocable Proxy; CHS Group Voting.

(a) Irrevocable Proxy. In order to secure each Executive's obligation to vote his Stockholder Shares and other voting securities of the Company in accordance with the provisions of Section 2 hereof, each Executive hereby appoints CHS as his true and lawful proxy and attorney-in-fact, with full power of substitution, to vote all of his Stockholder Shares and other voting securities of the Company for the election and/or removal of directors and all such other matters as expressly provided for in Section 2. CHS may exercise the irrevocable proxy granted to it hereunder at any time any Executive fails to comply with the provisions of this Agreement. The proxies and powers granted by each Executive pursuant to this Section 3(a) are coupled with an interest and are given to secure the performance of each Executive's obligations to the Investors under this Section 2. Such proxies and powers shall be irrevocable for the term set forth in Section 2(h) of this Agreement and shall survive the death, incompetency, disability or bankruptcy of such Executive and the subsequent holders of his Stockholder Shares.

(b) CHS Group Voting. Prior to the consummation of an initial Public Offering, all members of the CHS Group (other than CHS and CHS Associates IV LP) agree to vote their Stockholder Shares as directed by CHS on all matters with respect to which holders of Stockholder Shares are entitled to vote.

4. Restrictions on Transfer of Securities.

(a) Transfer of Stockholder Shares. No holder of Stockholder Shares may sell, transfer, assign, pledge or otherwise dispose of (whether directly or indirectly, whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest (legal or beneficial) in any Stockholder Shares (a "Transfer"), except Transfers pursuant to and in accordance with the provisions of Section 4(b), Section 4(c), Section 5 or Section 6 of this Agreement or as contemplated under the Executive Securities Agreements; provided that in no event shall any Transfer (other than a Transfer made pursuant to Sections 4(b) or 4(c)) be made without the prior written consent of (i) a majority of the Board, in the case of a Transfer by a Holder (other than the CHS Group and Teachers), (ii) CHS, in the case of a Transfer by Teachers and (iii) Teachers, in the case of a Transfer by a member of the CHS Group; and provided, further, that any such written consent shall not be unreasonably withheld.

(b) Permitted Transfers. The restrictions set forth in this

Section 4 shall not apply with respect to any Transfer made (i) pursuant to the terms of any Executive Securities Agreement between the Company and any of its executives, (ii) in the case of any holder of

Stockholder Shares who is an individual, pursuant to applicable laws of descent and distribution or to such holder's legal guardian in the case of any mental incapacity or among such holder's Family Group, (iii) in the case of any holder of Stockholder Shares which is an entity, among its Affiliates or (iv) in an Approved Sale. The restrictions contained in this Section 4 will continue to be applicable to Stockholder Shares after any Transfer under this Section 4 and the transferees of such Stockholder Shares will agree in writing to be bound by the provisions of this Agreement upon or prior to any such Transfer. Any transferee of Stockholder Shares pursuant to a transfer in accordance with the provisions of this Section 4(b) is herein referred to as a "Permitted Transferee." No less than 10 days prior to the Transfer of Stockholder Shares pursuant to this Section 4(b), the proposed transferee(s) shall deliver a written notice to the Company, which notice shall disclose in reasonable detail the identity of such transferee.

(c) Transfers to CHS and Teachers. Prior to any sale or other Transfer of Stockholder Shares by any Stockholder (other than a member of the CHS Group or Teachers) (the "Transferring Stockholder") to either any member of the CHS Group or Teachers (the "Transferee Investor"), the Transferring Stockholder shall give written notice (the "Investor Sale Notice") of the price and other material terms of such sale or other Transfer to whichever of CHS or Teachers is not the Transferee Investor in such sale or other Transfer (the "Other Investor"). The Other Investor may, within 15 days following receipt of the Investor Sale Notice, give to the Transfering Stockholder and the Transferee Investor a written notice indicating that it desires to purchase or otherwise acquire a portion of the Stockholder Shares being sold or Transferred in such sale or other Transfer in accordance with the terms of this Section 4(c). If the Other Investor elects to purchase or otherwise acquire Stockholder Shares in such sale or other Transfer, the Other Investor will be entitled to purchase or otherwise acquire in the proposed sale or other Transfer, at the same price and on the same terms and conditions, an amount of Stockholder Shares of the type proposed to be sold or Transferred equal to the product of (i) the quotient determined by dividing (x) the amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) owned by the Other Investor by (y) the aggregate amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) owned by the Transferee Investor and the Other Investor, multiplied by (ii) the amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) to be sold or Transferred in such contemplated sale or Transfer.

(d) No Transfers to Competitors. Notwithstanding anything herein to the contrary, no Transfer shall be made to a Person determined by the Board to be a competitor of the Company or any of its Subsidiaries.

(e) Termination. The provisions of this Section 4 will terminate automatically and be of no further force and effect upon the first to occur of (i) the consummation of a Sale of the Company and (ii) the consummation of a Public Offering.

5. Participation Rights.

(a) Prior to any sale (a "Sale") of Stockholder Shares by any Investor or HarbourVest (the "Transferring Investor"), the Transferring Investor shall give written notice of the price and other material terms of the Sale (a "Sale Notice") to the Company and the other

Stockholders (collectively, the "Other Stockholders"). Each Other Stockholder may, within 15 days following receipt of the Sale Notice, give to the Company a written notice (a "Co-Sale Notice") indicating that it desires to participate in the proposed Sale. If any Other Stockholders have elected to participate in such Transfer, each such Other Stockholder will be entitled to sell in the proposed sale, at the same price and on the same terms and conditions, an amount of Stockholder Shares of the type proposed to be transferred equal to the product of (i) the quotient determined by dividing (x) the amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) owned by such Other Stockholder by (y) the aggregate amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) owned by all of the holders of Stockholder Shares participating in such proposed Sale, multiplied by (ii) the amount of such class of Stockholder Shares (considering all classes of Common Stock to be in the same class of Stockholder Shares) to be sold in the contemplated Sale. For the purposes of this Section 5(a), the Stockholder Shares of an employee of the Company or any of its Subsidiaries shall be the Purchased Equity (as defined in the Executive Securities Agreements) only, if any, held by such individual pursuant his Executive Securities Agreement.

(b) The Transferring Investor shall use commercially reasonable efforts to obtain the agreement of the prospective transferee(s) to the participation of the Other Stockholders who have elected to participate in any contemplated Sale, and the Transferring Investor shall not sell any of its Stockholder Shares if the prospective transferee(s) decline(s) to allow the participation of the Other Stockholders who have elected to participate. Each Stockholder transferring Stockholder Shares pursuant to this Section 5 shall pay its pro rata share (based on the number of Stockholder Shares to be sold) of the expenses incurred by the Stockholders in connection with such transfer and shall be obligated to join on the same pro rata basis in any indemnification or other obligations that the Transferring Investor agrees to provide in connection with such transfer.

(c) Notwithstanding anything to the contrary in any other provision of this Agreement, the restrictions set forth in this Section 5 shall not apply to (i) any Transfer of Stockholder Shares by any Investor to or among its Affiliates, (ii) Transfers pursuant to Section 4(c) hereof or (iii) a Transfer pursuant to a Sale of the Company; provided that the restrictions contained in this Agreement will continue to be applicable to the Stockholder Shares after any Transfer pursuant to clause (i) and the transferee of such Stockholder Shares shall agree in writing to be bound by the provisions of this Agreement. Upon the Transfer of Stockholder Shares pursuant to clause (i) of the previous sentence, the transferees will deliver a written notice to the Company, which notice will disclose in reasonable detail the identity of such transferee.

(d) The provisions of this Section 5 will terminate automatically and be of no further force and effect upon the first to occur of (i) the consummation of a Public Offering and (ii) the consummation of a Sale of the Company.

6. Sale of the Company.

(a) Right to Seek Sale of the Company. Subject to Section 4(b)(v) of the Securities Purchase Agreement, the holders of a majority of the CHS Shares shall have the right to seek and approve a Sale of the Company (an "Approved Sale"). Prior to the consummation of

any Approved Sale, the holders of a majority of the CHS Shares shall deliver written notice (a "Company Sale Notice") to the Company and each holder of Stockholder Shares setting forth the aggregate consideration to be paid and the other material terms of the Approved Sale.

(b) Cooperation, Consent, Waiver. From and after the delivery of a Company Sale Notice, the Company and each holder of Stockholder Shares shall (i) cooperate in good faith to cause and effectuate the Approved Sale, (ii) take all necessary or desirable actions in connection with the consummation of the Approved Sale as reasonably requested by the Board or the holders of a majority of the CHS Shares and (iii) in its capacity as a holder of Stockholder Shares vote for, consent to and raise no objections against the Approved Sale. Without limiting the generality of the foregoing, subject to the terms set forth in this Section 6, (i) each holder of Stockholder Shares hereby waives any dissenters rights, appraisal rights or similar rights arising in connection with an Approved Sale and (ii) if all or any portion of any Approved Sale is structured as a sale of securities, each holder of Stockholder Shares agrees to sell all (or such other portion as described in the Company Sale Notice) of its Stockholder Shares (and any other securities of the Company and any of its Subsidiaries) at the price and on the terms and conditions approved by the holders of a majority of the CHS Shares. Each Holder's obligation under this Section 6 shall be subject to the condition that upon consummation of the Approved Sale, each holder of any class of Stockholder Shares shall receive the same form and amount of consideration per share as all other holders of such class, or if holders of such class of Stockholder Shares are given an option as to the form and amount of consideration to be received, all such holders shall be given the same option (provided that if any option is given to employees of the Company or any of its Subsidiaries as to the consideration to be received by such employee in an Approved Sale, including sale bonuses approved by the Board or an option to exchange shares of capital stock in the Company for ownership interests in the Person acquiring the Company, such option (a "Management Option") need not be given to the other holders of Stockholder Shares). Notwithstanding anything in this Agreement to the contrary, Teachers' obligation and waiver under this Section 6 shall be subject to the conditions that: (i) the Approved Sale involves a transaction in which either (A) all or substantially all (but in no event less than 90%) of (1) the CHS Shares and (2) the other Stockholder Shares (based on the value of such Stockholder Shares) are being sold (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock or otherwise) or (B) all or substantially all of the Company's assets on a consolidated basis are being sold and, except for any Management Option, the proceeds of such sale, which are actually received by the Company and not otherwise required for the payment of fees, expenses or contingent obligations in connection with such transaction, are distributed pro rata to the holders of Stockholder Shares (based on the number and type of Stockholder Shares held by each such holder) upon the closing thereof; and (ii) 75% or more of the consideration to be paid to Teachers in the

Approved Sale consists of cash or Marketable Securities or a combination thereof; and (iii) the Teachers IRR is greater than 10% upon and after giving effect to such sale; and (iv) except for any Management Options, Teachers will receive the same rights and benefits (including, without limitation, consideration and any fees) on a pro rata basis and have no more obligations in respect of its Stockholder Shares being sold than any member of the CHS Group or any other Stockholder.

(c) Purchaser Representative. If the Company or the holders of Stockholder Shares enter into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities and Exchange Commission may be available with respect

to such negotiation or transaction (including a merger, consolidation or other reorganization), each holder of Stockholder Shares which is not an accredited investor (as that term is defined in Rule 501 or any similar rule then in effect ("Rule 501") promulgated by the Securities and Exchange Commission) will, at the request of the Board, appoint a purchaser representative (as such term is defined in Rule 501) designated by or reasonably acceptable to the Board. If any holder of Stockholder Shares appoints a purchaser representative designated by the Board, the Company will be responsible for the fees of the purchaser representative so appointed. If any holder of Stockholder Shares declines to appoint the purchaser representative designated by the Board, such holder will appoint another purchaser representative (reasonably acceptable to the Board) and such holder will be responsible for the fees of the purchaser representative so appointed.

(d) Costs. All holders of Stockholder Shares shall bear their pro rata share (based upon the aggregate consideration received in such sale) of the costs of any sale of Stockholder Shares pursuant to an Approved Sale to the extent such costs are incurred for the benefit of all holders of Stockholder Shares and are not otherwise paid by the Company or the acquiring party. Costs incurred by the holders of Stockholder Shares on their own behalf shall not be considered costs of the transaction hereunder.

(e) Termination. The provisions of this Section 6 will terminate automatically and be of no further force and effect upon the consummation of a Public Offering.

7. Preemptive Rights.

(a) Except as set forth in subparagraph (c) below, the Company and its Subsidiaries will not issue, sell or otherwise transfer for consideration to any CHS Group member (an "Issuance"), at any time after the date hereof and prior to an initial Public Offering, any Common Stock, Preferred Stock or other class of Stockholder Shares or any class of capital stock of the Company's Subsidiaries unless, at least 15 days and not more than 60 days prior to such issuance, the Company notifies each other Stockholder in writing of the Issuance (including the price, the purchaser thereof and the other terms thereof) and grants to each other Stockholder, the right (the "Right") to subscribe for and concurrently purchase such Common Stock, Preferred Stock, any other class of Stockholder Shares or any class of capital stock of the Company's Subsidiaries which are issued to any CHS Group member (collectively, the "Preemptive Stock") in the same proportion as purchased by CHS Group member at the same price and on the same terms as issued in the Issuance such that, after giving effect to the Issuance and exercise of the Right, the percentage of the Preemptive Stock immediately following such issuance owned by such holder shall equal the percentage of the outstanding Stockholder Shares or any class of capital stock of the Company's Subsidiaries as was owned by such holder prior to the Issuance on a fully diluted basis (but excluding any Stockholder Shares or any class of capital stock of the Company's Subsidiaries which are not then fully vested and, in the case of options, warrants or other rights to acquire capital stock, immediately exercisable, convertible or exchangeable for Stockholder Shares or any class of capital stock of the Company's Subsidiaries issued in such Issuance), or such lesser amount designated by such holder. Any Issuance will be for fair market value as determined by the Board in good faith. If the CHS Group member that is purchasing Preemptive Stock is required generally to also purchase other securities of the Company, then such participating member in the Right shall also be required to purchase the same strip of

securities (on the same terms and conditions) that such CHS Group member is required to purchase. The Right may be exercised by such holder at any time by written notice to the Company that is received by the Company within 10 days after receipt by such holder of the notice from the Company referred to above. The closing of the purchase and sale pursuant to the exercise of the Right shall occur at least 10 days after the Company receives notice of the exercise of the Right and concurrently with the closing of the Issuance.

(b) For the purposes of Section 7(a), the Stockholder Shares or any class of capital stock of the Company's Subsidiaries of an employee of the Company or any of its Subsidiaries shall be the Purchased Equity (as defined in

the Executive Securities Agreements) only, if any, held by such individual pursuant his Executive Securities Agreement.

(c) Notwithstanding the foregoing, the Right shall not apply to (i) issuances of equity securities (or securities convertible into or exchangeable for, or options to purchase, such equity securities), pro rata to all holders of Stockholder Shares, as a dividend on, subdivision of or other distribution in respect of, the Stockholder Shares in accordance with the Company's certificate of incorporation or (ii) warrants issued in connection with any debt financing by the Company.

(d) The provisions of this Section 7 will terminate upon the consummation of an initial Public Offering.

8. Additional Restrictions on Transfer.

(a) Restricted Securities Legend. The Stockholder Shares have not been registered under the 1933 Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the 1933 Act or an exemption from such registration is then available. Each certificate evidencing Stockholder Shares and each certificate issued in exchange for or upon the Transfer of any Stockholder Shares (if such securities remain Stockholder Shares as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON MARCH 31, 2004 AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE STOCKHOLDERS AGREEMENT, DATED AS OF MARCH 31, 2004, AS AMENDED AND MODIFIED FROM TIME TO TIME, AMONG THE ISSUER OF THE SECURITIES (THE "COMPANY"), AND CERTAIN OTHER PERSONS, AND THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY THE COMPANY TO

> THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

The Company shall imprint such legend on certificates evidencing Stockholder Shares. The legend set forth above shall be removed from the certificates evidencing any Stockholder Shares which cease to be Stockholder Shares in accordance with the definition thereof.

(b) Opinion of Counsel. No holder of Stockholder Shares may sell, transfer or dispose any of its Stockholder Shares except pursuant to an effective registration statement under the 1933 Act, a Sale of the Company, pursuant to the terms of an Executive Securities Agreement between the Company and an executive of the Company, without first delivering to the Company an opinion of counsel (reasonably acceptable in form and substance to the Company) that neither registration nor qualification under the 1933 Act and applicable state securities laws is required in connection with such transfer; provided, however, that no such opinion shall be required for a sale of Stockholder Shares pursuant to Rule 144 of the Securities and Exchange Commission or a Transfer by any Stockholder to an Affiliate of such Stockholder.

9. Definitions.

"Affiliate" means, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by or under common control with such Person.

"Agreement" shall have the meaning set forth in the preface.

"Approved Sale" shall have the meaning set forth in Section 6(a).

"CHS" shall have the meaning set forth in the preface.

"CHS Shares" means any Stockholder Shares issued to or held by any member of the CHS Group.

"Class A Common Stock" means the Company's Class A Common Stock, par value $0.01 per share.

"Class B Common Stock" means the Company's Class B Common Stock, par value $0.01 per share.

"Class C Common Stock" means the Company's Class C Common Stock, par value $0.01 per share.

"Common Stock" means the Class A Common Stock, the Class B Common

Stock and the Class C Common Stock.

"Company" shall have the meaning set forth in the preface.

"Fair Market Value" of any debt or equity security of the Company or any other asset, right or security means:

(i) the average of the closing prices of the sales of such security on all securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the Nasdaq Stock Market as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the Nasdaq Stock Market, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day; or

(ii) with respect to any security or other asset which is not listed on any securities exchange or quoted in the Nasdaq Stock Market or the over-the-counter market for the entire 21-day averaging period specified above, the fair value of such security or other asset determined jointly by the Company and Teachers in good faith. If such parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an independent appraiser experienced in valuing securities and jointly selected by the Company and Teachers. In the event that the Company and Teachers are unable to agree on an appraiser, the Company and Teachers shall each select an appraiser of recognized national standing and such two appraisers shall select a third appraiser to make the determination of fair market value. The determination of such appraiser shall be final and binding upon the parties. The fees, costs and expenses of the appraiser shall be allocated between the Company, on the one hand, and Teachers, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the appraiser differs from the Fair Market Value (as finally determined by the appraiser) bears to the amount of the difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value.

"Family Group" means (i) a Person's spouse and descendants (whether natural or adopted), (ii) any trust solely for the benefit of the Person and/or any of the Person's spouse and/or descendants and (iii) any entity wholly owned by the Person.

"Holder" means each holder of Stockholder Shares.

"Investment Company" means Hillman Investment Company, a Delaware corporation.

"Investment Company Preferred Stock" means the Investment Company's Class A Preferred Stock, par value $0.01 per share.

"Investment Company Securities Purchase Agreement" means the Securities Purchase Agreement, dated as of the date hereof, among the Investment Company, the Investors and HarbourVest.

"IRR Measurement Period" means the period beginning on the date hereof and ending on the date on which an Approved Sale is consummated (taking into account the transaction contemplated by the Approved Sale).

"Marketable Securities" means securities which (a) are of a class listed on either a national securities exchange or the Nasdaq Stock Market, and (b) (i) may be sold by the Holders immediately to the public without registration under the 1933 Act, (ii) have been registered for sale under the 1933 Act pursuant to an effective registration statement and may be immediately sold by the Holders to the public, or (iii) shall be registered for sale by the Holders under the 1933 Act within 120 days after consummation of an Approved Sale and may be immediately sold by the Holders to the public at such time and (c) together with all other securities received by the Holders in such Approved Sale constitute less than the aggregate trading volume for securities of such class for the 30 trading days immediately preceding the date of the consummation of such Approved Sale.

"1933 Act" means the Securities Act of 1933, as amended from time to time.

"Original Cost" means with respect to any Investor or HarbourVest the sum of (i) the aggregate purchase price paid by such Investor or HarbourVest, as applicable, pursuant to the Securities Purchase Agreement and

the Investment Company Securities Purchase Agreement for its shares of Common Stock, Preferred Stock and Investment Company Preferred Stock and (ii) all cash payments and investments and the Fair Market Value of all contributions-in-kind, made by such Investor or HarbourVest, as applicable, to and in the Company and the Investment Company and to others after the date hereof to acquire equity securities of the Company and the Investment Company (excluding any fees and expenses incurred by such Investor or HarbourVest, as applicable, in connection therewith).

"Other Investor" and "Other Investors" shall have the meaning set forth in the preface.

"Other Stockholders" shall have the meaning set forth in Section 5.

"Permitted Transferees" shall have the meaning set forth in Section 4(b).

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

"Public Offering" means an underwritten public offering and sale, registered under the 1933 Act, of shares of the Company's Common Stock.

"Public Sale" means any sale of Stockholder Shares to the public pursuant to an offering registered under the 1933 Act or to the public through a broker, dealer or market maker

pursuant to the provisions of Rule 144 (or any similar provision then in force) under the 1933 Act (other than Rule 144(k) prior to a Public Offering).

"Sale" shall have the meaning set forth in Section 5.

"Sale Notice" shall have the meaning set forth in Section 5.

"Sale of the Company" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investors and their Affiliates) in the aggregate acquire(s) (i) capital stock of the Company possessing the voting power (other than voting rights accruing only in the event of a default, breach, event of noncompliance or other contingency) to elect a majority of the Board (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Stockholder" and "Stockholders" shall have the meaning set forth in the preface.

"Stockholder Shares" means any of the following held by any Stockholder, any Permitted Transferee or any transferee in connection with any Transfer or issuance (other than pursuant to a Public Sale or a Sale of the Company or pursuant to Section 5): (i) any shares of Common Stock, Preferred Stock or other equity interests in the Company or any successor thereto, (ii) any warrants, options, or other rights to subscribe for or to acquire, directly or indirectly, Common Stock, Preferred Stock or other equity interests in the Company or any successor thereto, whether or not then exercisable or convertible, (iii) any interests, stock, notes, or other securities which are convertible into or exchangeable for, directly or indirectly, Common Stock, Preferred Stock or other equity interests in the Company or any successor thereto, whether or not then convertible or exchangeable, (iv) any Common Stock, Preferred Stock or other equity interests in the Company or any successor thereto issued or issuable upon the exercise, conversion, or exchange of any of the securities referred to in clauses (i) through (iii) above and (v) any securities issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) through (iv) above by way of dividend, distribution, split or combination or in connection with any recapitalization, merger, consolidation, or other reorganization. As to any particular securities constituting Stockholder Shares, such securities will cease to be Stockholder Shares when they have been transferred in a Public Sale or Sale of the Company or have been repurchased by the Company or any Subsidiary of the Company.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other 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 such Person or one or more of the other

Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the 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 such Person or entity 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 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 general partner of such limited liability company, partnership, association or other business entity.

"Teachers Investment Inflows" means the sum of:

(i) all cash payments received by Teachers during the applicable period with respect to the equity securities of the Company and the Investment Company held by Teachers, whether such payments are received from the Company, the Investment Company or any third party and whether such payments are received as dividends, proceeds with respect to sale or redemption of such securities, upon a liquidation of the Company or the Investment Company or otherwise, and including any transaction closing fees or other fees paid to Teachers by or on behalf of the Company or any of its Subsidiaries; and

(ii) the Fair Market Value of any non-cash consideration (including any assets, rights (e.g., deferred installments, contingent payments) or securities) received by Teachers with respect to the equity securities of the Company and the Investment Company held by Teachers, whether such payments are received from the Company, the Investment Company or any third party and whether such payments are received as dividends, proceeds with respect to sale or redemption of such securities, upon a liquidation of the Company or the Investment Company or otherwise.

"Teachers Investment Outflows" means the sum of all cash payments and investments and the Fair Market Value of all contributions-in-kind, made by Teachers to the Company and/or the Investment Company and to others to acquire equity securities of the Company and/or the Investment Company.

"Teachers IRR" means the cumulative internal rate of return of Teachers (calculated as provided below), as of the applicable date of determination, where the internal rate of return for Teachers is the annually compounded rate of return which results in the following amount having a net present value equal to zero: (i) the amount of the Teachers Investment Inflows received during the IRR Measurement Period, minus (ii) the amount of the Teachers Investment Outflows made during the IRR Measurement Period. In determining the Teachers IRR, the following shall apply: (a) Teachers Investment Outflows shall be deemed to have been made on the last day of the month in which they are made (except for any such Teachers Investment Outflow made on the date hereof, which shall be deemed to have been made on the date hereof); (b) Teachers Investment Inflows shall be deemed to have been made on the last date of the month in which they are made; and (c) the rates of return shall be per annum rates and all amounts shall be calculated on an annually compounded basis, and on the basis of a 365-day year.

10. Transfers.

(a) Transferees. The provisions of this Agreement shall continue to be applicable to the Stockholder Shares after any Transfer of such Stockholder Shares (other than

pursuant to a Public Offering or an Approved Sale), and each transferee of such Stockholder Shares shall, as a condition to any such Transfer, agree in writing to be bound by the provisions of this Agreement affecting the Stockholder Shares so transferred.

(b) Transfers in Violation of Agreement. Any Transfer or attempted Transfer of any Stockholder Shares in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Stockholder Shares as the owner of such securities for any purpose.

11. Amendment and Waiver. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the Stockholders unless such modification, amendment or waiver is approved in writing by the Company, CHS and, for so long as Teachers and its Affiliates own Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost to Teachers of at least $25,000,000, Teachers; provided that, in the event an amendment, modification or waiver would treat a class or group of holders of Stockholder Shares in a manner materially and adversely differently from any other class or group of holders of

Stockholder Shares, then such amendment, modification or waiver will also require the consent of the holder or the holders of a majority of the Stockholder Shares of such class or group so materially adversely affected thereby; provided, further, that no amendment or modification that by its terms expressly amends in an adverse manner (x) any right specifically granted to a particular Stockholder (or a particular group of Stockholders) hereunder or (y) any obligation of any Stockholder (or a particular group of Stockholders) (including without limitation by adding any new obligation) hereunder shall be effective without the prior written consent of such Stockholder(s); provided, further, that no amendment to Section 5 or 11 (to the extent it amends this proviso) hereof shall be effective without the prior written approval of HarbourVest; and provided, further, that no amendment to this Section 11 shall be made without the consent of Teachers. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. The parties hereto agree that the addition of new parties to this Agreement without any other modifications, amendments or waivers (including other executives of the Company who purchase securities of the Company and persons complying with Section 10 hereof) with the consent of CHS shall not constitute a modification, amendment or waiver of this Agreement.

12. 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 the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or affect the validity, legality or enforceability of any provision 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.

13. Entire Agreement. Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts 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.

14. Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Stockholders and any subsequent holders of Stockholder Shares and the respective successors and assigns of each of them, so long as they hold Stockholder Shares; provided that the rights and obligations of the Stockholders under this Agreement may not be assigned except in connection with a permitted transfer of Stockholder Shares hereunder.

15. Counterparts; Facsimile Signature. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

16. Remedies. Each of the parties to this Agreement shall be entitled to enforce his, her or its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in his, her or its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in his, her or its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

17. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent via facsimile, mailed first class mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient at the address indicated on the Schedule of Stockholders attached hereto and to any subsequent holder of Stockholder Shares subject to this Agreement at such address as indicated by the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party, except that e-mail notice shall be effective with respect to any notice under Section 2(a). Notices shall be deemed to have been given hereunder when delivered personally, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service. The Company's address is:

The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: Chief Executive Officer

with a copy (which will not constitute notice to the Company) to:

Code Hennessy & Simmons IV LP
10 South Wacker Drive, Suite 3175
Chicago, Illinois 60606
Attention: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Stephen L. Ritchie, P.C.

18. Governing Law. All issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement 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.

19. Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday in the state in which the Company's chief-executive office is located, the time period shall automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

20. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

21. Effect of Merger on this Agreement. Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Stockholders, the Company, as the surviving corporation in the Merger, shall assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

22. 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.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement on the day and year first above written.

COMPANY: THE HILLMAN COMPANIES, INC.

By: /s/ JAMES P. WATERS

Its:

CHS GROUP: CODE HENNESSY & SIMMONS IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

CHS ASSOCIATES IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

RANDOLPH STREET PARTNERS VI

By: /s/ STEPHEN L. RITCHIE

STEPHEN L. RITCHIE
Managing Partner

/s/ PAIGE WALSH

Paige Walsh

[Signature Page to The Hillman Companies, Inc. Stockholders Agreement]

TEACHERS:

ONTARIO TEACHERS' PENSION PLAN BOARD

By: /s/ J. MARK MACDONALD

Its:

HARBOURVEST:

HARBOURVEST PARTNERS VI - DIRECT FUND, L.P.

By: HarbourVest VI - Direct Associates LLC
Its: General Partner

By: HarbourVest Partners, LLC
Its: Managing Member

By: /s/ WILLIAM A. JOHNSTON

[Signature Page to The Hillman Companies, Inc. Stockholders Agreement]

EXECUTIVES:

/s/ MAX W. HILLMAN JR.

Max W. Hillman Jr.

/s/ RICHARD P. HILLMAN

Richard P. Hillman

/s/ JAMES P. WATERS

James P. Waters

/s/ DENNIS BLAKE

Dennis Blake

/s/ GARY SEEDS

Gary Seeds

/s/ KEN FOSKEY

Ken Foskey

/s/ TERRY ROWE

Terry Rowe

/s/ GEORGE HEREDIA

George Heredia

/s/ RICK BULLER

Rick Buller

/s/ JOHN MARSHALL

John Marshall

[Signature Page to The Hillman Companies, Inc. Stockholders Agreement]

EXHIBIT 4.2

HILLMAN INVESTMENT COMPANY

STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (this "Agreement") is made as of March 31, 2004, by and among (i) Hillman Investment Company, a Delaware corporation (the "Company"), (ii) Code Hennessy & Simmons IV LP ("CHS" and, together with any partner or an affiliated fund of CHS and any other co-investor of such funds (including Randolph Street Partners VI) set forth from time to time on the attached Schedule of Stockholders under the heading "CHS Group" that at any time acquires securities of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement, the "CHS Group"), (iii) Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers", and together with each Person within the CHS Group, the "Investors"), (iv) each executive employee on the attached Schedule of Stockholders under the heading "Executives" and any other executive employee of the Company or its Subsidiaries who, at any time, acquires securities, or options to acquire securities, of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Executive" and collectively, the "Executives"), (v) HarbourVest Partners VI - Direct Fund, L.P., a Delaware limited partnership ("HarbourVest"), and (vi) each of the other Persons set forth from time to time on the attached Schedule of Stockholders under the heading "Other Investors" who, at any time, acquires securities of the Company in accordance with the terms hereof and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Other Investor" and collectively, the "Other Investors"). The Investors, the Executives, HarbourVest and the Other Investors are collectively referred to as the "Stockholders" and individually as a "Stockholder." Capitalized terms used herein and not otherwise defined are defined in Section 5 hereof.

HCI Acquisition Corp., a Delaware corporation ("HCI"), The Hillman Companies, Inc., a Delaware corporation and the direct parent of the Company ("Hillman"), and the stockholders and optionholders of Hillman have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI was merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger.

In connection with the consummation of the Merger, the Investors and HarbourVest acquired shares of the Preferred Stock pursuant to the Investment Company Securities Purchase Agreement, dated as of the date hereof, by and among the Company, the Investors and HarbourVest (the "Securities Purchase Agreement").

HCI, each Executive and, by virtue of the consummation of the Merger and execution by the Company of a joinder agreement, the Company are parties to an Executive Securities Agreement dated as of the date hereof (such agreements, together with any similar agreements entered into after the date hereof with any Executives, the "Executive Securities Agreements"), pursuant to which each Executive shall acquire certain options exercisable for Preferred Stock upon consummation of the Merger.

The Company and the Stockholders desire to enter into this Agreement for the purpose, among others, of (i) limiting the manner and terms by which shares of capital stock, and options for capital stock, in the Company may be transferred and (ii) assuring continuity in the ownership of the Company. The execution and delivery of this Agreement is a condition to the Investors' and HarbourVest's purchase of Preferred Stock pursuant to the Securities Purchase Agreement.

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 to this Agreement hereby agree as follows:

1. Representations and Warranties. Each Stockholder hereby represents and warrants that (a) such Stockholder will, upon the consummation of the transactions contemplated in connection herewith, be the record owner of the amount of Stockholder Shares set forth opposite its name on the Schedule of Stockholders attached hereto, (b) this Agreement has been duly authorized, executed and delivered by such Stockholder and constitutes the valid and binding obligation of such Stockholder, enforceable in accordance with its terms, and (c) such Stockholder is not a party to any agreement which is inconsistent with, conflicts with or violates any provision of this Agreement. No holder of Stockholder Shares shall become party to any agreement which is inconsistent with, conflicts with or violates any provision of this Agreement.

2. Restrictions on Transfer of Securities.

(a) Transfer of Stockholder Shares. No holder of Stockholder Shares may sell, transfer, assign, pledge or otherwise dispose of (whether

directly or indirectly, whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest (legal or beneficial) in any Stockholder Shares (a "Transfer"), except Transfers pursuant to and in accordance with the provisions of Sections 2(b), Section 2(c) or Section 3 of this Agreement or in connection with a Sale of the Company or as contemplated under the Executive Securities Agreements; provided that in no event shall any Transfer (other than a Transfer made pursuant to Sections 2(b) or 2(c)) be made without the prior written consent of (i) a majority of the Company's board of directors (the "Board"), in the case of a Transfer by a Holder (other than the CHS Group and Teachers), (ii) CHS, in the case of a Transfer by Teachers and (iii) Teachers, in the case of a Transfer by a member of the CHS Group; and provided, further, that any such written consent shall not be unreasonably withheld.

(b) Permitted Transfers. The restrictions set forth in this Section 2 shall not apply with respect to any Transfer made (i) pursuant to the terms of any Executive Securities Agreement between the Company and any of its executives, (ii) in the case of any holder of Stockholder Shares who is an individual, pursuant to applicable laws of descent and distribution or to such holder's legal guardian in the case of any mental incapacity or among such holder's Family Group, (iii) in the case of any holder of Stockholder Shares which is an entity, among its Affiliates or (iv) in a Sale of the Company. The restrictions contained in this Section 2 will continue to be applicable to Stockholder Shares after any Transfer under this Section 2 and the transferees of such Stockholder Shares will agree in writing to be bound by the provisions of this Agreement upon or prior to any such Transfer. Any transferee of Stockholder Shares pursuant to a transfer in accordance with the provisions of this Section 2(b) is herein referred to as a

"Permitted Transferee." No less than 10 days prior to the Transfer of Stockholder Shares pursuant to this Section 2(b), the proposed transferee(s) shall deliver a written notice to the Company, which notice shall disclose in reasonable detail the identity of such transferee.

(c) Transfers to CHS and Teachers. Prior to any sale or other Transfer of Stockholder Shares by any Stockholder (other than a member of the CHS Group or Teachers) (the "Transferring Stockholder") to either any member of the CHS Group or Teachers (the "Transferee Investor"), the Transferring Stockholder shall give written notice (the "Investor Sale Notice") of the price and other material terms of such sale or other Transfer to whichever of CHS or Teachers is not the Transferee Investor in such sale or other Transfer (the "Other Investor"). The Other Investor may, within 15 days following receipt of the Investor Sale Notice, give to the Transfering Stockholder and the Transferee Investor a written notice indicating that it desires to purchase or otherwise acquire a portion of the Stockholder Shares being sold or Transferred in such sale or other Transfer in accordance with the terms of this Section 2(c). If the Other Investor elects to purchase or otherwise acquire Stockholder Shares in such sale or other Transfer, the Other Investor will be entitled to purchase or otherwise acquire in the proposed sale or other Transfer, at the same price and on the same terms and conditions, an amount of Stockholder Shares of the type proposed to be sold or Transferred equal to the product of (i) the quotient determined by dividing (x) the amount of such class of Stockholder Shares owned by the Other Investor by (y) the aggregate amount of such class of Stockholder Shares owned by the Transferee Investor and the Other Investor, multiplied by (ii) the amount of such class of Stockholder Shares to be sold or Transferred in such contemplated sale or Transfer.

(d) No Transfers to Competitors. Notwithstanding anything herein to the contrary, no Transfer shall be made to a Person determined by the Board to be a competitor of Hillman or the Company or any of their respective Subsidiaries.

(e) Termination. The provisions of this Section 2 will terminate automatically and be of no further force and effect upon the first to occur of (i) the consummation of a Sale of the Company and (ii) the consummation of a Public Offering.

3. Participation Rights.

(a) Prior to any sale (a "Sale") of Stockholder Shares by any Investor or HarbourVest (the "Transferring Investor"), the Transferring Investor shall give written notice of the price and other material terms of the Sale (a "Sale Notice") to the Company and the other Stockholders (collectively, the "Other Stockholders"). Each Other Stockholder may, within 15 days following receipt of the Sale Notice, give to the Company a written notice (a "Co-Sale Notice") indicating that it desires to participate in the proposed Sale. If any Other Stockholders have elected to participate in such Transfer, each such Other Stockholder will be entitled to sell in the proposed sale, at the same price and on the same terms and conditions, an amount of Stockholder Shares of the type proposed to be transferred equal to the product of (i) the quotient determined by dividing (x) the amount of such class of Stockholder Shares owned by such Other Stockholder by (y) the aggregate amount of such class of Stockholder Shares owned by all of the holders of Stockholder Shares participating in such

proposed Sale, multiplied by (ii) the amount of such class of Stockholder Shares to be sold in the contemplated Sale. For the purposes of this Section 3(a), the Stockholder Shares of an employee of the Company or any of its Subsidiaries

shall be the Purchased Equity (as defined in the Executive Securities Agreements) only, if any, held by such individual pursuant his Executive Securities Agreement.

(b) The Transferring Investor shall use commercially reasonable efforts to obtain the agreement of the prospective transferee(s) to the participation of the Other Stockholders who have elected to participate in any contemplated Sale, and the Transferring Investor shall not sell any of its Stockholder Shares if the prospective transferee(s) decline(s) to allow the participation of the Other Stockholders who have elected to participate. Each Stockholder transferring Stockholder Shares pursuant to this Section 3 shall pay its pro rata share (based on the number of Stockholder Shares to be sold) of the expenses incurred by the Stockholders in connection with such transfer and shall be obligated to join on the same pro rata basis in any indemnification or other obligations that the Transferring Investor agrees to provide in connection with such transfer.

(c) Notwithstanding anything to the contrary in any other provision of this Agreement, the restrictions set forth in this Section 3 shall not apply to (i) any Transfer of Stockholder Shares by any Investor to or among its Affiliates, (ii) Transfers pursuant to Section 2(c) or (iii) a Transfer pursuant to a Sale of the Company; provided that the restrictions contained in this Agreement will continue to be applicable to the Stockholder Shares after any Transfer pursuant to clause (i) and the transferee of such Stockholder Shares shall agree in writing to be bound by the provisions of this Agreement. Upon the Transfer of Stockholder Shares pursuant to clause (i) of the previous sentence, the transferees will deliver a written notice to the Company, which notice will disclose in reasonable detail the identity of such transferee.

(d) The provisions of this Section 3 will terminate automatically and be of no further force and effect upon the first to occur of (i) the consummation of a Public Offering and (ii) the consummation of a Sale of the Company.

4. Additional Restrictions on Transfer.

(a) Restricted Securities Legend. The Stockholder Shares have not been registered under the 1933 Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the 1933 Act or an exemption from such registration is then available. Each certificate evidencing Stockholder Shares and each certificate issued in exchange for or upon the Transfer of any Stockholder Shares (if such securities remain Stockholder Shares as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON MARCH 31, 2004 AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE STOCKHOLDERS AGREEMENT, DATED AS OF MARCH 31, 2004,

> AS AMENDED AND MODIFIED FROM TIME TO TIME, AMONG THE ISSUER OF THE SECURITIES (THE "COMPANY"), AND CERTAIN OTHER PERSONS, AND THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

The Company shall imprint such legend on certificates evidencing Stockholder Shares. The legend set forth above shall be removed from the certificates evidencing any Stockholder Shares which cease to be Stockholder Shares in accordance with the definition thereof.

(b) Opinion of Counsel. No holder of Stockholder Shares may sell, transfer or dispose any of its Stockholder Shares except pursuant to an effective registration statement under the 1933 Act, a Sale of the Company, pursuant to the terms of an Executive Securities Agreement between the Company and an executive of the Company, without first delivering to the Company an opinion of counsel (reasonably acceptable in form and substance to the Company) that neither registration nor qualification under the 1933 Act and applicable state securities laws is required in connection with such transfer; provided, however, that no such opinion shall be required for a sale of Stockholder Shares pursuant to Rule 144 of the Securities and Exchange Commission or a Transfer by any Stockholder to an Affiliate of such Stockholder.

5. Definitions.

"Affiliate" means, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by or under common control with such Person.

"Agreement" shall have the meaning set forth in the preface.

"CHS" shall have the meaning set forth in the preface.

"CHS Shares" means any Stockholder Shares issued to or held by any member of the CHS Group.

"Common Stock" means the Company's common stock, par value $0.01 per share.

"Company" shall have the meaning set forth in the preface.

"Family Group" means (i) a Person's spouse and descendants (whether natural or adopted), (ii) any trust solely for the benefit of the Person and/or any of the Person's spouse and/or descendants and (iii) any entity wholly owned by the Person.

"Hillman Common Stock" means Hillman's Class A Common Stock, par value $0.01 per share, Class B Common Stock, par value $0.01 per share, and Class C Common Stock, par value $0.01 per share.

"Hillman Preferred Stock" means Hillman's Class A Preferred Stock, par value $0.01 per share.

"Hillman Stockholders Agreement" means the Stockholders Agreement, dated as of the date hereof, among Hillman and its stockholders, as amended from time to time in accordance with its terms.

"Holder" means each holder of Stockholder Shares.

"1933 Act" means the Securities Act of 1933, as amended from time to time.

"Other Investor" and "Other Investors" shall have the meaning set forth in the preface.

"Original Cost" has the meaning set forth in the Hillman Stockholders Agreement.

"Other Stockholders" shall have the meaning set forth in Section 3.

"Permitted Transferees" shall have the meaning set forth in Section 2(b).

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

"Public Offering" means an underwritten public offering and sale, registered under the 1933 Act, of shares of the Company's Common Stock or Hillman's Common Stock.

"Public Sale" means any sale of Stockholder Shares to the public pursuant to an offering registered under the 1933 Act or to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in force) under the 1933 Act (other than Rule 144(k) prior to a Public Offering).

"Sale" shall have the meaning set forth in Section 3.

"Sale Notice" shall have the meaning set forth in Section 3.

"Sale of the Company" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investors and their Affiliates) in the aggregate acquire(s) (i) capital stock of the Company possessing the voting power (other than voting rights accruing only in the event of a default, breach, event of noncompliance or other contingency) to elect a majority of the Board (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise), (ii) all or substantially all of the Company's assets determined on a consolidated basis, (iii) capital stock of Hillman possessing

the voting power (other than voting rights accruing only in the event of a default, breach, event of noncompliance or other contingency) to elect a majority of Hillman's board of directors (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 (iv) all or substantially all of Hillman's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Stockholder" and "Stockholders" shall have the meaning set forth in the preface.

"Stockholder Shares" means any of the following held by any Stockholder, any Permitted Transferee or any transferee in connection with any Transfer or issuance (other than pursuant to a Public Sale or a Sale of the Company or pursuant to Section 3): (i) any shares of Preferred Stock or other equity interests in the Company or any successor thereto, (ii) any warrants, options, or other rights to subscribe for or to acquire, directly or indirectly, Preferred Stock or other equity interests in the Company or any successor thereto, whether or not then exercisable or convertible, (iii) any interests, stock, notes, or other securities which are convertible into or exchangeable for, directly or indirectly, Preferred Stock or other equity interests in the Company or any successor thereto, whether or not then convertible or exchangeable, (iv) any Preferred Stock or other equity interests in the Company or any successor thereto issued or issuable upon the exercise, conversion, or exchange of any of the securities referred to in clauses (i) through (iii) above and (v) any securities issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) through (iv) above by way of dividend, distribution, split or combination or in connection with any recapitalization, merger, consolidation, or other reorganization. As to any particular securities constituting Stockholder Shares, such securities will cease to be Stockholder Shares when they have been transferred in a Public Sale or Sale of the Company or have been repurchased by the Company or any Subsidiary of the Company.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other 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 such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the 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 such Person or entity 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 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 general partner of such limited liability company, partnership, association or other business entity.

6. Transfers.

(a) Transferees. The provisions of this Agreement shall continue to be applicable to the Stockholder Shares after any Transfer of such Stockholder Shares (other than

pursuant to a Sale of the Company or a Public Offering), and each transferee of such Stockholder Shares shall, as a condition to any such Transfer, agree in writing to be bound by the provisions of this Agreement affecting the Stockholder Shares so transferred.

(b) Transfers in Violation of Agreement. Any Transfer or attempted Transfer of any Stockholder Shares in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Stockholder Shares as the owner of such securities for any purpose.

7. Amendment and Waiver. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the Stockholders unless such modification, amendment or waiver is approved in writing by the Company, CHS and, for so long as Teachers and its Affiliates own Stockholder Shares and shares of Hillman Common Stock and Hillman Preferred Stock with an aggregate Original Cost to Teachers of at least $25,000,000, Teachers; provided that, in the event an amendment, modification or waiver would treat a class or group of holders of Stockholder Shares in a manner materially and adversely differently from any other class or group of holders of Stockholder Shares, then such amendment, modification or waiver will also require the consent of the holder or the

holders of a majority of the Stockholder Shares of such class or group so materially adversely affected thereby; provided, further, that no amendment or modification that by its terms expressly amends in an adverse manner (x) any right specifically granted to a particular Stockholder (or a particular group of Stockholders) hereunder or (y) any obligation of any Stockholder or particular group of Stockholders (including without limitation by adding any new obligation) hereunder shall be effective without the prior written consent of such Stockholder(s); provided, further, that no amendment to Section 3 or 7 (to the extent it amends this proviso) hereof shall be effective without the prior written approval of HarbourVest; and provided, further, that no amendment to this Section 7 shall be made without the consent of Teachers. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. The parties hereto agree that the addition of new parties to this Agreement without any other modifications, amendments or waivers (including other executives of the Company who purchase securities of the Company and persons complying with Section 8 hereof) with the consent of CHS shall not constitute a modification, amendment or waiver of this Agreement.

8. 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 the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or affect the validity, legality or enforceability of any provision 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.

9. Entire Agreement. Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts 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.

10. Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Stockholders and any subsequent holders of Stockholder Shares and the respective successors and assigns of each of them, so long as they hold Stockholder Shares; provided that the rights and obligations of the Stockholders under this Agreement may not be assigned except in connection with a permitted transfer of Stockholder Shares hereunder.

11. Counterparts; Facsimile Signature. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

12. Remedies. Each of the parties to this Agreement shall be entitled to enforce his, her or its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in his, her or its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in his, her or its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

13. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent via facsimile, mailed first class mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient at the address indicated on the Schedule of Stockholders attached hereto and to any subsequent holder of Stockholder Shares subject to this Agreement at such address as indicated by the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices shall be deemed to have been given hereunder when delivered personally, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service. The Company's address is:

Hillman Investment Company
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: Chief Executive Officer

with a copy (which will not constitute notice to the Company) to:

Code Hennessy & Simmons IV LP
10 South Wacker Drive, Suite 3175
Chicago, Illinois 60606
Attention: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601

Attention: Stephen L. Ritchie, P.C.

14. Governing Law. All issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement 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.

15. Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday in the state in which the Company's chief-executive office is located, the time period shall automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

16. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

17. 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.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Hillman Investment Company Stockholders Agreement on the day and year first above written.

COMPANY: HILLMAN INVESTMENT COMPANY

By: /s/ MAX W. HILLMAN

Its:

CHS GROUP: CODE HENNESSY & SIMMONS IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

CHS ASSOCIATES IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

RANDOLPH STREET PARTNERS VI

By: /s/ STEPHEN L. RITCHIE

Managing Partner

/s/ PAIGE WALSH
Paige Walsh

[Signature Page to Hillman Investment Company Stockholders Agreement]

TEACHERS:

ONTARIO TEACHERS' PENSION PLAN BOARD

By: /s/ J. MARK MACDONALD
Its:

HARBOURVEST PARTNERS VI - DIRECT FUND, L.P.

HARBOURVEST:

By: HarbourVest VI - Direct Associates LLC
Its: General Partner

By: HarbourVest Partners, LLC
Its: Managing Member

By: /s/ WILLIAM A. JOHNSTON

[Signature Page to Hillman Investment Company Stockholders Agreement]

EXECUTIVES:

/s/ Max W. Hillman Jr.
Max W. Hillman Jr.

/s/ Richard P. Hillman
Richard P. Hillman

/s/ James P. Waters
James P. Waters

/s/ Dennis Blake
Dennis Blake

/s/ Gary Seeds
Gary Seeds

/s/ Ken Foskey
Ken Foskey

/s/ Terry Rowe
Terry Rowe

/s/ George Heredia
George Heredia

/s/ Rick Buller
Rick Buller

/s/ John Marshall
John Marshall

[Signature Page to Hillman Investment Company Stockholders Agreement]

EXHIBIT 4.3

HCI ACQUISITION CORP.

REGISTRATION AGREEMENT

THIS REGISTRATION AGREEMENT (this "Agreement") dated as of March 31, 2004 is made by and among (i) HCI Acquisition Corp. ("HCI"), (ii) Code Hennessy & Simmons IV LP ("CHS" and together with any partner or an affiliated fund of CHS and any other co-investor of such funds (including Randolph Street Partners VI) set forth from time to time on the attached Schedule of Stockholders under the heading "CHS Group" who at any time acquires securities of the Company and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement, the "CHS Group"), (iii) Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers" and, together with each Person within the CHS Group, the "Investors"), (iv) each executive employee on the attached Schedule of Stockholders under the heading "Executives" and any other executive employee of the Company or its subsidiaries who, at any time, acquires securities of the Company and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Executive" and collectively, the "Executives") and (v) each of the other Persons set forth from time to time on the attached Schedule of Stockholders under the heading "Other Investors" who, at any time, acquires securities of the Company and executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement (each, an "Other Investor" and collectively, the "Other Investors"). The Investors, the Executives and the Other Investors are collectively referred to herein as the "Stockholders." Unless otherwise provided in this Agreement, capitalized terms used herein shall have the meanings set forth in Section 9 hereof.

HCI, The Hillman Companies, Inc., a Delaware corporation ("Hillman"), and the stockholders and optionholders of Hillman have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI will be merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger (the surviving corporation in the Merger being hereinafter referred to as the "Company").

Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Stockholders, the Company, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

In connection with the consummation of the Merger, the Investors and the Other Investors party to this Agreement on the date hereof acquired shares of the capital stock of the Company pursuant to the HCI Securities Purchase Agreement, dated as of the date hereof, by and among HCI, the Investors and the Other Investors party to this Agreement on the date hereof (the "Securities Purchase Agreement").

The Company and each of the Executives a party to this Agreement on the date hereof are parties to an Executive Securities Agreement dated as of the date hereof (the "Executive Securities Agreements"), pursuant to which each such Executive shall acquire shares of the capital stock of the Company upon consummation of the Merger.

The execution and delivery of this Agreement is a condition to the Investors purchase of capital stock of the Company pursuant to the Securities Purchase 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 to this Agreement hereby agree as follows:

1. Demand Registrations.

(a) Requests for Registration. Subject to the terms and conditions of this Section 1, the holders of the Investor Registrable Securities may request registrations under the Securities Act of all or any part of their Investor Registrable Securities on Form S-1 or any similar long-form registration ("Long-Form Registrations") as specified in Section 1(b) or, if available, on Form S-2 or S-3 or any similar short-form registration ("Short-Form Registrations") as specified in Section 1(c). All registrations requested pursuant to this Section 1(a) are referred to herein as "Demand Registrations." Each request for a Demand Registration shall specify the approximate number of CHS Registrable Securities or Teachers Registrable Securities, as the case may be, requested to be registered and the anticipated per share price range for such offering. Within ten days after receipt of any such request, the Company shall give written notice of such requested registration to all other holders of Registrable Securities and, subject to Section 1(d) below, will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice.

(b) Long-Form Registrations. At any time after the date upon which the Company has completed a Qualified Public Offering, the holders of a majority of the CHS Registrable Securities may request up to three Long-Form Registrations (a "CHS Long-Form Registration") in which the Company will pay all Registration Expenses (as defined below in Section 5) and any such CHS Long-Form Registration shall count as a Long-Form Registration. At any time after the first anniversary of the date upon which the Company has completed a Qualified Public Offering, the holders of a majority of the Teachers Registrable Securities may request up to two Long-Form Registrations (a "Teachers Long-Form Registration") in which the Company will pay all Registration Expenses and any such Teachers Long-Form Registration shall count as a Long-Form Registration. A registration shall not count as one of the permitted Long-Form Registrations until it has become effective and unless the holders of Investor Registrable Securities are able to register and sell at least 90% of the Investor Registrable Securities requested to be included in such registration; provided, that in any event the Company shall pay all Registration Expenses in connection with any registration initiated as a permitted Long-Form Registration whether or not it has become effective and whether or not such registration has counted as one of the permitted Long-Form Registrations. All Long-Form Registrations shall be underwritten registrations.

(c) Short-Form Registrations. In addition to the Long-Form Registrations provided pursuant to Section 1(b), (i) the holders of a majority of the CHS Registrable Securities shall be entitled to request an unlimited number of Short-Form Registrations in which the Company will pay all Registration Expenses and (ii) the holders of a majority of the Teachers Registrable Securities shall be entitled to request an unlimited number of Short-Form

Registrations in which the Company will pay all Registration Expenses. Notwithstanding the foregoing, in no event shall the Company be required to (x) effect more than two Short-Form Registrations in any calendar year or (y) effect any Short-Form Registration unless the holders of a majority of the CHS Registrable Securities or a majority of the Teachers Registrable Securities, as the case may be, requesting such Short-Form Registration propose to sell Registrable Securities at an aggregate price to the public in excess of $10,000,000. Demand Registrations will be Short-Form Registrations whenever the Company is permitted to use any applicable short form. After the Company has become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Company shall use its best efforts to make Short-Form Registrations on Form S-3 available for the sale of Investor Registrable Securities. All Short-Form Registrations shall be underwritten registrations, unless otherwise agreed to by the holders of Investor Registrable Securities who initiated the Demand Registration.

(d) Priority on Demand Registrations. The Company will not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the Investor Registrable Securities to be included in such Registration. If a Demand Registration is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within the price range acceptable to the holders of a majority of the Investor Registrable Securities, the Company will include in such registration (i) first, the number of Registrable Securities requested to be included in such registration which in the opinion of such underwriters can be sold in such manner in the acceptable price range, pro rata among the respective holders thereof on the basis of the number of Registrable Securities owned by each such holder and (ii) second, other securities requested to be included in such Demand Registration, pro rata among the holders of such securities on the basis of the number of such securities owned by each such holder, which in the opinion of such underwriters can be sold in such manner in the acceptable price range.

(e) Restrictions on Demand Registrations. The Company will not be obligated to effect any Long-Form Registration within six months after the effective date of a previous Long-Form Registration. The Company may postpone for up to three months the filing or the effectiveness of a registration statement for a Demand Registration if the Board of Directors of the Company determines that such Demand Registration would reasonably be expected to have a material adverse effect on any proposal or plan by the Company or any of its subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer, reorganization or similar transaction; provided, however, that in such event, the holders of Investor Registrable Securities initially requesting such Demand Registration will be entitled to withdraw such request and, if such request is withdrawn, such Demand Registration shall be treated as if it had never been made in the first instance, and the Company shall pay all Registration Expenses in connection with such registration. The Company may delay a Demand Registration hereunder only once in any twelve-month period.

(f) Selection of Underwriters. The holders of a majority of the

Investor Registrable Securities to be included in an offering shall have the right to select the investment

banker(s) and manager(s) to administer the offering, subject to the Company's approval which will not be unreasonably withheld or delayed.

(g) Other Registration Rights. The Company will not grant to any Persons the right to request that the Company register any equity securities of the Company, or any securities convertible into or exchangeable or exercisable for any such securities, without the prior written consent of the holders of at least a majority of the Investor Registrable Securities.

2. Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any of its equity securities under the Securities Act (other than (i) pursuant to a Demand Registration, which is governed by Section 1, (ii) pursuant to a registration on Form S-4 or S-8 or any successor or similar forms or (iii) in connection with the Company's initial public offering of equity securities unless any holder of Registrable Securities or of any other securities is selling any of its Registrable Securities or other securities in such initial public offering) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), whether or not for sale for its own account, the Company will give prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and, subject to Sections 2(c) and 2(d) below, will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice; provided that with respect to any Piggyback Registration, the holders of 75% or more of the Investor Registrable Securities shall have the right to waive and forego, as against themselves and all other holders of Registrable Securities, the inclusion of any Registrable Securities in such Piggyback Registration (for greater certainty, such exclusion shall not apply to any Investor Registrable Securities if such offering was initiated by a Demand Registration requested pursuant to Section 1).

(b) Piggyback Expenses. The Registration Expenses of the holders of Registrable Securities will be paid by the Company in all Piggyback Registrations.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such offering exceeds the number which can be sold in an orderly manner in such offering within the price range acceptable to the Company, the Company will include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders thereof on the basis of the number of Registrable Securities owned by each such holder and (iii) third, other securities requested to be included in such registration pro rata among the holders of such securities on the basis of the number of such securities owned by each such holder.

(d) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities (it being understood that secondary registrations on behalf of holders of Registrable Securities are addressed in Section 1 above rather than this Section 2(d)), and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be

included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of the offering, the Company will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration pro rata among the holders of such securities on the basis of the number of securities owned by each such holder, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of Registrable Securities owned by each such requesting holder and (iii) third, other securities requested to be included in such registration.

(e) Selection of Underwriters. If any Piggyback Registration is an underwritten offering, the selection of the investment banker(s) and manager(s) for the offering must be approved by the holders of a majority of the Investor Registrable Securities included in such Piggyback Registration, which approval shall not be unreasonably withheld.

(f) Withdrawal by Company. If, at any time after giving notice of its intention to register any of its securities as set forth in Section 2(a) and before the effective date of such registration statement filed in connection with such registration, the Company shall determine, for any reason, not to

register such securities, the Company may, at its sole discretion, give written notice of such determination to each holder of Registrable Securities and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith as provided herein).

(g) Other Registrations. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to Section 1 or pursuant to this Section 2, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-4 or S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least six months has elapsed from the effective date of such previous registration.

3. Holdback Agreements.

(a) Each holder of Registrable Securities agrees not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities, options or rights convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 180-day period (the "Lock-Up Period") beginning on the effective date of (i) any underwritten initial public offering of the Company's equity securities or (ii) any underwritten Demand Registrations or Piggyback Registrations in which holders of Registrable Securities are participating (except as part of such underwritten registration, if otherwise permitted), unless in either case the underwriters managing the registered public offering otherwise agree.

(b) The Company (i) agrees not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 180-day period beginning on the

effective date of (A) any underwritten initial public offering of the Company's equity securities or (B) any underwritten Demand Registrations or Piggyback Registrations in which holders of Registrable Securities are participating (except as part of such underwritten registration or pursuant to registrations on Form S-4 or S-8 or any successor form), unless in either case the underwriters managing the registered public offering otherwise agree and (ii) shall cause its officers and directors and each holder of 1% or more of its outstanding Common Stock, or any securities convertible into or exchangeable or exercisable for 1% or more of its outstanding Common Stock, purchased from the Company at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144) of any such securities during such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

4. Registration Procedures. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company will use its commercially reasonable efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof and pursuant thereto the Company will as expeditiously as possible:

(a) prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and thereafter use its commercially reasonable efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the counsel selected by the holders of a majority of the Investor Registrable Securities copies of all such documents proposed to be filed and shall, in good faith, consider any comments or objections that such counsel may have to any such documents);

(b) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of either (i) not less than six months (subject to extension pursuant to Section 7(b)) or, if such registration statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer or (ii) such shorter period as will terminate when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement (but in any event not before the expiration of any longer period required under the Securities Act), and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all

of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as

such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(d) use its commercially reasonable efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction);

(e) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the discovery of the happening of any event as a result of which, the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of the holders of a majority of the securities included in such registration, the Company will prepare and furnish, to any seller who requests, a reasonable number of copies of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(f) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed on the NASD automated quotation system and, if listed on the NASD automated quotation system, use its commercially reasonable efforts to secure designation of all such Registrable Securities covered by such registration statement as a NASDAQ "national market system security" within the meaning of Rule 11Aa2-1 of the Securities and Exchange Commission or, failing that, to secure NASDAQ authorization for such Registrable Securities and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with the NASD;

(g) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(h) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Investor Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares);

(i) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least 12 months beginning with the first day of the Company's first full calendar

quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(j) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any securities included in such registration statement for sale in any jurisdiction, the Company will use its commercially reasonable efforts promptly to obtain the withdrawal of such order; and

(k) obtain a cold comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters, which letter shall be addressed to

the underwriters.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company customary information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing.

5. Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of custodians and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), will be borne as provided in this Agreement, except that the Company will, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or on a securities exchange or the NASD automated quotation system.

(b) In connection with each Demand Registration and each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of the Investor Registrable Securities included in such registration.

(c) To the extent Registration Expenses are not required to be paid by the Company, each holder of securities included in any registration hereunder will pay those Registration Expenses allocable to the registration of such holder's securities so included, and any Registration Expenses not so allocable will be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of the securities to be so registered.

6. Indemnification.

(a) The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each holder of Registrable Securities, such holder's officers, directors, agents, partners, members, stockholders and employees and each Person who controls such holder (within the meaning of the Securities Act) (each an "Indemnitee" and, collectively, the "Indemnitees") against any and all losses, claims, damages, liabilities, joint or several, together with reasonable costs and expenses (including reasonable attorney's fees), to which such Indemnitee may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of, are based upon, are caused by, or result from (i) any untrue or alleged untrue statement of material fact contained (A) in any registration statement, prospectus, or preliminary prospectus or any amendment thereof or supplement thereto, or (B) in any application or other document or communication (in this Section 6 collectively called an "application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify any securities covered by such registration statement under the "blue sky" or securities laws thereof, or (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse each Indemnitee for any legal or any other expenses incurred by them in connection with investigating or defending any such loss, claim, liability, action, or proceeding; provided, however, that the Company shall not be liable in any such case to any such Person to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof), or expense arises out of, is based upon, is caused by, or results from an untrue statement or alleged untrue statement, or omission or alleged omission, made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any application, in reliance upon, and in conformity with, written information prepared and furnished to the Company by such Person expressly for use therein or by such Person's failure to deliver, if such Person is required by law to deliver, a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such Person with a sufficient number of copies of the same. In connection with any underwritten offering, the Company will indemnify such underwriters, their officers and directors, and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish

to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the full extent permitted by law, will indemnify and hold harmless the other holders of Registrable Securities and the Company, and their respective directors, officers, agents and employees and each other Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities, joint or several, together with reasonable costs and expenses (including reasonable attorney's fees), to which such indemnified party may become subject under the Securities Act or otherwise, to the extent such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of, are based upon, are caused by, or result from (i) any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or in any application or (ii) any omission or alleged omission of a material

fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information prepared and furnished to the Company by such holder expressly for use therein; provided, however, that the obligation to indemnify will be individual (and not joint) to each holder and will be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not materially prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnifying party shall not, except with the approval of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each indemnified party of a release from all liability in respect to such claim or litigation without any payment or consideration provided by such indemnified party.

(e) If the indemnification provided for in this Section 6 is unavailable to or is insufficient to hold harmless an indemnified party under the provisions above in respect to any losses, claims, damages or liabilities referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand from the sale of Registrable Securities pursuant to the registered offering of securities as to which indemnity is sought or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand in connection with the statement or omission which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand shall be deemed to be in the same

proportion as the total net proceeds from the offering (before deducting expenses) to the Company bear to the total net proceeds from the offering (before deducting expenses) to the sellers of Registrable Securities and any other sellers participating in the registration statement. The relative fault of the Company on the one hand and of the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand shall be determined by reference to, among other things, whether the untrue statement or alleged omission to state a material fact relates to information

supplied by the Company or by the sellers of Registrable Securities or other sellers participating in the registration statement and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the sellers of Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the sellers of Registrable Securities were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no seller of Registrable Securities shall be required to contribute any amount in excess of the net proceeds received by such Seller from the sale of Registrable Securities covered by the registration statement filed pursuant hereto. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) The indemnification and contribution by any such party provided for under this Agreement shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and will remain in full force and effect regardless of any investigation made or omitted by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of securities.

7. Participation in Underwritten Registrations.

(a) No Person may participate in any registration hereunder which is underwritten unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to the terms of any over-allotment or "green shoe" option requested by the managing underwriter(s), provided that no holder of Registrable Securities will be required to sell more than the number of Registrable Securities that such holder has requested the Company to include in any registration) and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

(b) Each Person that is participating in any registration hereunder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(e) above, such Person will forthwith discontinue the disposition of its Registrable Securities pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by such Section 4(e). In the event the Company shall give any such notice, the applicable time period mentioned in Section 4(b) during which a Registration Statement is to remain effective shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to this Section 7 to and including the date when each seller of a Registrable Security covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 4(e).

8. Current Public Information. At all times after the Company has filed a registration statement with the Securities and Exchange Commission pursuant to the requirements of either the Securities Act or the Securities Exchange Act, the Company will file all reports required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations adopted by the Securities and Exchange Commission thereunder, and will take such further action as any holder or holders of Registrable Securities may reasonably request, all to the extent required to enable such holders to sell Registrable Securities pursuant to Rule 144 adopted by the Securities and Exchange Commission under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission.

9. Definitions.

"Affiliate" means, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by or under common control with such Person.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership.

"CHS Registrable Securities" means (i) any shares of Class A Common Stock issued to the CHS Group pursuant to the Securities Purchase Agreement, (ii) Common Stock issued or issuable with respect to the securities referred to in

clause (i) above by way of exchange, dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization and (iii) other Common Stock held by any member of the CHS Group. As to any particular CHS Registrable Securities, such securities shall cease to be CHS Registrable Securities when they (1) have been distributed to the public pursuant to an offering registered under the Securities Act, (2) have been sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force) or could be sold to the public through a broker, dealer or market maker in compliance with Rule 144(e)(1)(i) and disregarding clauses (ii) and (iii) of Rule 144(e)(1) and disregarding Rule 144(k) under the Securities Act (or any similar rule then in force), (3) have been distributed by a CHS Group member to its partners or (4) have been repurchased by the Company or any of its subsidiaries.

"Class A Common Stock" means the Company's Class A Common Stock, par value $0.01 per share.

"Class B Common Stock" means the Company's Class B Common Stock, par value $0.01 per share.

"Class C Common Stock" means the Company's Class C Common Stock, par value $0.01 per share.

"Common Stock" means the Company's Class A Common Stock, Class B Common Stock and Class C Common Stock.

"Executive Registrable Securities" means (i) any shares of Common Stock issued to the Executives which have become vested in accordance with the terms of the applicable Executive Securities Agreement and (ii) any shares of Common Stock issued or issuable with respect to the securities referred to in clause (i) above by way of exchange, dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization. As to any particular Executive Registrable Securities, such securities shall cease to be Executive Registrable Securities when they (1) have been distributed to the public pursuant to an offering registered under the Securities Act, (2) have been sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force) or could be sold to the public through a broker, dealer or market maker in compliance with Rule 144(e)(1)(i) and disregarding clauses (ii) and (iii) of Rule 144(e)(1) and disregarding Rule 144(k) under the Securities Act (or any similar rule then in force) or (3) have been repurchased by the Company or any of its subsidiaries.

"Investor Registrable Securities" means the CHS Registrable Securities and the Teachers Registrable Securities.

"Other Registrable Securities" means (i) any shares of Common Stock held by the Other Investors as of the date hereof, or acquired hereafter from the Company and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) above by way of dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization. As to any particular Other Registrable Securities, such securities shall cease to be Other Registrable Securities when they (1) have been distributed to the public pursuant to an offering registered under the Securities Act, (2) have been sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force) or could be sold to the public through a broker, dealer or market maker in compliance with Rule 144(e)(1)(i) and disregarding clauses (ii) and (iii) of Rule 144(e)(1) and disregarding Rule 144(k) under the Securities Act (or any similar rule then in force) or (3) have been repurchased by the Company or any of its subsidiaries.

"Person" means an individual, a partnership, a joint venture, an association, a joint stock company, a corporation, a limited liability company, a trust, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Qualified Public Offering" means the sale in an underwritten public offering registered under the Securities Act that results in a trading market in the Common Stock of 15% or more of the Common Stock issued and outstanding following the consummation of such public offering.

"Registrable Securities" means, collectively, the Investor Registrable Securities, the Executive Registrable Securities and the Other Registrable Securities.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"Securities and Exchange Commission" includes any governmental body or

agency succeeding to the functions thereof.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force.

"Teachers Registrable Securities" means (i) any shares of Class C Common Stock issued to Teachers pursuant to the Securities Purchase Agreement, (ii) any shares of Class A Common Stock issued upon the conversion of any Class C Common Stock issued to Teachers pursuant to the Securities Purchase Agreement, (iii) any shares of Common Stock issued or issuable with respect to the securities referred to in clause (i) or (ii) above by way of exchange, dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization, and (iv) any other shares of Common Stock held by Teachers or its Affiliates. As to any particular Teachers Registrable Securities, such securities shall cease to be Teachers Registrable Securities when they (1) have been distributed to the public pursuant to an offering registered under the Securities Act, (2) have been sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force) or could be sold to the public through a broker, dealer or market maker in compliance with Rule 144(e)(1)(i) and disregarding clauses (ii) and (iii) of Rule 144(e)(1) and disregarding Rule 144(k) under the Securities Act (or any similar rule then in force) or (3) have been repurchased by the Company or any of its subsidiaries.

10. Miscellaneous.

(a) Adjustments Affecting Registrable Securities. The Company will not take any action, or permit any change to occur, with respect to its securities which would materially and adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split, combination of shares, recapitalization or reorganization).

(b) Remedies. Any Person having rights under any provision of this Agreement shall be entitled to enforce such rights specifically to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(c) Amendments and Waivers. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the holders of Registrable Securities unless such modification, amendment or waiver is approved in writing by CHS and Teachers; provided that in the event that such amendment or waiver would treat a holder or group of holders of Registrable Securities materially and adversely differently from any other holders of Registrable Securities, then such amendment or waiver will also require the consent of such holder or the holders of a majority of the Registrable Securities of such group materially and adversely treated; provided, further, that an amendment or modification of this Agreement to add a party hereto and to grant such party registration rights will be effective against the Company and all holders of Registrable Securities if such modification, amendment or waiver is approved in writing by the Company, CHS and Teachers (but such approval not to be unreasonably withheld in the event an Executive is proposed to be added to this Agreement solely as an additional holder of Executive Registrable Securities and no other amendment, modification or waiver). The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision in accordance with its terms.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the holders of Registrable Securities (or any portion thereof) as such shall be for the benefit of and enforceable by any subsequent holder of any Registrable Securities (or of such portion thereof).

(e) 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 or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had

never been contained herein.

(f) Entire Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts 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.

(g) Counterparts; Facsimile Signature. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement. This Agreement may be executed by facsimile signature.

(h) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Governing Law. All issues and questions concerning the relative rights and obligations of the Company and the Stockholders and the construction, validity, interpretation and enforceability of this Agreement 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.

(j) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when personally delivered or received by certified mail, return receipt requested, or sent by guaranteed overnight courier service. Such notices, demands and other communications will be sent to the Company at the address indicated below, to any party hereto at the address indicated on the Schedule of Stockholders attached hereto and to any subsequent holder of Registrable Securities at such address as indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party, and to the Company at the address indicated below:

If to the Company:

The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attention: Max W. Hillman, Jr.

with copies (which shall not constitute notice) to:

Code Hennessy & Simmons IV LP
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Attention: Peter M. Gotsch

And:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Stephen L. Ritchie, P.C.

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(k) Effect of Merger on this Agreement. Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Stockholders, the Company, as the surviving corporation in the Merger, shall assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

(l) 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.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Registration Agreement on the day and year first above written.

COMPANY: HCI ACQUISITION CORP.

By: /s/ PETER M. GOTSCH

Its:

CHS GROUP: CODE HENNESSY & SIMMONS IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

CHS ASSOCIATES IV LP

By: CHS Management IV LP
Its: General Partner

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

RANDOLPH STREET PARTNERS VI

By: /s/ STEPHEN L. RITCHIE

Managing Partner

/s/ PAIGE WALSH

Paige Walsh

TEACHERS: ONTARIO TEACHERS' PENSION PLAN BOARD

By: /s/ J. MARK MACDONALD

Its:

OTHER INVESTORS: HARBOURVEST PARTNERS VI - DIRECT FUND, L.P.

By: HarbourVest VI - Direct Associates LLC
Its: General Partner

By: HarbourVest Partners, LLC
Its: Managing Member

By: /s/ WILLIAM A. JOHNSTON

EXECUTIVES: /s/ Max W. Hillman, Jr.

Max W. Hillman, Jr.

/s/ Richard P. Hillman

Richard P. Hillman

/s/ James P. Waters

James P. Waters

/s/ Dennis Blake

Dennis Blake

/s/ Gary Seeds

Gary Seeds

/s/ Ken Foskey

Ken Foskey

/s/ Terry Rowe

Terry Rowe

/s/ George Heredia

George Heredia

/s/ Rick Buller

Rick Buller

/s/ John Marshall

John Marshall

EXHIBIT 10.1

EXECUTION COPY

$257,500,000 CREDIT AGREEMENT

DATED AS OF MARCH, 31ST 2004

AMONG

THE HILLMAN COMPANIES, INC.

HILLMAN INVESTMENT COMPANY

THE HILLMAN GROUP, INC.

THE LENDERS FROM TIME TO TIME PARTY HERETO,

MERRILL LYNCH CAPITAL,
AS ADMINISTRATIVE AGENT, ISSUING LENDER AND SWINGLINE LENDER,

JPMORGAN CHASE BANK,
AS SYNDICATION AGENT,

AND

MERRILL LYNCH & CO.,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
AND J.P. MORGAN SECURITIES
AS JOINT LEAD ARRANGERS AND JOINT LEAD BOOKRUNNERS

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CREDIT AGREEMENT

This Credit Agreement is dated as of _____, __, 2004 and is among THE HILLMAN COMPANIES, INC. ("Holdings"), HILLMAN INVESTMENT COMPANY ("Intermediate Holdings"), THE HILLMAN GROUP, INC., (the "Borrower"), the banks and other financial institutions from time to time party hereto (the "Lenders"), MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services, Inc., as Administrative Agent, Issuing Lender and Swingline Lender, JPMORGAN CHASE BANK, as Syndication Agent, and MERRILL LYNCH & CO., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and J.P. MORGAN SECURITIES together as the

Joint Lead Arrangers and Joint Bookrunners.

Holdings and the Borrower have requested the Lenders to provide credit facilities to the Borrower in the aggregate principal amount of up to $257,500,000 for the purposes described herein. The Lenders are willing to make the requested credit facilities available on the terms and conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 DEFINED TERMS. The following terms, as used herein, have the following meanings:

"Accession Agreement" means a Credit Party Accession Agreement, substantially in the form of Exhibit I hereto, executed and delivered by an Additional Subsidiary Guarantor after the Closing Date in accordance with Section 6.10(a).

"Acquisition" means the acquisition contemplated by the Acquisition Agreement.

"Acquisition Agreement" means the Agreement and Plan of Merger dated as of February 14, 2004 among AcquisitionCo, the Sellers and Target, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"AcquisitionCo" means HCI Acquisition Corp., a Delaware incorporated company.

"Acquisition Documents" means the Acquisition Agreement, including all exhibits and schedules thereto, and all other agreements, documents and instruments relating to the Acquisition, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Additional Collateral Documents" has the meaning set forth in Section 6.10(b).

"Additional Letter of Credit" means any letter of credit issued hereunder by an Issuing Lender on or after the Closing Date.

"Additional Subsidiary Guarantor" means each Person that becomes a Subsidiary Guarantor after the Closing Date by execution of an Accession Agreement as provided in Section 6.10.

"Adjusted London Interbank Offered Rate" means, for the Interest Period for each Eurodollar Loan comprising part of the same Group, the quotient obtained (rounded upward, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Eurodollar Reserve Percentage.

"Administrative Agent" means Merrill Lynch Capital, in its capacity as administrative agent for the Lenders hereunder and under the other Senior Finance Documents, and its successor or successors in such capacity.

"Administrative Agent's Office" means the Administrative Agent's office located at Merrill Lynch Capital, 222 N. LaSalle Street, 16th Floor, Chicago IL 60601, or such other office as may be designated by the Administrative Agent by written notice to the Borrower and the Lenders.

"Affiliate" means, with respect to any Person, (i) any Person that directly, or indirectly through one or more intermediaries, controls such Person (a "Controlling Person") or (ii) any other Person which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means (i) with respect to any Person having voting shares or their equivalent and elected directors, managers or Persons performing similar functions, the possession, directly or indirectly, of the power to vote 10% or more of the Equity Interests having ordinary voting power of such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting shares or their equivalent, by contract or otherwise.

"Agent" means the Administrative Agent, the Syndication Agent, or the Collateral Agent and any successors and assigns in such capacity, and "Agents" means any two or more of them.

"Agreement" means this Credit Agreement, as amended, restated, modified or supplemented from time to time.

"Anti-Terrorism Laws" means any Laws relating to terrorism or money-laundering, including, without limitation, (i) Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to

Commit, or Support Terrorism, (ii) the U.S. Patriot Act, (iii) the International Emergency Economic Power Act, 50 U.S.C. Section 1701 et seq., (iv) the Bank Secrecy Act, (v) the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq. and (vi) any related rules and regulations of the U.S. Treasury Department's Office of Foreign Assets Control or any other Governmental Authority, in each case as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Applicable Lending Office" means (i) with respect to any Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on Schedule 1.01E hereto or in any applicable Assignment and Acceptance pursuant to which such Lender became a Lender hereunder or such other office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time (so long as no additional cost to the Borrower results) specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained and (ii) with respect to any Issuing Lender and for each Letter of Credit, the "Lending Office" of such Issuing Lender (or of an Affiliate of such Issuing Lender) designated on the signature pages hereto or such other office of such Issuing Lender (or of an Affiliate of such Issuing Lender) as such Issuing Lender may from time to time specify (so long as no additional cost to the Borrower results) to the Administrative Agent and the Borrower as the office by which its Letters of Credit are to be issued and maintained.

"Applicable Margin" means, (i) for purposes of calculating the applicable interest rate for any day for any Term B Loan, (x) 3.25% in the case of Eurodollar Loans and 2.25% in the case of Base Rate Loans if the Leverage Ratio as of the applicable Calculation Date equals or exceeds 3.00 to 1.0 and (the pricing described in the foregoing clause (i)(x) constituting Pricing Level I with respect to Term B Loans for purposes of the next succeeding paragraph of this definition), (y) otherwise, 3.00% in the case

of Eurodollar Loans and 2.00% in the case of Base Rate Loans (the pricing described in the foregoing clause (i)(y) constituting Pricing Level II with respect to Term B Loans for purposes of the next succeeding paragraph), and (ii) for purposes of calculating the applicable interest rate for any day for any Revolving Loan, or any Swingline Loan or the applicable rate of the Letter of Credit Fee for any day for purposes of Section 2.11(b)(i), the appropriate applicable margin set forth below corresponding to the Leverage Ratio as of the most recent Calculation Date:

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		REVOLVING LOANS AND SWINGLINE LOANS		LETTER OF CREDIT FEES
Pricing Level	Leverage Ratio	Applicable Margin For Eurodollar Loans	Applicable Margin For Base Rate Loans	Applicable Margin For Letter of Credit Fee
<S> I	<C> > or = 3.5 to 1.0	<C> 3.00%	<C> 2.00%	<C> 3.00%
II	<3.5 to 1.0 but > or = 2.5 to 1.0	2.75%	1.75%	2.75%
III	<2.5 to 1.0 but > or = 1.5 to 1.0	2.50%	1.50%	2.50%
IV	<1.5 to 1.0	2.25%	1.25%	2.25%

</TABLE>

Each Applicable Margin shall be determined and adjusted quarterly on the date (each a "Calculation Date") five Business Days after the date by which the Borrower is required to provide the consolidated financial information required by Section 6.01(a) or (b) and the officer's certificate required by Section 6.01(c) for the fiscal quarter or year of the Borrower most recently ended prior to the Calculation Date; provided, however, that: (i) the initial Applicable Margin for Eurodollar Loans shall be 3.25%, in the case of Term B Loans, and 3.00%, in the case of Revolving Loans and Letter of Credit Fees; (ii) the initial Applicable Margin for Base Rate Loans shall be 2.25%, in the case of Term B Loans, and 2.00%, in the case of Revolving Loans and Letter of Credit Fees; (iii) the initial Applicable Margins determined in accordance with the immediately preceding clauses (i) and (ii) shall remain in effect until the first Calculation Date occurring after the end of the first full fiscal quarter of the Borrower ending at least three months after the Closing Date and, thereafter, each Applicable Margin for Term B Loans, Revolving Loans and Letter of Credit Fees shall be based on the Pricing Level (as shown above) corresponding to the Leverage Ratio as of the last day of the most recently ended fiscal quarter or year of the Borrower preceding the applicable Calculation Date; and (iv) if the Borrower fails to provide the consolidated financial information required by Section 6.01(a) or (b) or the officer's

certificate required by Section 6.01(c) for the most recently ended fiscal quarter or year of the Borrower preceding any applicable Calculation Date, (A) each Applicable Margin for Term B Loans, Revolving Loans and Letter of Credit Fees from such Calculation Date shall be based on the Pricing Level (as shown or described above) one level above that theretofore in effect (with Pricing Level I being one level higher than Pricing Level II and so on) and in each case until such time as such consolidated financial information and the officer's certificate is provided, whereupon each Applicable Margin shall be based on the Pricing Level (as shown or described above) corresponding to the Leverage Ratio as of the last day of the most recently ended fiscal quarter or year of the Borrower preceding such Calculation Date. Each Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margins shall be applicable to all Loans and Letters of Credit then existing or subsequently made or issued.

"Approved Fund" means (i) with respect to any Lender, an entity (whether a corporation, partnership, limited liability company, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business

and is managed by such Lender, its parent holding company or any of their respective subsidiaries, (ii) with respect to any Lender that is a fund that invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by any parent company of such Lender or any of their respective Subsidiaries and (iii) any special purpose funding vehicle described in Section 10.06(h).

"Asset Disposition" means any sale (including any Sale/Leaseback Transaction, whether or not involving a Capital Lease), lease (as lessor), transfer or other disposition (including any such transaction effected by way of merger or consolidation and including any sale or other disposition of Equity Interests of a Subsidiary, but excluding any sale or other disposition by way of Casualty or Condemnation) by any Group Company of any asset.

"Assignment and Acceptance" means an Assignment and Acceptance, substantially in the form of Exhibit C hereto, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 10.06(b).

"Attributable Debt" means, at any date (i) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (ii) in respect of any Synthetic Lease Obligation of any Person, the capitalized or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement were accounted for as a Capital Lease and (iii) in respect of any Sale/Leaseback Transaction described in Section 7.13, the lesser of (A) the present value, discounted in accordance with GAAP at the interest rate implicit in the related lease, of the obligations of the lessee for net rental payments over the remaining term of such lease (including any period for which such lease has been extended or may, at the option of the lessor be extended) and (B) the fair market value of the assets subject to such transaction.

"Availability Period" means the period from the Closing Date to the Revolving Termination Date.

"Bank Secrecy Act" means the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, 31 U.S.C. 1051, et seq., as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means at any date a Loan bearing interest at a rate determined by reference to the Base Rate.

"Borrower" means The Hillman Group, Inc.

"Borrowing" has the meaning set forth in Section 1.04.

"Business Acquisition" means the acquisition by the Borrower or one or more of its Wholly-Owned Subsidiaries of all of the Equity Interests of, or all (or any division, line of business or substantial part for which financial statements or other financial information reasonably satisfactory to the Administrative Agent is available) of the assets or property of, another Person.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required to close, except that (i) when used in Section 2.05 with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where such Issuing Lender's Applicable Lending Office is located; and (ii) if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurodollar Loan, or a notice by the Borrower with respect to any such borrowing, payment, prepayment or Interest Period, such day shall also be a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

"Capital Lease" of any Person means any lease of (or other arrangement conveying the right to use) property (whether real, personal or mixed) by such Person as lessee which would, in accordance with GAAP, be required to be accounted for as a capital lease on the balance sheet of such Person.

"Capital Lease Obligations" means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Capitalization Documents" has the meaning set forth in Section 4.01(f).

"Cash Collateralize" means to pledge and deposit with or deliver to the Collateral Agent, for the benefit of the Issuing Lenders and the Revolving Lenders, as collateral for the LC Obligations, cash or deposit balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the Issuing Lenders.

"Cash Equivalents" means, at any date of determination:

(i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) or, with respect to any Foreign Subsidiary, an equivalent obligation of the government of the country in which such Foreign Subsidiary transacts business, in each case maturing within one year after such date;

(ii) time deposits and certificates of deposit, including eurodollar time deposits and, with respect to any Foreign Subsidiary, time deposits in the currency of any country in which such Foreign Subsidiary transacts business, of any commercial bank organized in the United States having capital and surplus in excess of $100,000,000 or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent)with a maturity date not more than one year from the date of acquisition;

(iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) above entered into with any bank meeting the qualifications specified in clause (ii) above and organized in the United States;

(iv) direct obligations issued by any state of the United States or any political subdivision of any state or any public instrumentality thereof maturing within 90 days after the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be

rating such obligations, then from such other nationally recognized rating service reasonably acceptable to the Administrative Agent);

(v) commercial paper issued by the parent corporation of any commercial bank organized in the United States having capital and surplus in excess of $100,000,000, or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent), and commercial paper issued by others having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then from such other nationally recognized rating services reasonably acceptable to the Administrative Agent) and in each case maturing within one year after the date of acquisition;

(vi) overnight bank deposits and bankers' acceptances at any

commercial bank organized in the United States having capital and surplus in excess of $100,000,000 or with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent);

(vii) deposits available for withdrawal on demand with commercial banks organized in the United States having capital and surplus in excess of $50,000,000 or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $50,000,000 (or its foreign currency equivalent); and

(viii) investments in money market funds substantially all of whose assets comprise securities of the types described in clauses (i) through (vii).

"Casualty" means any casualty, loss, damage, destruction or other similar loss with respect to real or personal property or improvements.

"Casualty Insurance Policy" means any insurance policy maintained by any Group Company covering losses with respect to Casualties.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any applicable law, rule, regulation or treaty, (ii) any change in any applicable law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Change of Control" means the occurrence of any of the following events:

(i) (A) Holdings shall cease to own directly or indirectly 100% of the Common Stock Equity Interests of Intermediate Holdings, on a fully-diluted basis assuming the conversion and exercise of all outstanding Equity Equivalents (whether or not such securities are then currently convertible or exercisable), (B) the Investor Group shall cease to own directly or indirectly 51% of the outstanding Preferred Stock of Intermediate Holdings, (C) Intermediate Holdings shall cease to own directly or indirectly 100% of the Equity Interests of the Borrower, on a fully-diluted basis assuming the conversion and exercise of all outstanding Equity Equivalents (whether or not such securities are then currently convertible or exercisable), (D) the Investor Group shall cease to own beneficially (as defined in the Exchange Act), directly or

indirectly, at least 51% of the outstanding voting Equity Interests of Holdings, (E) any "person" or "group" (as each such term is defined in the Exchange Act), other than the Sponsor Group, is or becomes the "beneficial owner" (as defined in the Exchange Act, except that a Person will be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of a greater percentage of the voting Equity Interests of Holdings and the Preferred Stock of Intermediate Holdings, than the percentage of the voting Equity Interests of Holdings and Preferred Stock of Intermediate Holdings, then owned beneficially, directly or indirectly, by the Sponsor Group or (F) the failure at any time of the Investor Group to control, whether through the ownership of voting securities or by contract, a majority of the seats on the board of directors (or persons performing similar functions) of Holdings; or

(ii) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors (or persons performing similar functions) of Holdings together with any new members of such board of directors (A) whose elections by such board of directors or whose nominations for election by the equityholders of Holdings was approved by a vote of a majority of the members of such board of directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved or by any new directors who were nominated to serve on behalf of the Investor Group or (B) elected or appointed by the Investor Group, cease for any reason to constitute a majority of the directors of Holdings still in office; or

(iii) a "change of control" or similar event (as defined in any debt instrument in excess of $5 million) occurs.

"Class" has the meaning set forth in Section 1.04.

"Closing Date" means the date on or after the Effective Date when the first Credit Extension occurs in accordance with Section 4.01.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time.

"Collateral" means all of the property which is subject or is purported to be subject to the Liens granted by the Collateral Documents.

"Collateral Agent" means Merrill Lynch Capital, in its capacity as collateral agent for the Finance Parties under the Collateral Documents, and its successor or successors in such capacity.

"Collateral Documents" means, collectively, the Security Agreement, the Pledge Agreement, the Depositary Bank Agreements, each Mortgage, any Additional Collateral Documents, any additional pledges, security agreements, patent, trademark or copyright filings or mortgages required to be delivered pursuant to the Finance Documents and any instruments of assignment, control agreements, lockbox letters or other instruments or agreements executed pursuant to the foregoing.

"Commitment" means (i) with respect to each Lender, its Revolving Commitment and/or its Term B Commitment, as and to the extent applicable, (ii) with respect to each Issuing Lender, its LC Commitment and (iii) with respect to the Swingline Lender, the Swingline Commitment, in each case as set forth on Schedule 1.01A or in the applicable Assignment and Acceptance as its Commitment of the

applicable Class, as any such amount may be increased or decreased from time to time pursuant to this Agreement.

"Commitment Fee" has the meaning set forth in Section 2.11(a).

"Common Stock" means the common stock of either Holdings, Intermediate Holdings, the Borrower or any of its Subsidiaries.

"Computer Hardware" means all computer and other electronic data processing hardware of a Credit Party, whether now or hereafter owned, licensed or leased by such Credit Party, including, without limitation, all integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware, all documentation, flowcharts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes associated with any of the foregoing and all options, warranties, services contracts, program services, test rights, maintenance rights, support rights, renewal rights and indemnifications relating to any of the foregoing.

"Condemnation" means any taking by a Governmental Authority of property or assets, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation.

"Condemnation Award" means all proceeds of any Condemnation or transfer in lieu thereof.

"Consolidated Adjusted Working Capital" means at any date the excess of (i) Consolidated Current Assets (excluding (A) cash and Cash Equivalents classified as such in accordance with GAAP and (B) deferred taxes calculated in accordance with GAAP) over (ii) Consolidated Current Liabilities (excluding (A) the current portion of any Consolidated Funded Debt, (B) the aggregate principal amount of outstanding Revolving Loans, (C) accrued and unpaid interest on any Consolidated Funded Debt and/or Revolving Loans and (D) deferred taxes calculated in accordance with GAAP).

"Consolidated Capital Expenditures" means for any period the aggregate amount of all expenditures (whether paid in cash or other consideration or accrued as a liability) that would, in accordance with GAAP, be included as additions to property, plant and equipment and other capital expenditures of Holdings and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of Holdings and its Consolidated Subsidiaries for such period (including the amount of assets leased under any Capital Lease), but excluding (to the extent that they would otherwise be included) (i) any such expenditures made for the replacement or restoration of assets in amounts not exceeding the aggregate amount of Insurance Proceeds or Condemnation Award with respect to the asset or assets being replaced or restored, (ii) for purposes of Section 7.14 only, capital expenditures for Permitted Business Acquisitions, (iii) any such expenditures made with proceeds of a Qualifying Equity Issuance, (iv) any such expenditures to the extent Holdings or any of its Consolidated Subsidiaries has received reimbursement in cash from a third party other than Holdings or one or more of its Consolidated Subsidiaries and (v) capitalized interest; provided, however, that Consolidated Capital Expenditures for any fiscal quarter shown on

Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Cash Interest Expense" means for any period Consolidated Interest Expense that has been paid in cash for such period, or any cash interest that is paid in such period for which the interest expense was accrued in a prior period in accordance with GAAP, other than (to the

extent, but only to the extent, included in the determination of Consolidated Interest Expense for such period in accordance with GAAP and paid in cash for such period), (i) amortization of debt discount and debt issuance fees, (ii) any fees (including underwriting fees and expenses) paid in connection with the consummation of the Transaction or Permitted Business Acquisitions, (iii) any payments made to obtain Derivatives Agreements, (iv) any agent or collateral monitoring fees paid or required to be paid pursuant to any Finance Document, (v) the actual or implied interest component of any consulting payments and (vi) annual agency fees, unused line fees and letter of credit fees and expenses paid hereunder; provided, however, that Consolidated Cash Interest Expense for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Cash Tax Expense" means for any period the aggregate Federal, state, local and foreign income, franchise, state single business unitary and similar taxes that have been paid in cash by Holdings and its Consolidated Subsidiaries for such period; provided, however, that Consolidated Cash Tax Expense for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Current Assets" means at any date the consolidated current assets of Holdings and its Consolidated Subsidiaries determined as of such date.

"Consolidated Current Liabilities" means at any date the consolidated current liabilities of Holdings and its Consolidated Subsidiaries determined as of such date.

"Consolidated Debt" means at any date the Debt of Holdings and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated EBITDA" means for any period the sum of (i) Consolidated Net Income for such period (excluding therefrom (x) any extraordinary, or non-cash unusual or non recurring items of gain or loss, (y) any gain or loss from discontinued operations and (z) any gain or loss attributable to Asset Dispositions made other than in the ordinary course of business), plus (ii) to the extent not otherwise included in the determination of Consolidated Net Income for such period, all proceeds of business interruption insurance policies, if any, received during such period plus (iii) (without duplication) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (A) Consolidated Interest Expense, (B) provisions for Federal, state, local and foreign income, franchise, state single business unitary and similar taxes, (C) depreciation, amortization (including, without limitation, amortization of goodwill and other intangible assets), impairment of goodwill and other non-cash charges or expenses (excluding any such non-cash charge to the extent that it represents amortization of a prepaid cash expense that was paid in a prior period), (D) non-cash compensation expense, or other non-cash expenses or charges, arising from the sale of stock, the granting of stock options, the granting of stock appreciation rights and similar arrangements (including any repricing, amendment, modification, substitution or change of any such stock, stock option, stock appreciation rights or similar arrangements), (E) non-cash rent expense, (F) any financial advisory fees, accounting fees, legal fees and other similar advisory and consulting fees and related out-of-pocket expenses of the Borrower incurred as a result of the Transaction, all determined in accordance with GAAP, eliminating any increase or decrease in income resulting from non-cash accounting adjustments made in connection with the Acquisition, (G) Transaction related expenditures (including cash charges in respect of strategic market reviews, management bonuses, including payments under the sale bonus program, of up to $1,510,000.00 in aggregate, early retirement of Debt, restructuring, consolidation, severance or discontinuance of any portion of operations, employees and/or management) described on Schedule 1.01B, (H) expenses incurred by Holdings or any Consolidated Subsidiary to the extent reimbursed in cash by a third party other than Holdings or one or more of its Consolidated Subsidiaries, (I) fees and expenses in connection with the exchange of the Subordinated Debentures, (J) unrealized

losses on Derivatives Agreements, (K) losses from foreign currency adjustments, (L) losses in respect of pension or other post-retirement benefits or pension assets, (M) write-offs of deferred financing costs, (N) expenses in respect of earn-out obligations (O) any financial advisory fees, accounting fees, legal fees and similar advisory and consulting fees and related out-of-pocket expenses

of the Borrower and its Consolidated Subsidiaries incurred as a result of Permitted Business Acquisitions, all determined in accordance with GAAP and in each case eliminating any increase or decrease in income resulting from non-cash accounting adjustments made in connection with the related Permitted Business Acquisition and (P) expenses relating to the granting and exercising of management options on or prior to the Closing Date, minus (iv) any amount which, in the determination of Consolidated Net Income for such period, has been added for any non-cash income or non-cash gains, all as determined in accordance with GAAP minus (v) the aggregate amount of cash payments made during such period in respect of any non-cash accrual, reserve or other non-cash charge or expense accounted for in a prior period and not otherwise reducing Consolidated Net Income for such period, provided, however, that Consolidated EBITDA for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G; and provided, further, that Consolidated EBITDA for the fiscal quarter during which the Closing Date occurs shall be calculated on a Pro-Forma Basis by reducing Consolidated Net Income for such quarter by the aggregate amount of management fees payable to the Sponsor in respect of such quarter or which would have been payable in respect of such quarter if the Closing Date had occurred on the first day of such quarter, each such pro-forma reduction to be in the applicable amount shown therefor for such quarter on Schedule 1.01G.

For purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Leverage Ratio, the Interest Coverage Ratio and the Fixed Charge Coverage Ratio, if during such Reference Period (or in the case of pro-forma calculations, during the period from the last day of such Reference Period to and including the date as of which such calculation is made) any Group Company shall have made an Asset Disposition or a series of Asset Dispositions involving assets comprising all or substantially all of an operating unit of a business or constituting all or substantially all of the common stock of a Subsidiary or made a Permitted Business Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving effect thereto on a Pro-Forma Basis, giving effect to projected or anticipated cost savings permitted or required by regulations S-X or S-K under the Securities Act or otherwise agreed to by the Administrative Agent in its reasonable discretion after consultation with the Borrower.

"Consolidated Fixed Charges" means, for any period, the sum of (i) Consolidated Cash Interest Expense for such period plus (ii) Consolidated Scheduled Debt Payments for such period plus (iii) Consolidated Cash Tax Expense for such period.

"Consolidated Funded Debt" means at any date the Funded Debt of Holdings and its Consolidated Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, for any period, the total interest expense, whether paid or accrued in such period and whether or not capitalized in such period, (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments under Capital Leases (regardless of whether accounted for as interest expense under GAAP), all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptances and net costs in respect of Derivatives Obligations constituting interest rate swaps, collars, caps or other arrangements requiring payments contingent upon interest rates of Holdings and its Consolidated Subsidiaries), net of interest income, in each case determined on a consolidated basis for such period.

"Consolidated Net Income" means, for any period, the net income (or net loss) after taxes of Holdings and its Consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from the calculation of Consolidated Net Income for any period (i) the income (or loss) of any Person in which any other Person (other than Holdings or any of its Wholly-Owned Consolidated Subsidiaries) has an ownership interest, except to the extent that any such income is actually received in cash by Holdings or such Wholly-Owned Consolidated Subsidiary in the form of Restricted Payments during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of Holdings or is merged with or into or consolidated with Holdings or any of its Consolidated Subsidiaries or that Person's assets are acquired by Holdings or any of its Consolidated Subsidiaries, except as provided in the definitions of Consolidated EBITDA and "Pro-Forma Basis" herein and (iii) the income of any Subsidiary of Holdings to the extent that the declaration or payment of Restricted Payments or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary.

"Consolidated Scheduled Debt Payments" means, for any period, the sum of all scheduled payments of principal on the Loans and all other Consolidated Funded Debt (including, without limitation, the principal component

of Capital Lease Obligations and Purchase Money Debt) paid or payable during such period), but excluding payments due on Revolving Loans and Swingline Loans during such period; provided that Consolidated Scheduled Debt Payments for any period shall not include voluntary prepayments of Consolidated Funded Debt, mandatory prepayments of the Term B Loans pursuant to Section 2.09(b) or other mandatory prepayments (other than by virtue of scheduled amortization) of Consolidated Funded Debt (but Consolidated Scheduled Debt Payments for a period shall be adjusted to reflect the effect on scheduled payments of principal for such period of the application of any prepayments of Consolidated Funded Debt during or preceding such period); provided, however, that Consolidated Scheduled Debt Payments for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Subsidiary" means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

"Consolidated Total Assets" means at any date the total consolidated assets of Holdings and its Consolidated Subsidiaries determined as of such date.

"Copyright" means any of the following, whether now existing or hereafter arising, created or acquired: (i) all common law and/or statutory rights in all copyrightable subject matter under the laws of the United States or any other country (whether or not the underlying works of authorship have been published); (ii) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental, derivative or collective work registrations and pending applications for registrations in the United States Copyright Office or any other country; (iii) all computer programs, web pages, computer data bases and computer program flow diagrams, including all source codes and object codes related to any or all of the foregoing; (iv) all tangible property embodying or incorporating any or all of the foregoing, whether in completed form or in some lesser state of completion, and all masters, duplicates, drafts, versions, variations and copies thereof, in all formats; (v) all claims for, and rights to sue for, past, present and future infringement of any of the foregoing; (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Copyright Licenses in connection therewith; (vii) all rights in any of the foregoing, whether arising under the laws of the United

States or any foreign country or otherwise, to copy, record, synchronize, broadcast, transmit, perform and/or display any of the foregoing or any matter which is the subject of any of the foregoing in any manner and by any process now known or hereafter devised; and (viii) the name and title of each Copyright item and all rights of any Credit Party to the use thereof, including, without limitation, rights protected pursuant to trademark, service mark, unfair competition, anti-cybersquatting and/or the rules and principles of any other applicable statute, common law or other rule or principle of law now existing or hereafter arising.

"Copyright License" means any agreement now or hereafter in existence granting to any Credit Party any rights, whether exclusive or non-exclusive, to use another Person's copyrights or copyright applications, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, with respect to any Copyright, whether or not registered.

"Credit Exposure" has the meaning set forth in the definition of "Required Lenders" in this Section 1.01.

"Credit Extension" means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

"Credit Party" means each of Holdings, Intermediate Holdings, the Borrower and each Subsidiary Guarantor, and "Credit Parties" means any combination of the foregoing.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (iv) all obligations, other than intercompany items, of such Person to pay the deferred purchase price of property or services (other than trade accounts and accrued expenses arising in the ordinary course of business), (v) the Attributable Debt of such Person in respect of Capital Lease Obligations,

(vi) (other than the Management Put Rights up to a maximum aggregate amount of $8,000,000) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property and which mature or otherwise become non-contingent on or prior to the later of 90 days after the Revolving Termination Date and the Term B Maturity Date, (vii) all non-contingent obligations (and, solely for purposes of Section 7.01 and Section 8.01(e), all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, bankers' acceptance or similar instrument, (viii) all obligations of others secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) a Lien on, or payable out of the proceeds of production from, any property or asset of such Person, whether or not such obligation is assumed by such Person; provided that the amount of any Debt of others that constitutes Debt of such Person solely by reason of this clause (viii) shall not for purposes of this Agreement exceed the greater of the book value or the fair market value of the properties or assets subject to such Lien, (ix) all Guaranty Obligations of such Person in respect of Debt of another Person, (x) all Debt Equivalents of such Person, (xi) all Derivatives Obligations of such Person (determined at their then respective Derivatives Termination Values) and (xii) the Debt of any other Person (including any partnership in which such Person is a general partner and any unincorporated joint venture in which such Person is a joint venturer) to the extent such Person would be liable therefor under applicable law or any agreement or instrument by virtue of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such person shall not be liable therefore; provided (i) Debt shall not include (x) earn out obligations until matured or earned or employee consulting agreements and (y) for the purposes only of Section 7.17, the

Derivatives Termination Value, and (ii) that the amount of any Limited Recourse Debt of any Person shall be equal to the lesser of (A) the aggregate principal amount of such Limited Recourse Debt for which such Person provides credit support of any kind (including any undertaking agreement or instrument that would constitute Debt), is directly or indirectly liable as a guarantor or otherwise or is the lender and (B) the fair market value of any assets securing such Debt or to which such Debt is otherwise recourse.

"Debt Equivalents" of any Person means any Equity Interest of such Person which by its terms (or by the terms of any security for which it is convertible or for which it is exchangeable or exercisable), or upon the happening of any event or otherwise (including an event which would constitute a Change of Control but only to the extent such an event occurs), (A) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund or otherwise, (B) is convertible into or exchangeable for Debt or Debt Equivalents or (C) is redeemable or subject to any repurchase requirement arising at the option of the holder thereof, in each case, in whole or in part, on or prior to the first anniversary of the latest of the Revolving Termination Date or the Term B Maturity Date.

"Debt Issuance" means the issuance by any Group Company of any Debt.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means at any time any Lender that, within one Business Day of when due, (i) has failed to make a Loan or purchase a Participation Interest in a Swingline Loan or an LC Obligation required pursuant to the terms of this Agreement, (ii) other than as set forth in clause (i) above, has failed to pay to any Agent or any Lender an amount owed by such Lender pursuant to the terms of the Agreement or any other Senior Finance Document unless such amount is subject to a good faith dispute or (iii) has been deemed insolvent or has become subject to a receivership or insolvency event.

"Depositary Bank Agreement" means an agreement between a Credit Party and any bank or other depositary institution, substantially in the form of Exhibit D to the Security Agreement, as the same may be amended, modified or supplemented from time to time.

"Derivatives Agreement" means (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master

agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement.

"Derivatives Creditor" means any Lender or any Affiliate of any Lender from time to time party to one or more Derivatives Agreements permitted hereunder with a Credit Party (even if any such Lender for any reason ceases after the execution of such agreement to be a Lender hereunder), and its successors and assigns, and "Derivatives Creditors" means any two or more of them, collectively.

"Derivatives Obligations" of any Person means all obligations (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to such Person, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) of such Person in respect of any Derivatives Agreement, excluding any amounts which such Person is entitled to set-off against its obligations under applicable law.

"Derivatives Termination Value" means, at any date and in respect of any one or more Derivatives Agreements, after taking into account the effect of any legally enforceable netting agreements relating to such Derivatives Agreements, (i) for any date on or after the date such Derivatives Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (ii) for any date prior to the date referenced in clause (i), the amount(s) determined as the mark-to-market value(s) for such Derivatives Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Derivatives Agreements (which may include any Lender).

"Dollars" and the sign "$" means lawful money of the United States of America.

"Domestic Subsidiary" means with respect to any Person each Subsidiary of such Person which is incorporated under the laws of the United States or any state thereof, and the District of Columbia, and "Domestic Subsidiaries" means any two or more of them.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 10.18.

"Eligible Assignee" means (i) any Lender, (ii) any Affiliate of a Lender, (iii) any Approved Fund and (iv) any other commercial bank, finance company, insurance company or other financial institution or fund (other than a natural Person) approved by (A) the Administrative Agent, (B) in the case of any assignment of a Revolving Commitment, the Issuing Lenders and the Swingline Lender and unless (y) the assignment is being made to such person by an Agent on or prior to the Syndication Date in consultation with the Borrower or (z) a Default or an Event of Default has occurred and is continuing at the time any assignment is effected pursuant to Section 10.06(b), the Borrower (each such approval not to be unreasonably withheld, conditioned or delayed and any such approval required of the Borrower to be deemed given by the Borrower if no objection from the Borrower is received by the assigning Lender and the Administrative Agent within five Business Days after notice of such proposed assignment has been provided by the assigning Lender to the Borrower); provided, however, that (i) Holdings and its Affiliates shall not qualify as Eligible Assignees; and (ii) that no Person shall be an Eligible Assignee if such Person appears on the list of Specially Designated Nationals and Blocked Persons prepared by the U.S. Treasury Department's Office of Foreign Assets Control or the purchase by such Person of an assignment or the performance by any Agent of its duties under the Senior Finance Documents with respect to such Person violates or would violate any Anti-Terrorism Law.

"Employee Benefit Arrangements" means, in any jurisdiction, the benefit schemes or arrangements in respect of any employees or past employees operated by any Group Company or in which any Group Company participates and which provide benefits on retirement, ill-health, injury, death or voluntary withdrawal from or termination of employment, including termination indemnity payments and life assurance and post-retirement medical benefits.

"Environmental Laws" means all Laws relating in any way to the protection of the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of remediation, fines, penalties or indemnities), of any Group Company directly or indirectly resulting from or based on (i) violation of any Environmental Law, (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Material, (iii) exposure to any Hazardous Material, (iv) the release or

threatened release of any Hazardous Material into the environment or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Equivalents" means with respect to any Person any rights, warrants, options, convertible securities, exchangeable securities, indebtedness or other rights, in each case exercisable for or convertible or exchangeable into, directly or indirectly, Equity Interests of such Person or securities exercisable for or convertible or exchangeable into Equity Interests of such Person, whether at the time of issuance or upon the passage of time or the occurrence of some future event.

"Equity Interests" means all shares of capital stock, partnership interests (whether general or limited), limited liability company membership interests, beneficial interests in a trust and any other interest or participation that confers on a Person the right to receive a share of profits or losses, or distributions of assets, of an issuing Person, but excluding any debt securities convertible into such Equity Interests.

"Equity Issuance" means (i) any sale or issuance by any Group Company to any Person other than Holdings or a Subsidiary of Holdings of any Equity Interests or any Equity Equivalents (other than any such Equity Equivalents that constitute Debt) and (ii) the receipt by any Group Company of any cash capital contributions, whether or not paid in connection with any issuance of Equity Interests of any Group Company, from any Person other than Holdings or a Subsidiary of Holdings.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any rule or regulation issued thereunder.

"ERISA Affiliate" means each business or entity which is or was a member of a "controlled group of corporations", under "common control" or a member of an "affiliated service group" with a Group Company within the meaning of Section 414(b), (c) or (m) of the Code, or required or was required to be aggregated with a Group Company under Section 414(o) of the Code or is or was under "common control" with a Group Company, within the meaning of Section 4001(a)(14) of ERISA.

"ERISA Event" means:

(i) a reportable event as defined in Section 4043 of ERISA and the regulations issued under such Section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event;

(ii) the requirements of Section 4043(b) of ERISA apply with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of any Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days;

(iii) (x) the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Plan (whether or not waived in accordance with Section 412(d) of the Code), the application for a minimum funding waiver under Section 303 of ERISA with respect to any Plan, or the failure to make by its due date a required installment under Section

412(m) of the Code with respect to any Plan; or (y) the failure to make any required contribution to a Multiemployer Plan;

(iv) the incurrence of any material liability by a Group Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), or the occurrence or existence of any event, transaction or condition that could reasonably be expected to result in the incurrence of any such material liability by a Group Company or any ERISA Affiliate, or in the imposition of any lien on any of the rights, properties or assets of a Group Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions of the Code or to Section 401(a)(29) or 412 of the Code;

(v) the provision by the administrator of any Plan pursuant to Section 4041(a)(2) of ERISA of a notice (or the reasonable expectation of such provision of notice) of intent to terminate such Plan in a distress termination described in Section 4041(c) of ERISA, the institution by the PBGC of proceedings to terminate any Plan or the occurrence of any event or condition which could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee by the PBGC to administer, any Plan;

(vi) the withdrawal of a Group Company or ERISA Affiliate in

a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any material liability therefor, or the receipt by a Group Company or ERISA Affiliate of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA;

(vii) the imposition of material liability (or the reasonable expectation thereof) on a Group Company or ERISA Affiliate pursuant to Section 4062, 4063, 4064 or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA;

(viii) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, or against a Group Company in connection with any Plan;

(ix) the receipt from the United States Internal Revenue Service of notice of the failure of any Plan (or any Employee Benefit Arrangement intended to be qualified under Section 401(a) of the Code) to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Plan to qualify for exemption from taxation under Section 501(a) of the Code, and, with respect to Multiemployer Plans, notice thereof to any Group Company; or

(x) the establishment or amendment by a Group Company of any Welfare Plan that provides post-employment welfare benefits in a manner that would increase the liability of a Group Company.

"Eurodollar Loan" means at any date a Loan which bears interest at a rate determined by reference to the Adjusted London Interbank Offered Rate.

"Eurodollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any other entity succeeding to the functions currently performed thereby) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion Dollars in respect of "Eurocurrency liabilities" (or in respect of any other

category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents), whether or not a Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for prorations, exceptions or offsets that may be available from time to time to a Lender. The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"Event of Default" has the meaning set forth in Section 8.01.

"Evergreen Letter of Credit" has the meaning set forth in Section 2.05(c).

"Excess Cash Flow" means for any period an amount equal to (i) Consolidated EBITDA for such period plus (ii) all cash extraordinary, unusual or non recurring gains, if any, during such period (whether or not accrued in such period), plus (iii) (x) the decrease, if any, in Consolidated Adjusted Working Capital less (y) the decrease, if any, in the principal amount of Revolving Loans and Swingline Loans, in each case from the first day to the last day of such period, minus (iv) the amount, if any, which, in the determination of Consolidated Net Income for such period, has been included in respect of income or gain from Asset Dispositions of Holdings and its Consolidated Subsidiaries to the extent utilized or repay or prepay Loans pursuant to Section 2.09(b)(iv), minus (v) the aggregate amount (without duplication and in each case except to the extent paid, directly or indirectly, with proceeds of any Equity Issuance or Debt Issuance (other than Revolving Loans) by any Group Company) of (A) the sum of (x) cash payments during such period in respect of Consolidated Capital Expenditures allowed under Section 7.14 plus (y) to the extent amounts permitted to be paid during such period in respect of Consolidated Capital Expenditures are carried forward to the next succeeding period in accordance with Section 7.14(b), the aggregate amounts of all cash payments (not to exceed such permitted carryforward amount) in respect of such Consolidated Capital Expenditures made during the first 90 days of such next succeeding period (it being understood and agreed that any cash payments in respect of Consolidated Capital Expenditures deducted from Excess Cash Flow pursuant to this clause (v)(A)(y) shall not thereafter be deducted pursuant to clause (v)(A)(x) above in the determination of Excess Cash Flow for the period during which such payments were actually paid), (B) cash payments during such period in respect of Permitted Business Acquisitions allowed under Section 7.06(a)(xiii), other permitted Investments allowed under Section 7.06(a)(xxi) and Permitted Joint

Ventures allowed under Section 7.06(a)(xvii), (C) permitted optional prepayments of Debt (other than Subordinated Debt) during such period, (D) to the extent not included in clause (v) above, repayments or prepayments of the Revolving Loans and Swingline Loans to the extent the Revolving Commitments and the Swingline Commitment are permanently reduced at the time of such payment, (E) earn-out payments paid in cash during such period, (F) the aggregate amount of all Restricted Payments actually paid in cash in accordance with this agreement by Holdings during such period, (G) the aggregate amount of all financial advisory fees, accounting fees, legal fees and other similar advisory and consulting fees and related out-of-pocket expenses incurred as a result of the Transaction or any Permitted Business Acquisition and actually paid in cash by Holdings and its Consolidated Subsidiaries during such period, in each case to the extent added to Consolidated Net Income in the determination of Consolidated EBITDA for such period, (H) Transaction related expenditures (including cash charges arising out of strategic market reviews, early extinguishment of Debt, management bonuses, restructuring, consolidation, severance or discontinuance of any portion of operations, employees and/or management) described on Schedule 1.01B and actually paid in cash by Holdings and its Consolidated Subsidiaries during such period, in each case to the extent added to Consolidated Net Income in the determination of Consolidated EBITDA for such period, (I) Consolidated Cash Interest Expense and, without duplication and only to the extent included in Consolidated Interest Expense for such period, any expenses identified in clauses (i) through (vi) of the

definition of Consolidated Cash Interest Expense actually paid in cash by Holdings and its Consolidated Subsidiaries during such period, (J) Consolidated Cash Tax Expense actually paid by Holdings and its Consolidated Subsidiaries during such period, and (K) Consolidated Scheduled Debt Payments actually paid by Holdings and its Consolidated Subsidiaries during such period, minus (vi) all cash extraordinary, unusual or non-recurring losses, if any, during such period (whether or not accrued in such period), minus (vii) (x) the increase, if any, in Consolidated Adjusted Working Capital less (y) the increase, if any, in the principal amount of Revolving Loans and Swingline Loans, in each case from the first day to the last day of such period, minus (viii) to the extent included in the determination of Consolidated EBITDA for such period, amounts (whether positive or negative) derived from changes in foreign currency exchange rates during such period.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Asset Disposition" means an Asset Disposition permitted pursuant to Section 7.05 other than Asset Dispositions pursuant to Sections 7.05(vii), (xiii), and (xv).

"Excluded Equity Issuance" means (i) any issuance by any Subsidiary of the Borrower of its Equity Interests to the Borrower or any other Subsidiary of the Borrower, (ii) the receipt by any Subsidiary of the Borrower of a capital contribution from the Borrower or a Subsidiary of the Borrower, (iii) any Qualifying Equity Issuance and (iv) any issuance of Equity Interests to qualify directors where required by applicable Law or to satisfy other requirements of applicable Law with respect to the ownership of Equity Interests of Foreign Subsidiaries.

"Excluded Taxes" means with respect to any Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (i) income or franchise taxes imposed on (or measured by) its net income by the United States or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its Applicable Lending Office is located, (ii) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, and (iii) in the case of any Borrowing with respect to any Lender (other than an Eligible Assignee pursuant to a request by a Borrower under Section 2.10(d)), any withholding tax imposed by the jurisdiction in which the Borrower is located that is (A) imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or (B) is attributable to such Lender's failure to comply (other than as a result of a Change in Law) with Section 3.01(d) and Section 10.06(c), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Sections 3.01(a).

"Existing Letters of Credit" means the letters of credit issued before the Closing Date and described by date of issuance, letter of credit number, undrawn amount, names of beneficiary and date of expiry on Schedule 2.05, and "Existing Letter of Credit" means any one of them.

"Failed Loan" has the meaning set forth in Section 2.03(e).

"Federal Funds Rate" means for any day the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such

day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such

next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Merrill Lynch Capital on such day on such transactions as determined by the Administrative Agent.

"Finance Document" means each Senior Finance Document and each Derivatives Agreement between one or more Credit Parties and a Derivatives Creditor evidencing Derivatives Obligations permitted hereunder, and "Finance Documents" means all of them, collectively.

"Finance Obligations" means, at any date, (i) all Senior Obligations and (ii) all Derivatives Obligations of a Credit Party permitted hereunder owed or owing to any Derivatives Creditor.

"Finance Party" means each Lender, the Swingline Lender, each Issuing Lender, each Derivatives Creditor, each Agent and each Indemnitee and their respective successors and assigns, and "Finance Parties" means any two or more of them, collectively.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of (i) Consolidated EBITDA to (ii) Consolidated Fixed Charges for such period plus the aggregate amount of Consolidated Capital Expenditures for such period (exclusive of the portion thereof financed with (A) Capital Leases, Purchase Money Debt or other Debt (exclusive of Loans) permitted by Section 7.01 incurred during such period or any Qualifying Equity Issuance or (B) Net Cash Proceeds of Asset Dispositions received during such period and not required to be applied to repay Loans or Cash Collateralize Letter of Credit Liabilities pursuant to Section 2.09(b)(iv)).

"Foreign Pension Plan" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained or formerly established or maintained outside the United States by any Group Company primarily for the benefit of employees of any Group Company residing outside the United States, which plan, fund or other similar program provides or provided, or results or resulted in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" means with respect to any Person any Subsidiary of such Person that is not a Domestic Subsidiary of such Person.

"Funded Debt" means, with respect to any Person, all Debt (including current maturities) of such Person (including, in respect of the Credit Parties, the Senior Obligations) that by its terms matures more than one year after the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year after such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year after such date.

"GAAP" means at any time generally accepted accounting principles as then in effect in the United States, applied on a basis consistent (except for changes with which Holdings's independent public accountants have concurred) with the most recent audited consolidated financial statements of Holdings and its Consolidated Subsidiaries previously delivered to the Lenders.

"Government Acts" has the meaning set forth in Section 2.05(o)(i).

"Governmental Authority" means any federal, state, local, provincial or foreign government, authority, agency, central bank, quasi-governmental or regulatory authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

"Group Company" means any of Holdings, Intermediate Holdings, the Borrower or their respective Subsidiaries (regardless of whether or not consolidated with Holdings or the Borrower for purposes of GAAP), and "Group Companies" means all of them, collectively.

"Group of Loans" means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time or (ii) all Loans which are Eurodollar Loans having the same Interest Period at such time; provided that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Article III, such Loan shall be included in the same Group or Group of Loans from time to time as it would have been had it not been so converted or made.

"Guarantor" means each of Holdings and each Subsidiary Guarantor.

"Guaranty" means the Guaranty, substantially in the form of Exhibit E hereto, by Holdings, Intermediate Holdings, the Borrower and the Subsidiary Guarantors in favor of the Administrative Agent, as the same may be amended, modified or supplemented from time to time.

"Guaranty Obligation" means, with respect to any Person, without duplication, any obligation (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guarantying, intended to guaranty, or having the economic effect of guarantying, any Debt or other obligation of any other Person in any manner, whether direct or indirect, and including, without limitation, any obligation, whether or not contingent, (i) to purchase any such Debt or other obligation or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of such indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including, without limitation, maintenance agreements, comfort letters, take or pay arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Debt or other obligation of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Debt or other obligation or (iv) to otherwise assure or hold harmless the owner of such Debt or obligation against loss in respect thereof, it being understood and agreed that indemnification and similar reimbursement obligations entered into in the ordinary course of business in favor of the obligor on any such Debt or other obligation which are not enforceable by any holder of such Debt or other obligation and which do not otherwise constitute Debt hereunder shall not be deemed to constitute Guaranty Obligations for purposes of this Agreement and the other Senior Finance Documents. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the lesser of the outstanding principal amount or maximum principal amount of the Debt or other obligation in respect of which such Guaranty Obligation is made.

"Harbour Vest" means Harbour Vest Partners VI - Direct Fund, L.P., a Delaware limited partnership.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, or environmental contaminants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environment Law.

"Holdings" means The Hillman Companies, Inc., a Delaware corporation, and its successors.

"Holdings Stockholder Agreement" means the stockholders' agreement dated as of the date of this Agreement, among Holdings and the Investor Group as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and this Agreement.

"Indemnified Liabilities" has the meaning set forth in Section 10.05.

"Indemnitee" has the meaning set forth in Section 10.05.

"Insignificant Subsidiaries" means (i) as of the Closing Date, the Subsidiaries of Holdings listed on Schedule 1.01F hereto and, thereafter, (ii) any Subsidiary of Holdings which is formed or acquired after the Closing Date and designated as such by the Borrower; provided, however, that no Subsidiary of Holdings may remain, or be designated, as an Insignificant Subsidiary if the assets of such Subsidiary, when taken together with the assets of the other Insignificant Subsidiaries at such time exceed the lesser of (i) 3% Consolidated Total Assets or (ii) $7,500,000 in asset value.

"Insurance Proceeds" means all insurance proceeds (other than business interruption insurance proceeds), damages, awards, claims and rights of action with respect to any Casualty.

"Intellectual Property" means all Patents, Trademarks, Copyrights, Software, Licenses, rights in intellectual property, goodwill, trade names, service marks, trade secrets, confidential or proprietary technical and business information, know-how, show-how, domain names, mask works, customer lists, vendor lists, subscription lists, data bases and related documentation, registrations, franchises and all other intellectual or other similar property rights.

"Intercompany Note" means a promissory note contemplated by Section 7.06(a)(ix), substantially in the form of Exhibit G hereto, and "Intercompany Notes" means any two or more of them.

"Interest Coverage Ratio" means for any period the ratio of (i)

Consolidated EBITDA to (ii) Consolidated Cash Interest Expense for such period.

"Interest Payment Date" means (i) as to Base Rate Loans, the last day of each March, June, September and December and the Maturity Date for Loans of the applicable Class and (ii) as to Eurodollar Loans, the last day of each applicable Interest Period and the Maturity Date for Loans of the applicable Class, and in addition where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also the date three months from the beginning of the Interest Period and each three months thereafter.

"Interest Period" means with respect to each Eurodollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Extension/Conversion and ending one, two, three, six or, if available to all of the Lenders having Commitments or Loans of the applicable Class, and such Lenders give their prior written consent, nine or twelve months thereafter, as the Borrower may elect in the applicable notice; provided that:

(i) any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clause (v) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(iii) no Interest Period in respect of Term Loans may be selected which extends beyond a Principal Amortization Payment Date for Loans of the applicable Class unless, after giving effect to the selection of such Interest Period, the aggregate principal amount of Term Loans of the applicable Class which are comprised of Base Rate Loans together with such Term Loans comprised of Eurodollar Loans with Interest Periods expiring on or prior to such Principal Amortization Payment Date are at least equal to the aggregate principal amount of Term Loans of the applicable Class due on such date;

(iv) no Interest Period in excess of one month may be elected at any time when a Default or an Event of Default is then in existence; and

(v) no Interest Period shall be elected which would end after the Maturity Date for Loans of the applicable Class.

"Intermediate Holdings" means Hillman Investment Company, a Delaware incorporated company.

"Intermediate Holdings Stockholder Agreement" means the stockholders' agreement dated as of the date of this Agreement, among Intermediate Holdings, Holdings and the Investor Group as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and this Agreement.

"Investment" in any Person means (i) the acquisition (whether for cash, property, services, assumption of Debt, securities or otherwise) of assets, shares of Capital Stock, bonds, notes, debentures, time deposits or other securities of such Person, (ii) any deposit with, or advance, loan or other extension of credit to or for the benefit of such Person (other than deposits made in connection with the purchase of equipment or inventory in the ordinary course of business) or (iii) any other capital contribution to or investment in such Person, including by way of Guaranty Obligations of any Debt or other obligation of such Person, any support for a letter of credit issued on behalf of such Person incurred for the benefit of such Person or any release, cancellation, compromise or forgiveness in whole or in part of any Debt owing by such Person. The outstanding amount of any Investment shall be deemed to equal the difference of (i) the aggregate initial amount of such Investment less (ii) all returns of principal thereof or capital with respect thereto and all dividends and other distributions of income received in respect thereof and all liabilities expressly assumed by another Person (and with respect to which Holdings and its Subsidiaries, as applicable, shall have received a novation) in connection with the sale of such Investment.

"Investor Group" means the Sponsor Group, the OTPP, Harbour Vest, the Management Group and certain other investors identified to the Lead Arrangers prior to the Closing Date.

"Investor Preferred Equity Issuance" means the $60,000,000 non-convertible accreting preferred stock of Intermediate Holdings issued to the Investors Group.

"Issuing Lender" means (i) Merrill Lynch Capital or a bank or trust

company acceptable to Merrill Lynch Capital, in its capacity as Administrative Agent, as issuer of Letters of Credit under Section 2.05(b), and their respective successor or successors in such capacity; and (ii) each Lender listed in Schedule 2.05 hereto as the issuer of an Existing Letter of Credit;

"Junior Debentures" mean the junior subordinated debentures issued by Holdings to The Hillman Group Capital Trust (the "Junior Debentures Holders") pursuant to the Junior Debentures Indenture, as such Junior Debentures may be amended, modified or supplemented from time to time in accordance with the provisions thereof and the limitations set forth herein.

"Junior Debentures Documents" means the Junior Debentures Indenture, in each case including all exhibits and schedules thereto, and all other agreements, documents and instruments relating to the Junior Debentures, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Junior Debentures Indenture" means the indenture dated September 5, 1997 between Holdings and The Bank of New York as the trustee, as such Junior Debentures Indenture may be amended, modified or supplemented from time to time.

"Landlord Consent and Estoppel" means with respect to any Leased Mortgaged Property, a Landlord Consent and Estoppel with respect to such Leased Mortgaged Property, or similar letter, certificate or other instrument in writing from the lessor under the related lease, reasonably satisfactory in form and substance to the Lead Arrangers.

"Law" means any international, foreign, Federal, state or local statute, treaty, rule, guideline, regulation, ordinance, code, or administrative or judicial precedent or authority, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"LC Cash Collateral Account" has the meaning set forth in the Security Agreement.

"LC Commitment" means the commitment of one or more Issuing Lenders to issue Letters of Credit in an aggregate face amount at any one time outstanding (together with the amounts of any unreimbursed drawings thereon) of up to the LC Committed Amount.

"LC Committed Amount" has the meaning set forth in Section 2.05(b).

"LC Disbursement" means (i) a payment or disbursement made by an Issuing Lender pursuant to an Existing Letter of Credit, and/or (ii) a payment made by the Administrative Agent pursuant to an LC Support Agreement.

"LC Documents" means, with respect to any Letter of Credit or LC Support Agreement, such Letter of Credit or LC Support Agreement, any amendments thereto, any documents delivered in connection therewith, any application therefor and any agreements, instruments, guaranties or other documents (whether general in application or applicable only to such Letter of Credit or LC Support Agreement) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LC Obligations" means at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under (A) Existing Letters of Credit then outstanding, and (B) Additional Letters of Credit to the extent subject to an LC Support Agreement, in each case assuming compliance with all requirements for drawings referred to in such Letters of Credit plus, without duplication (ii) the aggregate amount of all LC Disbursements not yet reimbursed by the Borrower as provided in Section 2.05(g) to the applicable Issuing Lenders or the Administrative Agent in

respect of drawings under Letters of Credit or payments under LC Support Agreements, respectively, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 2.05(h).

"LC Support Agreement" has the meaning given to it in Section 2.05(b).

"Lead Arrangers" means Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. in their capacities as joint-lead arrangers and joint bookrunners.

"Leased Mortgaged Property" and "Leased Mortgaged Properties" have the respective meanings set forth in Section 4.01(k).

"Leaseholds" means with respect to any Person all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" means each bank or other lending institution listed on Schedule 1.01A, each Eligible Assignee that becomes a Lender pursuant to Section 10.06(b) and their respective successors and shall include, as the context may require, the Swingline Lender in such capacity and each Issuing Lender in such capacity.

"Letter of Credit" means an Existing Letter of Credit or an Additional Letter of Credit, and "Letters of Credit" means any combination of the foregoing.

"Letter of Credit Fee" has the meaning set forth in Section 2.11(b);

"Letter of Credit Request" has the meaning set forth in Section 2.05(c).

"Leverage Ratio" means on any day the ratio of (i) Consolidated Funded Debt as of such date, less the aggregate amount outstanding under the Junior Debentures and Subordinated Seller Paper, to (ii) Consolidated EBITDA for the four consecutive fiscal quarters of Holdings ended on, or most recently preceding, such day.

"License" means any Patent License, Trademark License, Copyright License Software License or other license or sub-license of rights in intellectual property.

"Lien" means, with respect to any asset, any mortgage, pledge, hypothecation, assignment, deposit arrangement, lien (statutory or other) or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction). Solely for the avoidance of doubt, neither the filing of a Uniform Commercial Code financing statement that is a protective lease filing in respect of an operating lease that does not constitute a security interest in the leased property or otherwise give rise to a Lien nor the filing of a Uniform Commercial Code financing statement in respect of consigned goods that does not constitute a security interest in the consigned goods or otherwise give rise to a Lien shall constitute a Lien solely on account of being filed in a public office.

"Limited Recourse Debt" means with respect to any Persons, Debt to the extent: (i) such Person (A) provides no credit support of any kind (including any undertaking, agreement or instrument that would constitute Debt), (B) is not directly or indirectly liable as a guarantor or otherwise or (C) does

not constitute the lender; and (ii) no default with respect thereto would permit upon notice, lapse of time or both any holder of any other Debt (other than the Loans or the Notes) of such Person to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"Loan" means a Revolving Loan, a Term B Loan or a Swingline Loan (or a portion of any Revolving Loans, Term B Loan or Swingline Loans), individually or collectively as appropriate; provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Extension/Conversion, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"London Interbank Offered Rate" means, for any Eurodollar Loan for the Interest Period applicable thereto:

(i) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) for a period of time comparable to such Interest Period, determined as of approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period; or

(ii) if the rate referred to in clause (i) above does not appear on such Telerate page or service on such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate or such other page or service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) for a period of time comparable to such Interest

Period, determined as of approximately 11:00 A.M. two Business Days prior to the first day of such Interest Period; or

(iii) if the rates referenced in the preceding clauses (i) and (ii) are not available, the rate per annum determined by the Administrative Agent as the rate of interest (rounded upwards to the next 1/16th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Loan being made, continued or converted by Merrill Lynch Capital and with a term equivalent to such Interest Period as would be offered by Merrill Lynch Capital's London branch to major banks in the offshore Dollar market at their request at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period.

"Management Agreement" means the Management Service Agreement dated as of the date of this Agreement, between CHS Management IV, L.P. and The Hillman Group, Inc. as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof and of this Agreement

"Management Group" means the Persons identified on Schedule 1.01D.

"Management Put Rights" means the rights of certain members of management of Holdings or its Subsidiaries to put Equity Interests of Holdings and Intermediate Holdings to Holdings pursuant to the Executive Securities Agreements dated as of the date of this Agreement, between HCI Acquisition Corp. and each such member of management.

"Margin Stock" means "margin stock" as such term is defined in Regulation U.

"Material Adverse Effect" means (i) any material adverse effect upon the business, operations, assets, condition (financial or otherwise) liabilities (contingent or otherwise) or prospects of Holdings and its Consolidated Subsidiaries, taken as a whole, (ii) a material adverse effect on the ability of a Credit Party to consummate the transactions contemplated hereby to occur on the Closing Date or (iii) a material impairment of the rights and remedies of the Lenders in the aggregate under any Senior Finance Document.

"Maturity Date" means (i) as to Revolving Loans and Swingline Loans, the Revolving Termination Date and (ii) as to Term B Loans, the Term B Maturity Date.

"Merger" means the merger of HCI Acquisition Corp. with and into Holdings pursuant to, and in accordance with the terms of, the Acquisition Documents, with Holdings as the surviving entity of said merger.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

"Mortgage" means (i) in the case of owned real property interests, a mortgage or deed of trust, substantially in the form of, or otherwise substantially identical in substance to the provisions of, Exhibit F-4 hereto, among any Credit Party, the Collateral Agent and one or more trustees, as the same may be amended, modified or supplemented from time to time, or (ii) in the case of a Leasehold, a leasehold mortgage or leasehold deed of trust, substantially in the form of, or otherwise substantially identical in substance to the provisions of, Exhibit F-4 hereto, among any Credit Party, the Collateral Agent and one or more trustees, as the same may be amended, modified or supplemented from time to time.

"Mortgage Policies" has the meaning set forth in Section 4.01(k) hereto.

"Mortgaged Properties" means the real property interests of Holdings and its Subsidiaries described in Schedule 4.01(k) hereto.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) or 4001(a)(3) of ERISA.

"Net Cash Proceeds" means:

(i) with respect to any Asset Disposition, (other than an Asset Disposition consisting of a lease where one or more Group Companies is acting as lessor, entered into in the ordinary course of business), Casualty or Condemnation, (A) the gross amount of all cash proceeds (including Insurance Proceeds and Condemnation Awards in the case of any Casualty or Condemnation, except to the extent and for so long as such Insurance Proceeds or Condemnation Awards constitute Reinvestment Funds or unless such Insurance Proceeds or Condemnation Awards are to be used for repair, restoration or replacement pursuant to plans approved by the

Required Lenders) actually paid to or actually received by any Group Company in respect of such Asset Disposition, Casualty or Condemnation (including any cash proceeds received as income or other proceeds of any noncash proceeds of any Asset Disposition, Casualty or Condemnation as and when received), less (B) the sum of (w) the amount, if any, of all taxes (other than income taxes) and all income taxes (as estimated in good faith by the applicable financial or accounting

officer of Holdings giving effect to the overall tax position of Holdings and its Subsidiaries), and customary fees, brokerage fees, commissions, costs and other expenses (other than those payable to any Group Company or to Affiliates of any Group Company other than pursuant to the Management Agreement as in effect on the Closing Date) that are incurred in connection with such Asset Disposition, Casualty or Condemnation and are payable by any Group Company, but only to the extent not already deducted in arriving at the amount referred to in clause (i)(A) above, (x) all appropriate amounts that must be set aside as a reserve in accordance with GAAP against any liabilities associated with such Asset Disposition, Casualty or Condemnation, (y) if applicable, the amount of any Debt secured by a Permitted Lien that has been repaid or refinanced in accordance with its terms with the proceeds of such Asset Disposition, Casualty or Condemnation; and (z) any payments to be made by any Group Company as agreed between such Group Company and the purchaser of any assets subject to an Asset Disposition, Casualty or Condemnation in connection therewith; and

(ii) with respect to any Equity Issuance or Debt Issuance, the gross amount of cash proceeds paid to or received by any Group Company in respect of such Equity Issuance or Debt Issuance as the case may be (including cash proceeds subsequently as and when received at any time in respect of such Equity Issuance or Debt Issuance from non-cash consideration initially received or otherwise), net of underwriting discounts and commissions or placement fees, investment banking fees, legal fees, consulting fees, accounting fees and other customary fees and expenses incurred by any Group Company in connection therewith (other than those payable to any Group Company or to any Affiliate of any Group Company) other than pursuant to the Management Agreement as in effect on the Closing Date.

"Non-Renewal Notice Date" has the meaning set forth in Section 2.05(c).

"Note" means a Revolving Note, a Term B Note or a Swingline Note, and "Notes" means any combination of the foregoing.

"Notice of Borrowing" means a request by the Borrower for a Borrowing, substantially in the form of Exhibit A-1 hereto.

"Notice of Extension/Conversion" has the meaning set forth in Section 2.07(a).

"Operating Lease" means, as applied to any Person, a lease (including leases which may be terminated by the lessee at any time) of any property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Other Taxes" has the meaning set forth in Section 3.01(b).

"OTPP" means the Ontario Teachers' Pension Plan Board.

"OTPP Side Letters" means, collectively, (i) that certain side letter dated as of the date hereof and among Code Hennessy & Simmons IV LP ("CHS"), Holdings, the Borrower and Teabar Capital Corporation, and (ii) that certain side letter dated as of the date hereof by and among CHS, the Company and OTPP.

"Owned Mortgaged Property" and "Owned Mortgaged Properties" have the respective meanings set forth in Section 4.01(k).

"Participation Interest" means a Credit Extension by a Lender by way of a purchase of a participation interest in an LC Support Agreement or LC Obligations as provided in Section 2.05(e), in Swingline Loans as provided in Section 2.01(c)(vi) or in any Loans as provided in Section 2.13.

"Patent" means any of the following: (i) all letters patent and design letters patent of the United States or any other country; (ii) all applications filed or in preparation for filing for letters patent and design letters patent of the United States or any other country including, without limitation, applications in the United States Patent and Trademark Office or in any similar office or agency of the United States or any other country or political subdivision thereof; (iii) all reissues, divisions, continuations,

continuations-in-part, revisions, renewals or extensions thereof; (iv) all claims for, and rights to sue for, past, present or future infringement of any of the foregoing; (v) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Patent Licenses in connection therewith; and (vi) all rights corresponding to any of the foregoing whether arising under the laws of the United States or any foreign country or otherwise.

"Patent License" means any agreement now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, with respect to any Person's patent or any invention now or hereafter in existence, whether or not patentable, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, with respect to any Patent or any invention now or hereafter in existence, whether or not patentable and whether or not a Patent or application for Patent is in or hereafter comes into existence on such invention.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

"Perfection Certificate" means with respect to any Credit Party a certificate, substantially in the form of Exhibit F-3 to this Agreement, completed and supplemented with the schedules and attachments contemplated thereby and duly executed by a Responsible Officer of such Credit Party.

"Permit" means any license, permit, franchise, right or privilege, certificate of authority or order, or any waiver of the foregoing, issued or issuable by any Governmental Authority.

"Permitted Business Acquisition" means a Business Acquisition; provided that:

(i) the Equity Interests or property or assets acquired in such acquisition relate to a line of business similar to the business of the Borrower or any of its Subsidiaries engaged in on the Closing Date or reasonably related or ancillary or complimentary thereto;

(ii) the representations and warranties made by the Credit Parties in each Senior Finance Document shall be true and correct in all material respects at and as of the date of such acquisition (as if made on such date after giving effect to such acquisition), except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects at and as of such earlier date);

(iii) the Administrative Agent or the Collateral Agent, as applicable, shall have received all items in respect of the Equity Interests or property or assets acquired in such acquisition (and/or the seller thereof) required to be delivered by Section 6.10;

(iv) in the case of an acquisition of the Equity Interests of another Person, (A) except in the case of the incorporation of a new Subsidiary, the board of directors (or other comparable governing body) of such other Person shall have duly approved such acquisition and (B) the Equity Interests so acquired shall constitute 100% of the total Equity Interests of the issuer thereof (it being understood that, subject to the limitations set forth in Section 7.06(a)(x) and other provisions of this Agreement, the foregoing restriction shall not prohibit the acquisition of a Person which itself has non-Wholly-Owned Subsidiaries);

(v) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such acquisition, and Holdings shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate demonstrating that, upon giving effect to such acquisition on a Pro-Forma Basis (with pro-forma adjustments reasonably satisfactory to the Lead Arrangers), (A) Holdings shall be in compliance with all of the financial covenants set forth in Section 7.17 hereof as of the last day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such acquisition and with respect to which the Administrative Agent has received the consolidated financial information required under Section 6.01(a) and (b) and the certificate required by Section 6.01(c) and (B) the Leverage Ratio as of the last day of such period shall not be greater than the ratio set forth below opposite the period during which such period ends:

<TABLE>
<CAPTION>
FISCAL QUARTERS ENDED DURING	RATIO

<S>	<C>
Closing Date through 3/31/05	4.65 to 1.0
4/01/05 through 9/30/05	4.50 to 1.0
10/01/05 through 3/31/06	4.25 to 1.0
4/01/06 through 9/30/06	4.00 to 1.0
10/01/06 through 6/30/07	3.75 to 1.0
7/01/07 through 6/30/08	3.50 to 1.0
7/01/08 through 9/30/08	3.25 to 1.0
10/01/08 through 12/31/08	3.00 to 1.0
1/01/09 through 12/31/09	2.75 to 1.0
1/01/10 through 12/31/10	2.25 to 1.0
1/01/11 through 3/31/11	2.00 to 1.0

</TABLE>

(vi) after giving effect to such acquisition, the Revolving Committed Amount shall be at least $15,000,000 greater than the aggregate Revolving Outstandings; and

(vii) the aggregate consideration (including cash, earn-out payments (to the extent required to be reserved for under GAAP), assumption and/or incurrence of Debt and non-cash consideration for all such acquisitions occurring after the Closing Date shall not exceed $60,000,000; provided that (A) the aggregate amount of Debt incurred and assumed in connection with all such acquisitions shall not exceed $40,000,000 plus $10,000,000 permitted to be incurred under Section 7.01(xvii), and (B) any incurrence of Debt in connection with such acquisitions shall be permitted under Section 7.01(xi) or (xvii) and any assumption of Debt in connection with such acquisitions shall be permitted under Section 7.01(iv).

"Permitted Encumbrances" means (i) those liens, encumbrances and other matters affecting title to any Mortgaged Property listed in the Mortgage Policies in respect thereof and found, on the date of delivery of such Mortgage Policies to the Collateral Agent in accordance with the terms hereof, reasonably acceptable by the Collateral Agent, (ii) zoning, building codes, land use and other similar laws and municipal ordinances which are not violated in any material respect by the existing

improvements and the present use by the mortgagor of the Premises (as defined in the respective Mortgage), (iii) such other items to which the Collateral Agent may consent (such consent not to be unreasonably withheld) and (iv) encumbrances, right of way and other matters affecting title to any Mortgaged Property that would not have a Material Adverse Effect.

"Permitted Joint Venture" means a joint venture, in the form of a corporation, limited liability company, business trust, joint venture, association, company or partnership, entered into by the Borrower or any of its Subsidiaries which (i) is engaged in a line of business related, ancillary or complementary to those engaged in by the Borrower and its Subsidiaries and (ii) is formed or organized in a manner that limits the exposure of the Borrower and its Subsidiaries for the liabilities thereof to (A) the Investments of the Borrower and its Subsidiaries therein permitted under Section 7.06(a)(xvii) and (B) any Debt of any Permitted Joint Venture or any Guaranty Obligations by the Borrower or any of its Subsidiaries in respect of such Debt, which Debt or Guaranty Obligations are permitted at the time under Section 7.01.

"Permitted Liens" has the meaning set forth in Section 7.02.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code maintained or formerly maintained by or contributed or formerly contributed to by any Group Company or any ERISA Affiliate, including a Multiemployer Plan.

"Pledge Agreement" means the Pledge Agreement, substantially in the form of Exhibit F-2 hereto, dated as of the date hereof among Holdings, Intermediate Holdings, the Borrower, the Subsidiary Guarantors and the Collateral Agent, as the same may be amended, supplemented or modified from time to time.

"Pledged Collateral" means the "Collateral" as defined in the Pledge Agreement.

"Pre-Commitment Information" means, taken as an entirety, (i) information with respect to Holdings and its Subsidiaries contained in the Confidential Information Memorandum dated November 2003 Holdings or the Acquisition provided to any Agent or Lender by or on behalf of Holdings prior to the Closing Date.

"Preferred Stock" means, as applied to the Equity Interests of a Person, Equity Interests of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Equity Interests of any other class of such Person.

"Prepayment Account" has the meaning set forth in Section 2.09(b)(x).

"Prime Rate" means for any day the rate of interest announced by Merrill Lynch Capital in New York City (or such other principal office of the Administrative Agent as communicated in writing to the Borrower and the Lenders) from time to time as its Prime Rate for Dollars loaned in the United States. It is a rate set by Merrill Lynch Capital based upon a variety of factors, including Merrill Lynch Capital's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.

Any change in the interest rate resulting from a change in the Prime Rate shall take effect at the opening of business on the day specified in the announcement of such change.

"Principal Amortization Payment" means a scheduled principal payment on the Term B Loan pursuant to Section 2.08(b).

"Principal Amortization Payment Date" means (i) the last Business Day of each calendar quarter, commencing with the first such date occurring at least three months after the Closing Date and ending on the Term B Maturity Date and (ii) the Term B Maturity Date.

"Pro-Forma Basis" means, for purposes of calculating compliance of any transaction with any provision hereof, that the transaction in question shall be deemed to have occurred as of the first day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such transaction and with respect to which the Administrative Agent has received the financial information for Holdings and its Consolidated Subsidiaries required under Section 6.01(a) and (b), as applicable, and the certificate required by Section 6.01(c) for such period. As used in this definition, "transaction" means (i) any incurrence or assumption by a Group Company of Attributable Debt in respect of a Sale/Leaseback Transaction under Section 7.13, (ii) any Permitted Business Acquisition referred to in Section 7.06(a)(xiii) or in clause (v) of the definition of "Permitted Business Acquisition" set forth in Section 1.01, (iii) any Asset Disposition referred to in Section 7.05(xiv), or (iv) any computation of Consolidated EBITDA under the circumstances contemplated by the second sentence of the definition thereof, or (v) Equity Issuances requiring prepayment under Section 2.09(b)(v), and any related repayment of Debt. In connection with any calculation of the financial covenants set forth in Section 7.17 upon giving effect to a transaction on a "Pro-Forma Basis", (i) any Debt incurred or any Equity Interests issued, and any related repayment of Debt, by Holdings or any of its Subsidiaries in connection with such transaction (or any other transaction which occurred during the relevant four fiscal quarter period) shall be deemed to have been incurred as of the first day of the relevant four fiscal-quarter period, (ii) if such Debt has a floating or formula rate, then the rate of interest for such Debt for the applicable period for purposes of the calculations contemplated by this definition shall be determined by utilizing the rate which is or would be in effect with respect to such Debt as at the relevant date of such calculations, (iii) income statement items (whether positive or negative) attributable to all property acquired in such transaction or to the Investment comprising such transaction, as applicable, shall be included as if such transaction has occurred as of the first day of the relevant four-fiscal-quarter period, (iv) such other pro forma adjustments which would be permitted or required by Regulation S-X or S-K under the Securities Act shall be taken into account, and (v) such other adjustments as may be reasonably agreed between the Borrower and the Administrative Agent shall be taken into account.

"Pro-Forma Compliance Certificate" means a certificate of the chief financial officer or chief accounting officer of Holdings delivered to the Administrative Agent in connection with any "transaction" as defined in the definition of "Pro-Forma Basis" above and containing reasonably detailed calculations, upon giving effect to the applicable transaction on a Pro-Forma Basis, of the Interest Coverage Ratio and the Leverage Ratio as of the last day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of the applicable transaction and with respect to which the Administrative Agent shall have received the consolidated financial information for Holdings and its Consolidated Subsidiaries required under Section 6.01(a) or (b), as applicable, and the certificate required by Section 6.01(c) for such period.

"Purchase Money Debt" means Debt of Holdings or any of its Subsidiaries incurred for the purpose of financing all or any part of the

purchase price or cost of construction or improvement of property used in the business of Holdings or such Subsidiary; provided that such Debt is incurred within 120 days after such property is acquired or, in the case of improvements, constructed.

"Qualifying Equity Issuance" means (i) any Equity Issuance by Holdings or Intermediate Holdings to, or any receipt by Holdings or Intermediate Holdings of a capital contribution from, the Investor Group and any other Person holding Equity Interests, directly or indirectly, of Holdings or Intermediate Holdings on the Closing Date and any subsequent holders of preemptive rights in respect of Equity Interests of Holdings or Intermediate Holdings, the Net Cash Proceeds of which are contributed immediately, directly or indirectly, to the common equity of the Borrower, (ii) grants of stock of Holdings or Preferred Stock of Intermediate Holdings, or options to acquire stock of Holdings or Preferred Stock of Intermediate Holdings, to the management of Holdings and its Subsidiaries, and (iii) the issuance by Holdings or Intermediate Holdings for cash of its common Equity Interests to the Sponsor Group or any other Person if: (A) 100% of the proceeds of such issuance shall be immediately contributed, directly or indirectly, by Holdings or Intermediate Holdings (as the case may be) to the Borrower; (B) after giving effect thereto, no Change of Control shall have occurred; (C) such stock shall be issued in a private placement exempt from registration under the Securities Act; (D) the proceeds thereof shall be used (without duplication) only (w) to make Consolidated Capital Expenditures, (x) to make Permitted Business Acquisitions pursuant to Section 7.06(a)(xiii), Investments in Permitted Joint Ventures pursuant to Section 7.06(a)(xvii) and other Investments pursuant to Section 7.06(a)(xxi), (y) to repay Debt of the Borrower and its Subsidiaries or (z) to make Restricted Payments pursuant to Section 7.07(viii), and in any event the proceeds thereof shall not be used to repay any Subordinated Debt or to make any Restricted Payment other than Restricted Payments expressly permitted pursuant to Section 7.07(viii); (E) within five Business Days after such issuance, Holdings or Intermediate Holdings (as the case may be) shall have delivered to the Administrative Agent a certificate of the chief financial officer or chief accounting officer of Holdings (in each case) attesting to the satisfaction of the foregoing conditions, describing the uses of the proceeds of such issuance and attesting that such use shall not constitute a Default or an Event of Default; and (F) such proceeds shall be used within 30 days after such issuance as described in such certificate.

"Real Property" means, with respect to any Person, all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Recorded Leasehold Interest" means a Leased Mortgaged Property with respect to which a Recorded Document has been recorded in all places necessary or desirable, in the reasonable judgment of the Lead Arrangers, to give constructive notice of such Leased Mortgaged Property to third-party purchasers and encumbrancers of the affected real property. For purposes of this definition, the term "Recorded Document" means, with respect to any Leased Mortgaged Property, (i) the lease evidencing such Leased Mortgaged Property or a memorandum thereof, executed and acknowledged by the owner of the affected real property, as lessor, or (ii) if such Leased Mortgaged Property was acquired or subleased from the holder of a Recorded Leasehold Interest, the applicable assignment or sublease document, executed and acknowledged by such holder, in each case in form and sufficient to give such constructive notice upon recordation and otherwise in form reasonably satisfactory to the Lead Arrangers.

"Refinanced Agreements" means those instruments, documents and agreements listed on Schedule 1.01C.

"Refunded Swingline Loan" has the meaning set forth in Section 2.01(c).

"Register" has the meaning set forth in Section 10.06(d).

"Regulation D, T, U or X" means Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System as amended, or any successor regulation.

"Regulation S-X" means Regulation S-X under the Securities Act, as amended, or any successor regulation.

"Reinvestment Funds" means, with respect to any Insurance Proceeds or any Condemnation Award, that portion of such funds as shall, according to a certificate of a Responsible Officer of Holdings delivered to the Administrative Agent within 30 days after an executive officer of Holdings becoming aware of the occurrence of the Casualty or Condemnation giving rise thereto, be reinvested or contractually committed to be reinvested within one year after the date of receipt of such Insurance Proceeds or Condemnation Award in the repair, restoration or replacement of the properties that were the subject of such Casualty or Condemnation or in other tangible assets of a like nature used or

useful in the ordinary course of business of the Borrower and its Subsidiaries; provided that (i) the aggregate amount of such proceeds with respect to any such event or series of related events shall not exceed $15,000,000 without the prior written consent of the Required Lenders, (ii) such certificate shall be accompanied by evidence reasonably satisfactory to the Administrative Agent that any property subject to such Casualty or Condemnation has been or will be repaired, restored or replaced to, or better than, its condition immediately prior to such Casualty or Condemnation, or that such Insurance Proceeds or Condemnation Awards have otherwise been reinvested in tangible assets of a like nature used or useful in the ordinary course of business of Holdings and its Subsidiaries, (iii) at the request of the Collateral Agent or the Administrative Agent, pending such reinvestment in the case of Insurance Proceeds or Condemnation Awards in excess of $5,000,000, the entire amount of such proceeds shall be deposited in an account with respect to which an Account Control Agreement (as defined in the Security Agreement) is in full force and effect, and (iv) from and after the date of delivery of such certificate, Holdings or one or more of its Subsidiaries shall diligently proceed, in a commercially reasonable manner, to complete the repair, restoration or replacement of the properties that were the subject of such Casualty or Condemnation or otherwise reinvest such Insurance Proceeds or Condemnation Awards as described in such certificate; and provided, further, that, if any of the foregoing conditions shall cease to be satisfied at any time, such funds shall no longer be deemed Reinvestment Funds and such funds shall immediately be applied to prepayment of the Loans in accordance with Section 2.09(b); and provided, further, that any funds not so reinvested within such one year period shall immediately be applied to the payment of the Loans in accordance with Section 2.09(b).

"Replacement Date" has the meaning set forth in Section 2.10(d).

"Required Lenders" means Lenders whose aggregate Credit Exposure (as hereinafter defined) constitutes more than 50% of the Credit Exposure of all Lenders at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time then there shall be excluded from the determination of Required Lenders such Lender and the aggregate principal amount of Credit Exposure of such Lender at such time. For purposes of the preceding sentence, the term "Credit Exposure" as applied to each Lender shall mean (i) at any time prior to the termination of the Commitments, the sum of (A) the Revolving Commitment Percentage of such Lender multiplied by the Revolving Committed Amount plus (B) the Term B Commitment Percentage of such Lender multiplied by the aggregate principal amount of the Term B Loans outstanding at such time, and (ii) at any time after the termination of the Commitments, the sum of (A) the aggregate amount of the outstanding Loans of such Lender plus (B) such Lender's Participation Interests in all LC Obligations and Swingline Loans.

"Reset Date" has the meaning set forth in Section 1.05.

"Required Revolving Lenders" means Lenders whose aggregate Revolving Credit Exposure (as hereinafter defined) constitutes more than 50% of the Revolving Credit Exposure of all Lenders at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time then there shall be excluded from the determination of Required Revolving Lenders such Lender and the

aggregate principal amount of Revolving Credit Exposure of such Lender at such time. For purposes of the preceding sentence, the term "Revolving Credit Exposure" as applied to each Lender shall mean (i) at any time prior to the termination of the Revolving Commitments, the Revolving Commitment Percentage of such Lender multiplied by the Revolving Committed Amount, and (ii) at any time after the termination of the Revolving Commitments, the sum of (A) the principal balance of the outstanding Revolving Loans of such Lender plus (B) such Lender's Participation Interests in all LC Obligations.

"Responsible Officer" means the chief executive officer, president, senior vice president, vice president, chief financial officer, treasurer or assistant treasurer, secretary or assistant secretary of a Credit Party. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any class of Equity Interests or Equity Equivalents of any Group Company, now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of Equity Interests or Equity Equivalents of any Group Company, now or hereafter outstanding and (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any class of Equity Interests or Equity Equivalents of any Group Company, now or hereafter outstanding.

"Revolving Borrowing" means a Borrowing comprised of Revolving Loans and identified as such in the Notice of Borrowing with respect thereto.

"Revolving Commitment" means, with respect to any Lender, the commitment of such Lender, in an aggregate principal amount at any time outstanding of up to such Lender's Revolving Commitment Percentage of the Revolving Committed Amount, (i) to make Revolving Loans in accordance with the provisions of Section 2.01(a), (ii) to purchase Participation Interests in Swingline Loans in accordance with the provisions of Section 2.01(c) and (iii) to purchase Participation Interests in Letters of Credit in accordance with the provisions of Section 2.05(e).

"Revolving Commitment Percentage" means, for each Lender, the percentage identified as its Revolving Commitment Percentage on Schedule 1.01A hereto, as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 10.06(b).

"Revolving Committed Amount" means $40,000,000 or such lesser amount to which the Revolving Committed Amount may be reduced pursuant to Section 2.10.

"Revolving Credit Exposure" has the meaning set forth in the definition of "Required Revolving Lenders" contained in this Section 1.01.

"Revolving Lender" means each Lender identified in Schedule 1.01A as having a Revolving Commitment and each Eligible Assignee which acquires a Revolving Commitment or Revolving Loan pursuant to Section 10.06(b) and their respective successors.

"Revolving Loan" means a Loan made under Section 2.01(a).

"Revolving Note" means a promissory note, substantially in the form of Exhibit B-1 hereto, evidencing the obligation of the Borrower to repay outstanding Revolving Loans, as such note may be amended, supplemented, extended, renewed or replaced from time to time.

"Revolving Outstandings" means at any date the aggregate outstanding principal amount of all Revolving Loans and Swingline Loans plus the aggregate outstanding amount of all LC Obligations.

"Revolving Termination Date" means the sixth anniversary of the Closing Date (or, if such day is not a Business Day, the next preceding Business Day) or such earlier date upon which the Revolving Commitments shall have been terminated in their entirety in accordance with this Agreement.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successor or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

"Sale/Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to Holdings or any of its Subsidiaries of any property, whether owned by Holdings or any of its Subsidiaries as of the Closing Date or later acquired, which has been or is to be sold or transferred by Holdings or any of its Subsidiaries to such Person or to any other Person from whom funds have been, or are to be, advanced by such Person on the security of such property.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Security Agreement" means the Security Agreement, substantially in the form of Exhibit F-2 hereto, dated as of the date hereof among Holdings, Intermediate Holdings, the Borrower, the Subsidiary Guarantors and the Collateral Agent, as the same may be amended, modified or supplemented from time to time.

"Sellers" means the Optionholders and Stockholders, each as defined under the Acquisition Agreement.

"Senior Finance Documents" means this Agreement, the Notes, the Guaranty, the Collateral Documents, each Perfection Certificate, the Intercompany Notes, each Accession Agreement and each LC Document, collectively, and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto, in each case as the same may be amended, modified or supplemented from time to time.

"Senior Obligations" means with respect to each Credit Party, without duplication:

(i) in the case of Borrower, all principal of and interest (including, without limitation, any interest which accrues after the commencement of any bankruptcy or insolvency proceeding with respect to the Borrower, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) on any Loan made or LC Obligation issued under, or any Note issued pursuant to, this Agreement or any other

Senior Finance Document;

(ii) all fees, expenses, indemnification obligations, foreign currency exchange obligations and other amounts of whatever nature now or hereafter payable by such Credit Party (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to such Credit Party, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) pursuant to this Agreement or any other Senior Finance Document;

(iii) all expenses of the Agents as to which one or more of the Agents have a right to reimbursement by such Credit Party under Section 10.04 of this Agreement or under any other similar provision of any other Senior Finance Document, including, without limitation, any and all sums advanced by the Collateral Agent to preserve the Collateral or preserve its security interests in the Collateral to the extent permitted hereunder or under any Senior Finance Document;

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement by such Credit Party under Section 10.05 of this Agreement or under any other similar provision of any other Senior Finance Document; and

(v) in the case of each Subsidiary Guarantor, all amounts now or hereafter payable by such Subsidiary Guarantor and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to the Borrower, Holdings or such Subsidiary Guarantor, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) on the part of such Subsidiary Guarantor pursuant to this Agreement, the Guaranty or any other Senior Finance Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"Software" means all "software" (as defined in the UCC), and also means and includes all software programs, whether now or hereafter owned, licensed or leased by a Credit Party, designed for use on Computer Hardware, including, without limitation, all operating system software, utilities and application programs in whatever form and whether or not embedded in goods, all source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever, all firmware associated with any of the foregoing all documentation, flowcharts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes associated with any of the foregoing, and all options, warranties, services contracts, program services, test rights, maintenance rights, support rights, renewal rights and indemnifications relating to any of the foregoing.

"Software License" means any agreement (including any agreement constituting a Copyright License, Patent License and/or Trademark License) now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, to use another Person's Software, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, to use any Software, whether or not subject to any registration.

"Solvent" means, with respect to any Person as of a particular date, that on such date (i) such Person is able generally to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (ii) such Person does not intend to, and does not believe that it will, incur debts beyond such Person's ability to pay as such debts mature, (iii) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (iv) the fair value (determined in accordance with the United States Bankruptcy Code) of the assets of such Person is greater than the total amount of liabilities, including, without limitation, probable liabilities, of such Person and (v) the present fair value (i.e., the amount that may be realized within a commercially reasonable time either through collection or sale at the regular market value, conceiving the latter as the amount that could be obtained for the assets in question within such period by a capable and diligent businessman from a buyer who is willing to purchase under ordinary selling conditions) of the assets of such Person will exceed the amount that will be required to pay the probable liability on such

Person's existing debts as they become absolute and matured. For purposes of this definition, "debt" means any legal liability, whether matured, unmatured, liquidated or unliquidated, absolute, fixed or contingent, or (ii) a right to an

equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right is an equitable remedy, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"Sponsor" means Code Hennessy & Simmons LLC and Code Hennessy & Simmons IV, LP, collectively, and their respective successors.

"Sponsor Group" means the Sponsor and any of its Subsidiaries or Affiliates.

"Standby Letter of Credit" has the meaning set forth in Section 2.05(b).

"Stockholder Agreements" means the Holdings Stockholder Agreement and the Intermediate Holdings Stockholder Agreement.

"Subordinated Debentures" means the subordinated debentures issued by the Borrower in favor of Allied Capital Corporation (the "Subordinated Debentures Holder") pursuant to the Subordinated Debentures Indenture, as such Subordinated Debentures may be amended, modified or supplemented from time to time in accordance with the limitations set forth herein.

"Subordinated Debentures Documents" means the Subordinated Debentures Indenture, in each case including all exhibits and schedules thereto, the Subordination Agreement and all other agreements, documents and instruments relating to the Subordinated Debentures, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Subordinated Debentures Indenture" means the $47,500,000 loan agreement dated as of the Closing Date between among others the Borrower and Allied Capital Corporation, as such Subordinated Debentures Indenture may be amended, modified or supplemented from time to time.

"Subordinated Debt" of any Person means (i) the Subordinated Debentures, (ii) the Junior Debentures, and (iii) all other Debt (A) the principal of which by its terms is not required to be repaid, in whole or in part, before the first anniversary of the later of the Revolving Termination Date and the Term B Maturity Date, (B) is contractually or structurally subordinated in right of payment to such Person's indebtedness, obligations and liabilities to the Finance Parties under the Senior Finance Documents pursuant to payment and subordination provisions reasonably satisfactory in form and substance to the Lead Arrangers and (C) is issued pursuant to credit documents having covenants, subordination provisions and events of default that in no event are less favorable, including with respect to rights of acceleration, to such Person than the terms hereof or are otherwise reasonably satisfactory in form and substance to the Lead Arrangers.

"Subordinated Seller Paper" means unsecured Subordinated Debt of Holdings which (i) is issued to a seller of assets or a Person the subject of a Permitted Business Acquisition in a transaction permitted by this Agreement, (ii) by its terms does not require the payment of interest in cash or Cash Equivalents until a date on or after the first anniversary of the later of the Revolving Termination Date and the Term B Maturity Date, and (iii) is issued on terms, covenants and conditions satisfactory in all respects to the Lead Arrangers. For the avoidance of doubt Subordinated Seller Paper shall not include the Subordinated Debentures.

"Subordination Agreement" means the subordination and intercreditor agreement dated on the date hereof and made between the Credit Parties, the Administrative Agent and the Subordinated Debentures Holder, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Subsidiary" means with respect to any Person any corporation, partnership, limited liability company, association or other business entity of which (i) if a corporation, more than 50% of the total voting power 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 partnership, limited liability company, association or business entity other than a corporation, more than 50% of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have more than 50% ownership interest in a partnership, limited liability company, association or other business entity if such Person or Persons shall be allocated more than 50% of partnership, association or other business entity gains or losses or shall be or control the managing director, manager or a general partner of such partnership, association or other business entity.

"Subsidiary Guarantor" means each Subsidiary of Holdings existing on the Closing Date (other than a Foreign Subsidiary) and each Subsidiary of Holdings (other than a Foreign Subsidiary), except to the extent otherwise provided in Section 6.10(d), that becomes a party to the Guaranty after the Closing Date by execution of an Accession Agreement referring to the Guaranty or otherwise, and "Subsidiary Guarantors" means any two or more of them.

"Swingline Commitment" means the agreement of the Swingline Lender to make Loans pursuant to Section 2.01(c).

"Swingline Committed Amount" means $5,000,000, as such Swingline Committed Amount may be reduced pursuant to Section 2.10.

"Swingline Lender" means Merrill Lynch Capital, in its capacity as the Swingline Lender under Section 2.01(c), and its successor or successors in such capacity.

"Swingline Loan" means a Base Rate Loan made by the Swingline Lender pursuant to Section 2.01(c), and "Swingline Loans" means any two or more of such Base Rate Loans.

"Swingline Loan Request" has the meaning set forth in Section 2.02(b).

"Swingline Note" means a promissory note, substantially in the form of Exhibit B-3 hereto, evidencing the obligation of the Borrower to repay outstanding Swingline Loans, as such note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

"Swingline Termination Date" means the earlier of (i) the Revolving Termination Date and (ii) the date on which the Swingline Commitment is terminated in its entirety in accordance with this Agreement.

"Syndication Date" means the earliest of (i) the date which is 30 days after the Closing Date, (ii) the date on which the Lead Arrangers determine in their sole discretion (and shall notify the Borrower thereof) that the primary syndication (and the resulting addition of Lenders pursuant to Section 10.06(b)) has been completed and (iii) the date on which the Syndication Agent has received Term B

Commitments, or Term B Lenders other than the Lead Arrangers and their respective Affiliates have acquired Term B Loans in an aggregate amount equal to the Term B Committed Amount.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (i) a so-called synthetic, off-balance sheet or tax retention lease or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such person (without regard to accounting treatment).

"Target" means The Hillman Companies, Inc., a Delaware corporation (prior to the consummation of the Merger).

"Taxes" has the meaning set forth in Section 3.01.

"Term B Borrowing" means a Borrowing comprised of Term B Loans and identified as such in the Notice of Borrowing with respect thereto.

"Term B Commitment" means, with respect to any Lender, the commitment of such Lender to make a Term B Loan on the Closing Date in a principal amount equal to such Lender's Term B Commitment Percentage of the Term B Committed Amount.

"Term B Commitment Percentage" means, for each Lender, the percentage identified as its Term B Commitment Percentage on Schedule 1.01A, or in the applicable Assignment and Acceptance, as such percentage may be (i) reduced pursuant to Section 2.10(c) and (ii) modified in connection with any assignment made in accordance with the provisions of Section 10.06(b).

"Term B Committed Amount" means $217,500,000.

"Term B Lender" means each Lender identified on Schedule 1.01A as having a Term B Commitment and each Eligible Assignee which acquires a Term B Loan pursuant to Section 10.06(b) and their respective successors.

"Term B Loan" means a Loan made under Section 2.01(b).

"Term B Maturity Date" means the seventh anniversary of the Closing Date (or if such day is not a Business Day, the next preceding Business Day).

"Term B Note" means a promissory note, substantially in the form of Exhibit B-2 hereto, evidencing the obligation of the Borrower to repay

outstanding Term B Loans, as such note may be amended, modified or supplemented from time to time.

"Title Insurance Company" has the meaning set forth in Section 4.01(k).

"Trade Letter of Credit" has the meaning set forth in Section 2.05(b).

"Trademark" means any of the following: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, certification marks, collective marks, brand names and trade dress which are or have been used in the United States or in any state, territory or possession thereof, or in any other place, nation or jurisdiction, along with all prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights

in any of the foregoing which arise under applicable law; (ii) the goodwill of the business symbolized thereby or associated with each of the foregoing; (iii) all registrations and applications in connection therewith, including, without limitation, registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, (iv) all reissues, extensions and renewals thereof; (v) all claims for, and rights to sue for, past, present or future infringements of any of the foregoing; (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Trademark Licenses in connection therewith; and (vii) all rights corresponding to any of the foregoing whether arising under the laws of the United States or any foreign country or otherwise.

"Trademark License" means any agreement now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, to use another Person's trademarks or trademark applications, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, to use any Trademark, whether or not registered, and the rights to prepare for sale, sell and advertise for sale, all of the inventory now or hereafter owned by any Credit Party and now or hereafter covered by such license agreements.

"Transaction" means the events contemplated by the Transaction Documents to occur on the Closing Date.

"Transaction Documents" means the Acquisition Documents, the Capitalization Documents, the Subordinated Debenture Documents, and the Senior Finance Documents, collectively, and "Transaction Document" means any one of them.

"Trust Common Securities" means the 11.6% trust common securities of The Hillman Group Capital Trust held by The Hillman Companies, Inc.

"Trust Preferred Securities" means the 11.6% trust preferred securities issued by Hillman Group Capital Trust pursuant to an amended and restated declaration of trust dated September 5, 1997 as amended, revised or modified.

"Type" has the meaning set forth in Section 1.04.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if by reason of mandatory provisions of law, the perfection, the effect of perfection or non-perfection or the priority of the security interests of the Collateral Agent in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"Unfunded Liabilities" means with respect to each Plan, the amount (if any) by which the present value of all nonforfeitable benefits under each Plan exceeds the current value of such Plan's assets allocable to such benefits, all determined in accordance with the respective most recent valuations for such Plan using applicable PBGC plan termination actuarial assumptions (the terms "present value" and "current value" shall have the same meanings specified in Section 3 of ERISA).

"United States" means the United States of America, including each of the States and the District of Columbia, but excluding its territories and possessions.

"Unused Revolving Commitment Amount" means, for any period, the amount by which (i) the then applicable aggregate Revolving Committed Amount of all non-Defaulting Lenders exceeds (ii) the daily average sum for such period of (A) the aggregate amount of all outstanding Revolving Loans plus (B) the aggregate amount of all outstanding LC Obligations.

"U.S. Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Welfare Plan" means a "welfare plan" as such term is defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" means, with respect to any Person at any date, any Subsidiary of such Person all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares are at the time directly or indirectly owned by such Person and for the purposes of this Agreement, Intermediate Holdings and the Borrower shall be deemed to be wholly-owned Subsidiaries of Holdings, notwithstanding the Investor Preferred Equity Issuance.)

SECTION 1.02 COMPUTATION OF TIME PERIODS AND OTHER DEFINITIONAL PROVISIONS. For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". All references to time herein shall be references to Eastern Standard time or Eastern Daylight time, as the case may be, unless specified otherwise. References in this Agreement to Articles, Sections, Schedules, Appendices or Exhibits shall be to Articles, Sections, Schedules, Appendices or Exhibits of or to this Agreement unless otherwise specifically provided. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined.

SECTION 1.03 ACCOUNTING TERMS AND DETERMINATIONS. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All financial statements delivered to the Lenders hereunder shall be accompanied by a statement from Holdings that GAAP has not changed since the most recent financial statements delivered by Holdings to the Lenders or if GAAP has changed describing such changes in detail and explaining how such changes affect the financial statements. All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 6.01 (or, prior to the delivery of the first financial statements pursuant to Section 6.01, consistent with the financial statements described in Section 5.05(a)); provided, however, if (i) Holdings shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (ii) either the Administrative Agent or the Required Lenders shall so object in writing within 60 days after delivery of such financial statements (or after the Lenders have been informed of the change in GAAP affecting such financial statements, if later), then such calculations shall be made on a basis consistent with the most recent financial statements delivered by Holdings to the Lenders as to which no such objection shall have been made. Any financial ratios required to be maintained by any Group Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

SECTION 1.04 CLASSES AND TYPES OF BORROWINGS. The term "Borrowing" denotes the aggregation of Loans of one or more Lenders made to the Borrower pursuant to Article II on the same date, all of which Loans are of the same Class and Type (subject to Article III) and, except in the case of Base Rate Loans, have the same initial Interest Period. Loans hereunder are distinguished by "Class" and "Type". The "Class" of a Loan (or of a Commitment to make such a Loan or of a Borrowing comprised of such Loans) refers to whether such Loan is a Revolving Loan or a Term B Loan. The "Type" of a Loan refers to whether such Loan is a Eurodollar Loan or a Base Rate Loan. Identification of a Loan (or a Borrowing) by both Class and Type (e.g., a "Term B Eurodollar Loan") indicates that such Loan is a Loan of both such Class and such Type (e.g., both a Term B Loan and a Eurodollar Loan) or that such Borrowing is comprised of such Loans.

ARTICLE II
THE CREDIT FACILITIES

SECTION 2.01 COMMITMENTS TO LEND.

(a) Revolving Loans. Each Revolving Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01(a) from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed (after giving effect to all Revolving Loans repaid, all reimbursements of LC Disbursements made, and all Refunded Swingline Loans paid concurrently with the making of any Revolving Loans) its Revolving Commitment; provided that, immediately after giving effect to each such Revolving Loan, (i) the aggregate Revolving Outstandings shall not exceed the Revolving Committed Amount and (ii) with respect to each Revolving Lender individually, such Lender's outstanding Revolving Loans plus its (other than the Swingline Lender's in its capacity as such) Participation Interests in outstanding Swingline Loans plus its Participation Interests in outstanding LC Obligations shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount. Each Revolving Borrowing shall be in an aggregate principal amount of $1,000,000 or any larger multiple of $100,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments) and shall be made from the several Revolving Lenders ratably in proportion to their respective Revolving Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01(a), repay, or, to the extent permitted by Section 2.09, prepay, Revolving Loans and reborrow under this Section 2.01(a).

(b) Term B Loans. Each Term B Lender severally agrees, on the terms and conditions set forth in this Agreement, to make a Term B Loan to the Borrower on the Closing Date in a principal amount not exceeding its Term B Commitment. The Term B Borrowing shall be made from the several Term B Lenders ratably in proportion to their respective Term B Commitments. The Term B Commitments are not revolving in nature, and amounts repaid or prepaid prior to the Term B Maturity Date may not be reborrowed.

(c) Swingline Loans.

(i) The Swingline Lender agrees, on the terms and subject to the conditions set forth herein and in the other Senior Finance Documents, to make a portion of the Revolving Commitments available to the Borrower from time to time during the Availability Period by making Swingline Loans to the Borrower in Dollars (each such loan, a "Swingline Loan" and, collectively, the "Swingline Loans"); provided that (A) the aggregate principal amount of the Swingline Loans outstanding at any one time shall not exceed the Swingline Committed Amount, (B) with regard to each Lender individually (other than the Swingline Lender in its capacity as such), such Lender's outstanding Revolving Loans plus its Participation Interests in outstanding Swingline Loans plus its Participation

Interests in outstanding LC Obligations shall not at any time exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount, (C) with regard to the Revolving Lenders collectively, the sum of the aggregate principal amount of Swingline Loans outstanding plus the aggregate amount of Revolving Loans outstanding plus the aggregate amount of LC Obligations outstanding shall not exceed the Revolving Committed Amount and (D) the Swingline Committed Amount shall not exceed the aggregate of the Revolving Commitments then in effect. Swingline Loans shall be made and maintained as Base Rate Loans and may be repaid and reborrowed in accordance with the provisions hereof prior to the Swingline Termination Date. Swingline Loans may be made notwithstanding the fact that such Swingline Loans, when aggregated with the Swingline Lender's other Revolving Outstandings, exceeds its Revolving Commitment. The proceeds of a Swingline Borrowing may not be used, in whole or in part, to refund any prior Swingline Borrowing.

(ii) The principal amount of all Swingline Loans shall be due and payable on the earliest of (A) the Swingline Termination Date, (B) the occurrence of a bankruptcy or similar proceeding with respect to the Borrower or (C) the acceleration of any Loan or the termination of the Revolving Commitments pursuant to Section 8.02.

(iii) With respect to any Swingline Loans that have not been voluntarily prepaid by the Borrower or paid by the Borrower when due under clause (ii) above, the Swingline Lender (by request to the Administrative Agent) or the Administrative Agent at any time may, on one Business Day's notice, require each Revolving Lender, including the Swingline Lender, and each such Lender hereby agrees, subject to the provisions of this Section 2.01(c), to make a Revolving Loan (which shall be initially funded as a Base Rate Loan) in an amount equal to such Lender's Revolving Commitment Percentage of the amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date notice is given.

(iv) In the case of Revolving Loans made by Lenders other than the Swingline Lender under clause (iii) above, each such Revolving Lender shall make the amount of its Revolving Loan available to the Administrative Agent, in same day funds, at the Administrative Agent's Office, not later than 1:00 P.M. on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Loans shall be immediately delivered to the Swingline Lender (and not to the Borrower) and applied to repay the Refunded Swingline

Loans. On the day such Revolving Loans are made, the Swingline Lender's Revolving Commitment Percentage of the Refunded Swingline Loans shall be deemed to be paid with the proceeds of a Revolving Loan made by the Swingline Lender and such portion of the Swingline Loans deemed to be so paid shall no longer be outstanding as Swingline Loans and shall instead be outstanding as Revolving Loans. The Borrower authorizes the Administrative Agent and the Swingline Lender to charge the Borrower's account with the Administrative Agent (up to the amount available in such account) in order to pay immediately to the Swingline Lender the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders, including amounts deemed to be received from the Swingline Lender, are not sufficient to repay in full such Refunded Swingline Loans. If any portion of any such amount paid (or deemed to be paid) to the Swingline Lender should be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Revolving Lenders in the manner contemplated by Section 2.13.

(v) A copy of each notice given by the Swingline Lender pursuant to this Section 2.01(c) shall be promptly delivered by the Swingline Lender to the Administrative Agent and the Borrower. Upon the making of a Revolving Loan by a Revolving Lender pursuant to this Section 2.01(c), the amount so funded shall no longer be owed in respect of its Participation Interest in the related Refunded Swingline Loans.

(vi) If as a result of any bankruptcy or similar proceeding, Revolving Loans are not made pursuant to this Section 2.01(c) sufficient to repay any amounts owed to the Swingline Lender as a result of a nonpayment of outstanding Swingline Loans, each Revolving Lender agrees to purchase, and shall be deemed to have purchased, a participation in such outstanding Swingline Loans in an amount equal to its Revolving Commitment Percentage of the unpaid amount together with accrued interest thereon. Upon one Business Day's notice from the Swingline Lender, each Revolving Lender shall deliver to the Swingline Lender an amount equal to its respective Participation Interest in such Swingline Loans in same day funds at the office of the Swingline Lender specified or referred to in Section 10.01. In order to evidence such Participation Interest each Revolving Lender agrees to enter into a participation agreement at the request of the Swingline Lender in form and substance reasonably satisfactory to all parties. In the event any Revolving Lender fails to make available to the Swingline Lender the amount of such Revolving Lender's Participation Interest as provided in this Section 2.01(c)(vi), the Swingline Lender shall be entitled to recover such amount on demand from such Revolving Lender together with interest at the customary rate set by the Swingline Lender for correction of errors among banks in New York City for one Business Day and thereafter at the Base Rate plus the then Applicable Margin for Base Rate Loans.

(vii) Each Revolving Lender's obligation to make Revolving Loans pursuant to clause (iv) above and to purchase Participation Interests in outstanding Swingline Loans pursuant to clause (vi) above shall be absolute and unconditional and shall not be affected by any circumstance, including (without limitation) (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender or any other Person may have against the Swingline Lender, the Borrower, Holdings or any other Credit Party, (ii) the occurrence or continuance of a Default or an Event of Default or the termination or reduction in the amount of the Revolving Commitments after any such Swingline Loans were made, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, Holdings or any other Person, (iv) any breach of this Agreement or any other Senior Finance Document by the Borrower or any other Lender, (v) whether any condition specified in Article IV is then satisfied or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the forgoing. If such Lender does not pay such amount forthwith upon the Swingline Lender's demand therefor, and until such time as such Lender makes the required payment, the Swingline Lender shall be deemed to continue to have outstanding Swingline Loans in the amount of such unpaid Participation Interest for all purposes of the Senior Finance Documents other than those provisions requiring the other Lenders to purchase a participation therein. Further, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans, and any other amounts due to it hereunder to the Swingline Lender to fund Swingline Loans in the amount of the Participation Interest in Swingline Loans that such Lender failed to purchase pursuant to this Section 2.01(c)(vii) until such amount has been purchased (as a result of such assignment or otherwise).

SECTION 2.02 NOTICE OF BORROWINGS.

(a) Borrowings Other Than Swingline Loans. Except in the case of Swingline Loans, the Borrower shall give the Administrative Agent a Notice of Borrowing (or telephone notice promptly confirmed by a Notice of Borrowing) not later than 12 noon. on (i) the Business Day of each Base Rate Borrowing and (ii) the third Business Day before each Eurodollar Borrowing. Each such Notice of Borrowing shall be irrevocable and shall specify:

(A) the date of such Borrowing, which shall be a Business Day;

(B) the aggregate principal amount of such Borrowing;

(C) the Class and initial Type of the Loans comprising such Borrowing;

(D) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and to Section 2.06(a); and

(E) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.03.

If the duration of the initial Interest Period is not specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an initial Interest Period of one month, subject to the provisions of the definition of Interest Period and to Section 2.06(a).

(b) Swingline Borrowings. The Borrower shall request a Swingline Loan by written notice (or telephone notice promptly confirmed in writing) substantially in the form of Exhibit A-4 hereto (a "Swingline Loan Request") to the Swingline Lender and the Administrative Agent not later than 12 Noon on the Business Day of the requested Swingline Loan. Each such notice shall be irrevocable and shall specify (i) that a Swingline Loan is requested, (ii) the date of the requested Swingline Loan (which shall be a Business Day) and (iii) the principal amount of the Swingline Loan requested and, (iv) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.03. Each Swingline Loan shall be made as a Base Rate Loan.

SECTION 2.03 NOTICE TO LENDERS; FUNDING OF LOANS.

(a) Notice to Lenders. Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to therein.

(b) Funding of Loans.

(i) On the date of each Borrowing (other than a Swingline Borrowing), each Lender participating therein shall make available its share of such Borrowing, in Federal or other immediately available funds, to the Administrative Agent at the Administrative Agent's Office. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall promptly distribute the proceeds to an account designated by the Borrower from time to time in the Applicable Notice of Borrowing (provided such account is the subject of an Account Control Agreement (as defined in the Security Agreement) and is in full force and effect at the date thereof), or if not so identified, credit the amounts so received to the general deposit account of the Borrower with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein shall not have been met, promptly return the amounts received from the Lenders in like funds.

(ii) Not later than 3:00 P.M. on the date of each Swingline Borrowing, the Swingline Lender shall, unless the Administrative Agent shall have notified the Swingline Lender that any applicable condition specified in Article IV has not been satisfied, make available the amount of such Swingline Borrowing, in Dollars in Federal or other immediately available funds, to the Borrower at an account designated by the Borrower from time to time in the Swingline Loan Request (provided such account is the subject of an Account Control Agreement (as defined

in the Security Agreement) and is in full force and effect at the date thereof), or if not so identified, to the Borrower at the Swingline Lender's address referred to in Section 10.01.

(c) Funding by the Administrative Agent in Anticipation of Amounts Due from the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.03, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith within two Business Days of such corresponding amount, together with interest thereon

for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Obligations of Lenders Several. The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

(e) Failed Loans. If any Lender shall fail to make any Loan (a "Failed Loan") which such Lender is otherwise obligated hereunder to make to the Borrower on the date of Borrowing thereof, and the Administrative Agent shall not have received notice from the Borrower or such Lender that any condition precedent to the making of the Failed Loan has not been satisfied, then, until such Lender shall have made or be deemed to have made (pursuant to the last sentence of this subsection (e)) the Failed Loan in full or the Administrative Agent shall have received notice from the Borrower or such Lender that any condition precedent to the making of the Failed Loan was not satisfied at the time the Failed Loan was to have been made, whenever the Administrative Agent shall receive any amount from the Borrower for the account of such Lender, (i) the amount so received (up to the amount of such Failed Loan) will, upon receipt by the Administrative Agent, be deemed to have been paid to the Lender in satisfaction of the obligation for which paid, without actual disbursement of such amount to the Lender, (ii) the Lender will be deemed to have made the same amount available to the Administrative Agent for disbursement as a Loan to the Borrower (up to the amount of such Failed Loan) and (iii) the Administrative Agent will disburse such amount (up to the amount of the Failed Loan) to the Borrower or, if the Administrative Agent has previously made such amount available to the Borrower on behalf of such Lender pursuant to the provisions hereof, reimburse itself (up to the amount of the amount made available to the Borrower); provided, however, that the Administrative Agent shall have no obligation to disburse any such amount to the Borrower or otherwise apply it or deem it applied as provided herein unless the Administrative Agent shall have determined in its sole discretion that to so disburse such amount will not violate any law, rule, regulation or requirement applicable to the Administrative Agent. Upon any such disbursement by the Administrative Agent, such Lender shall be deemed to have made a Base Rate Loan of the same Class as the Failed Loan to the Borrower in satisfaction, to the extent thereof, of such Lender's obligation to make the Failed Loan.

SECTION 2.04 EVIDENCE OF LOANS.

(a) Lender Accounts. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) Administrative Agent Records. The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Class and Type of each Loan made and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) Evidence of Debt. The entries made in the accounts maintained pursuant to subsections (a) and (b) of this Section 2.04 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans made to it in accordance with their terms.

(d) Notes. Notwithstanding any other provision of this Agreement, if any Lender shall request and receive a Note or Notes as provided in Section 10.06 or otherwise, then the Loans of such Lender shall be evidenced by one or more Revolving Notes or Term B Notes, as applicable, in each case, substantially in the form of Exhibit B-1 or B-2 as applicable, payable to the order of such Lender for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Lender's Revolving Loan or Term B Loan, as applicable. If requested by the Swingline Lender, the Swingline Loans shall be evidenced by a single Swingline Note, substantially in the form of Exhibit B-3, payable to the order of the Swingline Lender in an amount equal to the aggregate unpaid principal amount of the Swingline Loans.

(e) Note Endorsements. Each Lender having one or more Notes issued by the Borrower shall record the date, amount, Class and Type of each Loan made by it to the Borrower evidenced by such Note and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Lender so elects in connection with any transfer or enforcement of any Note, endorse on the reverse side or on the schedule, if any, forming a part thereof appropriate notations to evidence the foregoing information with respect to each outstanding Loan evidenced thereby; provided that the failure of any Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under any such Note. Each Lender is hereby irrevocably authorized by the Borrower so to endorse each of its Notes and to attach to and make a part of each of its Notes a continuation of any such schedule as and when required.

SECTION 2.05 LETTERS OF CREDIT.

(a) Existing Letters of Credit. On the Closing Date, each Issuing Lender that has issued an Existing Letter of Credit shall be deemed, without further action by any party hereto, to have sold to each Revolving Lender, and each such Revolving Lender shall be deemed, without further action by any party hereto, to have purchased from each such Issuing Lender, without recourse or warranty, an undivided participation interest in such Existing Letter of Credit and the related LC Obligations in the proportion its Revolving Commitment Percentage bears to the Revolving Committed Amount (although any fronting fee payable under Section 2.11 shall be payable directly to the Administrative Agent for the accounting of each applicable Issuing Lender, and the Lenders (other than the applicable Issuing Lender) shall have no right to receive any portion of such fronting fee) and any security therefore or guaranty

pertaining thereto. On and after the Closing Date, each Existing Letter of Credit shall constitute a Letter of Credit for all purposes hereof.

(b) Additional Letters of Credit. The Administrative Agent agrees, on the terms and conditions set forth in this Agreement, to issue letters of credit or guarantees (each an "LC Support Agreement") to an Issuing Lender to induce such Issuing Lender to issue Letters of Credit denominated in Dollars from time to time before the 30th day prior to the Revolving Termination Date for the account, and upon the request, of the Borrower and in support of (i) trade obligations of the Borrower and/or its Subsidiaries, which shall be payable at sight (each such letter of credit, a "Trade Letter of Credit" and, collectively, the "Trade Letters of Credit") and (ii) such other obligations of the Borrower that are acceptable to the Administrative Agent (each such letter of credit, a "Standby Letter of Credit" and, collectively, the "Standby Letters of Credit"); provided that, immediately after each Letter of Credit is issued, (i) the aggregate LC Obligations shall not exceed $15,000,000 (the "LC Committed Amount"), (ii) the Revolving Outstandings shall not exceed the Revolving Committed Amount, and (iii) with respect to each individual Revolving Lender, the aggregate outstanding principal amount of the Revolving Lender's Revolving Loans plus its Participation Interests in outstanding LC Obligations plus its (other than the Swingline Lender's) Participation Interests in outstanding Swingline Loans shall not exceed such Revolving Lender's Revolving Commitment Percentage of the Revolving Committed Amount. Notwithstanding the foregoing, the account party for each Additional Letter of Credit shall be the Borrower.

(c) Method of Issuance of Letters of Credit. The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-3 hereto (a "Letter of Credit Request") of the requested issuance or amendment of a Letter of Credit prior to 1:00 P.M. (Chicago time) on the proposed date of the issuance or amendment of Trade Letters of Credit (which shall be a Business Day) and at least three Business Days before the proposed date of issuance or extension of Standby Letters of Credit (which shall be a Business Day) (or such shorter period as may be agreed by the applicable Issuing Lender in any particular instance). In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Request shall specify in form and detail reasonably satisfactory to the Administrative Agent: (i) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (ii) the amount thereof; (iii) the expiry date thereof; (iv) the name and address of the beneficiary thereof; (v) the documents to be presented by such beneficiary in case of any drawing thereunder; (vi) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (vii) such other matters as the Administrative Agent may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Request shall specify in form and detail reasonably satisfactory to the Administrative Agent: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment thereof (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as the Administrative Agent may require. If requested by the Administrative Agent, the Borrower shall also submit a letter of credit application on the Administrative Agent's standard form in connection with any request for a letter of credit. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit. Subject to the provisions of the following paragraph with respect to Evergreen Letters of Credit, no Letter of Credit shall have a term of more than one year or shall have a term extending or be extendible beyond the fifth

Business Day before the Revolving Termination Date.

If the Borrower so requests in any applicable Letter of Credit Request, the Administrative Agent may, in its sole and absolute discretion, agree to induce an Issuing Lender to issue a Letter of Credit that has automatic renewal provisions (each, an "Evergreen Letter of Credit"); provided that any such Evergreen Letter of Credit must permit the Issuing Lender to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such

twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the Administrative Agent, the Borrower shall not be required to make a specific request to the Administrative Agent for any such renewal. Once an Evergreen Letter of Credit has been issued, the Revolving Lenders shall be deemed to have authorized (but may not require) the Issuing Lender to permit the renewal of such Letter of Credit at any time to a date not later than the Revolving Termination Date; provided, however, that the Administrative Agent shall not permit any such renewal if (i) the Issuing Lender would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof or (ii) it has received notice (which may be by telephone or in writing) on or before the Business Day immediately preceding the Nonrenewal Notice Date (A) from the Administrative Agent that the Required Revolving Lenders have elected not to permit such renewal or (B) from the Administrative Agent, any Revolving Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied. Notwithstanding anything to the contrary contained herein, the Issuing Lender shall have no obligation to permit the renewal of any Evergreen Letter of Credit at any time.

Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Issuing Lender will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(d) Conditions to Issuance of Additional Letters of Credit. The issuance by the Administrative Agent of an LC Support Agreement to induce an Issuing Lender to issue each Additional Letter of Credit shall, in addition to the conditions precedent set forth in Section 4.02, be subject to the conditions precedent that (i) such Letter of Credit shall be reasonably satisfactory in form and substance to the Administrative Agent, (ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Administrative Agent shall have reasonably requested, (iii) on the date of (and after giving effect to) such issuance that (A) the aggregate amount of all LC Obligations will not exceed the LC Committed Amount and (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Revolving Commitments and (iv) the Issuing Lender shall not have been notified by the Administrative Agent that any condition specified in Section 4.02(b) or (c) is not satisfied on the date such Additional Letter of Credit is to be issued. Notwithstanding any other provision of this Section 2.05, the Administrative Agent shall not be under any obligation hereunder to issue any LC Support Agreement if: (i) any order, judgment or decree of any Governmental Authority shall by its terms purport to enjoin or restrain the Administrative Agent from issuing such LC Support Agreement, or any requirement of Law applicable to the Administrative Agent or any request or directive (whether or not having a force of Law) from any Governmental Authority with jurisdiction over the Administrative Agent shall prohibit, or request that the Administrative Agent refrain from, the issuance of letters of credit generally or such LC Support Agreement in particular or shall impose upon the Administrative Agent with respect to such LC Support Agreement any restriction, reserve or capital requirement (for which the Administrative Agent is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Administrative Agent any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Administrative Agent in good faith deems material to it; or (ii) the issuance of such LC Support Agreement shall violate any applicable general policies of the Administrative Agent.

(e) Purchase and Sale of Letter of Credit Participations. Upon the issuance by an Issuing Lender of an Additional Letter of Credit, the Administrative Agent shall be deemed, without further action by any party hereto, to have sold to each Revolving Lender, and each Revolving Lender shall be deemed, without further action by any party hereto, to have purchased from the Administrative Agent, without recourse or warranty, an undivided Participation Interest in the LC Support Agreement obligations in respect of such Additional Letter of Credit and the related LC Obligations in the proportion

its Revolving Commitment Percentage bears to the Revolving Committed Amount (although any fronting fee payable under Section 2.11 shall be payable directly

to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such fronting fee) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to Section 10.06, there shall be an automatic adjustment to the Participation Interests in all outstanding LC Support Agreements to reflect the adjusted Revolving Commitments of the assigning and assignee Lenders or of all Lenders having Revolving Commitments, as the case may be.

(f) Duties of Issuing Lenders and the Administrative Agent to Revolving Lenders; Reliance. In determining whether to pay under any Letter of Credit or LC Support Agreement, the relevant Issuing Lender or Administrative Agent as applicable shall not have any obligation relative to the Revolving Lenders participating in such Letter of Credit or any LC Support Agreement other than to determine that any document or documents required to be delivered under a Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Administrative Agent as applicable under or in connection with any LC Support Agreement or Letter of Credit shall not create for the Issuing Lender or Administrative Agent as applicable any resulting liability if taken or omitted in the absence of bad faith, gross negligence or willful misconduct. Each Issuing Lender or the Administrative Agent as applicable shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in paragraphs (b) and (c) of Section 4.02 are met in connection with any issuance or extension of an LC Support Agreement or a Letter of Credit. Each Issuing Lender or the Administrative Agent as applicable shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender or Administrative Agent as applicable and upon any Letter of Credit, LC support Agreement draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender or the Administrative Agent as applicable that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender and the Administrative Agent shall be fully justified in refusing to take any action requested of it under this Section 2.05 in respect of any Letter of Credit or any LC Support Agreement unless it shall first have received such advice or concurrence of the Required Revolving Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Revolving Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section 2.05, each Issuing Lender and the Administrative Agent and shall in all cases be fully protected in acting, or in refraining from acting, under this Section 2.05 in respect of any LC Support Agreement or Letter of Credit or in accordance with a request of the Required Revolving Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Revolving Lenders and all future holders of participations in such LC Support Agreement or Letter of Credit.

(g) Reimbursement Obligations. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse each Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Existing Letter of Credit and reimburse the Administrative Agent upon any payment made by the Administrative Agent pursuant to an LC Support Agreement, together with any and all reasonable charges and expenses which the Issuing Lender or Administrative Agent respectively may pay or incur relative to such drawing or payment and interest on the amount

drawn or paid at the rate applicable to Revolving Base Rate Loans for each day from and including the date such amount is drawn or paid to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 2:00 P.M. (Chicago time or the relevant local time, as applicable) on the third Business Day after the date the Issuing Lender or Administrative Agent (as the case may be) notifies the Borrower of such drawing or payment; provided that no payment otherwise required by this sentence to be made by the Borrower at or before 2:00 P.M. (Chicago time or the relevant local time, as applicable) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the applicable Issuing Lender or the Administrative Agent, in its reasonable discretion, shall have been made by the Borrower at or before 2:00 P.M. (Chicago time or the relevant local time, as applicable) on such day and such payment is actually made at or before 3:00 P.M. (Chicago time or the relevant local time, as applicable) on such day. In addition to the foregoing, the Borrower agrees to pay to the Issuing Lender and Administrative Agent interest, payable on demand, on any and all amounts not paid by the Borrower to the Issuing Lender or the Administrative Agent (as applicable) when due under this subsection (g), for each day from and including

the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2.00% plus the rate applicable to Revolving Base Rate Loans for such day. Subject to the satisfaction of all applicable conditions set forth in Article IV, the Borrower may, at its option, utilize the Swingline Commitment or the Revolving Commitments, or make other arrangements for payment satisfactory to the Issuing Lender or the Administrative Agent, (as applicable) for the reimbursement of all LC Disbursements as required by this subsection (g). Each reimbursement payment to be made by the Borrower pursuant to this subsection (g) shall be made to the Issuing Lender or the Administrative Agent (as applicable) in Federal or other funds immediately available to it at its address referred to in Section 10.01.

(h) Obligations of Revolving Lenders to Reimburse Issuing Lender and the Administrative Agent for Unpaid LC Disbursements. If the Borrower shall not have reimbursed an Issuing Lender or the Administrative Agent (as the case may be) in full for any LC Disbursement as required pursuant to subsection (g) of this Section 2.05, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Revolving Lender, (other than the relevant Issuing Lender), and each such Revolving Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender; or for itself as the case may be, such Revolving Lender's pro-rata share of such unreimbursed LC Disbursement (each such Lender's pro rata share of such LC Disbursement determined by the proportion its Revolving Commitment Percentage bears to the aggregate Revolving Committed Amount) in Dollars in Federal or other immediately available funds. Such payment from the Revolving Lender shall be due (i) at or before 1:00 P.M. (Chicago time) on the date the Administrative Agent so notifies a Revolving Lender, if such notice is given at or before 10:00 A.M. (Chicago time) on such date or (ii) at or before 10:00 A.M. (Chicago time) on the next succeeding Business Day, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Revolving Lender at the Federal Funds Rate for such day (which funds, in the case of a failure to reimburse an Issuing Lender under an Existing Letter of Credit, the Administrative Agent shall promptly remit to the applicable Issuing Lender). The failure of any Revolving Lender to make available to the Administrative Agent its pro-rata share of any unreimbursed LC Disbursement shall not relieve any other Revolving Lender of its obligation hereunder to make available to the Administrative Agent its pro-rata share of any payment made under any Letter of Credit or LC Support Agreement (as applicable) on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's pro-rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this subsection (h), such Lender shall be subrogated to the rights of the Issuing Lender or the Administrative Agent as applicable against the Borrower to the extent of such Lender's pro-rata share of the related LC Obligation so paid (including interest accrued thereon). If any Revolving Lender fails to pay any amount required to be paid by it

pursuant to this subsection (h) on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2.00% plus the rate applicable to its Revolving Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

(i) Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 2.05(g) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement any LC Support Agreement, or any Letter of Credit or any document related hereto or thereto;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement, any LC Support Agreement, or any Letter of Credit or any document related hereto or thereto, in each case consented to by the Borrower;

(iii) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(iv) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting),

the Administrative Agent, any Issuing Lender or any other Person, whether in connection with this Agreement, any LC Support Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(v) any statement or any other document presented under an LC Support Agreement or a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(vi) payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(vii) any other act or omission to act or delay of any kind by the Administrative Agent, any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (vii), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

(j) Designation of Subsidiaries as Account Parties. Notwithstanding anything to the contrary set forth in this Agreement, an LC Support Agreement or Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Subsidiary of the Borrower; provided that notwithstanding such statement, the Borrower shall be the actual account party

for all purposes of this Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(k) Modification and Extension. The issuance of any supplement, restatement, modification, amendment, renewal, or extensions to any LC Support Agreement or Letter of Credit shall, for purposes hereof, be treated in all respects the same as a Credit Extension hereunder.

(l) Uniform Customs and Practices. Unless otherwise expressly agreed by the Administrative Agent and the Borrower when an LC Support Agreement is issued in support of a Letter of Credit (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each Trade Letter of Credit.

(m) Responsibility of Issuing Lenders. It is expressly understood and agreed that the obligations of the Issuing Lenders and Administrative Agent hereunder to the Revolving Lenders are only those expressly set forth in this Agreement and that each Issuing Lender and the Administrative Agent shall be entitled to assume that the conditions precedent set forth in Section 4.02 have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.05 shall be deemed to prejudice the right of any Revolving Lender to recover from any Issuing Lender and the Administrative Agent any amounts made available by such Revolving Lender to such Issuing Lender and the Administrative Agent pursuant to this Section 2.05 in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit or an LC Support Agreement constituted gross negligence or willful misconduct on the part of the Issuing Lender or Administrative Agent (as applicable).

(n) Conflict with LC Documents. In the event of any conflict between this Agreement and any LC Document, this Agreement shall govern.

(o) Indemnification of Issuing Lenders and the Administrative Agent.

(i) In addition to its other obligations under this Agreement, the Borrower hereby agrees to protect, indemnify, pay and save the Administrative Agent and each Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that the Administrative Agent and Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any LC Support Agreement or Letter of Credit as applicable or (B) the failure of the Administrative Agent or such Issuing Lender to honor a drawing under an LC

Support Agreement or Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the Administrative Agent or each Issuing Lender, the Borrower shall assume all risks of the acts or omissions of or the misuse of any Letter of Credit by the beneficiary thereof. The Administrative Agent or Issuing Lender shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any LC Support Agreement or Letter of Credit, even if it should in fact prove to be in any or all respects

invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order to draw upon a Letter of Credit; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any documents required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (G) any consequences arising from causes beyond the control of the Administrative Agent or Issuing Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Administrative Agent or Issuing Lender's rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Administrative Agent or an Issuing Lender, under or in connection with any LC Support Agreement or Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put the Administrative Agent or Issuing Lender under any resulting liability to the Borrower or any other Credit Party other than for gross negligence, bad faith or willful misconduct. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the Administrative Agent or Issuing Lenders against any and all risks involved in the issuance of any LC Support Agreement or Letter of Credit, all of which risks are hereby assumed by the Credit Parties, including, without limitation, any and all risks, whether rightful or wrongful, of any present or future Government Acts. The Administrative Agent or Issuing Lenders shall not, in any way, be liable for any failure by the Administrative Agent or Issuing Lenders or anyone else to pay any drawing under any LC Support Agreement or Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Issuing Lenders.

(iv) Nothing in this subsection (o) is intended to limit the reimbursement obligation of the Borrower contained in this Section 2.05. The obligations of the Borrower under this subsection (o) shall survive the termination of this Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Administrative Agent or any Issuing Lender to enforce any right, power or benefit under this Agreement.

(v) Notwithstanding anything to the contrary contained in this subsection (o), the Borrower shall not have any obligation to indemnify the Administrative Agent or any Issuing Lender in respect of any liability to the extent incurred by the Administrative Agent or such Issuing Lender arising solely out of the gross negligence, bad faith, or willful misconduct of the Administrative Agent or Issuing Lender, respectively, as determined by a court of competent jurisdiction. Nothing in this Agreement shall relieve Administrative Agent or any Issuing Lender of any liability to the Borrower in respect of any action taken by the Administrative Agent or such Issuing Lender which action constitutes gross negligence, bad faith or willful misconduct of the Administrative Agent or such Issuing Lender or a violation of the UCP or Uniform Commercial Code, as applicable, as determined by a court of competent jurisdiction.

(p) Cash Collateral. If the Borrower is required pursuant to the terms of this Agreement to Cash Collateralize any LC Obligations, the Borrower shall deposit in an account (which may be an LC Cash Collateral Account under the Security Agreement) with the Collateral Agent an amount in Dollars in cash equal to 105% of such LC Obligations. Such deposit shall be held by the Collateral Agent as collateral for the payment and performance of the LC Obligations. The Collateral

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Agent shall have exclusive control, including the exclusive right of withdrawal, over each collateral account referred to in this subsection (p). The Collateral Agent will, at the request of the Borrower, invest amounts deposited in such account in Cash Equivalents; provided, however, that (i) the Collateral Agent shall not be required to make any investment that, in its sole judgment, would require or cause the Collateral Agent to be in, or would result in any, violation of any Law, (ii) such Cash Equivalents shall be subjected to a first priority perfected security interest in favor of the Collateral Agent and (iii) if an Event of Default shall have occurred and be continuing, the selection of such Cash Equivalents shall be in the sole discretion of the Collateral Agent. The Borrower shall indemnify the Collateral Agent for any losses relating to such investments in Cash Equivalents. Other than any interest or profits earned on such investments, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Collateral Agent to reimburse the Issuing Lenders immediately for drawings under the applicable Letters of Credit and reimburse the Administrative Agent immediately for payments under the applicable LC Support Agreement and, if the maturity of the Loans has been accelerated, to satisfy the LC Obligations of the Borrower. If the Borrower is required to provide an amount of cash collateral hereunder as a result of an Event of Default, such amount together with any interest or profits earned thereon (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.08(a) or 2.09(b)(i), such amount together with any interest or profits earned thereon (to the extent not applied as aforesaid) shall be returned to the Borrower upon demand; provided that, after giving effect to the return, (i) the aggregate Revolving Outstandings would not exceed the Revolving Committed Amount and (ii) no Default or Event of Default shall have occurred and be continuing. If the Borrower is required to deposit an amount of cash collateral hereunder pursuant to Section 2.09(b) (iii), (iv), (v), (vi), or (vii), interest or profits thereon (to the extent not applied as aforesaid) shall be returned to the Borrower after the full amount of such deposit has been applied by the Collateral Agent to reimburse the Issuing Lender for drawings under Letters of Credit and the Administrative Agent for payments under LC Support Agreements. The Borrower hereby pledges and assigns to the Collateral Agent, for its benefit and the benefit of the Finance Parties, each cash collateral account established by it hereunder (and all monies and investments held therein) to secure its Finance Obligations.

(q) Resignation or Removal of an Issuing Lender. An Issuing Lender may resign at any time by giving 60 days' notice to the Administrative Agent, the Revolving Lenders and the Borrower; provided, however, that such resignation shall not affect the status of any outstanding Letters of Credit issued by such resigning Issuing Lender as set forth in subsection (r) below. Upon any such resignation, the Borrower shall (within 60 days after such notice of resignation) either appoint a successor, or terminate the unutilized LC Commitment of such Issuing Lender; provided, however, that, if the Borrower elects to terminate such unutilized LC Commitment, the Borrower may at any time thereafter that the Revolving Commitments are in effect reinstate such LC Commitment in connection with the appointment of another Issuing Lender. Subject to subsection (r) below, upon the acceptance of any appointment as an Issuing Lender hereunder by a successor Issuing Lender, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Lender and the retiring Issuing Lender shall be discharged from its obligations to issue Additional Letters of Credit hereunder. The acceptance of any appointment as Issuing Lender hereunder by a successor Issuing Lender shall be evidenced by an agreement entered into by such successor, in a form reasonably satisfactory to the Borrower and the Administrative Agent, and, from and after the effective date of such agreement, (i) such successor shall be a party hereto and have all the rights and obligations of an Issuing Lender under this Agreement and the other Senior Finance Documents, and (ii) references herein and in the other Senior Finance Documents to the "Issuing Lender" shall be deemed to refer to such successor or to any previous Issuing Lender, or to such successor and all previous Issuing Lenders, as the context shall require.

(r) Rights with Respect to Outstanding Letters of Credit. After the resignation of an Issuing Lender hereunder the retiring Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement and the other Senior Finance Documents with respect to Letters of Credit issued by it prior to such resignation, but shall not be required to issue Additional Letters of Credit.

(s) Reporting. Each Issuing Lender will report in writing to the Administrative Agent (i) on the first Business Day of each week, the aggregate amount of the face amount of Letters of Credit issued by it and outstanding as of the last Business Day of the preceding week, (ii) on or prior to each Business Day on which such Issuing Lender expects to issue, amend, renew or extend any Letter of Credit, the date of such issuance or amendment, and the aggregate amount of the face amount of Letters of Credit to be issued, amended,

renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and such Issuing Lender shall advise the Administrative Agent on such Business Day whether such issuance, amendment, renewal or extension occurred and whether the amount thereof changed), (iii) on each Business Day on which such Issuing Lender makes any LC Disbursement, the date of such LC Disbursement and the amount of such LC Disbursement and (iv) on any Business Day on which the Borrower fails to reimburse an LC Disbursement required to be reimbursed to such Issuing Lender on such day, the date of such failure, the Borrower and the amount, of such LC Disbursement.

SECTION 2.06 INTEREST.

(a) Rate Options Applicable to Loans. Each Borrowing made prior to the Syndication Date shall be comprised of Base Rate Loans or (except in the case of Swingline Loans, which shall be made and maintained as Base Rate Loans) Eurodollar Loans with a one-month Interest Period (ending on the same date), as the Borrower may request pursuant to Section 2.02. Each Borrowing made on or after the Syndication Date shall be comprised of Base Rate Loans or (except in the case of Swingline Loans, which shall be made and maintained as Base Rate Loans) Eurodollar Loans, as the Borrower may request pursuant to Section 2.02. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower may not request any Borrowing that, if made, would result in an aggregate of more than 15 separate Groups of Eurodollar Loans being outstanding hereunder at any one time. For this purpose, Loans having different Interest Periods, regardless of whether commencing on the same date, shall be considered separate Groups.

(b) Base Rate Loans. Each Loan of a Class which is made as, or converted into, a Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the Base Rate for such day plus the then Applicable Margin. Such interest shall be payable in arrears on each Interest Payment Date and, with respect to the principal amount of any Base Rate Loan converted to a Eurodollar Loan, on the date such Base Rate Loan is so converted.

(c) Eurodollar Loans. Each Eurodollar Loan of a Class shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the applicable Adjusted London Interbank Offered Rate for such Interest Period plus the then Applicable Margin. Such interest shall be payable for each Interest Period on each Interest Payment Date.

(d) Determination and Notice of Interest Rates. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its

determination thereof shall be conclusive in the absence of manifest error. Any such notice shall, without the necessity of the Administrative Agent so stating in such notice, be subject to the provisions of the definition of "Applicable Margin" providing for adjustments in the Applicable Margin from time to time. When during an Interest Period any event occurs that causes an adjustment in the Applicable Margin applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

(e) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 8.01(a) and/or (f), the overdue principal of and, to the extent permitted by law, overdue interest on the Loans and any other overdue amounts owing herein or under the other Senior Finance Documents shall bear interest, payable on demand, at a per annum rate equal to (i) in the case of principal of any Loan, the rate otherwise applicable to such Loan during such period pursuant to this Section 2.06 plus 2.00%, (ii) in the case of interest on any Loan the Base Rate plus the Applicable Margin for Loans of such Class on such day plus 2.00% and (iii) in the case of any other amount, if expressly provided for herein, at the rate so provided and otherwise at the Base Rate plus the Applicable Margin for Revolving Base Rate Loans plus 2.00%.

SECTION 2.07 EXTENSION AND CONVERSION.

(a) Continuation and Conversion Options. The Loans included in each Borrowing shall bear interest initially at the type of rate allowed by Section 2.06 and as specified by the Borrower in the applicable Notice of Borrowing. Thereafter, the Borrower shall have the option to elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article III and subsection 2.07(d)), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may

elect pursuant to a Notice of Extension/Conversion to convert such Loans to Eurodollar Loans as of any Business Day; and

(ii) if such Loans are Eurodollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or elect to continue such Loans as Eurodollar Loans for an additional Interest Period, subject to Section 3.05 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice, substantially in the form of Exhibit A-2 hereto (a "Notice of Extension/Conversion") or by telephone promptly confirmed by a Notice of Extension/Conversion, which notice shall not thereafter be revocable by the Borrower, to the Administrative Agent not later than 12:00 Noon on the second Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Extension/Conversion may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each $1,000,000 or any larger multiple of $100,000.

(b) Contents of Notice of Extension/Conversion. Each Notice of Extension/Conversion shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection 2.07(a) above;

(iii) if the Loans comprising such Group are to be converted, the new Type of Loans and, if the Loans being converted are to be Eurodollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Eurodollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definitions of the term "Interest Period". If no Notice of Extension/Conversion is timely received prior to the end of an Interest Period for any Group of Eurodollar Loans, the Borrower shall be deemed to have elected that such Group be converted to Base Rate Loans as of the last day of such Interest Period.

(c) Notification to Lenders. Upon receipt of a Notice of Extension/Conversion (written or telephonic as set forth above) from the Borrower pursuant to subsection 2.07(a) above, the Administrative Agent shall promptly notify each Lender of the contents thereof.

(d) Limitation on Conversion/Continuation Options. The Borrower shall not be entitled to elect to convert any Loans to, or continue any Loans for an additional Interest Period as, Eurodollar Loans if (i) the aggregate principal amount of any Group of Eurodollar Loans created or continued as a result of such election would be less than $1,000,000 or (ii) an Event of Default shall have occurred and be continuing when the Borrower delivers notice of such election to the Administrative Agent. The Borrower shall not be entitled to elect to continue any Eurodollar Loans for an Interest Period in excess of one month, if a Default shall have occurred and be continuing when the Borrower delivers notice of such election to the Administrative Agent.

(e) Accrued Interest. Accrued interest on a Loan (or portion thereof) being extended or converted shall be paid by the Borrower (i) with respect to any Base Rate Loan being converted to a Eurodollar Loan, on the last day of the first fiscal quarter of the Borrower ending on or after the date of conversion and (ii) otherwise, on the date of extension or conversion.

SECTION 2.08 MATURITY OF LOANS.

(a) Maturity of Revolving Loans. The Revolving Loans shall mature on the Revolving Termination Date, and any Revolving Loans, Swingline Loans and LC Obligations then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable on such date.

(b) Scheduled Amortization of Term B Loan. The Borrower shall repay, and there shall become due and payable (together with accrued interest thereon) on each Principal Amortization Payment Date, (i) 1/4 of 1% of the aggregate initial principal amount of the Term B Loan, in the case of each of the first 24 Principal Amortization Payment Dates and (ii) thereafter, 23.5% of

the aggregate initial principal amount of the Term B Loan, in the case of the four final Principal Amortization Dates, and in each case the Term B Loans of each class of each Lender shall be ratably repaid.

SECTION 2.09 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right voluntarily to prepay Loans in whole or in part from time to time, subject to Section 3.05 but otherwise without premium or

penalty; provided, however, that (i) each partial prepayment of Loans of any Class shall be in a minimum principal amount of $1,000,000 and integral multiples of $100,000 in excess thereof, (ii) the Borrower shall have given prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent, (A) in the case of any Revolving Loan which is a Base Rate Loan or any Swingline Loan, by 12 Noon on the date of prepayment and (B), in the case of any other Loan, by 12 Noon at least two Business Days prior to the date of prepayment and (iii) voluntary prepayments of Term Loans under this Section 2.09(a) shall be applied ratably to the remaining Principal Amortization Payments thereof. Each notice of prepayment shall specify the prepayment date, the principal amount remaining and amount to be prepaid, whether the Loan to be prepaid is a Revolving Loan, Term B Loan or Swingline Loan, whether the Loan to be prepaid is a Eurodollar Loan or a Base Rate Loan and, in the case of a Eurodollar Loan, the Interest Period of such Loan. Each notice of prepayment shall be irrevocable and shall commit the Borrower to prepay such Loan by the amount, and on the date stated therein. Subject to the foregoing, amounts prepaid under this Section 2.09(a) shall be applied as the Borrower may elect; provided that if the Borrower fails to specify the application of a voluntary prepayment, then such prepayment shall be applied first to Revolving Loans to the full extent thereof (without a permanent reduction in the Revolving Committed Amount), then to Swingline Loans to the full extent thereof (without a permanent reduction in the Revolving Committed Amount), then to Term B Loans (ratably to the remaining Principal Amortization Payments thereof), in each case first to Base Rate Loans and then to Eurodollar Loans of the applicable Class in direct order of Interest Period maturity. All prepayments under this Section 2.09(a) shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment. Notwithstanding the foregoing, the Borrower may elect to cause all or a portion of any such prepayment of Term B Loans to be applied to the remaining Principal Amortization Payments thereof in direct order of maturity.

(b) Mandatory Prepayments.

(i) Revolving Committed Amount. If on any date the aggregate Revolving Outstandings exceed the Revolving Committed Amount, the Borrower shall repay, and there shall become due and payable (together with accrued interest thereon), on such date an aggregate principal amount of Swingline Loans equal to such excess. If the outstanding Swingline Loans have been repaid in full, the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon), Revolving Loans in such amounts as are necessary so that, after giving effect to the repayment of the Swingline Loans and the repayment of Revolving Loans, the aggregate Revolving Outstandings do not exceed the Revolving Committed Amount. If the outstanding Revolving Loans and Swingline Loans have been repaid in full, the Borrower shall Cash Collateralize LC Obligations so that, after giving effect to the repayment of Swingline Loans and Revolving Loans and the Cash Collateralization of LC Obligations pursuant to this subsection (i), the aggregate Revolving Outstandings do not exceed the Revolving Committed Amount. In determining the aggregate Revolving Outstandings for purposes of this subsection (i), LC Obligations shall be reduced to the extent that they are Cash Collateralized as contemplated by this subsection (i). Each prepayment of Revolving Loans required pursuant to this subsection (i) shall be applied ratably among outstanding Revolving Loans based on the respective amounts of principal then outstanding. Each Cash Collateralization of LC Obligations required by this subsection (i) shall be applied ratably among LC Obligations based on the respective amounts thereof then outstanding.

(ii) Excess Cash Flow. Within 120 days after the end of each fiscal year of the Borrower (commencing with the fiscal year ending December 31, 2004, but with respect to such year, from the Closing Date only), the Borrower shall prepay the Loans and/or Cash Collateralize or pay the LC Obligations in an aggregate amount equal to (A) 75% of the Excess Cash Flow for such prior fiscal year if the Leverage Ratio as of the last day of such prior fiscal

year was equal to or greater than 3.0 to 1.0, (B) 50% of the Excess Cash Flow for such prior fiscal year, if the Leverage Ratio as of the last day of such prior fiscal year was less than 3.0 to 1.0 but equal to or greater

than 2.0 to 1.0 or (C) 25% of the Excess Cash Flow for the prior fiscal year, if the Leverage Ratio as of the last day of such prior fiscal year was less than 2.0 to 1.0. Notwithstanding the foregoing, if on the date of such prepayment, a payment in respect of the Junior Debentures would not be permitted pursuant to Section 7.08 (d) below, the Borrower shall prepay the Loans and/or Cash Collateralize or pay the LC Obligations in an aggregate amount equal to 75% of the Excess Cash Flow for such prior fiscal year.

(iii) Asset Dispositions, Casualties and Condemnations, etc. Within five Business Days after receipt by any Group Company of proceeds from any Asset Disposition (other than any Excluded Asset Disposition), Casualty or Condemnation, the Borrower shall prepay the Loans and/or Cash Collateralize or pay the LC Obligations in an aggregate amount equal to 100% of the Net Cash Proceeds of such Asset Disposition, Casualty or Condemnation, as applicable

(iv) Debt Issuances. Within five Business Days after receipt by any Group Company of proceeds from any Debt Issuance (other than such Debt Issuance permitted pursuant to Section 7.01 of this Agreement), the Borrower shall prepay the Loans and/or Cash Collateralize the LC Obligations in an aggregate amount equal to 100% of the Net Cash Proceeds of such Debt Issuance.

(v) Equity Issuances. Within five Business Days after receipt by any Group Company of proceeds from any Equity Issuance (other than any Excluded Equity Issuance), the Borrower shall prepay the Loans and/or Cash Collateralize the LC Obligations in an aggregate amount equal to (A) 75% of the Net Cash Proceeds of such Equity Issuance if the Leverage Ratio as of the last day of the fiscal quarter on a Pro-Forma Basis (as confirmed by the delivery of the Pro-Forma Compliance Certificate) of the Borrower ending on or most recently preceding the date of the receipt of such proceeds was equal to or greater than 3.5 to 1.0, (B) 50% of the Net Cash Proceeds of such Equity Issuance, if the Leverage Ratio as of the last day of the fiscal quarter on a Pro-Forma Basis (as confirmed by the delivery of the Pro-Forma Compliance Certificate) of the Borrower ending on or most recently preceding the date of the receipt of such proceeds was less than 3.5 to 1.0 but equal to or greater than 2.5 to 1.0, and (C) 25% of the Net Cash Proceeds of such Equity Issuance, if the Leverage Ratio as of the last day of the fiscal year of the Borrower ending on or most recently preceding the date of the receipt of such proceeds was less than 2.5 to 1.0, and in each case, Holdings shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate in connection therewith.

(vi) Payments in Respect of Subordinated Debt. Immediately upon receipt by the Administrative Agent or any Lender of any amount pursuant to the subordination provision of any Debt of Holdings or any of its Subsidiaries that is subordinate to the Senior Obligations, all proceeds thereof shall be applied as set forth in subsection (vii)(B) below.

(vii) Application of Mandatory Prepayments. All amounts required to be paid pursuant to this Section 2.09(b) shall be applied as follows:

(A) with respect to all amounts paid pursuant to Section 2.09(b)(i) in the order provided in such Section; and

(B) with respect to all amounts paid pursuant to Section 2.09(b)(ii), (iii), (iv), (v) or (vi) (1) first, to the Term B Loans (ratably to the remaining Principal

Amortization Payments thereof, provided that the Borrower may elect to cause all or a portion of such prepayment of Term B Loans to be applied to the remaining Principal Amortization Payments thereof in direct order of maturity, due in the twelve month period commencing on the date of prepayment) and (2) second, (x) to the Revolving Loans (with a corresponding reduction in the Revolving Committed Amount pursuant to Section 2.10(b)), (y) then to Swingline Loans (with a corresponding reduction in the Revolving Committed Amount and the Swingline Committed Amount pursuant to Section 2.10(b)), and (z) then to Cash Collateralize LC Obligations.

(viii) Order of Applications. All amounts allocated to Revolving Outstandings as provided in this Section 2.09(b) shall be applied, first, to Swingline Loans, second, after all Swingline Loans have been repaid, to Revolving Loans, and third, after all Revolving Loans have been repaid, to Cash Collateralize or pay the LC Obligations; provided that any balance of such amounts remaining after all Revolving Loans have been repaid and, if applicable, all LC Obligations have been Cash Collateralized shall be applied to the Term B Loans in each case ratably

to the remaining Principal Amortization Payments thereof. Within the parameters of the applications set forth above, prepayments of Revolving Loans and Term B Loans shall be applied first to Base Rate Loans and then, subject to subsection (ix) below, to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 2.09(b) shall be subject to Section 3.05. All prepayments under this Section 2.09(b) shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

(ix) Prepayment Accounts. Amounts to be applied as provided in subsection (vii) above to the prepayment of Revolving Loans or Term B Loans shall be applied first to reduce outstanding Base Rate Loans of such Class. Any amounts remaining after each such application shall, at the option of the Borrower, be applied to prepay Eurodollar Loans of such Class immediately and/or shall be deposited in a separate Prepayment Account (as defined below) for the Loans of such Class. The Administrative Agent shall apply any cash deposited in the Prepayment Account for any Class of Loans, upon withdrawal by the Collateral Agent, to prepay Eurodollar Loans of such Class on the last day of their respective Interest Periods (or, at the direction of the Borrower, on any earlier date) until all outstanding Loans of such Class have been prepaid or until all the allocable cash on deposit in the Prepayment Account for such Class has been exhausted. Concurrently with such application, the aggregate amount of any interest or profits earned on the amount so applied shall be withdrawn by the Collateral Agent and paid to the order of the Borrower. For purposes of this Agreement, the term "Prepayment Account" for any Class of Loans shall mean an account (which may include the Prepayment Account established under the Security Agreement) established by the Borrower with the Collateral Agent and over which the Collateral Agent shall have exclusive dominion and control, including the exclusive right of withdrawal for application in accordance with this subsection (ix). The Collateral Agent will, at the request of the Borrower, invest amounts on deposit in the Prepayment Account for any Class of Loans in Cash Equivalents that mature prior to the last day of the applicable Interest Periods of the Eurodollar Loans of such Class to be prepaid; provided, however, that (i) the Collateral Agent shall not be required to make any investment that, in its sole judgment, would require or cause the Collateral Agent to be in, or would result in any, violation of any Law, (ii) such Cash Equivalents shall be subjected to a first priority perfected security interest in favor of the Collateral Agent and (iii) if any Event of Default shall have occurred and be continuing, the selection of such Cash Equivalents shall be in the sole discretion of the Collateral Agent. The Borrower shall indemnify the Collateral Agent for any losses relating to such investments in Cash Equivalents so that the amount available to prepay Eurodollar Loans on the last day of the applicable Interest Periods is not less than the amount that would have been available had no investments been made pursuant thereto. Other than any

interest or profits earned on such investments, the Prepayment Accounts shall not bear interest. Interest or profits, if any, on the investments in any Prepayment Account shall accumulate in such Prepayment Account and be paid to the Borrower as provided above. If the maturity of the Loans has been accelerated pursuant to Section 8.02, the Administrative Agent may, in its sole discretion, cause the Collateral Agent to withdraw amounts on deposit in the Prepayment Account for any Class of Loans and apply such funds to satisfy any of the Senior Obligations related to such Class of Loans.

(x) Payments Cumulative. Except as otherwise expressly provided in this Section 2.09, payments required under any subsection or clause of this Section 2.09 are in addition to payments made or required under any other subsection or clause of this Section 2.09.

(xi) Notice. The Borrower shall give to the Administrative Agent and the Lenders at least five Business Days' prior written or telecopy notice of each and every event or occurrence requiring a prepayment under Section 2.09(b)(iii), (iv), (v) or (vi), including the amount of Net Cash Proceeds expected to be received therefrom and the expected schedule for receiving such proceeds; provided, however, that in the case of any prepayment event consisting of a Casualty or Condemnation, the Borrower shall give such notice within five Business Days after the occurrence of such event.

SECTION 2.10 ADJUSTMENT OF COMMITMENTS.

(a) Optional Termination or Reduction of Commitments (Pro-Rata). The Borrower may from time to time permanently reduce or terminate the Revolving Committed Amount in whole or in part (in minimum aggregate amounts of $1,000,000 or in integral multiples of $100,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount)) upon two Business Days' prior written or telecopy notice to the Administrative Agent; provided, however, that no such termination or reduction shall be made which

would cause the Revolving Outstandings to exceed the Revolving Committed Amount as so reduced unless, concurrently with such termination or reduction, the Revolving Loans are repaid or, if no Revolving Loans are outstanding, the Swingline Loans are repaid and, after the Swingline Loans have been paid in full, the LC Obligations are Cash Collateralized to the extent necessary to eliminate such excess. The Administrative Agent shall promptly notify each affected Lender of the receipt by the Administrative Agent of any notice from the Borrower pursuant to this Section 2.10(a). Any partial reduction of the Revolving Committed Amount pursuant to this Section 2.10(a) shall be applied to the Revolving Commitments of the Lenders of the applicable Class pro-rata based upon their respective Revolving Commitment Percentages. The Borrower shall pay to the Administrative Agent for the account of the Lenders in accordance with the terms of Section 2.11, on the date of each termination or reduction of the Revolving Committed Amount, any fees accrued through the date of such termination or reduction on the amount of the Revolving Committed Amount so terminated or reduced.

(b) Mandatory Reductions.

On any date that any Revolving Loans are required to be prepaid, Swingline Loans are required to be prepaid and/or LC Obligations are required to be Cash Collateralized pursuant to the terms of Section 2.09(b), (iv), (v) or (vi) (or would be so required if any Revolving Loans, Swingline Loans or LC Obligations were outstanding), the Revolving Committed Amount shall be automatically and permanently reduced by the total amount of such required prepayments and cash collateral (and, in the event that the amount of any payment referred to in Section 2.09(b), (iv), (v) or (vi) which is allocable to the Revolving Outstandings exceeds the amount of all outstanding Revolving Outstandings, the Revolving Committed Amount shall be further reduced by 100% of such excess).

(c) Termination. The Revolving Commitments of the Lenders and the LC Commitments of the Issuing Lenders shall terminate automatically on the Revolving Termination Date. The Swingline Commitment of the Swingline Lender shall terminate automatically on the Swingline Termination Date. The Term B Commitments of the Lenders shall terminate automatically immediately after the making of the Term B Loan on the Closing Date.

(d) Optional Termination of Commitments (Non-Pro-Rata). If (i) any Lender has demanded compensation or indemnification pursuant to Section 3.01 or Section 3.04, (ii) the obligation of any Lender to make Eurodollar Loans has been suspended pursuant to Section 3.02, (iii) any Lender is a Defaulting Lender or (iv) any Lender has failed to consent to a proposed amendment, waiver, discharge or termination which pursuant to the terms of Section 10.03 or any other provision of any Senior Finance Document requires the consent of more than the Required Lenders and with respect to which the Required Lenders shall have granted their consent, the Borrower shall have the right, if no Default or Event of Default then exists, to (i) remove such Lender by terminating such Lender's Commitment in full or (ii) replace such Lender by causing such Lender to assign its Commitment to one or more existing Lenders or Eligible Assignees pursuant to Section 10.06; provided, however, that if the Borrower elects to exercise such right with respect to any Lender pursuant to clause (i) or (ii) above, it shall be obligated to remove or replace, as the case may be, all Lenders that have similar requests then outstanding for compensation pursuant to Section 3.01 or 3.04 or whose obligation to make Eurodollar Loans has been similarly suspended. The replacement of a Lender pursuant to this Section 2.10(d) shall be effective on the date of notice of such replacement to the Lenders through the Administrative Agent (the "Replacement Date"), subject to the satisfaction of the following conditions:

(i) each replacement Lender and/or Eligible Assignee, and the Administrative Agent acting on behalf of each Lender subject to replacement, shall have satisfied the conditions to an Assignment and Acceptance set forth in Section 10.06(b) and, in connection therewith, the replacement Lender(s) and/or Eligible Assignee(s) shall pay:

(A) to each Lender subject to replacement an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, its outstanding Loans, (y) the amount of all LC Disbursements that have been funded by (and not reimbursed to) it under Section 2.05, together with all accrued but unpaid interest with respect thereto, and (z) all accrued but unpaid fees owing to it pursuant to Section 2.11; and

(B) to the Issuing Lenders an amount equal to the aggregate amount owing by the replaced Lenders to the Issuing Lenders as reimbursement pursuant to Section 2.05, to the extent such amount was not theretofore funded by such replaced Lenders; and

(ii) the Borrower shall have paid to the Administrative Agent for the account of each replaced Lender an amount equal to all obligations owing to such replaced Lenders by the Borrower pursuant to this Agreement and the other Senior Finance Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

In the case of the removal of a Lender pursuant to this Section 2.10(d), upon (i) payment by the Borrower to the Administrative Agent for the account of the Lender subject to such removal of an amount equal to the sum of (A) the aggregate principal amount of all Loans and LC Obligations held by such Lender and (B) all accrued interest, fees and other amounts owing to such Lender hereunder, including, without limitation, all amounts payable by the Borrower to such Lender under Article III or Sections 10.04 and 10.05, and (ii) provision by the Borrower to the Swingline Lender and each Issuing Lender of appropriate assurances and indemnities (which may include letters of credit) as each may reasonably require with respect to any continuing obligation of such removed Lender to purchase Participation Interests in any LC Obligations or Swingline Loans then outstanding, such Lender shall, without any further consent or other action by it, cease to constitute a Lender hereunder; provided that the provisions of this Agreement (including, without limitation, the provisions of Article III and Sections 10.04 and 10.05) shall continue to govern the rights and obligations of a removed Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such removed Lender while it was a Lender.

(e) General. The Borrower shall pay to the Administrative Agent for the account of the Lenders in accordance with the terms of Section 2.11, on the date of each termination or reduction of the Revolving Committed Amount, the Commitment Fee accrued through the date of such termination or reduction on the amount of the Revolving Committed Amount so terminated or reduced.

SECTION 2.11 FEES.

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Revolving Lender a fee (the "Commitment Fee") on such Lender's Revolving Commitment Percentage of the daily Unused Revolving Committed Amount, computed at a per annum rate for each day equal to 0.50%. The Commitment Fee shall commence to accrue on the Closing Date and shall be due and payable in arrears on the last Business Day of each March, June, September and December (and any date that the Revolving Committed Amount is reduced as provided in Section 2.10(a) or (b) and the Revolving Termination Date for the applicable Class) for the quarter or portion thereof ending on each such date, beginning with the first of such dates to occur after the Closing Date.

(b) Letter of Credit Fees.

(i) Letter of Credit Fee. The Borrower shall pay to the Administrative Agent for the account of each Revolving Lender a fee (the "Letter of Credit Fee") on such Lender's Revolving Commitment Percentage of the average daily maximum amount available to be drawn under each such Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Margin for Letter of Credit Fees in effect from time to time. The Letter of Credit Fee will be payable quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or portion thereof), beginning with the first of such dates to occur after the date of issuance of such Letter of Credit, and on the Revolving Termination Date.

(ii) Fronting Fees. The Borrower shall pay directly to each Issuing Lender for its own account a fronting fee with respect to each Letter of Credit, in an amount to be agreed between the Borrower and the relevant Issuing Lender, such fronting fee to be due and payable

quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date after the issuance of such Letter of Credit, and on the Revolving Termination Date.

(iii) Issuing Lender Fees. In addition to the Letter of Credit Fee payable pursuant to clause (i) above and any fronting fees payable pursuant to clause (ii) above, the Borrower promises to pay to the Issuing Lender for its own account without sharing by the other Lenders the letter of credit fronting and negotiation fees agreed to by the Borrower and the Issuing Lender from time to time and the customary charges from time to time of the Issuing Lender with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, each Letter of Credit (collectively, the "Issuing Lender Fees").

(iv) Computation of Certain Fees after Default. Upon the occurrence and during the continuance of a payment or insolvency Event of Default under Section 8.01(a) and/or (f) any overdue Letter of Credit Fee payable under subsection (i) above shall be computed at a rate per annum

equal to the relevant "Applicable Margin for Letter of Credit Fee" as set forth in the applicable table in the definition of "Applicable Margin" in Section 1.01 hereof plus 2.00%.

SECTION 2.12 PRO-RATA TREATMENT. Except to the extent otherwise provided herein:

(a) Loans. Each Borrowing, each payment or prepayment of principal of or interest on any Loan, each payment of fees (other than the Issuing Lender Fees retained by an Issuing Lender for its own account and the administrative fees retained by the Agents for their own account), each reduction of the Revolving Committed Amount and each conversion or continuation of any Loan, shall be allocated pro-rata among the relevant Lenders in accordance with the respective Revolving Commitment Percentages and Term B Commitment Percentages, as applicable, of such Lenders (or, if the Commitments of such Lenders have expired or been terminated, in accordance with the respective principal amounts of the outstanding Loans of the applicable Class and Participation Interests of such Lenders); provided that, in the event any amount paid to any Lender pursuant to this subsection (a) is rescinded or must otherwise be returned by the Administrative Agent, each Lender shall, upon the request of the Administrative Agent, repay to the Administrative Agent the amount so paid to such Lender, with interest for the period commencing on the date such payment is returned by the Administrative Agent until the date the Administrative Agent receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, the Base Rate plus 2.00% per annum.

(b) Letters of Credit. Each payment of LC Obligations shall be allocated to each Revolving Lender pro-rata in accordance with its Revolving Commitment Percentage; provided that, if any Revolving Lender shall have failed to pay its applicable pro-rata share of any LC Disbursement, then any amount to which such Revolving Lender would otherwise be entitled pursuant to this subsection (b) shall instead be payable to the Issuing Lender; provided, further, that in the event any amount paid to any Revolving Lender pursuant to this subsection (b) is rescinded or must otherwise be returned by the Issuing Lender, each Revolving Lender shall, upon the request of the Issuing Lender, repay to the Administrative Agent for the account of the Issuing Lender the amount so paid to such Revolving Lender, with interest for the period commencing on the date such payment is returned by the Issuing Lender until the date the Issuing Lender receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, the Base Rate plus 2.00% per annum.

SECTION 2.13 SHARING OF PAYMENTS. The Lenders agree among themselves that, except to the extent otherwise provided herein, if any Lender shall obtain payment in respect of any Loan, unreimbursed LC Disbursements or any other obligation owing to such Lender under this Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro-rata share of such payment as provided for in this Agreement, such Lender shall promptly pay in cash or purchase from the other Lenders a participation in such Loans, unreimbursed LC Disbursements, and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement; provided that nothing in this Section 2.13 shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by payment in cash or a repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. Holdings and the Borrower agree that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan, LC Obligation or other obligation in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 2.13 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.13 to share in the benefits of any recovery on such secured claim.

SECTION 2.14 PAYMENTS; COMPUTATIONS.

(a) Payments by the Borrower. Each payment of principal of and

interest on Loans, LC Obligations and fees hereunder (other than fees payable directly to the Issuing Lenders) shall be paid not later than 2:00 P.M. on the date when due, in Federal or other funds immediately available to the Administrative Agent at the account designated by it by notice to the Borrower. Each such payment shall be made irrespective of any set-off, counterclaim or defense to payment which might in the absence of this provision be asserted by the Borrower or any Affiliate against any Agent or any Lender. Payments received after 2:00 P.M. shall be deemed to have been received on the next Business Day. The Borrower shall, at the time it makes any payments under this Agreement, specify to the Administrative Agent the Loan, Letters of Credit, fees or other amounts payable by the Borrower hereunder to which such payment is to be applied (and any such specified application would be inconsistent with the terms hereof, the Administrative Agent shall, subject to Section 2.12, distribute such payment to the Lenders in such manner as the Administrative Agent may deem reasonably appropriate). The Administrative Agent will distribute such payments to the applicable Lenders on the date of receipt thereof, if such payment is received prior to 2:00 P.M.; otherwise the Administrative Agent may, in its sole discretion distribute such payment to the applicable Lenders on the date of receipt thereof or on the immediately succeeding Business Day. Whenever any payment hereunder shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time. The Borrower hereby authorizes and directs each Agent to debit any account maintained by the Borrower for such purpose with such Agent to pay

when due any amounts required to be paid from time to time under this Agreement as directed at such time(s) by the Borrower.

(b) Distributions by the Administrative Agent. Unless the Administrative Agent shall have received notice (written or telephonic) from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(c) Computations. Except for interest on Base Rate Loans which shall be computed on the basis of a 365 or 366 day year as the case may be (unless the Base Rate is determined by reference to the Federal Funds Rate), all computations of interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days. Interest shall accrue from and including the date of borrowing (or continuation or conversion) but excluding the date of payment.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

SECTION 3.01 TAXES.

(a) Payments Net of Certain Taxes. Any and all payments by any Credit Party to or for the account of any Lender or any Agent hereunder or under any other Senior Finance Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding any and all Excluded Taxes (all such non-Excluded Taxes being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable under this Agreement or any other Senior Finance Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 3.01) such Lender or such Agent receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Credit Party shall make such deductions and withholdings, (ii) such Credit Party shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Credit Party shall furnish to the Administrative Agent, at the Administrative Agent's Office, the original or a certified copy of a receipt, if any, evidencing payment thereof or other documentation evidencing such payment.

(b) Other Taxes. In addition, the Borrower agrees to pay any and all present or future stamp or documentary, excise or property taxes or similar charges or levies (including mortgage recording taxes) which arise from any

payment made by it under this Agreement or any other Senior Finance Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Senior Finance Document (hereinafter referred to as "Other Taxes").

(c) Additional Taxes. The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.01), as applicable,

whether or not correctly or legally asserted, paid by such Lender or such Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that if the Borrower reasonably believes that such Taxes or Other Taxes were not correctly or legally asserted, the Administrative Agent or the Lender, as the case may be, will use reasonable efforts to cooperate with the Borrower to obtain a refund of such Taxes or other Taxes so long as such efforts would not, in the sole discretion of the Administrative Agent or the Lender, as the case may be, result in any additional costs, expenses or risks or be otherwise disadvantageous to it.

(d) U.S. Tax Forms and Certificates. Each Lender organized under the laws of a jurisdiction outside the United States (a "Non-U.S. Lender"), on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter as required by law, shall provide the Borrower and the Administrative Agent with (i) Internal Revenue Service Form W-8 BEN, W-8 IMY or W-8 ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, and (ii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Agreement or any of the other Senior Finance Documents. Should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required to be delivered hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(e) Obligations in Respect of Non-U.S. Lenders. The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of Taxes (other than Other Taxes) pursuant to subsection (a) above to the extent that the obligation to withhold amounts with respect to Taxes (other than Other Taxes) existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a participant, on the date such participant acquired its participation interest) or, with respect to payments to a new Applicable Lending Office, the date such Non-U.S. Lender designated such new Applicable Lending Office with respect to a Loan; provided, however, that this subsection (e) shall not apply (i) to any participant or new Applicable Lending Office that becomes a participant or new Applicable Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (ii) to the extent the indemnity payment or additional amounts any participant, or any Lender acting through a new Applicable Lending Office, would be entitled to receive (without regard to this subsection (e)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such participant, or Lender (or participant) making the designation of such new Applicable Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation.

(f) Mitigation. If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.01, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office or to file or deliver to the Borrower any certificate or document so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, filing or delivery, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Tax Receipts. Within thirty days after the date of any payment of Taxes, the Borrower shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing such payment (to the extent the Borrower receives a receipt for such payment).

(h) Refunds or Credits. If any Lender or Agent (i) receives a

refund from a taxation authority in respect of any tax for which it has been indemnified by a Credit Party or with respect to which a Credit Party has paid additional amounts pursuant to this Section 3.01 or (ii) claims any credit or other tax benefit (such credit to include any increase in any foreign tax credit) with respect to any tax for which it has been indemnified by a Credit Party or with respect to which a Credit Party has paid additional amounts pursuant to this Section 3.01, which refund, credit or other tax benefit in the sole judgment of such Lender or Agent is directly attributable to any such indemnified tax or additional amounts, such Lender or Agent shall (within 30 days from the date of such receipt) pay over to such Credit Party the amount of such refund, credit or other tax benefit (but only to the extent of indemnity payments made, or additional amounts paid, by such Credit Party with respect to the tax giving rise to such refund or credit), net of all out-of-pocket expenses (including any taxes on a refund or on interest received or credited) which such Lender or Agent certifies that it has reasonably determined to have been incurred in connection with obtaining such refund, credit or other tax benefit; provided, however, that (i) each Credit Party shall repay, upon the request of such Lender or Agent, the amount paid over to such Credit Party (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such tax authority, (ii) such Lender or Agent, as the case may be, shall have no obligation to cooperate with respect to any contest (or continue to cooperate with respect to any contest), or to seek or claim any refund, credit or other tax benefit if such Lender or Agent determines that its interest would be adversely affected by so cooperating (or continuing to cooperate) or by seeking or claiming any such refund, credit or other tax benefit and (iii) no Credit Party shall have any right to examine the tax returns or other records of any Lender or Agent or to obtain any information with respect thereto by reason of the provisions of this Section 3.01 or any judgment or determination made by any Lender or Agent pursuant to this Section 3.01.

SECTION 3.02 CHANGE IN LAW, ETC. If, on or after the date of this Agreement, the adoption of any applicable Law, or any change in any applicable Law, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Applicable Lending Office) to make, maintain or fund any of its Eurodollar Loans and, in each such case, the affected Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon, until each affected Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, (i) the obligation of each affected Lender to make Eurodollar Loans, or to convert outstanding Loans into Eurodollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section 3.02, such Lender shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Eurodollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Loan, if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately, if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 3.03 BASIS FOR DETERMINING INTEREST RATE INADEQUATE OR UNFAIR. If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(i) the Administrative Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the applicable Eurodollar Rate for such Interest Period; or

(ii) Lenders having 50% or more of the aggregate amount of the Commitments of the relevant Class advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Eurodollar Loans for such Interest Period;

the Administrative Agent shall forthwith give notice thereof to the Borrower and the relevant Lenders, whereupon, until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Eurodollar Loans, or to continue or convert outstanding Loans as or into Eurodollar Loans, shall be suspended and (ii) each outstanding Eurodollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Business Days before the date of any Eurodollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing

shall instead be made as a Base Rate Borrowing in the same aggregate amount as the requested Borrowing and shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the rate applicable to Revolving Base Rate Loans for such day.

SECTION 3.04 INCREASED COSTS AND REDUCED RETURN.

(a) If on or after the date hereof, the adoption of or any change in any applicable Law or in the interpretation or application thereof applicable to any Lender (or its Applicable Lending Office), or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) from any central bank or other Governmental Authority, in each case made subsequent to the Effective Date (or, if later, the date on which such Lender becomes a Lender):

(i) shall subject such Lender (or its Applicable Lending Office) to any tax of any kind whatsoever with respect to any Letter of Credit, any Eurodollar Loans made by it or any of its Notes or its obligation to make Eurodollar Loans or to participate in Letters of Credit, or change the basis of taxation of payments to such Lender (or its Applicable Lending Office) in respect thereof (except for (A) Taxes and Other Taxes covered by Section 3.01 (including Taxes imposed solely by reason of any failure of such Lender to comply with its obligations under Section 3.01(d)) and (B) Excluded Taxes);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender (or its Applicable Lending Office) which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender (or its Applicable Lending Office) any other condition (excluding any tax of any kind whatsoever);

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, converting into, continuing or maintaining any Eurodollar Loans or issuing or participating in Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in

any such case, upon notice to the Borrower from such Lender, through the Administrative Agent, in accordance herewith, the Borrower shall be obligated to pay such Lender, within 10 Business Days of its demand, any additional amounts necessary to compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such increased cost or reduced amount receivable.

(b) If any Lender shall have determined that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable Law regarding capital adequacy, or compliance by such Lender, or its parent corporation, with any request or directive regarding capital adequacy (whether or not having the force of Law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's (or parent corporation's) capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender, or its parent corporation, could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's (or parent corporation's) policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such reduction; provided, that the Borrower shall not required to compensate any Lender pursuant to subsection (a) above or this subsection (b) for any additional costs or reductions suffered more than 180 days prior to the date such Lender notifies the Borrower of the circumstances giving rise to such additional costs or reductions and of such Lender's intentions to claim compensation therefor, and provided, further, that, if the Change in Law or in the interpretation or administration thereof giving rise to such additional costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. Each determination by any such Lender of amounts owing under this Section 3.04 shall, absent manifest error, be conclusive and binding on the parties hereto.

(c) A certificate in reasonable detail of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in subsection (a) or (b) above, as the case may be, shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay each Lender or the Issuing Lender the amount shown

as due on any such certificate delivered by it within 10 Business Days after receipt of the same.

(d) Promptly after any Lender becomes aware of any circumstance that will, in its reasonable judgment, result in a request for increased compensation pursuant to this Section 3.04, such Lender shall notify the Borrower thereof. Failure on the part of any Lender so to notify the Borrower or to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period, except as expressly otherwise provided above. The protection of this Section 3.04 shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

SECTION 3.05 FUNDING LOSSES. The Borrower shall indemnify each Lender against any loss or expense (but excluding in any event loss of anticipated profit) which such Lender may sustain or incur as a consequence of (i) any failure by the Borrower to fulfill on the date of any Borrowing hereunder the applicable conditions set forth in Article IV, (ii) any failure by the Borrower to borrow or to refinance, convert or continue any Loan hereunder after irrevocable notice of such Borrowing, refinancing, conversion or continuation has been given pursuant to Section 2.02 or 2.07, (iii) any payment, prepayment or conversion of a Eurodollar Loan, whether voluntary or involuntary, pursuant to

any other provision of this Agreement or otherwise made on a date other than the last day of the Interest Period applicable thereto, or (iv) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.10(d), including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurodollar Loan. Such loss or reasonable expense (other than loss of anticipated profits) shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted, not borrowed or assigned (based on the applicable London Interbank Offered Rate), for the period from the date of such payment, prepayment, conversion, failure to borrow, convert or continue to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date of such failure to borrow, convert or continue) or assignment over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, converted, not borrowed, converted or continued for such period or Interest Period or assignment, as the case may be. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section 3.05 shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 3.06 BASE RATE LOANS SUBSTITUTED FOR AFFECTED EURODOLLAR LOANS. If (i) the obligation of any Lender to make, or to continue or convert outstanding Loans as or to, Eurodollar Loans has been suspended pursuant to Section 3.02 or (ii) any Lender has demanded compensation under Section 3.01 or 3.04 with respect to its Eurodollar Loans, and in any such case the Borrower shall, by at least five Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section 3.06 shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, all Loans which would otherwise be made by such Lender as (or continued as or converted to) Eurodollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Eurodollar Loans of the other Lenders). If such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, the principal amount of each such Base Rate Loan shall be converted into a Eurodollar Loan on the first day of the next succeeding Interest Period applicable to the related Eurodollar Loans of the other Lenders.

ARTICLE IV
CONDITIONS

SECTION 4.01 CONDITIONS TO CLOSING. The obligation of each Lender to make a Loan or issue a Letter of Credit on the Closing Date is subject to the satisfaction of the following conditions:

(a) Executed Senior Finance Documents. Receipt by the Administrative Agent of duly executed copies of: (i) this Agreement; (ii) the Notes; (iii) the Guaranty; (iv) the Collateral Documents and (v) all other Senior Finance Documents, each in form and substance satisfactory to the Lead Arrangers and the Required Lenders in their sole discretion.

(b) Legal Matters. All legal matters incident to this Agreement and the borrowings hereunder shall be reasonably satisfactory to the Lead Arrangers and to Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Lead Arrangers.

(c) Organizational Documents. After giving effect to the transactions contemplated by the Transaction Documents, the ownership, capital, corporate, organizational and legal structure of each Credit Party shall be reasonably satisfactory to the Lead Arrangers, and the Administrative Agent

shall have received: (i) a copy of the certificate or articles of incorporation or other organizational documents, as applicable, including all amendments thereto, of each Credit Party, certified as of a recent date by the Secretary of State or other applicable authority of its respective jurisdiction of organization; (ii) a certificate as to the good standing of each Credit Party, as of a recent date, from the Secretary of State or other applicable authority of its respective jurisdiction of organization and, to the extent reasonably available, from each other state in which such Credit Party is qualified or is required to be qualified to do business, together in each case, to the extent generally available, with a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each such jurisdiction; (iii) a certificate of the Secretary or Assistant Secretary of each Credit Party dated the Closing Date substantially in the form of Exhibit L hereto; (iv) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (iii) above; and (v) such other corporate or other constitutive or organizational documents as the Lead Arrangers or Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Lead Arrangers, may reasonably request.

(d) Officer's Certificates. The Administrative Agent shall have received (i) a certificate, dated the Closing Date and signed by a Responsible Officer of each of Holdings, Intermediate Holdings and the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.02 and (ii) a certificate, dated the Closing Date and signed by a Responsible Officer of each other Credit Party, confirming compliance with the condition precedent set forth in paragraph (b) of Section 4.02.

(e) Opinions of Counsel. On the Closing Date, the Administrative Agent shall have received:

(i) a written opinion of Kirkland & Ellis LLP, special counsel to the Credit Parties, addressed to the Agents and each Lender, dated the Closing Date, substantially in the form of Exhibit D-1 hereto;

(ii) from Kirkland & Ellis LLP, special counsel to the Credit Parties, or special local counsel to the Borrower and the other Credit Parties (which counsel shall be reasonably satisfactory to the Lead Arrangers) for each State in which any Credit Party is located (within the meaning of Section 9-301 of the Uniform Commercial Code as in effect in the State of New York), an opinion addressed to the Agents and each Lender, dated the Closing Date, substantially in the form of Exhibit D-2 hereto and covering such additional matters incident to the transactions contemplated hereby as the Lead Arrangers or the Required Lenders may reasonably request;

(iii) from special local counsel to the Borrower and the other Credit Parties (which counsel shall be reasonably satisfactory to the Lead Arrangers) for each jurisdiction in which a Mortgaged Property is located, an opinion addressed to the Agents and each Lender, dated the Closing Date, substantially in the form of Exhibit D-3 hereto, with respect to the enforceability of the form of Mortgage and sufficiency of the form of UCC-1 financing statements or similar notices to be recorded or filed in such jurisdiction, if applicable, and such other matters as the Lead Arrangers or the Required Lenders may reasonably request;

(iv) from special counsel to the Target in respect of the Acquisition, copies of each opinion delivered by them in connection with the Acquisition, accompanied in each case by a letter from such counsel stating that the Agents and the Lenders are entitled to rely on such opinions as if they were addressed to the Agents and the Lenders; and

(v) from Kirkland & Ellis LLP, special counsel to the Borrower, copies of the opinions delivered by them under the purchase agreement for the Subordinated Debentures, accompanied in each case by a letter from such special counsel stating that the Agents and the Lenders are entitled to rely on such opinions as if they were addressed to the Agents and the Lenders.

(f) Capitalization. On or prior to the Closing Date, (i) AcquisitionCo shall have received gross cash proceeds of not less than $95,000,000 (less the amount of Rollover Stock (as defined in the Acquisition Agreement)) in connection with the purchase by the Investor Group of common and preferred equity of AcquisitionCo (the "Investor Equity Issuance"), (ii) Intermediate Holdings shall have received gross cash proceeds of not less than $60,000,000 in connection with the Investor Preferred Equity Issuance (less the amount of Rollover Stock as defined in the Acquisition Agreement), (iii) without the express written consent of the Lead Arrangers, no common or preferred stock of Holdings, Intermediate Holdings or the Borrower shall be subject to any redemption, put, call, repurchase or similar provisions prior to the Maturity Date with respect to any Loan (except in connection with the Management Put Rights and preemptive rights), (iv) the proceeds of the Investor Equity Issuance and the Investor Preferred Equity Issuance, when aggregated with the Subordinated Debentures and the Term B Loan incurred by the Borrower on the Closing Date, shall be used, and shall be sufficient, to pay the purchase price required to be paid on the Closing Date to consummate the Acquisition and to pay all fees and expenses owing in connection therewith on the Closing Date, and (v) the Administrative Agent shall have received true and correct copies, certified as such by an appropriate officer of Holdings, of all subscription agreements, registration rights agreements, shareholder agreements and other documents and instruments delivered in connection therewith (collectively, the "Capitalization Documents"), each of which shall be in full force and effect and shall be in form and substance reasonably satisfactory to the Lead Arrangers.

(g) Issuance of Subordinated Debentures. On or prior to the Closing Date, the Borrower shall have (A) entered into the Subordinated Debentures Documents on terms that are reasonably satisfactory to the Lead Arrangers, (B) executed and delivered the Subordinated Debentures, (C) delivered to the Administrative Agent true and correct copies, certified as such by an appropriate officer of the Borrower, of the Subordinated Debentures Indenture, each of the Subordinated Debentures as originally executed and delivered and each of the other Subordinated Debentures Documents (on terms that are reasonably satisfactory to the Lead Arrangers), each of which shall be in full force and effect, and (D) utilized the full amount of such cash proceeds to make payments owing in connection with the Transaction prior to or concurrently with the utilization of any proceeds of the Loans for such purpose.

(h) Consummation of the Acquisition. On or prior to the Closing Date, there shall have been delivered to the Administrative Agent true and correct copies of all Acquisition Documents, certified as such by an appropriate officer of the Borrower, and all terms and conditions of the Acquisition Documents shall be in form and substance reasonably satisfactory to the Lead Arrangers. The Acquisition, including all of the terms and conditions thereof and including, without limitation, the Merger, shall have been duly approved by the board of directors and (if required by applicable law) the shareholders of each of the Borrower (prior to the consummation of the Merger), the Target and each other Group Company party thereto, and all Acquisition Documents shall have been duly executed and delivered by the parties thereto and shall be in full force and effect. The representations and warranties set forth in the Acquisition Documents shall be true and correct in all material respects as if made on and as of the Closing Date (except to the extent such representations and warranties expressly refer to a prior date, in which case such representations and warranties shall have been true and correct as of such prior date), and each of the parties to the Acquisition Documents shall have complied in all material respects with all covenants set forth in the Acquisition Documents to be complied with by it on or prior to the Closing Date (without giving effect to any modification, amendment, supplement or waiver of any of the

material terms thereof unless consented to by the Lead Arrangers, which consent shall not be unreasonably withheld or delayed). Each of the material conditions precedent to the Group Companies' obligations to consummate the Acquisition as set forth in the Acquisition Documents shall have been satisfied to the reasonable satisfaction of the Lead Arrangers or waived with the consent of the Lead Arrangers, and, on or prior to the Closing Date and prior to the borrowing of the initial Loans, the Acquisition shall have been consummated for aggregate consideration not in excess of $510,000,000 (excluding purchase price adjustments) (excluding related transaction fees and expenses not exceeding $20,000,000) in accordance with all applicable laws and the Acquisition Documents (without giving effect to any material amendment or modification thereof or material waiver with respect thereto including, but not limited to, any material modification, amendment, supplement or waiver relating to any disclosure schedule or exhibit, unless such modification, amendment, supplement or waiver could not reasonably be expected to be materially adverse in any respect to the Lenders or unless consented to by the Lead Arrangers). On the Closing Date, the certificate of merger with respect to the Merger shall have been filed with the appropriate Governmental Authority having primary jurisdiction over affairs of corporations in Delaware.

(i) Refinancing of Certain Existing Debt; Other Debt. On the Closing Date, the commitments under all Refinanced Agreements shall have been

terminated, all loans outstanding thereunder shall have been repaid in full (other than contingent indemnification obligations not due and payable), together with accrued interest thereon (including, without limitation, any prepayment premium), all letters of credit issued thereunder shall have been terminated or backstopped through the issuance of Letters of Credit hereunder or shall have become Letters of Credit hereunder and all other amounts owing pursuant to each Refinanced Agreement shall have been repaid in full, and the Administrative Agent shall have received evidence in form, scope and substance reasonably satisfactory to the Lead Arrangers that the matters set forth in this subsection (i) have been satisfied at such time. In addition, on the Closing Date, the creditors under each Refinanced Agreement shall have terminated and released all applicable Liens on the capital stock of and assets owned by the Borrower and its Subsidiaries (including, without limitation, all capital stock and assets of Holdings and its Subsidiaries), and the Lead Arrangers shall have received all such releases as may have been requested by the Lead Arrangers, which releases shall be in form and substance satisfactory to the Lead Arrangers. After the consummation of the transactions contemplated by the Acquisition Agreement on the Closing Date, the Group Companies shall have no material liabilities (actual or contingent) required to be disclosed in its financial statements or Preferred Stock, except (i) as disclosed in the most recent interim balance sheet included in the financial statements delivered pursuant to subsection (q) below or the footnotes thereto, (ii) for current obligations and contractual obligations incurred in the ordinary course of business, (iii) Debt under the Senior Finance Documents and the Subordinated Debentures, (iv) the Junior Debentures and the preferred stock issued in connection with the Investor Preferred Equity Issuance and (v) contingent indemnification obligations not due and payable.

(j) Perfection of Personal Property Security Interests and Pledges; Search Reports. On or prior to the Closing Date, the Collateral Agent shall have received or have completed or arrangements satisfactory to the Collateral Agent shall have been provided for:

(i) a Perfection Certificate from each Credit Party;

(ii) appropriate financing statements (Form UCC-1 or such other financing statements or similar notices as shall be required by local law) authenticated and authorized for filing under the Uniform Commercial Code or other applicable local law of each jurisdiction in which the filing of a financing statement or giving of notice may be required, or reasonably requested by the Collateral Agent, to perfect the security interests created by the Collateral Documents;

(iii) copies of reports from CT Corporation or another independent search service reasonably satisfactory to the Collateral Agent listing all effective financing statements, notices of tax, PBGC or judgment liens or similar notices that name the Borrower or any other Credit Party, as such (under its present name and any previous name and, if requested by the Collateral Agent, under any trade names), as debtor or seller that are filed in the jurisdictions referred to in clause (ii) above or in any other jurisdiction having files which must be searched in order to determine fully the existence of Uniform Commercial Code security interests, notices of the filing of federal tax Liens (filed pursuant to Section 6323 of the Code), Liens of the PBGC (filed pursuant to Section 4068 of ERISA) or judgment Liens on any Collateral, together with copies of such financing statements, notices of tax, PBGC or judgment Liens or similar notices (none of which shall cover the Collateral except to the extent evidencing Permitted Liens or for which the Collateral Agent shall have received termination statements (Form UCC-3 or such other termination statements as shall be required by local law) authenticated and authorized for filing);

(iv) searches of ownership of intellectual property in the appropriate governmental offices and such patent, trademark and/or copyright filings as may be requested by the Collateral Agent to the extent necessary or reasonably advisable to perfect the Collateral Agent's security interest in intellectual property Collateral;

(v) all of the Pledged Collateral, which Pledged Collateral shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, with signatures appropriately guaranteed, accompanied in each case by any required transfer tax stamps, all in form and substance reasonably satisfactory to the Collateral Agent; and

(vi) evidence of the completion of all other filings and recordings of or with respect to the Collateral Documents and of all other actions as may be necessary or, in the opinion of the Collateral Agent, desirable to perfect the security interests intended to be created by the Collateral Documents.

(k) Real Property Collateral. The Collateral Agent shall have

received (in form and substance satisfactory to the Lead Arrangers):

(i) fully executed and notarized mortgages, deeds of trust or deeds to secure debt (each a "Mortgage" and, collectively, the "Mortgages") encumbering the fee interest of the Credit Parties in each real property asset owned by a Credit Party set forth on Schedule 4.01(k)(i) (each an "Owned Mortgaged Property" and collectively, the "Owned Mortgaged Properties") and the leasehold interest of the Credit Parties in each real property asset leased by a Credit Party set forth on Schedule 4.01(k)(i) (each a "Leased Mortgaged Property" and, collectively, the "Leased Mortgaged Properties" and, together with the Owned Mortgaged Property, each a "Mortgaged Property" and, collectively, the "Mortgaged Properties"), together with such UCC-1 financing statements or similar notices as the Collateral Agent shall reasonably deem appropriate with respect to each such Mortgaged Property;

(ii) the Borrower shall have obtained a fully executed Landlord Consent and Estoppel with respect to each Leased Mortgaged Property, together with evidence that such Leased Mortgaged Property is a Recorded Leasehold Interest;

(iii) ALTA or other appropriate form mortgagee title insurance policies (the "Mortgage Policies") issued by Chicago Title Insurance Company (the "Title Insurance

Company"), in an amount reasonably satisfactory to the Lead Arrangers with respect to each Mortgaged Property, which amount shall not exceed the fair market value for each such Mortgaged Property, assuring the Lead Arrangers that the applicable Mortgages create valid and enforceable first priority mortgage liens on the respective Mortgaged Property, free and clear of all defects and encumbrances except Permitted Encumbrances, which Mortgage Policies shall contain such endorsements as shall be reasonably satisfactory to the Lead Arrangers and for any other matters that the Lead Arrangers may request, and providing affirmative insurance and such reinsurance as the Lead Arrangers may request, all of the foregoing in form and substance reasonably satisfactory to the Lead Arrangers;

(iv) if requested by the Lead Arrangers, copies of all recorded documents listed as exceptions to title or otherwise referred to in the Mortgage Policies; and

(v) such evidence satisfactory to the Lead Arrangers as the Lead Arrangers reasonably may request to the effect that each of the Mortgaged Properties, and the uses of the Mortgaged Properties, are in compliance in all material respects with all applicable Laws.

(l) Evidence of Insurance. Receipt by the Collateral Agent of copies of insurance policies or certificates of insurance of the Credit Parties and their Subsidiaries evidencing liability and casualty insurance meeting the requirements set forth in the Senior Finance Documents, including, but not limited to, naming the Collateral Agent as additional insured and loss payee on behalf of the Lenders.

(m) Consents and Approvals. On the Closing Date, all governmental (domestic or foreign), regulatory and third party approvals (including, without limitation, with respect to real property leases and license agreements relating to intellectual property) required and material in connection with the transactions contemplated by the Acquisition Agreement and the other Transaction Documents and otherwise referred to herein or therein shall have been obtained and remain in full force and effect, and all applicable waiting periods (including any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976) and appeal periods shall have expired, in each case without any action being taken or threatened by any competent authority which has or could have a reasonable likelihood of restraining, preventing or imposing materially burdensome conditions on such transactions or impose, in the sole judgment of the Lead Arrangers, materially burdensome conditions or qualifications upon the consummation of such transactions.

(n) Litigation; Judgments. On the Closing Date, there shall be no actions, suits, proceedings, counterclaims or investigations pending or overtly threatened (i) challenging the consummation of any portion of the Transaction or which in the judgment of the Lead Arrangers or the Required Lenders could restrain, prevent or impose burdensome conditions on the Transaction, in the aggregate, or any other transaction contemplated hereunder, (ii) seeking to prohibit the ownership or operation by Holdings, the Borrower, or any of their respective Subsidiaries of all or any material portion of any of their respective businesses or assets or (iii) seeking to obtain, or which could result or has resulted in the entry of, any judgment, order or injunction that (A) would restrain, prohibit or impose adverse or burdensome conditions on the ability of the Lenders to make the Loans, (B) in the judgment of the Lead Arrangers and the Required Lenders could reasonably be expected to result in a Material Adverse Effect with respect to Holdings, the Borrower and their

Subsidiaries taken as a whole (after giving effect to the Transaction) or (C) could purport to affect the legality, validity or enforceability of any Senior Finance Document or could have a material adverse effect on the ability of any Credit Party to fully and timely perform their payment and security obligations under the Senior Finance Documents or the rights and remedies of the Lenders. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified

prohibiting or imposing materially adverse conditions upon the consummation of the transactions contemplated by the Transaction Documents and otherwise referred to herein or therein.

(o) Solvency Certificate. On or prior to the Closing Date, the Borrower shall have delivered or caused to be delivered to the Administrative Agent a solvency certificate from the chief financial or chief accounting officer of the Borrower, substantially in the form of Exhibit K hereto and otherwise in form and substance reasonably satisfactory to the Lead Arrangers, setting forth the conclusions that, after giving effect to the Acquisition and the consummation of all financings contemplated herein, Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis) are solvent.

(p) Environmental Reports. On or prior to the Closing Date, if requested by the Lead Arrangers in their reasonable discretion, the Borrower shall have delivered or caused to be delivered to the Administrative Agent the environmental assessment reports with respect to the Tempe, AZ and Goodlettsville, TN facilities) in scope, form and substance and prepared by Gaiatech, Incorporated or another environmental consultant, in each case satisfactory to the Lead Arrangers, together with reliance letters with respect thereto as reasonably requested by the Lead Arrangers.

(q) Financial Information. The Administrative Agent and the Lead Arrangers shall each be reasonably satisfied that the financial statements referred to in Section 5.05, including the pro-forma balance sheet referenced to in Section 5.05(b), are not materially inconsistent with the information, projections, sources and uses of funds or financial model delivered to the Lead Arrangers prior to the Closing Date.

(r) Material Adverse Effect. There shall not have occurred or become known any condition, fact, event or development that has resulted or could reasonably be expected to result in a material adverse change in the business, assets, operations, condition (financial or otherwise), liabilities (contingent or otherwise) or prospects of Holdings and its Subsidiaries (including the Borrower and its Subsidiaries), taken as a whole (both before and after giving effect to the Transaction) since December 31, 2003.

(s) Management Employment Agreements and Arrangements. On or prior to the Closing Date, there shall have been delivered to the Administrative Agent copies of management employment agreements or arrangements, including management equity incentive agreements, and all terms and conditions of such management employment agreements or arrangements shall be, as of the Closing Date, in form and substance reasonably satisfactory to the Lead Arrangers.

(t) Minimum EBITDA; Maximum Pro-Forma Leverage Ratio. The Lead Arrangers shall have received reasonably satisfactory evidence (including satisfactory supporting schedules and other data) that: (i) pro-forma EBITDA of Holdings and its subsidiaries after giving effect to the Transactions for the trailing four quarters ended December 31, 2003, calculated in a manner reasonably acceptable to the Lead Arrangers was not less than $60.0 million and (ii) the ratio of pro forma consolidated debt (not including undrawn letters of credit) to pro forma EBITDA of Holdings, Borrower and its subsidiaries after giving effect to the Transaction for the trailing four quarters ended December 31, 2003, calculated in a manner reasonably acceptable to the Lead Arrangers, was not greater than 6.22x (based on an average outstanding revolver balance necessary to meet average working capital needs over a 12 month period). At the Closing Date, the maximum aggregate outstandings under all Letters of Credit shall not exceed $4,648,431.

(u) OFAC/Anti-Terrorism Compliance Certificate. The Administrative Agent shall have received a certificate substantially in the form of Exhibit J hereto, dated the Closing Date and signed by a Responsible Officer of Holdings, certifying as to the matters set forth in Exhibit J.

(v) Payment of Fees. All costs, fees and expenses due to the Lead Arrangers, the Agents and the Lenders on or before the Closing Date shall have been paid to the extent invoiced to the Borrower (together with reasonable detail therefor).

(w) Counsel Fees. The Lead Arrangers shall have received full payment from the Borrower of the fees and expenses of Fried, Frank, Harris, Shriver & Jacobson LLP described in Section 10.04 which are billed through the Closing Date.

All corporate and legal proceedings and instruments and agreements relating to the transactions contemplated by this Agreement and the other Transaction Documents or in any other document delivered in connection herewith or therewith shall be reasonably satisfactory in form and substance to the Lead Arrangers and their counsel, and the Lead Arrangers shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down facsimiles, if any, which the Lead Arrangers reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or Governmental Authorities. The documents referred to in this Section 4.01 shall be delivered to the Administrative Agent or Lead Arrangers, as applicable, no later than the Closing Date. The certificates and opinions referred to in this Section 4.01 shall be dated the Closing Date.

The requirement that any document, agreement, certificate or other writing be reasonably satisfactory to the Required Lenders shall be deemed to be satisfied if (i) such document, agreement, certificate or other writing was delivered to the Lenders not less than two Business Days prior to the Closing Date, (ii) such document, agreement, certificate or other writing is satisfactory to the Lead Arrangers and (iii) Lenders holding at least 50% of the Commitments have not objected in writing to such document, agreement, certificate or other writing to the Lead Arrangers prior to the Closing Date.

Promptly after the Closing Date occurs, the Administrative Agent shall notify the Borrower and the Lenders of the Closing Date, and such notice shall be conclusive and binding on all parties hereto. If the Closing Date does not occur before 5:00 P.M. on April 30, 2004, the Commitments shall terminate at the close of business on such date and all unpaid fees accrued to such date shall be due and payable on such date.

SECTION 4.02 CONDITIONS TO ALL CREDIT EXTENSIONS. The obligation of any Lender to make a Loan on the occasion of any Borrowing and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit is subject to the satisfaction of the following conditions:

(a) Notice. The Borrower shall have delivered (i) in the case of any Revolving Loan, to the Administrative Agent, an appropriate Notice of Borrowing, duly executed and completed, by the time specified in, and otherwise as permitted by, Section 2.02 and (ii) in the case of any Letter of Credit, to the Issuing Lender, an appropriate Letter of Credit Request duly executed and completed in accordance with the provisions of Section 2.05.

(b) Representations and Warranties. The representations and warranties made by the Credit Parties in any Senior Finance Document are true and correct in all material respects at and as if made as of such date except to the extent they expressly relate to an earlier date.

(c) No Default. No Default or Event of Default shall exist or be continuing either prior to or after giving effect thereto.

(d) Availability. Immediately after giving effect to the making of a Loan (and the application of the proceeds thereof) or to the issuance of a Letter of Credit, as the case may be, (i) the sum of the Revolving Loans outstanding plus the amount of all LC Obligations outstanding plus all Swingline Loans outstanding shall not exceed the Revolving Committed Amount, (ii) the amount of all LC Obligations outstanding shall not exceed the LC Committed Amount and (iii) the sum of all Swingline Loans outstanding shall not exceed the Swingline Committed Amount.

(e) Term Borrowings. In the case of the initial Revolving Borrowing, the fact that prior to, or concurrently with, such Revolving Borrowing, the Borrower has made a Term B Borrowing in the full amount of the Term B Commitments.

The delivery of each Notice of Borrowing, Swingline Loan Request and each request for a Letter of Credit shall constitute a representation and warranty by the Credit Parties of the correctness of the matters specified in subsections (b), (c) and (d) above.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Each of Holdings, Intermediate Holdings and the Borrower represents and warrants that:

SECTION 5.01 ORGANIZATION AND GOOD STANDING. Each of the Group

Companies is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its formation, has all corporate, partnership or limited liability company powers and all material governmental licenses, franchises, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals required to own its property and carry on its business as now conducted and is duly qualified as a foreign corporation, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers, except to the extent the failure to so qualify or be licensed, as the case may be, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.02 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS. Each of the Credit Parties has the corporate, partnership, limited liability company or other necessary power and authority, and the legal right, to execute, deliver and perform the Transaction Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary corporate, partnership or limited liability action to authorize the borrowings and other extensions of credit on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of the Transaction Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of the Transaction Documents, except for (i) consents, authorizations, notices and filings disclosed in Schedule 5.02, all of which have been obtained or made, and (ii) filings to perfect the Liens created by the Collateral Documents. This Agreement has been, and each other Transaction Document to which Holdings or any of its Subsidiaries is a party will be, duly executed and delivered on behalf of such Person. This Agreement constitutes, and each other Transaction Document to which any Credit Party or Holdings is a party when executed and delivered will constitute, a legal, valid and binding obligation of each Credit Party thereto and, to the knowledge of Holdings and the Borrower enforceable against each

such Person in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) that rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability (regardless of whether enforcement is sought by proceedings in equity or at law).

SECTION 5.03 NO CONFLICTS. Neither the execution and delivery by any Credit Party of the Transaction Documents to which it is a party, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by such Person, nor the exercise of remedies by the Agents and the Lenders under the Senior Finance Documents, will (i) violate or conflict with any provision of the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other organizational or governing documents of such Person, (ii) violate, contravene or conflict with any Law applicable to it or its properties, (iii) violate, contravene or conflict with contractual provisions of, cause an event of default under, or give rise to material increased, additional, accelerated or guaranteed, rights of any Person under, any indenture, loan agreement, mortgage, deed of trust or other instrument, material contract or material lease to which it is a party or by which it may be bound or (iv) result in or require the creation of any Lien (other than the Lien of the Collateral Documents) upon or with respect to its properties, except in the case of clause (iii) for such violations as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 5.04 NO DEFAULT. Except as disclosed on Schedule 5.04, none of the Group Companies is in default in any respect under (i) any loan agreement, indenture, mortgage, security agreement or other agreement relating to Debt or any other contract, lease, agreement or obligation to which it is a party or by which any of its properties is bound which default could reasonably be expected to have a Material Adverse Effect, (ii) the Subordinated Debentures Indenture or (iii) the Junior Debentures Indenture. No Default or Event of Default has occurred or exists.

SECTION 5.05 FINANCIAL CONDITION.

(a) Audited Financial Statements. The consolidated balance sheets of Holdings and its Consolidated Subsidiaries as of December 31, 2001, December 31, 2002 and December 31, 2003 and the related consolidated and consolidating statements of income and cash flows for the respective fiscal years then ended, reported on by PricewaterhouseCoopers LLP, copies of each of which have been delivered to each of the Lenders, fairly present in all material respects, in accordance with GAAP (except as disclosed therein), the consolidated financial

position of Holdings and its Consolidated Subsidiaries as of each such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Pro-Forma Financial Statements. The consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of the most recent fiscal quarter prior to the Closing Date for which financial information is available, prepared on a pro-forma basis in accordance with Regulation S-X giving effect to the consummation of the Transactions, has heretofore been furnished to each Lender as part of the Pre-Commitment Information. Such pro-forma balance sheet has been prepared in good faith by the Borrower, based on the assumptions used to prepare the pro-forma financial information contained in the Pre-Commitment Information (which assumptions are believed by the Borrower on the date hereof and on the Closing Date to be reasonable and fair in light of current conditions and facts known to the Borrower), is based on the best information available to the Borrower as of the date of delivery thereof, accurately reflects all material adjustments required to be made to give effect to the Transactions and presents fairly on a pro-forma basis the estimated consolidated financial position of Holdings and its Consolidated Subsidiaries as of December 31, 2003, assuming that the Transactions had actually occurred on that date. None of Holdings or any of its Subsidiaries has any reason to believe that

such pro-forma balance sheet is misleading in any material respect in light of the circumstances existing at the time of the preparation thereof.

(c) Projections. The projections prepared as part of, and included in, the Pre-Commitment Information (which include projected balance sheets, income and cash flow statements on a quarterly basis for the period from the Closing Date through December 31, 2008 and on an annual basis for each of the following two fiscal years) have been prepared on a basis consistent with the financial statements referred to in subsection (a) above and are based on good faith estimates and assumptions believed by management of the Borrower to be reasonable and fair in light of current conditions and facts known to the Borrower at the time delivered. On the Closing Date, such management believes that such projections are reasonable and attainable, it being recognized by the Lenders, however, that projections as to future events are not to be viewed as facts or guaranties of future performance, that actual results during the period or periods covered by such projections may differ from the projected results and that such differences may be material and that the Credit Parties make no representation that such projections will be in fact be realized. There is no fact known to Holdings or the Borrower or any of their Subsidiaries which could reasonably be expected to have a Material Adverse Effect which has not been disclosed herein or in the Pre-Commitment Information.

(d) Post-Closing Financial Statements. The financial statements delivered to the Lenders pursuant to Section 6.01(a) and (b), if any, (i) have been prepared in accordance with GAAP (except as may otherwise be permitted under Section 6.01(a) and (b)) and (ii) present fairly in all material respects (on the basis disclosed in the footnotes to such financial statements, if any) the consolidated and consolidating financial condition, results of operations and cash flows of Holdings and its Consolidated Subsidiaries as of the respective dates thereof and for the respective periods covered thereby.

(e) No Undisclosed Liabilities. Except as disclosed on Schedule 5.05 hereto or as fully reflected in the financial statements described in subsection (a) and (b) above and the Debt incurred under this Agreement, the Subordinated Debentures Documents and the Junior Debentures Documents, (i) there were as of the Closing Date (and after giving effect to any Loans made and Letters of Credit issued on such date), no liabilities or obligations (excluding current obligations and contractual obligations incurred in the ordinary course of business) with respect to any Group Company of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due and including obligations or liabilities for taxes, long-term leases and unusual forward or other long-term commitments), and (ii) neither Holdings nor the Borrower knows of any basis for the assertion against any Group Company of any such liability or obligation in each case which, either individually or in the aggregate, are or could reasonably be expected to have, a Material Adverse Effect.

(f) Sarbanes-Oxley Act Compliance. To the extent applicable to each Group Company subject thereto, each required form, report and document containing financial statements that has been filed with or submitted to the United States Securities and Exchange Commission since July 31, 2002, was accompanied by the certifications required to be filed or submitted by the chief executive officer and chief financial officer of any Group Company pursuant to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and at the time of filing or submission of each such certification, such certification was true and accurate and complied in all material respects with the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect. No Group Company nor, to the knowledge of Holdings or the Borrower, any director, senior officer, employee, auditor, accountant or authorized representative of any Group Company has received or otherwise had or obtained

knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of any Group Company or their respective internal accounting controls, including any complaint, allegation, assertion or claim that any Group Company has

engaged in questionable accounting or auditing practices, in each case which if determined to be valid could reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 5.05, to the knowledge of Holdings and the Borrower, no attorney representing any Group Company, whether or not employed by any Group Company, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by any Group Company or any of its officers, directors, employees or agents to the board of directors of any Group Company or any committee thereof or to any director or officer of any Group Company, in each case which if determined to have occurred could reasonably be expected to have a Material Adverse Effect.

SECTION 5.06 NO MATERIAL CHANGE. Since December 31, 2003 there has been no Material Adverse Effect, and no event or development has occurred which could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.07 TITLE TO PROPERTIES; POSSESSION UNDER LEASES. Each Group Company has good insurable and legal fee title to (in the case of owned Real Property), or valid leasehold interests in (in the case of Leaseholds), all its material properties and assets, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted. All such material properties and assets are free and clear of Liens other than Permitted Liens. Each Group Company has complied with all obligations under all leases to which it is a party, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and the violation of which will not result in a Material Adverse Effect, and all such leases are in full force and effect, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and in respect of which the failure to be in full force and effect will not result in a Material Adverse Effect. Each Group Company enjoys peaceful and undisturbed possession under all such leases with respect to which it is the lessee, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and in respect of which the failure to enjoy peaceful and undisturbed possession will not result in a Material Adverse Effect.

SECTION 5.08 LITIGATION. Except as disclosed in Schedule 5.08, there are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of any Credit Party, threatened against or affecting any Group Company in which there is a reasonable possibility of an adverse decision that (i) involve any Senior Finance Document or any of the Transactions or (ii) if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 5.09 TAXES. Except as disclosed in Schedule 5.09 or otherwise permitted by Section 6.05, each Group Company has filed, or caused to be filed, all federal and all material state, local and foreign tax returns) required to be filed and paid (i) all amounts of taxes shown thereon to be due (including interest and penalties) and (ii) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangible taxes) owing by it. No Credit Party knows of any pending investigation of such party by any taxing authority or proposed tax assessments against any Group Company.

SECTION 5.10 COMPLIANCE WITH LAW. Except as disclosed in Schedule 5.10, each Group Company is in compliance with all requirements of Law (including Environmental Laws) applicable to it or to its properties, except for any such failure to comply which could not reasonably be expected to cause a Material Adverse Effect. Except as disclosed in Schedule 5.10, to the knowledge of the Credit Parties, none of the Group Companies or any of their respective material properties or assets is subject to or in default with respect to any judgment, writ, injunction, decree or order of any court or other Governmental Authority which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Except as disclosed in Schedule 5.10, none of the Group Companies has

received any written communication from any Governmental Authority that alleges that any of the Group Companies is not in compliance in any material respect with any Law, except for allegations that have been satisfactorily resolved and are no longer outstanding or which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.11 EMPLOYEE BENEFIT ARRANGEMENTS.

(a) ERISA. Except as disclosed in Schedule 5.11:

(i) Except as could not reasonably be expected to have a Material Adverse Effect, there are no Unfunded Liabilities (A) with respect to any member of the Group Companies and (B) with respect to any ERISA Affiliates; provided that for purposes of this Section 5.11(a)(i)(B) only, Unfunded Liabilities shall mean the amount (if any) by which the projected benefit obligation exceeds the value of the plan's assets as of its last valuation date.

(ii) Each Plan complies in all respects with the applicable requirements of ERISA and the Code, and each Group Company complies in all respects with the applicable requirements of ERISA and the Code with respect to all Multiemployer Plans to which it contributes, except to the extent that the failure to comply therewith would not reasonably be expected to have a Material Adverse Effect.

(iii) Except to the extent that such ERISA Event could not reasonably be expected to have a Material Adverse Effect, no ERISA Event has occurred or, subject to the passage of time, is reasonably expected to occur with respect to any Plan and, except to the extent that such ERISA Event would not reasonably be expected to have a Material Adverse Effect, no ERISA Event has occurred or, subject to the passage of time, is reasonably expected to occur with respect to any Plan maintained or formerly maintained by an ERISA Affiliate.

(iv) No Group Company: (A) is or has been within the last six years a party to any Multiemployer Plan; or (B) has completely or partially withdrawn from any Multiemployer Plan, except to the extent that the participation in or withdrawal from such Multiemployer Plan could not reasonably be expected to have a Material Adverse Effect.

(v) If any Group Company or any ERISA Affiliate incurred or were to incur a complete or partial withdrawal (as described in Section 4203 of ERISA) from any Multiemployer Plan as of the Closing Date, the aggregate withdrawal liability, as determined under Section 4201 of ERISA, with respect to all such Multiemployer Plans would not exceed an amount that could reasonably be expected to have a Material Adverse Effect.

(vi) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which taxes could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code, for which an exemption under ERISA does not apply.

(vii) Except as could not reasonably be expected to have a Material Adverse Effect, no Group Company or, to the knowledge of any Group Company, any ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

(viii) No Group Company has any material liability in connection with or arising from a Foreign Pension Plan.

(b) Employee Benefit Arrangements.

(i) All liabilities under the Employee Benefit Arrangements are (A) funded to at least the minimum level required by law or, if higher, to the level required by the terms governing the Employee Benefit Arrangements, (B) insured with a reputable insurance company, (C) provided for or recognized in the financial statements most recently delivered to the Administrative Agent pursuant to Section 6.01(c) hereof or (D) estimated in the formal notes to the financial statements most recently delivered to the Administrative Agent pursuant to Section 6.01(a) hereof where such failure to fund, insure, provide for, recognize or estimate the liabilities arising under such arrangements could reasonably be expected to have a Material Adverse Effect.

(ii) There are no circumstances which may give rise to a liability in relation to the Employee Benefit Arrangements which are not funded, insured, provided for, recognized or estimated in the manner described in clause (i) above and which could reasonably be expected to have a Material Adverse Effect.

(iii) Each Group Company is in material compliance with all applicable Laws, trust documentation and contracts relating to the Employee Benefit Arrangements.

(iv) Except as set forth on Schedule 5.11, the execution and

delivery of the Acquisition Agreement and the consummation of the transactions contemplated thereby (i) does not require any Group Company to make any contributions (including accelerating the timing of contributions) in respect of the Hillman Companies Inc. Non-Qualified Deferred Compensation Plan and (ii) does not otherwise increase the liability of any Group Company under such plan.

SECTION 5.12 SUBSIDIARIES. Schedule 5.12 sets forth a complete and accurate list as of the Closing Date of all Subsidiaries of Holdings. Schedule 5.12 sets forth as of the Closing Date the jurisdiction of formation of each such Subsidiary, whether each such Subsidiary is a Subsidiary Guarantor, the number of authorized shares of each class of Equity Interests of each such Subsidiary, the number of outstanding shares of each class of Equity Interests, the number and percentage of outstanding shares of each class of Equity Interests of each such Subsidiary owned (directly or indirectly) by any Person and the number and effect, if exercised, of all Equity Equivalents with respect to Capital Stock of each such Subsidiary. All the outstanding Equity Interests of each Subsidiary of Holdings are validly issued, fully paid and non-assessable and were not issued in violation of the preemptive rights of any shareholder and, as of the Closing Date, are owned by Holdings, directly or indirectly, free and clear of all Liens (other than those arising under the Collateral Documents). Other than as set forth on Schedule 5.12, as of the Closing Date, no such Subsidiary has outstanding any Equity Equivalents nor does any such Person have outstanding any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its Equity Interests. Holdings has no Subsidiaries, other than Intermediate Holdings, the Borrower and its Subsidiaries.

SECTION 5.13 GOVERNMENTAL REGULATIONS, ETC.

(a) None of Holdings and its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U. No part of the Letters of Credit or proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the

meaning of Regulation U. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of Holdings and its Consolidated Subsidiaries. None of the transactions contemplated by this Agreement (including the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act, the Exchange Act, or Regulation T, U or X.

(b) None of the Group Companies is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, none of the Group Companies is (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, (ii) controlled by such a company, or (iii) a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1934, as amended.

SECTION 5.14 PURPOSE OF LOANS AND LETTERS OF CREDIT. The proceeds of the Term B Loans and any Revolving Loans made on the Closing Date will be used solely to fund a portion of the consideration paid pursuant to the Acquisition Agreement, to refinance existing Debt of Holdings and its Subsidiaries, and to pay fees and expenses incurred in connection with the transactions contemplated by the Acquisition Agreement. The proceeds of the Revolving Loans and Swingline Loans made on and after the Closing Date will be used solely to provide for the working capital requirements of the Borrower and its Subsidiaries and for the general corporate purposes of the Borrower and its Subsidiaries. The Letters of Credit shall be used only for or in connection with appeal bonds, reimbursement obligations arising in connection with surety and reclamation bonds, reinsurance, domestic or international trade transactions and other obligations relating to transactions entered into by the Borrower and its Subsidiaries in the ordinary course of business and for the general corporate purposes of the Borrower and its Subsidiaries.

SECTION 5.15 LABOR MATTERS. There are no strikes against Holdings or any of its Subsidiaries, other than any strikes that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The hours worked and payments made to employees of Holdings and its Subsidiaries have not been in violation in any material respect of the Fair

Labor Standards Act or any other applicable Law dealing with such matters, except to the extent any such violation or violations, could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All payments due from Holdings or any of its Subsidiaries, or for which any claim may be made against Holdings or any of its Subsidiaries, on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of the Borrower and its Subsidiaries, as applicable. The consummation of the Transactions will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings or any of its Subsidiaries is a party or by which Holdings or any of its Subsidiaries (or any predecessor) is bound, other than collective bargaining agreements which, individually or in the aggregate, are not material to Holdings and its Subsidiaries taken as a whole.

SECTION 5.16 ENVIRONMENTAL MATTERS. Except as disclosed on Schedule 5.16, no Group Company has failed to comply with any Environmental Law or to obtain, maintain, or comply with any permit, license or other approval required under any Environmental Law or is subject to any Environmental Liability which, in any of the foregoing cases, individually or collectively, could

reasonably be expected to result in a Material Adverse Effect, or has received notice of any claim with respect to any Environmental Liability, or knows of any basis for any Environmental Liability against any Group Company, in either case which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

SECTION 5.17 INTELLECTUAL PROPERTY. (a) Part A of Schedule 5.17 (as such schedule may be amended or supplemented from time to time) sets forth a true and complete list of (i) all United States and foreign registrations of and applications for Patents, Trademarks, domain names and Copyrights owned by Holdings and its domestic Subsidiaries and all material United States and foreign registrations of and applications for Patents, Trademarks, domain names and Copyrights owned by Foreign Subsidiaries of Holdings, and (ii) all Licenses material to the business of the Borrower and its Subsidiaries.

(b) Holdings and its Subsidiaries own, or possess the right to use, all of the Trademarks, service marks, trade names, Copyrights, Patents, Patent rights, franchises, Licenses and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except to the extent the failure to own or possess the right to use any such Intellectual Property could not reasonably be expected to have a Material Adverse Effect.

(c) To the best knowledge of Holdings and the Borrower, no Trademark, slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person, except to the extent any such infringement, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(d) Holdings, the Borrower and their Subsidiaries have taken all action to maintain and preserve their rights in the Intellectual Property owned by Holdings, the Borrower and their Subsidiaries, including without limitation paying all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Intellectual Property in full force and effect, except to the extent such action or proceeding would not have a Material Adverse Effect.

(e) The Intellectual Property material to the business of Holdings, the Borrower and their Subsidiaries is valid and enforceable in all material respects, and no holding, decision, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity of Holdings or the Borrower's or their Subsidiaries' right to register, or Holdings or the Borrower's or their Subsidiaries' rights to own or use any Intellectual Property, and no such action or proceeding is pending or, to Holdings or the Borrower's and their Subsidiaries' knowledge, threatened, except as disclosed in Part E of Schedule 5.17 or except to the extent the failure to do so would not have a Material Adverse Effect.

(f) All registrations and applications for Copyrights, Patents and Trademarks are standing in the name of the Borrower or one of its Subsidiaries, and no material Intellectual Property has been licensed by Holdings, the Borrower or their Subsidiaries to any third party, except in the ordinary course of business (such Licenses in effect on the Closing Date being as disclosed in Part F of Schedule 5.17).

SECTION 5.18 SOLVENCY. Each of Holdings and its Consolidated Subsidiaries (on a consolidated basis) and the Borrower and its Consolidated Subsidiaries (on a consolidated basis) is and, after consummation of the Transactions, will be Solvent.

SECTION 5.19 DISCLOSURE. No information, or data (excluding financial projections, budgets, estimates and general market data) made by any Credit Party in any Senior Finance Document or furnished to the Administrative Agent or any Lender by or on behalf of any Credit Party in connection with any Senior Finance Document, when taken as a whole as of the date furnished contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not materially misleading in light of the circumstances under which such statements were made; provided that (i) to the extent any such statement, information or report therein was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized assumptions believed by it to be reasonable at the time made (it being understood and agreed that projections as to future events are not to be viewed as facts or guaranties of future performance, that actual results during the period or periods covered by such projections may differ from the projects results and that such differences may be material and that the Credit Parties make no representation that such representations will in fact be realized) and (ii) as to statements, information and reports specified as having been supplied by third parties, other than Affiliates of the Borrower or any of its Subsidiaries, the Borrower represents only that it is not aware of any material misstatement or omission therein.

SECTION 5.20 COLLATERAL DOCUMENTS.

(a) Article 9 Collateral. Each of the Security Agreement and the Pledge Agreement is effective to create in favor of the Collateral Agent, for the ratable benefit of the Finance Parties, a valid and enforceable security interest in the Collateral described therein and, when financing statements in appropriate form are filed in the offices specified on Schedule 4.01 to the Security Agreement and the Pledged Collateral is delivered to the Collateral Agent, each of the Security Agreement and the Pledge Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in such of the Collateral in which a security interest can be perfected under Article 9 of the Uniform Commercial Code, in each case prior in right to any other Person, other than with respect to Permitted Liens.

(b) Intellectual Property. When financing statements in appropriate form are filed in the offices specified on Schedule 4.01 to the Security Agreement, the Assignment of Patents and Trademarks, substantially in the form of Exhibit A to the Security Agreement, is filed in the United States Patent and Trademark Office and the Assignment of Copyrights, substantially in the form of Exhibit B to the Security Agreement, is filed in the United States Copyright Office, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in the United States trademarks, copyrights, patents, licenses and other intellectual property rights covered in such Assignments, in each case prior in right to any other Person (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to perfect a lien on registered trademarks, trademark applications and copyrights acquired by the Credit Parties after the Closing Date).

(c) Real Property Mortgages. The Mortgages are effective to create in favor of the Collateral Agent, for the ratable benefit of the Finance Parties, a legal, valid and enforceable Lien on all of the right, title and interest of the Credit Parties in and to the Mortgaged Properties thereunder and the proceeds thereof, and when the Mortgages are filed in the offices specified on Schedule 5.20(c), the Mortgages shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Credit Parties in such Mortgaged Properties and the proceeds thereof, in each case prior in right to any other Person, other than with respect to Permitted Liens.

(d) Status of Liens. The Collateral Agent, for the ratable benefit of the Finance Parties, will at all times have the Liens provided for in the Collateral Documents and, subject to the filing

by the Collateral Agent of continuation statements to the extent required by the Uniform Commercial Code, the Collateral Documents will at all times constitute valid and continuing liens of record and first priority perfected security interests in all the Collateral referred to therein, except as priority may be affected by Permitted Liens. As of the Closing Date, no filings or recordings are required in order to perfect the security interests created under the Collateral Documents, except for filings or recordings listed on Schedule 4.01 to the Security Agreement.

SECTION 5.21 OWNERSHIP.

(a) Securities of the Borrower. Intermediate Holdings owns good, valid and insurable legal title to all the outstanding common stock of the Borrower, free and clear of all Liens of every kind, whether absolute, matured, contingent or otherwise, other than those arising under the Collateral Documents. Except as set forth on Schedule 5.21, there are no shareholder agreements or other agreements pertaining to Intermediate Holdings' beneficial ownership of the common stock of the Borrower, including any agreement that would restrict Intermediate Holdings' right to dispose of such common stock and/or its right to vote such common stock.

(b) Holdings Equity Interests. Schedule 5.21 sets forth a true and accurate list as of the Closing Date of each holder of any Equity Interest or Equity Equivalent of Holdings, indicating the name of each such holder and the Equity Interest or Equity Equivalent held by each such Person. Except as set forth on Schedule 5.21, as of the Closing Date there are no shareholders agreements or other agreements pertaining to the Investor Group's beneficial ownership of the common stock of Holdings, including any agreement that would restrict the Investor Group's right to dispose of such common Equity Interests and/or its right to vote such common Equity Interests.

SECTION 5.22 CERTAIN TRANSACTIONS.

(a) Acquisition Agreement. On the Closing Date, (i) the Acquisition Agreement has not been amended or modified, nor has any material condition thereof been waived by Holdings or the Borrower, (ii) all conditions to the obligations of Holdings and the Borrower to consummate the transactions contemplated by the Acquisition Agreement have been satisfied or waived in accordance with Section 4.01(h), (iii) all funds advanced on the Closing Date by the Lenders have been used in accordance with Section 5.14 and (iv) the transactions contemplated by the Acquisition Agreement have been consummated in accordance with the Acquisition Agreement in all material respects and all applicable requirements of Law.

(b) Subordinated Debentures and Junior Debentures. On the Closing Date, (i) neither the Subordinated Debentures Documents nor the Junior Debentures Documents have been amended or modified, (ii) nor has any condition thereof been waived by the Borrower in a manner adverse in any material respect to the rights or interests of the Lenders, and (iii) all funds advanced by the Subordinated Debentures Holder, have been used to consummate the transactions contemplated by the Acquisition Agreement.

(c) No Broker's Fees. Except as disclosed on Schedule 5.22, no broker's or finder's fee or commission will be payable with respect to this Agreement or any of the transactions contemplated hereby as a result of any action by or on behalf of the Borrower or their Affiliates, and each of Holdings and the Borrower hereby indemnifies each Agent and each Lender against, and agrees that it will hold each Agent and each Lender harmless from, any claim, demand or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable fees, expenses and disbursements of counsel) arising in connection with any such claim, demand or liability.

ARTICLE VI
AFFIRMATIVE COVENANTS

Each of Holdings, Intermediate Holdings and the Borrower agrees that so long as any Lender has any Commitment hereunder, any Senior Obligation or other amount payable hereunder or under any Note or other Senior Finance Document or any LC Obligation (in each case other than contingent indemnification obligations) remains unpaid or any Letter of Credit remains in effect:

SECTION 6.01 INFORMATION. The Borrower will furnish, or cause to be furnished, to the Administrative Agent for delivery to each of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet and income statement of Holdings and its Consolidated Subsidiaries, as of the end of such fiscal year, and the related consolidated statement of operations and retained earnings and consolidated statement of cash flows for such fiscal year, setting forth in comparative form consolidated figures for the preceding fiscal year and corresponding figures from the annual forecast, all such financial statements to be in reasonable form and detail and (in the case of such consolidated financial statements) audited by independent certified public accountants of recognized national standing reasonably acceptable to the Lead Arrangers and accompanied by an opinion of such accountants (which shall not be qualified or limited in any material respect) to the effect that such consolidated financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated Subsidiaries in accordance with GAAP consistently applied (except for changes with which such accountants concur) and

accompanied by a written statement by the accountants reporting on compliance with this Agreement to the effect that in the course of the audit upon which their opinion on such financial statements was based (but without any special or additional audit procedures for the purpose), they obtained knowledge of no condition or event relating to financial matters which constitutes a Default or an Event of Default or, if such accountants shall have obtained in the course of such audit knowledge of any such Default or Event of Default, disclosing in such written statement the nature and period of existence thereof, it being understood that such accountants shall be under no liability, directly or indirectly, to the Lenders for failure to obtain knowledge of any such condition or event.

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the end of each of the first three fiscal quarters in each fiscal year of the Borrower, a consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of such fiscal quarter, together with related consolidated statement of operations and retained earnings and consolidated statement of cash flows for such fiscal quarter and the then elapsed portion of such fiscal year, setting forth in comparative form consolidated figures for the corresponding periods of the preceding fiscal year and the annual forecast, all such financial statements to be in form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of the chief financial officer of the Borrower to the effect that such quarterly financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated Subsidiaries in accordance with GAAP consistently applied, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes required by GAAP.

(c) Monthly Financial Statements. As soon as available, and in any event within 30 days after the end of each month in each fiscal year of the Borrower, a consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of such month, together with related consolidated statement of operations and retained earnings and consolidated statement of cash flows for

such month and the then elapsed portion of such fiscal year, setting forth in comparative form consolidated figures for the corresponding periods of the preceding fiscal year and the annual forecast, all such financial statements to be in form and detail and reasonably acceptable to the Lenders, and accompanied by a certificate of the chief financial officer of the Borrower to the effect that such monthly financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated Subsidiaries in accordance with GAAP consistently applied, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes required by GAAP.

(d) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 6.01(a) and 6.01(b) above, a certificate of the chief financial officer or other appropriate Responsible Officer of the Borrower (i) demonstrating compliance with the financial covenants contained in Section 7.17 by calculation thereof as of the end of the fiscal period covered by such financial statements, (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower and the other Credit Parties propose to take with respect thereto and (iii) stating whether, since the date of the most recent financial statements delivered hereunder, there has been any material change in the GAAP applied in the preparation of the financial statements of Holdings and its Consolidated Subsidiaries, and, if so, describing such change. At the time such certificate is required to be delivered, the Borrower shall promptly deliver to the Administrative Agent, at the Administrative Office, information regarding any change in the Leverage Ratio that would change the then existing Applicable Margin.

(e) Annual Business Plan and Budgets. At least 90 days after the end of each fiscal year of the Borrower, beginning with the delivery of the business plan and budget for the fiscal year ending December 31, 2005 within 90 days of the end of the fiscal year ending December 31, 2004, an annual business plan and budget of Holdings and its Consolidated Subsidiaries containing, among other things, projected financial statements for the then-current fiscal year.

(f) Excess Cash Flow. Within 120 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending December 31, 2004, a certificate of the chief financial officer of the Borrower containing information regarding the calculation of Excess Cash Flow for such fiscal year.

(g) Auditor's Reports. Within five Business Days of receipt thereof, a copy of any other final report or "management letter" submitted by independent accountants to Holdings, the Borrower or any of their respective

Subsidiaries in connection with any annual, interim or special audit of the books of Holdings, the Borrower or any of their respective Subsidiaries.

(h) Reports. Promptly upon transmission or receipt thereof, copies of all filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports any Group Company shall send to its shareholders generally or to a holder of the Subordinated Debentures or the Junior Debentures or holders of any other Debt (excluding Capital Leases) owed by any Group Company where the outstanding amount of principal and interest in respect of such other Debt exceeds $5,000,000, in their capacity as such a holder.

(i) Notices. Prompt notice of: (i) the occurrence of any Default or Event of Default; (ii) any matter that has resulted or may result in a Material Adverse Effect, including (A) breach or non-performance of, or any default under, any material agreement of Holdings or any of its Subsidiaries; (B) any dispute, litigation, investigation, proceeding or suspension between Holdings or any of its

Subsidiaries and any Governmental Authority; (C) the commencement of, or any material adverse development in, any litigation or proceeding affecting Holdings or any of its Subsidiaries, including pursuant to any applicable Environmental Law; (D) any litigation, investigation or proceeding affecting any Credit Party in which the amount involved exceeds $5,000,000, or in which injunctive relief or similar relief is sought, which relief, if granted, could be reasonably expected to have a Material Adverse Effect; and (E) any material change in accounting policies or financial reporting practice by Holdings or any of its Subsidiaries. Each notice pursuant to this Section 6.01(h) shall (i) be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or any other Credit Party has taken and proposes to take with respect thereto and (ii) describe with particularity any and all provisions of this Agreement or the other Senior Finance Documents that have been breached.

(j) Employee Benefits Arrangements. (i) The Borrower will give written notice to the Administrative Agent promptly (and in any event within five Business Days after any officer of any Group Company obtains knowledge thereof) of: (A) any event or condition that constitutes, or is reasonably likely to lead to, an ERISA Event; (B) any change in the funding status of any Plan that could reasonably be expected to have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by the chief financial officer of the Borrower briefly setting forth the details regarding such event, condition or notice and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower and the other Credit Parties with respect thereto; or (C) any event or condition that constitutes, or is reasonably likely to lead to, an event described in Section 8.01(h)(iii)-(viii). Promptly upon request, the Borrower shall furnish the Administrative Agent and the Lenders with such additional information concerning any Plan or Employee Benefit Arrangement as may be reasonably requested, including, but not limited to, with respect to any Plans, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA) of each Plan; and (ii) the Borrower will promptly deliver to the Administrative Agent the most recently prepared actuarial reports in relation to the Employee Benefit Arrangements for the time being operated by Group Companies which are prepared in order to comply with the then current statutory or auditing requirements within the relevant jurisdiction.

(k) Domestication in Other Jurisdiction. Not less than 20 days prior to any change in the jurisdiction of organization of any Credit Party, a copy of all documents and certificates intended to be filed or otherwise executed to effect such change.

(l) Other Information. With reasonable promptness upon request therefor, such other information regarding the business, properties or financial condition of any Group Company as the Administrative Agent or any other Finance Party may reasonably request, which may include such information as any Senior Finance Party may reasonably determine is necessary or advisable to enable it either (i) to comply with the policies and procedures adopted by it and its Affiliates to comply with the Bank Secrecy Act, the U.S. Patriot Act and all applicable regulations thereunder or (ii) to respond to requests for information concerning Holdings and its Subsidiaries from any government, self-regulatory organization or financial institution in connection with its anti-money laundering and anti-terrorism regulatory requirements or its compliance procedures under the U.S. Patriot Act, including in each case information concerning the Borrower's direct and indirect shareholders and its use of the proceeds of the Credit Extensions hereunder.

SECTION 6.02 PRESERVATION OF EXISTENCE AND FRANCHISES. Except as a

result of or in connection with a dissolution, merger or disposition of a Subsidiary of the Borrower permitted under Section 7.04 or Section 7.05, each Group Company will do all things necessary to preserve and keep in

full force and effect its legal existence and do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its business and to maintain and operate such business in substantially the manner in which it is presently conducted and operated; provided, however, that neither Holdings nor any of its Subsidiaries shall be required to preserve any such rights, licenses, permits, franchises, authorizations or Intellectual Property if the preservation thereof is no longer desirable in the conduct of the business of the Borrower and its Subsidiaries or the loss thereof could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.03 BOOKS AND RECORDS; LENDER MEETING. Each of the Group Companies will keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves). At the request of the Administrative Agent, within 110 days after the end of each fiscal year of the Borrower, the Borrower will conduct a meeting (which may be by telephone) of the Lenders to discuss such fiscal year's results and the financial condition of Holdings and its Consolidated Subsidiaries. Such meetings shall be held at times and places convenient to the Lenders and to the Borrower.

SECTION 6.04 COMPLIANCE WITH LAW; EMPLOYEE BENEFIT ARRANGEMENTS. Each of the Group Companies will comply with all requirements of Law applicable to it and its properties to the extent that noncompliance with any such requirement of Law could reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, each of the Group Companies will do each of the following as it relates to any Plan, Foreign Pension Plan or Employee Benefit Arrangement, except to the extent that failure to do any of the following could not reasonably be expected to have a Material Adverse Effect: (i) maintain each Plan, Foreign Pension Plan and Employee Benefit Arrangement in compliance in all material respects with the applicable provisions of ERISA, the Code or other Federal, state or foreign law; (ii) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualifications; (iii) make all required contributions to any Plan subject to Section 412 of the Code and make all required contributions to Multiemployer Plans; (iv) ensure that there are no Unfunded Liabilities in excess of an amount that could reasonably be expected to have a Material Adverse Effect; (v) except for the obligations set forth on Schedule 5.11, not become a party to any Multiemployer Plan; (vi) make all contributions (including any special payments to amortize any Unfunded Liabilities) required to be made in accordance with all applicable laws and the terms of each Foreign Pension Plan in a timely manner; (vii) ensure that all liabilities under the Employee Benefit Arrangements are either (A) funded to at least the minimum level required by Law or, if higher, to the level required by the terms governing the Employee Benefit Arrangements; (B) insured with a reputable insurance company; (C) provided for or recognized in the accounts most recently delivered to the Administrative Agent under Section 6.01(c); or (D) estimated in the formal notes to the accounts most recently delivered to the Administrative Agent under Section 6.01(a); (viii) ensure that the contributions or premium payments to or in respect of all Employee Benefit Arrangements are and continue to be promptly paid at no less than the rates required under the rules of such arrangements and in accordance with the most recent actuarial advice received in relation to the Employee Benefit Arrangement and generally in accordance with applicable law; and (ix) shall use its reasonable efforts to cause each ERISA Affiliate to do each of the items listed in clauses (i) through (iv) above as it relates to Plans maintained by or contributed to by such ERISA Affiliate.

SECTION 6.05 PAYMENT OF TAXES. Each of the Group Companies will pay and discharge (i) all taxes, assessments and other governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (ii) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien (other than a Permitted Lien) upon any of its properties; provided, however, that no Group Company shall be required to pay any such tax, assessment, charge, levy or claim (i) which is being contested in good

faith by appropriate proceedings diligently pursued and as to which adequate reserves have been established in accordance with GAAP, (ii) in respect of immaterial, state, local or foreign taxes, or (iii) unless the failure to make any such payment (A) could give rise to an immediate right to foreclose on a Lien securing such amounts (unless proceedings thereto conclusively operate to stay such foreclosure) or (B) could reasonably be expected to have a Material Adverse Effect.

SECTION 6.06 INSURANCE; CERTAIN PROCEEDS.

(a) Insurance Policies. Each of the Group Companies will at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance or casualty insurance) in such amounts, covering such risk and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice or otherwise consistent with past practice of the Group Companies or prudent in the reasonable business judgment of the senior management of the Borrower. The Collateral Agent shall be named as loss payee or mortgagee, as its interest may appear, with respect to all such property and casualty policies and additional insured with respect to all such other policies (other than workers' compensation, employee health and directors and officers policies), and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that if the insurance carrier shall have received written notice from the Collateral Agent of the occurrence and continuance of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to Holdings or one or more of its Subsidiaries under such policies directly to the Collateral Agent (which agreement shall be evidenced by a "standard" or "New York" lender's loss payable endorsement in the name of the Collateral Agent on Accord Form 27) and that it will give the Collateral Agent 30 days' prior written notice before any such policy or policies shall be altered or canceled, and that no act or default of any Group Company or any other Person shall affect the rights of the Collateral Agent or the Lenders under such policy or policies.

(b) Loss Events. In case of any Casualty or Condemnation with respect to any property of any Group Company or any part thereof in excess of $1,000,000, the Borrower shall promptly give written notice thereof to the Administrative Agent generally describing the nature and extent of such damage, destruction or taking. The Borrower shall, or shall cause such Group Company to, repair, restore or replace the property of such Person (or part thereof) which was subject to such Casualty or Condemnation, at such Person's cost and expense, whether or not the Insurance Proceeds or Condemnation Award, if any, received on account of such event shall be sufficient for that purpose; provided, however, that such property need not be repaired, restored or replaced to the extent the failure to make such repair, restoration or replacement (i) is desirable to the proper conduct of the business of such Person in the ordinary course and otherwise in the best interest of such Person or (ii) the failure to repair, restore or replace the property is attributable to the contemplated application of the Insurance Proceeds from such Casualty or the Condemnation Award from such Condemnation to the acquisition of other tangible assets used or useful in the business of the Borrower and its Subsidiaries as contemplated in the definition of "Reinvestment Funds" in Section 1.01 or to payment of the Senior Obligations in accordance with the provisions of Section 2.09(b)(iv).

(c) Certain Rights of the Lenders. In connection with the covenants set forth in this Section 6.06, it is understood and agreed that none of the Agents, the Lenders or their respective agents or employees shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 6.06, it being understood that the Group Companies shall look solely to their insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage.

SECTION 6.07 MAINTENANCE OF PROPERTY. Each of the Group Companies will maintain and preserve its properties and equipment material to the conduct of its business in good repair, working

order and condition, normal wear and tear and Casualty and Condemnation excepted, and will make, or cause to be made, as to such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper in the reasonable good faith business judgment of the Responsible Officers of such Group Companies.

SECTION 6.08 USE OF PROCEEDS. The Borrower will use the proceeds of the Loans and will use the Letters of Credit solely for the purposes set forth in Section 5.14.

SECTION 6.09 AUDITS/INSPECTIONS. Upon reasonable notice and during normal business hours, each of the Group Companies will permit representatives appointed by the Agents or the Required Lenders to visit and inspect its executive offices and/or manufacturing facilities and, following the occurrence and during the continuance of any Event of Default, any of its properties, to review and inspect its books and records, accounts receivable and inventory, and to make photocopies or photographs thereof and to write down and record any information such representatives obtain and shall permit the Agents or such representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees, independent accountants and representatives of the Group Companies, in each case so long as a Responsible Officer has been given the opportunity to be present; provided, however, that prior to the occurrence and continuance of an Event of

Default, such visits shall be limited to one per year per location, and the Group Companies shall not be obligated to reimburse the expenses of more than two representatives of the Administrative Agent and the Lenders in the aggregate.

SECTION 6.10 ADDITIONAL CREDIT PARTIES; ADDITIONAL SECURITY.

(a) Additional Subsidiary Guarantors. Each of Holdings and the Borrower will take, and will cause each of its Subsidiaries (other than Foreign Subsidiaries, except to the extent provided in subsection (d) below) to take, such actions from time to time as shall be necessary to ensure that all Subsidiaries of Holdings (other than the Borrower and Foreign Subsidiaries, except to the extent provided in subsection (d) below) are Subsidiary Guarantors. Without limiting the generality of the foregoing, if any Group Company shall form or acquire any new Subsidiary, the Borrower, as soon as practicable and in any event within 30 days after such formation or acquisition, will provide the Collateral Agent with notice of such formation or acquisition setting forth in reasonable detail a description of all of the assets of such new Subsidiary and will cause such new Subsidiary (other than a Foreign Subsidiary, except to the extent provided in subsection (d) below) to:

(i) within 30 days after such formation or acquisition, execute an Accession Agreement pursuant to which such new Subsidiary shall agree to become a "Guarantor" under the Guaranty, an "Obligor" under the Security Agreement, an "Obligor" under the U.S. Pledge Agreement and/or an obligor under such other Collateral Documents as may be applicable to such new Subsidiary; and

(ii) deliver such proof of organizational authority, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Credit Party pursuant to Section 4.01 on the Closing Date or as the Administrative Agent, the Collateral Agent or the Required Lenders reasonably shall have requested.

(b) Additional Security. Each of Holdings and the Borrower will cause, and will cause each of its Subsidiaries (other than a Foreign Subsidiary, except to the extent provided in subsection (d) below) to cause, (i) all of its owned Real Properties and personal property located in the United States, other that those owned Real Properties set forth on Schedule 6.10(b) and other than owned Real Properties which are subject to a Permitted Lien the terms of which prohibit the granting of a Lien thereon

in favor of the Finance Parties and (ii) to the extent deemed to be material by the Administrative Agent or the Required Lenders in its or their sole reasonable discretion, (A) all of its personal property located in the United States (except to the extent expressly excluded from the Collateral Documents), (B) all of its leased Real Properties located in the United States (other than leaseholds the terms of which prohibit the granting of a Lien thereon in favor of the Finance Parties) and (C) all other assets and properties of Holdings and its Domestic Subsidiaries located in the United States as are not covered by the original Collateral Documents (or specifically excluded therefrom) and as may be requested by the Collateral Agent or the Required Lenders in their sole reasonable discretion to be subject at all times to first priority (subject only to Permitted Liens), perfected and, in the case of Real Property (whether leased or owned), title insured Liens in favor of the Collateral Agent pursuant to the Collateral Documents or such other security agreements, pledge agreements, mortgages or similar collateral documents as the Collateral Agent shall request in its sole and reasonable discretion (collectively, the "Additional Collateral Documents"). With respect to any Real Property (whether leased or owned) located in the United States acquired or leased by any Credit Party subsequent to the Closing Date for which the Collateral Agent is entitled to a Lien pursuant to the preceding sentence, such Person will cause to be delivered to the Collateral Agent with respect to such Real Property (other than immaterial leased properties or except for properties with respect to which landlord consent for such Mortgage cannot be obtained after commercially reasonable efforts by the Borrower, to do so or as otherwise approved by the Administrative Agent) documents, instruments and other items of the types required to be delivered pursuant to Section 4.01(k), all in form, content and scope reasonably satisfactory to the Collateral Agent. In furtherance of the foregoing terms of this Section 6.10, the Borrower agrees to promptly provide the Administrative Agent with written notice of the acquisition by Holdings or any of its Subsidiaries of any Real Property located in the United States having a market value greater than $500,000 or the entering into a lease by Holdings or any of its Subsidiaries of any Real Property located in the United States for annual rent of $150,000 or more, setting forth in each case in reasonable detail the location and a description of the asset(s) so acquired or leased. Without limiting the generality of the foregoing, Holdings and the Borrower will cause, and will cause each of their respective Subsidiaries to cause, 100% of the Equity Interests of each of their respective direct and indirect Subsidiaries (or 65% of such Equity Interests, if such Subsidiary is a direct Foreign Subsidiary, except as provided in subsection (d) below) to be subject at all times to a first priority, perfected Lien in favor of the Collateral Agent

pursuant to the terms and conditions of the Collateral Documents, subject only to Permitted Liens described in paragraph (ii) and/or (iv) of Section 7.02.

If, subsequent to the Closing Date, a Credit Party shall acquire any Intellectual Property, securities, instruments, chattel paper or other personal property required to be delivered to the Collateral Agent as Collateral under any of the Collateral Documents, the Borrower shall promptly (and in any event within 10 Business Days after any Responsible Officer of any Credit Party acquires knowledge of the same) notify the Collateral Agent of the same. Each of the Credit Parties shall adhere to the covenants regarding the location of personal property as set forth in the Collateral Documents.

All such security interests and mortgages shall be granted pursuant to documentation consistent with the Collateral Documents executed at Closing and otherwise reasonably satisfactory in form and substance to the Collateral Agent and shall constitute valid and enforceable perfected security interests and mortgages prior to the rights of all third Persons and subject to no other Liens except for Permitted Liens. The Additional Collateral Documents or instruments related thereto shall have been duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent required to be granted pursuant to the Additional Collateral Documents, and all taxes, fees and other charges payable in connection therewith shall have been paid in full. The Borrower shall cause to be delivered to the Collateral Agent such opinions of counsel, title insurance and other related documents as may be reasonably requested by the Collateral Agent to assure itself that this Section 6.10(b) has been complied with.

(c) Real Property Appraisals. If the Collateral Agent or the Required Lenders determine that they are required by law or regulation to have appraisals prepared in respect of the Real Property of any Group Company constituting Collateral, the Borrower shall provide to the Collateral Agent appraisals which satisfy the applicable requirements set forth in 12 C.F.R., Part 34 - Subpart C or any successor or similar statute, rule, regulation, guideline or order, and which shall be in scope, form and substance, and from appraisers, reasonably satisfactory to the Required Lenders and shall be accompanied by a certification of the appraisal firm providing such appraisals that the appraisals comply with such requirements.

(d) Foreign Subsidiaries Security. If, following a change that is reasonably determined to be relevant by the Administrative Agent in the relevant sections of the Code or the regulations, rules, rulings, notices or other official pronouncements issued or promulgated thereunder, counsel for the Borrower reasonably acceptable to the Collateral Agent and the Required Lenders fails within 90 days after a reasonable request from the Collateral Agent and the Required Lenders to deliver evidence, in form and substance mutually satisfactory to the Collateral Agent and the Borrower, with respect to any Foreign Subsidiary of Holdings which has not already had all of the Equity Interests issued by it pledged pursuant to the Pledge Agreement that (i) a pledge (A) of two-thirds or more of the total combined voting power of all classes of capital stock of such Foreign Subsidiary entitled to vote, and (B) of any promissory note issued by such Foreign Subsidiary to the Borrower or any of its Domestic Subsidiaries, (ii) the entering into by such Foreign Subsidiary of a guaranty in form and substance substantially similar to the Guaranty, (iii) the entering into by such Foreign Subsidiary of a security agreement in form and substance substantially similar to the Security Agreement, and (iv) the entering into by such Foreign Subsidiary of a pledge agreement substantially similar to the Pledge Agreement, in any such case would reasonably be expected to be restricted by applicable Law of the jurisdiction of organization of such Foreign Subsidiary or would reasonably be expected to cause the undistributed earnings or future earnings, if any, of such Foreign Subsidiary as determined for United States federal income tax purposes to be included as gross income of such Foreign Subsidiary's United States parent (or other domestic Affiliate) for United States federal income tax purposes, then, (A) in the case of a failure to deliver the evidence described in clause (i) above, that portion of such Foreign Subsidiary's outstanding capital stock or any promissory notes so issued by such Foreign Subsidiary, in each case not theretofore pledged pursuant to the Pledge Agreement, shall be pledged to the Collateral Agent for the benefit of the Finance Parties pursuant to the Pledge Agreement (or another pledge agreement in substantially similar form, if needed), in each case only to the extent that such pledge would not reasonably be expected to cause the undistributed earnings or future earnings, if any, of such Foreign Subsidiary as determined for United States federal income tax purposes to be included in gross income of such Foreign Subsidiary's United States parent (or other domestic Affiliate) for United States federal income tax purposes or would not reasonably be expected to be restricted by Applicable Law of the jurisdiction of organization of such Foreign Subsidiary; (B) in the case of a failure to deliver the evidence described in clause (ii) above, such Foreign Subsidiary shall execute and deliver the Guaranty (or another guaranty in substantially similar form, if needed), guaranteeing the Finance Obligations; (C) in the case of a failure to deliver the evidence described in clause (iii) above, such Foreign Subsidiary shall execute and deliver the Security Agreement (or another security agreement

in substantially similar form, if needed), granting to the Collateral Agent, for the benefit of the Finance Parties, a security interest in all of such Foreign Subsidiary's assets and securing the Finance Obligations; and (D) in the case of a failure to deliver the evidence described in clause (iv) above, such Foreign Subsidiary shall execute and deliver the Pledge Agreement (or another pledge agreement in substantially similar form, if needed), pledging to the Collateral Agent, for the benefit of the Finance Parties, all of the capital stock and promissory notes owned by such Foreign Subsidiary, in each case to the extent that entering into the Guaranty, Security Agreement or Pledge Agreement is permitted by the Laws of the respective foreign jurisdiction and with all documents delivered pursuant to this Section 6.10(d) to be in form, scope and substance reasonably satisfactory to the Collateral Agent and the Required Lenders.

(e) Each of Holdings and the Borrower agrees that, except as otherwise provided in this Section 6.10, each action required by this Section 6.10 shall be completed as soon as reasonably possible, but in no event later than 90 days after such action is either requested to be taken by the Collateral Agent or the Required Lenders or required to be taken by Holdings or any of its Subsidiaries pursuant to the terms of this Section 6.10.

SECTION 6.11 INTEREST RATE PROTECTION AGREEMENTS. Within 90 days after the Closing Date, the Borrower will enter into and thereafter maintain in full force and effect interest rate swaps, rate caps, collars or other similar agreements or arrangements designed to hedge the position of the Borrower with respect to interest rates at rates and on terms reasonably satisfactory to the Lead Arrangers, taking into account current market conditions, the effect of which is that at least 50% of the Consolidated Debt of Holdings and its Consolidated Subsidiaries will bear interest at a fixed or capped rate or the interest cost in respect of which will be fixed or capped for a period expiring no earlier than 24 months after the Closing Date. The Borrower will promptly deliver evidence of the execution and delivery of such agreements to the Administrative Agent.

SECTION 6.12 CONTRIBUTIONS. Within three Business Days following its receipt thereof, Holdings will contribute as a common equity contribution to the capital of Intermediate Holdings which will then contribute an equal amount to the capital of the Borrower, any cash proceeds received by Holdings after the Closing Date from any Asset Disposition, Casualty, Condemnation, Debt Issuance or Equity Issuance or any cash capital contributions received by Holdings after the Closing Date (less any Restricted Payments permitted under Section 7.07 and made in connection with such Asset Disposition, Casualty, Condemnation, Debt Issuance, Equity Issuance or cash capital contribution).

ARTICLE VII
NEGATIVE COVENANTS

Each of Holdings, Intermediate Holdings and the Borrower agrees that so long as any Lender has any Commitment hereunder, any Senior Obligations or other amount payable hereunder or under any Note or other Senior Finance Document or any LC Obligation (in each case other than contingent indemnification obligations) remains unpaid or any Letter of Credit remains unexpired:

SECTION 7.01 LIMITATION ON DEBT. None of the Group Companies will incur, create, assume or permit to exist any Debt, Derivatives Obligations or Synthetic Lease Obligations except:

(i) Debt of the Credit Parties under this Agreement and the other Senior Finance Documents;

(ii) Debt arising under (A) the Subordinated Debentures Indenture and the Subordinated Debentures and (B) the Junior Debentures Indenture and the Junior Debentures (but with respect to this clause (B) not including any renewal, refinancing or extension thereof);

(iii) Capital Lease Obligations and Purchase Money Debt of the Borrower and its Subsidiaries incurred after the Closing Date to finance Capital Expenditures permitted by Section 7.14; provided that (A) the aggregate amount of all such Debt (together with refinancing thereof permitted by clause (v) below) does not exceed $10,000,000 at any time outstanding, (B) the aggregate amount of all such Debt consisting of Capital Lease Obligations (together with refinancing thereof permitted by clause (v) below) does not exceed $7,500,000 at any time outstanding, (C) the Debt when incurred shall not be less than 80% or more than 100% of the lesser of the cost or fair market value as of the time of acquisition of the asset financed, (D) such Debt is issued and any Liens securing such Debt are created concurrently with, or within 120

days after, the acquisition of the asset financed and (E) no Lien securing such Debt shall extend to or cover any property or asset of any Group Company other than the asset so financed;

(iv) Debt of the Borrower or its Subsidiaries secured by Liens permitted by clauses (xi), (xii) and (xiii) of Section 7.02 or any other Debt acquired or assumed in a Permitted Business Acquisition or in connection with the acquisition of assets; provided that (A) the aggregate principal amount of all Debt incurred or assumed pursuant to this clause (iv) (together with refinancings thereof permitted by clause (v) below) shall not exceed (x) in the aggregate, together with all Debt incurred pursuant to clause (xi) below, $40,000,000 at any time outstanding and (y) in the case of any such Debt that does not constitute unsecured Subordinated Debt (together with all Debt incurred pursuant to subclause (B) of the proviso to clause (xi) below), $20,000,000 at any time outstanding, and (B) such Debt was not incurred in connection with, or in anticipation of, the events described in such clauses;

(v) Debt (A) of the Borrower representing a refinancing, replacement or refunding of the Subordinated Debentures and Subordinated Debentures Indenture, (B) of Holdings representing a refinancing, replacement or refunding of the Junior Debentures and Junior Debentures Indenture permitted by clause (ii) above, provided that the Required Lenders shall have given their prior written consent to such refinancing, replacement or refunding, which consent shall not be unreasonably withheld or delayed, or (C) of the Borrower or its Subsidiaries representing a refinancing, replacement or refunding of Debt permitted by clause (iii) or (iv) above, provided in each case that (A) such Debt (the "Refinancing Debt") is an original aggregate principal amount not greater than the aggregate principal amount of, and unpaid interest on, the Debt being refinanced, replaced or refunded plus the amount of any premiums required to be paid thereon and fees and expense associated therewith, (B) such Refinancing Debt has a later or equal final maturity and a larger or equal weighted average life than the Debt being refinanced, replaced or refunded, (C) if the Debt being refinanced, replaced or refunded is subordinated to the Senior Obligations, such Refinancing Debt is subordinated to the Senior Obligations on terms no less favorable to the Lenders than the terms of the Debt being refinanced, replaced or refunded, (D) the covenants, events of default and any Guaranty Obligations in respect thereof shall be no less favorable to the Lenders than those contained in the Debt being refinanced, replaced or refunded and (E) at the time of, and after giving effect to, such refinancing, replacement or refunding, no Default or Event of Default shall have occurred and be continuing;

(vi) Derivatives Obligations of the Borrower or any Subsidiary under Derivatives Agreements to the extent entered into after the Closing Date in compliance with Section 6.11 or to manage interest rate or foreign currency exchange rate risks and not for speculative purposes;

(vii) Debt owed to any Person providing property, casualty, liability or other insurance to the Borrower or any Subsidiary of the Borrower, so long as such Debt shall not be in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Debt is incurred and such Debt shall be outstanding only during such year;

(viii) Debt consisting of Guaranty Obligations (A) by Holdings and Intermediate Holdings in respect of Debt incurred by the Borrower under the Subordinated Debentures or otherwise permitted to be incurred by the Borrower or any of its subsidiaries, provided, however, that all such Guaranty Obligations by Holdings and Intermediate Holdings shall be unsecured, (B) by Holdings in respect of Debt incurred by Hillman Group Capital Trust under the Trust Preferred Securities, (C) by the Borrower in respect of Debt permitted to be

incurred by the Subsidiaries of the Borrower and (D) by Subsidiaries of the Borrower of Debt permitted to be incurred by the Borrower or Subsidiaries of the Borrower;

(ix) (A) Debt owing to the Borrower or a Subsidiary of the Borrower to the extent permitted by Section 7.06(a)(ix), (x), (xi) or (xxi) and (B) Debt owing by the Borrower to Holdings or Intermediate Holdings to the extent permitted by (x) Section 7.06(a)(xi) or (y) incurred in connection with tax planning, provided that in the case of (y) the Administrative Agent shall have given its prior consent such consent not to be unreasonably withheld;

(x) contingent liabilities in respect of any indemnification, adjustment of purchase price, earn-out, incentive, non-compete, consulting, deferred compensation and similar obligations of

Holdings and its Subsidiaries incurred in connection with the Acquisition and Permitted Business Acquisitions;

(xi) Debt of the Borrower or any of its Subsidiaries that is issued to a seller of assets or a Person the subject of a Permitted Business Acquisition or that is otherwise incurred to fund consideration payable in a Permitted Business Acquisition (and for no other purpose) in a transaction permitted by this Agreement in an aggregate principal amount at any one time outstanding not exceeding $40,000,000; provided that (A) any such Debt that constitutes Subordinated Debt shall be unsecured and (B) any such Debt other than Subordinated Debt shall not (together with all Debt assumed pursuant to subclause (A)(y) of the proviso to clause (iv) above) exceed $20,000,000 at any one time outstanding;

(xii) unsecured Debt of Holdings or Intermediate Holdings representing the obligation of Holdings or Intermediate Holdings to make payments with respect to the cancellation or repurchase of certain Equity Interests of officers, employees or directors (or their estates) of Holdings and its Subsidiaries, to the extent permitted by Section 7.07(iii);

(xiii) contingent liabilities in respect of any indemnification, adjustment of purchase price, earn-out, incentive, non-compete, consulting, deferred compensation and similar obligations of Holdings and its Subsidiaries incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than Guaranty Obligations in respect of Debt of any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(xiv) Debt in respect of performance bonds, bid bonds, appeal bonds, surety bonds and completion guarantees and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(xv) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that (A) such Debt (other than credit or purchase cards) is extinguished within three Business Days of its incurrence and (B) such Debt in respect of credit or purchase cards in extinguished within 60 days from its incurrence;

(xvi) accrual of interest on Debt otherwise permitted under this Section 7.01, accretion or amortization of original issue discount with respect to Debt otherwise permitted under this Section 7.01 and/or Debt incurred as a result of payment of interest in kind on Debt otherwise permitted under this Section 7.01;

(xvii) Debt or Synthetic Lease Obligations of the Borrower and its Subsidiaries not otherwise permitted by this Section 7.01 incurred after the Closing Date in an aggregate principal amount not to exceed $10,000,000 at any time outstanding; provided that no Default or Event of Default shall have occurred and be continuing immediately before and immediately after giving effect to such incurrence; and

(xviii) Debt of Foreign Subsidiaries of the Borrower organized and operating in Canada or Mexico incurred after the Closing Date in an aggregate principal amount not to exceed $1,000,000 at any time outstanding.

SECTION 7.02 RESTRICTION ON LIENS. None of the Group Companies will create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any Person, including any Subsidiary of Holdings) now owned or hereafter acquired by it or on any income or rights in respect of any thereof, except Liens described in any of the following clauses (collectively, "Permitted Liens"):

(i) Liens created by the Collateral Documents;

(ii) Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) for taxes (including outstanding Chapter 11 taxes), assessments or governmental charges or levies not yet more than 30 days overdue or not required to be paid pursuant to Section 6.05;

(iii) Liens securing the charges, claims, demands or levies of landlords, carriers, warehousemen, mechanics, sellers of goods, carriers and other like persons which were incurred in the ordinary course of business and which (A) secure charges, claims, demands, or levies which are not more than 30 days overdue or not required to be paid pursuant to

Section 6.05 or (B) do not, individually or in the aggregate, materially detract from the value of the property or assets which are the subject of such Lien or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (C) which are being contested in good faith by appropriate proceedings diligently pursued, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to such Lien;

(iv) Liens arising from judgments, decrees or attachments (or securing of appeal bonds with respect thereto) in circumstances not constituting an Event of Default under Section 8.01; provided that no cash or other property (other than proceeds of insurance payable by reason of such judgments, decrees or attachments) the fair value of which exceeds $5,000,000 is deposited or delivered to secure any such judgment, decree or award, or any appeal bond in respect thereof;

(v) Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) not securing Debt or Derivatives Obligations incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security and other similar obligations incurred in the ordinary course of business;

(vi) Liens (including pledges or deposits) securing obligations in respect of surety bonds (other than appeal bonds), bids, trade contracts, public or statutory obligations, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business;

(vii) pledges or deposits of cash and Cash Equivalents securing deductibles, self-insurance, co-payment, co-insurance, retentions and similar obligations to providers of insurance on the ordinary cause of business;

(viii) zoning restrictions, building codes, easements, rights of way, licenses, reservations, covenants, conditions, waivers, restrictions on the use of property or other minor encumbrances or irregularities of title not securing Debt or Derivatives Obligations which do not, individually or in the aggregate, materially impair the use of any property in the operation or business of Holdings or any of its Subsidiaries or the value of such property for the purpose of such business;

(ix) Permitted Encumbrances;

(x) Liens securing Capital Lease Obligations and Purchase Money Debt permitted to be incurred under Section 7.01(iii) and Liens securing Debt of Foreign Subsidiaries permitted under Section 7.01 (xviii);

(xi) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such event;

(xii) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Subsidiary of the Borrower and not created in contemplation of such event;

(xiii) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary of the Borrower and not created in contemplation of such acquisition;

(xiv) any Lien securing Refinancing Debt in respect of any Debt of the Borrower or any Subsidiary of the Borrower secured by any Lien permitted by clauses (xi), (xii), (xiii) or (xxi) of this Section 7.02; provided that such Debt is not secured by any additional assets;

(xv) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights, in each case incurred in the ordinary course of business;

(xvi) licenses, sublicenses, leases or subleases granted by a Group Company as lessor to third Persons in the ordinary course of business not interfering in any material respect with the business of any Group Company;

(xvii) Liens on (A) incurred premiums, dividends and rebates which may become payable under insurance policies and loss payments which reduce the incurred premiums on such insurance policies and (B) rights which may arise under State insurance guarantee funds relating to any such insurance policy, in each case securing Debt permitted to be incurred pursuant to Section 7.01(vii);

(xviii) any (A) Lien not securing any Debt, Derivatives Obligations or Synthetic Lease Obligations constituting an interest or title of a licensor, lessor or sublicensor or sublessor under any Operating Lease or license entered into by the Borrower or any of its Subsidiaries in compliance with this Agreement or (B) Lien resulting from the subordination by any such lessor or sublessor of its interest or title under such Operating Lease to any Lien described in

subparagraph (viii) above; provided that the holder of such Lien or restriction agrees in writing to recognize the rights of such lessee or sublessee under such Operating Lease;

(xix) Liens in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods;

(xx) Liens securing obligations (other than Debt or Derivatives Obligations) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of the Borrower and its Subsidiaries;

(xxi) Liens existing on the Closing Date and listed on Schedule 7.02 hereto; provided that such Liens shall secure only those obligations which they secure on the date hereof (and permitted extensions, renewals and refinancings of such obligations) and shall not subsequently apply to any other property or assets of Holdings and its Subsidiaries (other than accessions to and the proceeds of the property or assets subject to such Liens to the extent provided by the terms thereof on the date hereof);

(xxii) Liens solely on any cash earnest money deposits made by the Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to a Permitted Business Acquisition;

(xxiii) Liens upon specific items or inventory or other goods and proceeds of the Borrower or any of its Subsidiaries securing such Person's obligations in respect of bankers' acceptances or documentary letters of credit issued or created for the account of such Person to facilitate the shipment or storage of such inventory or other goods; and

(xxiv) Liens deemed to exist in the ordinary course in connection with Cash Equivalents; and

(xxv) other Liens incurred by the Borrower and its Subsidiaries if the aggregate amount of the obligations secured thereby do not exceed $10,000,000.

SECTION 7.03 NATURE OF BUSINESS. None of the Group Companies will alter in any material respect the character of the business conducted by such Person as of the Closing Date except that the Borrower and its Subsidiaries may engage in reasonable extensions thereof and in business reasonably related, ancillary or complementary thereto.

SECTION 7.04 CONSOLIDATION, MERGER AND DISSOLUTION. Except in connection with an Asset Disposition permitted by the terms of Section 7.05, none of the Group Companies will enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself or its affairs (or suffer any liquidations or dissolutions); provided that:

(i) the Merger shall be permitted;

(ii) any Domestic Subsidiary of the Borrower may merge with and into, or be voluntarily dissolved or liquidated into, the Borrower, so long as (A) the Borrower is the surviving corporation of such merger, dissolution or liquidation, (B) the security interests granted to the Collateral Agent for the benefit of the Finance Parties pursuant to the Collateral Documents in the assets of the Borrower and such Domestic Subsidiary so merged, dissolved or liquidated shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation), (C) no Default or Event of Default

shall have occurred and be continuing immediately before or immediately after giving effect to such transaction and (D) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect or as a result of such transaction;

(iii) any Domestic Subsidiary of the Borrower may merge with and into, or be voluntarily dissolved or liquidated into, any other Domestic Subsidiary of the Borrower, so long as (A) in the case of any such merger, dissolution or liquidation involving one or more Subsidiary Guarantors, (y) a Subsidiary Guarantor is the surviving corporation of such merger, dissolution or liquidation, (z) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect of or as a result of such transaction, (B) the security interests granted to the Collateral Agent for the benefit of the Finance Parties pursuant to the Collateral Documents in the assets of each Domestic Subsidiary so merged, dissolved or liquidated and in the Equity Interests of the surviving entity of such merger dissolution or liquidation shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation) and (C) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction;

(iv) any Foreign Subsidiary of the Borrower may be merged with and into, or be voluntarily dissolved or liquidated into, the Borrower or any Subsidiary of the Borrower, so long as (A) in the case of any such merger, dissolution or liquidation involving one or more Subsidiary Guarantors, (y) the Borrower or a Subsidiary Guarantor, as the case may be, is the surviving corporation of any such merger, dissolution or liquidation and (z) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect of or as a result of such transaction, (B) the security interests granted to the Collateral Agent for the benefit of the Finance Parties pursuant to the Collateral Documents in the assets of such Foreign Subsidiary, if any, and the Borrower or such other Subsidiary, as the case may be, and in Equity Interests of the surviving entity of such merger, dissolution or liquidation shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation) and (C) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction; and

(v) the Borrower or any Subsidiary of the Borrower may merge with any Person (other than Holdings) in connection with a Permitted Business Acquisition if (A) in the case of any such merger involving the Borrower, the Borrower shall be the continuing or surviving corporation in such merger, (B) in the case of any such merger involving a Subsidiary Guarantor, such Subsidiary Guarantor, as the case may be, shall be the continuing or surviving corporation in such merger or the continuing or surviving corporation in such merger shall, simultaneously with the consummation of such merger, become a Subsidiary Guarantor having all the responsibilities and obligations of the Subsidiary Guarantor so merged, or (C) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Lead Arrangers may reasonably request so as to cause the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such transactions.

In the case of any merger or consolidation permitted by this Section 7.04 of any Subsidiary of Holdings which is not a Credit Party into a Credit Party, the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Administrative Agent may reasonably request so as to cause the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such transaction. Notwithstanding anything to the contrary contained above in this Section 7.04, no action shall be permitted which results in a Change of Control.

SECTION 7.05 ASSET DISPOSITIONS. None of the Group Companies will make any Asset Disposition; provided that:

(i) any Group Company may sell inventory in the ordinary course of business on an arms'-length basis;

(ii) the Borrower may make any Asset Disposition to any of the Subsidiary Guarantors if (A) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Administrative Agent or the Collateral Agent may request so as to cause the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such Asset Disposition and (B) after giving effect to such Asset Disposition, no Default or Event of Default exists;

(iii) the Borrower and its Subsidiaries may liquidate or sell Cash Equivalents;

(iv) the Borrower or any of its Subsidiaries may sell, lease, transfer, assign or otherwise dispose of assets (other than in connection with any Casualty or Condemnation) to any other Person provided that the aggregate fair market value of all property disposed of pursuant to this clause (iv) does not exceed $3,000,000 in the aggregate in any

fiscal year of the Borrower or $10,000,000 in the aggregate from and after the Closing Date;

(v) the Borrower or any of its Subsidiaries may dispose of machinery or equipment which will be replaced or upgraded with machinery or equipment put to a similar use and owned, or otherwise used or useful in the ordinary course of business of and owned by such Person; provided that (A) such replacement or upgraded machinery and equipment is acquired within 120 days after such disposition, and (B) upon their acquisition, such replacement assets become subject to the Lien of the Collateral Agent under the Collateral Documents (to the extent in effect immediately prior to such disposition);

(vi) the Borrower or any of its Subsidiaries may in the ordinary course of business and in a commercially reasonable manner, dispose of obsolete, worn-out or surplus tangible assets and other excess property no longer used or useful in the ordinary course of business;

(vii) any Group Company may enter into any Sale/Leaseback Transaction not prohibited by Section 7.13;

(viii) any Subsidiary of the Borrower may sell, lease or otherwise transfer (x) any or all or substantially all of its assets (including any such transaction effected by way of merger or consolidation) to the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower, so long as (A) the security interests granted to the Collateral Agent for the benefit of the Finance Parties pursuant to the Collateral Documents in such assets shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such sale, lease or other transfer) and (B) after giving effect to such Asset Disposition, no Default or Event of Default exists, and (y) assets to Foreign Subsidiaries or non-Wholly-Owned Domestic Subsidiaries to the extent permitted by Section 7.06(x);

(ix) any non-Wholly-Owned Domestic Subsidiary or Foreign Subsidiary of the Borrower may sell, lease or otherwise transfer any or all or substantially all of its assets (including any such transactions effected by way of merger or consolidation) to any other non-Wholly-Owned Domestic Subsidiary or Foreign Subsidiary of the Borrower, so long as the

security interests granted to the Collateral Agent for the benefit of the Finance Parties pursuant to the Collateral Documents in such assets shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such sale, lease or other transfer);

(x) any Group Company may (A) lease, as lessor or sublessor, or license, as licensor or sublicensor, real or personal property (including Intellectual Property) in the ordinary course of business and consistent with past practices and (B) grant options to purchase, lease or acquire real or personal property in the ordinary course of business, so long as the Asset Disposition resulting from the exercise of such option would otherwise be permitted under this Section 7.05;

(xi) any Group Company may dispose of defaulted receivables and similar obligations in the ordinary course of business and not as part of an accounts receivable financing transaction;

(xii) any Group Company may dispose of non-core assets acquired in connection with Permitted Business Acquisitions;

(xiii) any Group Company may make one or more Asset Dispositions involving any or all of the assets described in Schedule 7.05;

(xiv) any Group Company may make one or more Asset Dispositions in connection with a like-kind exchange pursuant to Section 1031 of the Code; provided that the Borrower shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate demonstrating that upon giving effect on a Pro-Forma Basis to such transaction, the Credit Parties will be in compliance with all of the financial covenants set forth in Section 7.17(a) and (b) as of the last day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such transaction and with respect to which the Administrative Agent has received the consolidated financial information required under Section 6.01(a) or (b) and the officer's certificate required under Section 6.01(c);

(xv) any Group Company may sell or dispose of Equity Interests in its Subsidiaries to qualify directors where required by applicable law or to satisfy other requirements of applicable law with respect to the ownership of Equity Interests of Foreign Subsidiaries; and

(xvi) any Group Company may make any other Asset Disposition; provided that (A) at least 75% of the consideration therefor is cash or Cash Equivalents; (B) if such transaction is a Sale/Leaseback Transaction, such transaction is permitted by Section 7.01 and Section 7.13; (C) such transaction does not involve the sale or other disposition of a minority Equity Interest in any Group Company; (D) the aggregate fair market value of all assets sold or otherwise disposed of by the Group Companies in all such transactions in reliance on this clause (xvi) shall not exceed $10,000,000 in the aggregate from and after the Closing Date; and (E) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction.

Upon consummation of an Asset Disposition permitted under this Section 7.05, the Lien therein created (but not the Lien on any proceeds thereof) under the Collateral Documents shall be automatically released and the Administrative Agent shall (or shall cause the Collateral Agent to) (to the extent applicable) deliver to the Borrower, upon the Borrower's request and at the Borrower's expense, such documentation as is reasonably necessary to evidence the release of the Collateral Agent's security interests, if any, in the assets being disposed of, including amendments or terminations of Uniform Commercial Code Financing

Statements, if any, the return of stock certificates, if any, and the release of any Subsidiary being disposed of in its entirety from all of its obligations, if any, under the Senior Finance Documents.

SECTION 7.06 INVESTMENTS.

(a) Investments. None of the Group Companies will hold, make or acquire, any Investment in any Person, except the following:

(i) Investments existing on the date hereof in Persons which are Subsidiaries on the date hereof;

(ii) Holdings, the Borrower, Intermediate Holdings or any Subsidiary of the Borrower may invest in cash and Cash Equivalents;

(iii) Holdings or Intermediate Holdings may acquire and hold obligations of one or more officers or other employees of Holdings or any of its Subsidiaries in connection with such officers' or employees' acquisition of Equity Interests of Holdings or Intermediate Holdings, so long as no cash is paid by Holdings or any of its Subsidiaries to such officers or employees in connection with the acquisition of any such obligations or such cash is immediately reinvested in such Equity Interests;

(iv) the Borrower and any Subsidiary of the Borrower may acquire and hold receivables not constituting Debt owing to them, if created or acquired in the ordinary course of business;

(v) the Borrower and each Subsidiary of the Borrower may acquire and own Investments (including Debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(vi) deposits by the Borrower or any Subsidiary of the Borrower made in the ordinary course of business consistent with past practices to secure the performance of leases shall be permitted;

(vii) Holdings may make equity contributions to the capital of Intermediate Holdings which may make equity contributions to the capital of the Borrower and both Holdings and Intermediate Holdings may incur Guaranty Obligations permitted under Section 7.01(viii);

(viii) Holdings and Intermediate Holdings may hold (i) the Trust Common Securities and (ii) promissory notes issued by Borrower and Intermediate Holdings (as applicable);

(ix) the Borrower may make Investments in any of its Wholly-Owned Domestic Subsidiaries and any Subsidiary of the Borrower may make Investments in the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower; provided that (A) each item of intercompany Debt evidencing intercompany loans and advances made by a Foreign Subsidiary or a non-Wholly-Owned Domestic Subsidiary to the Borrower or a Wholly-Owned Domestic Subsidiary of the Borrower shall be evidenced by a promissory note in the form of Exhibit G hereto containing the subordination provisions set forth in Exhibit H hereto and (B) each promissory note evidencing intercompany loans and advances payable to a Credit Party shall

be pledged to the Collateral Agent pursuant to the Collateral Documents;

(x) the Borrower and its Subsidiaries may make Investments in any Foreign Subsidiary organized and operating in Canada and Mexico or any non-Wholly-Owned Domestic Subsidiary of the Borrower (A) in the case of Investments by the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower, in an aggregate amount (determined without regard to any write-downs or write-offs of any such Investments constituting Debt) and together with the fair market value of all assets transferred pursuant to Section 7.05(viii) at any one time outstanding not exceeding $5,000,000 and (B) to the extent such Investments arise from the sale of inventory in the ordinary course of business by the Borrower or such Subsidiary to such Foreign Subsidiary or non-Wholly-Owned Domestic Subsidiary for resale by such Foreign Subsidiary or non-Wholly-Owned Domestic Subsidiary (including any such Investments resulting from the extension of the payment terms with respect to such sales); provided that each promissory note evidencing intercompany loans and advances (other than promissory notes (A) issued by Foreign Subsidiaries of the Borrower to the Borrower or any of its Domestic Subsidiaries or (B) held by Foreign Subsidiaries of the Borrower, in each case except to the extent provided in Section 6.10(d)) or non-Wholly-Owned Subsidiaries of the Borrower who are not and are not required to be Credit Parties) shall be pledged to the Collateral Agent pursuant to the Collateral Documents;

(xi) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make Investments in Holdings and Intermediate Holdings provided that (A) all proceeds thereof are applied by Holdings or passed on by Intermediate Holdings to Holdings solely for the purposes of Section 7.08(d); (B) no such Investment shall be made if an interest payment in respect of the Junior Debentures could not, but for such Investment, be made in accordance with Section 7.08(d); and (C) each item of intercompany Debt evidencing intercompany loans and advances made by the Borrower to Holdings or Intermediate Holdings shall be evidenced by a promissory note in the form of Exhibit G hereto containing the subordination provisions set forth in Exhibit H hereto;

(xii) the Borrower and its Subsidiaries may make transfers of assets to the Borrower and its Subsidiaries in accordance with Section 7.05(viii) and (ix) and in connection with mergers and consolidations permitted under Section 7.04;

(xiii) the Borrower and its Subsidiaries may purchase inventory, machinery, equipment and other assets in the ordinary course of business;

(xiv) the Borrower and its Subsidiaries may make expenditures in respect of Permitted Business Acquisitions;

(xv) the Borrower or any of its Subsidiaries may make loans and advances to employees of Holdings and its Subsidiaries for moving and travel and other similar expenses, in each case in the ordinary course of business, in an aggregate principal amount not to exceed $250,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such loans and advances);

(xvi) the Borrower or any of its Subsidiaries may make loans and advances to Holdings and Intermediate Holdings and Intermediate Holdings may make loans to Holdings for the purposes and in the amounts necessary to make payments described in Section 7.07;

(xvii) Holdings and Intermediate Holdings may redeem or repurchase Equity Interests to the extent permitted by Section 7.07;

(xviii) the Borrower and its Subsidiaries may make Investments in Permitted Joint Ventures in an aggregate amount (determined without regard to any write-downs or write-offs of any such Investments constituting Debt) at any one time outstanding not exceeding $5,000,000;

(xix) Investments existing on the date hereof and identified on Schedule 7.06;

(xx) Investments arising out of the receipt by the Borrower or any of its Subsidiaries of noncash consideration for the sale of assets permitted under Section 7.05;

(xxi) Investments resulting from pledges and deposits specifically referred to in Section 7.02; and

(xxii) other Investments not otherwise permitted by this Section 7.06 in an aggregate amount (determined without regard to any write-downs or write-offs of any such Investments constituting Debt but excluding any portion thereof funded with proceeds of an Qualifying Equity Issuance) at any time outstanding not exceeding the sum of (A) $5,000,000 plus (B) an amount, not exceeding $5,000,000 in the aggregate, equal to that portion of Excess Cash Flow for the fiscal years ended after the Closing Date, if any, not required to be used to prepay the Loans or Cash Collateralize LC Obligations in accordance with Section 2.09;

provided that no Group Company may make or own any Investment in Margin Stock.

(b) Limitation on the Creation of Subsidiaries. No Group Company will establish, create or acquire after the Closing Date any Subsidiary; provided that the Borrower and its Subsidiaries shall be permitted to establish, create or acquire Subsidiaries so long as (i) at least 5 days' prior written notice thereof is given to the Administrative Agent, (ii) the Investment resulting from such establishment, creation or acquisition is permitted pursuant to Section 7.06(a) above, (iii) the capital stock or other equity interests of such new Subsidiary (other than a Foreign Subsidiary, except to the extent otherwise required pursuant to Section 6.10(d)) is pledged pursuant to, and to the extent required by, the Pledge Agreement and the certificates representing such interests, together with transfer powers duly executed in blank, are delivered to the Collateral Agent, (iv) such new Subsidiary (other than a Foreign Subsidiary, except to the extent otherwise required pursuant to Section 6.10(d)) executes a counterpart of the Accession Agreement, the Guaranty, the Security Agreement and the Pledge Agreement to the extent required by Section 6.10(b), and (v) such new Subsidiary, to the extent requested by the Administrative Agent, takes all other actions required pursuant to Section 6.10.

SECTION 7.07 RESTRICTED PAYMENTS, ETC. None of the Group Companies will declare or pay any Restricted Payments (other than Restricted Payments payable solely in Equity Interests (exclusive of Debt Equivalents) of such Person), except that:

(i) any Wholly-Owned Subsidiary of the Borrower may make Restricted Payments to the Borrower or to any Wholly-Owned Subsidiary of the Borrower;

(ii) any non-Wholly-Owned Subsidiary of the Borrower may make Restricted Payments to the Borrower or to any Wholly-Owned Subsidiary of the Borrower or ratably to all holders of its outstanding Equity Interests;

(iii) Holdings and Intermediate Holdings may redeem or repurchase Equity Interests (or Equity Equivalents) or to make payments on notes issued in connection with the prior redemption or purchase of such Equity Interests and permitted pursuant to Section 7.01(xii)

from (A) officers, employees and directors of any Group Company (or their estates, spouses or former spouses) upon the death, permanent disability, retirement or termination of employment of any such Person or otherwise or (B) other holders of Equity Interests or Equity Equivalents in Holdings and Intermediate Holdings, so long as the purpose of such purchase is to acquire stock for reissuance to new officers, employees and directors (or their estates) of any Group Company, to the extent so reissued within 12 months of any such purchase; provided that in all such cases (A) no Default or Event of Default is then in existence or would otherwise arise therefrom, (B) the aggregate amount of all cash distributed by the Borrower directly or indirectly to Holdings and Intermediate Holdings in respect of all such shares so redeemed or repurchased (or otherwise spent by Holdings and Intermediate Holdings) does not exceed $2,000,000 in any fiscal year of Holdings (with unused amounts being carried forward to succeeding fiscal years) or $10,000,000 in the aggregate from and after the Closing Date, and provided further that Holdings and Intermediate Holdings may purchase, redeem or otherwise acquire Equity Interests and Equity Equivalents of Holdings and Intermediate Holdings pursuant to this clause (iii) without regard to the restrictions set forth in the first proviso above for consideration consisting of the proceeds of key man life insurance obtained for the purposes described in this clause (iii);

(iv) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make cash Restricted Payments, directly or indirectly, to Holdings and Intermediate Holdings, if Holdings and Intermediate Holdings promptly use such proceeds for the purposes described in clause (iii) above;

(v) the Borrower and Intermediate Holdings may make cash Restricted Payments, directly or indirectly, to Intermediate Holdings or Holdings (as the case may be) for the purpose of paying, and in amounts not to exceed the amount necessary to pay, (A) the then currently due fees and expenses of Holdings' counsel, accountants and other advisors and

consultants, and other operating and administrative expenses of Holdings (including employee and compensation expenditures and other similar costs and expenses) incurred in the ordinary course of business that are for the benefit of, or are attributable to, or are related to, including the financing or refinancing of, Holdings' Investment in the Borrower and its Subsidiaries, (B) the then currently due fees and expenses of Holdings' independent directors and observers and (C) the then currently due taxes payable by Holdings solely on account of the income of Holdings related to its Investment in the Borrower and its Subsidiaries and the reasonable expenses of preparing returns reflecting such taxes; provided that Holdings agrees to be obligated to contribute to the Borrower any refund Holdings receives relating to any such taxes and (D) so long as no Default or Event of Default is then in existence or would arise therefrom, other fees and expenses permitted under Section 7.09;

(vi) the Borrower may pay directly or indirectly to Intermediate Holdings or Holdings the amount that Holdings is required to pay for franchise, federal, state, local or other taxes as the common parent of an affiliated group (within the meaning of Section 1504 of the Code) and quarterly or annually for other taxes incurred by Intermediate Holdings or Holdings; provided that (A) such payments with respect to income taxes may be made only in respect of the period during which the Borrower is consolidated with Holdings for purposes of the payment of such taxes and (B) no such payment by the Borrower may be paid until receipt by the Administrative Agent of a certificate of the chief financial officer or chief accounting officer of the Borrower in form and substance acceptable to the Administrative Agent demonstrating compliance with the foregoing provisions (such payments being herein referred to as ("Permitted Tax Dividends").

(vii) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make Restricted Payments to Holdings, directly or indirectly, provided that (A) all proceeds thereof are applied by Holdings solely for the purposes of Section 7.08(d); and (B) no such Restricted Payment shall be made if an interest payment in respect of the Junior Debentures could not, but for such Restricted Payment, be made in accordance with Section 7.08(d);

(viii) Holdings and its Subsidiaries may make Restricted Payments made with Net Cash Proceeds of one or more Qualifying Equity Issuances within three Business Days following the receipt thereof; provided that, after giving effect to such Restricted Payment, no Change of Control shall have occurred;

(ix) Holdings and Intermediate Holdings may make noncash repurchases of Equity Interests deemed to occur upon exercise of stock options if such Equity Interests represent a portion of the exercise price of such options; and

(x) cash payments by Holdings and Intermediate Holdings in lieu of the issuance of fractional shares upon exercise or conversion of Equity Equivalents.

SECTION 7.08 PREPAYMENTS OF DEBT, ETC.

(a) Amendments of Agreements. None of the Group Companies will, or will permit any of their respective Subsidiaries to, after the issuance thereof, amend, waive or modify (or permit the amendment, waiver or modification of) any of the terms, agreements, covenants or conditions of or applicable to (i) the Subordinated Debentures Documents or the Junior Debentures or (ii) any other Subordinated Debt issued by such Group Company if such amendment, waiver or modification would add or change any terms, agreements, covenants or conditions in any manner adverse to any Group Company, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof.

(b) Prohibition Against Certain Payments of Principal and Interest of Other Debt. Except as provided in subsection (c) or (d) below, none of the Group Companies will (i) directly or indirectly, redeem, purchase, prepay, retire, defease or otherwise acquire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Debt, or set aside any funds for such purpose, whether such redemption, purchase, prepayment, retirement or acquisition is made at the option of the maker or at the option of the holder thereof, and whether or not any such redemption, purchase, prepayment, retirement or acquisition is required under the terms and conditions applicable to such Debt or (ii) make any interest or other payment in respect of Subordinated Debentures, the Junior Debentures or any other Subordinated Debt.

(c) Certain Allowed Payments in Respect of Subordinated Debt. Holdings, the Borrower and any of its Subsidiaries may (i) make interest

payments as and when due in respect of the Subordinated Debentures and any other Subordinated Debt (other than the Junior Debentures) of the Borrower entered into in compliance with Section 7.01; and other fees, costs and expenses in connection with the Subordinated Debentures as permitted by the Subordination Agreement; (ii) refinance Subordinated Debt to the extent expressly permitted under Section 7.01, in each case other than any such payments prohibited by the subordination provisions thereof; (iii) exchange Subordinated Debt of Holdings or any of its Subsidiaries for Equity Interests issued by Holdings or Intermediate Holdings (provided that Subordinated Debt of Holdings may be exchanged for Equity Interests of Holdings only);

and (iv) permit the cancellation or forgiveness of Subordinated Debt of Holdings or any of its Subsidiaries.

(d) Allowed Payments in Respect of the Junior Debentures.

(i) Holdings may make (A) interest payments as and when due, and (B) payments of deferred interest (or a portion thereof), in respect of the Junior Debentures, in each case, if (x) there is no Event of Default existing under Section 8.01(a) of the Subordinated Debenture continuing unremedied or unwaived, and (y) Holdings shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate demonstrating that upon giving effect to such payments on a Pro-Forma Basis, including as if such payments under clause (A) and (B) were made in the prior period of calculation (with pro-forma adjustments satisfactory to the Administrative Agent), the Fixed Charge Coverage Ratio, as of the last day of the period of four consecutive fiscal quarters of Holdings, taken as a single accounting period, most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such payment, will not be less than the ratio set forth below opposite the period during which such day occurs:

<TABLE>
<CAPTION>
FISCAL QUARTERS ENDED DURING	RATIO
Closing Date through 12/31/06	1.20 to 1.0
1/01/07 through 12/31/07	1.25 to 1.0
1/01/08 through 12/31/08	1.30 to 1.0
1/01/09 through 12/31/09	1.35 to 1.0
1/01/10 through 3/31/11	1.40 to 1.0
</TABLE>

(ii) In the event that Holdings cannot make a payment pursuant to the terms of paragraph (i) above, Holdings will within 5 Business Days after the calculation under clause (i) above prior to the relevant scheduled interest payment date under the Junior Debentures serve a notice on the Junior Debenture Holders of an Extension Period for a period of not less than six months (as such term is defined in the Junior Debentures Indenture) (an "Extension Notice"), with a copy of such notice, certified as true and correct, to be simultaneously delivered to the Administrative Agent; and

(iii) Holdings hereby irrevocably appoints the Administrative Agent as its attorney-in-fact (with full power of substitution and delegation) in its name and on its behalf to serve an Extension Notice on the Junior Debentures Holders, in the event that Holdings does not deliver an Extension Notice to the Junior Debentures Holders and the Administrative Agent within the applicable period as prescribed in paragraph (ii) above.

SECTION 7.09 TRANSACTIONS WITH AFFILIATES. None of the Group Companies will engage in any transaction or series of transactions with any Affiliate of Holdings other than:

(i) commencing with the fiscal quarter of the Borrower ended March 31, 2004, the payment of management and other fees when due, pursuant to the Management Agreement and OTPP Side Letters, in each case, as in effect, on the date hereof; provided that no such payment may be made if the Administrative Agent shall have notified the Borrower (which notice may be provided by electronic mail) that a Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such payment (it being understood and agreed that any payment which cannot be made when due as a result of a Default or an Event of Default shall continue to accrue and may be made upon the cure or waiver of such Default or Event of Default or otherwise with the consent of the Required Lenders);

(ii) reimbursement of reasonable out-of-pocket expenses and indemnities pursuant to the Management Agreement and OTPP Side Letters;

(iii) transfers of assets to any Credit Party other than Holdings permitted by Section 7.05;

(iv) transactions expressly permitted by Section 7.01, Section 7.04, Section 7.05, Section 7.06 or Section 7.07;

(v) normal compensation, indemnities and reimbursement of reasonable expenses of officers, directors and board observers;

(vi) other transactions in existence on the Closing Date to the extent disclosed in Schedule 7.09;

(vii) any transaction entered into among the Borrower and its Wholly-Owned Subsidiaries or among such Wholly-Owned Subsidiaries;

(viii) preemptive rights held by the Investor Group in respect of the Equity Interests of Holdings or Intermediate Holdings; and

(ix) so long as no Default or Event of Default has occurred and is continuing, other transactions which are engaged in by the Borrower or any of its Subsidiaries in the ordinary course of its business on terms and conditions as favorable to such Person as would be obtainable by it in a comparable arms'-length transaction with an independent, unrelated third party.

Notwithstanding the foregoing, none of Holdings or any of its Subsidiaries will enter into any management, consulting or similar agreement or arrangement other than the Management Agreement with, or otherwise pay any professional, consulting, management or similar fees to or for the benefit of, the Sponsor Group or its successors or transferees, except for payments pursuant to the Management Agreement permitted under clause (i), (ii), (vi) or (viii) above.

SECTION 7.10 FISCAL YEAR; ORGANIZATIONAL AND OTHER DOCUMENTS. None of the Group Companies will (i) change its fiscal year or (ii) consent to any amendment, modification or supplement that is adverse in any respect to the Lenders to its articles or certificate of incorporation, bylaws (or analogous organizational documents), the Acquisition Documents, the Management Agreement or any agreement entered into by it with respect to its Equity Interests (including the Capitalization Documents and the Stockholder Agreements), in each case as in effect on the Closing Date. The Borrower will cause the Group Companies to promptly provide the Lenders with copies of all amendments to the foregoing documents and instruments as in effect as of the Closing Date.

SECTION 7.11 RESTRICTIONS WITH RESPECT TO INTERCORPORATE TRANSFERS. None of the Group Companies will create or otherwise cause or permit to exist any consensual encumbrance or restriction which prohibits or otherwise restricts (i) the ability of any such Subsidiary to (A) make Restricted Payments or pay any Debt owed to the Borrower or any Subsidiary of the Borrower, (B) pay Debt or other obligations owed to any Credit Party, (C) make loans or advances to the Borrower or any Subsidiary of the Borrower, (D) transfer any of its properties or assets to the Borrower or any Subsidiary of the Borrower or (E) act as a Subsidiary Guarantor and pledge its assets pursuant to the Senior Finance Documents or any renewals, refinancings, exchanges, refundings or extensions thereof or (ii) the ability of Holdings or any Subsidiary of Holdings to create, incur, assume or permit to exist any Lien upon its

property or assets whether now owned or hereafter acquired to secure the Senior Obligations, except in each case for prohibitions or restrictions existing under or by reason of:

(i) this Agreement and the other Senior Finance Documents;

(ii) restrictions in effect on the date of this Agreement contained in the Subordinated Debentures Documents or the Junior Debentures Documents, all as in effect on the date of this Agreement, and, if such Debt is renewed, extended or refinanced, restrictions in the agreements governing the renewed, extended or refinancing Debt (and successive renewals, extensions and refinancings thereof) if such restrictions are no more restrictive than those contained in the agreements governing the Debt being renewed, extended or refinanced;

(iii) customary non-assignment provisions with respect to contracts, leases or licensing agreements entered into by the Borrower or any of its Subsidiaries, in each case entered into in the ordinary course of business and consistent with past practices;

(iv) any restriction or encumbrance with respect to any asset of the Borrower or any of its Subsidiaries or a Subsidiary of the Borrower imposed pursuant to an agreement which has been entered into for the sale or disposition of such assets or all or substantially all of the capital stock or assets of such Subsidiary, so long as such sale or disposition is permitted under this Agreement;

(v) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business in connection with Permitted Joint Ventures;

(vi) restrictions on cash and other deposits or net worth imposed by customers or suppliers in the ordinary course of business and consistent with past practice;

(vii) any restriction applicable to an acquired Subsidiary of the Borrower pursuant to agreements in effect on the date such Subsidiary became a Subsidiary of the Borrower and otherwise permitted to remain in effect hereunder; provided that such restrictions apply only to such Subsidiary;

(viii) Liens permitted under Section 7.02 and any documents or instruments governing the terms of any Debt or other obligations secured by any such Liens; provided that such prohibitions or restrictions apply only to the assets subject to such Liens; and

(ix) documents evidencing indebtedness incurred by Foreign Subsidiaries to the extent permitted under Section 7.01.

SECTION 7.12 OWNERSHIP OF SUBSIDIARIES; LIMITATIONS ON HOLDINGS AND THE BORROWER.

(a) Holdings and the Borrower will not (i) permit any Subsidiary of the Borrower to issue Equity Interests to any Person, except (A) the Borrower or any Wholly-Owned Subsidiary of the Borrower, (B) to qualify directors where required by applicable Law or to satisfy other requirements of applicable Law with respect to the ownership of Equity Interests of Foreign Subsidiaries or (C) in the case of non-Wholly-Owned Subsidiaries of the Borrower, ratably to all holders of its outstanding Equity Interests or (ii) permit any non Wholly Owned Subsidiary of the Borrower to issue any shares of Preferred Stock.

(b) Each of Holdings and Intermediate Holdings will not (i) hold any material assets other than the Trust Common Securities, the Equity Interests of Intermediate Holdings and the Borrower respectively and cash or Cash Equivalents expressly permitted to be received and held by it from time to time in accordance with this Agreement, (ii) have any material liabilities other than (A) liabilities under the Senior Finance Documents, the Subordinated Debentures, the Junior Debentures or the Management Put Rights and other obligations or liabilities expressly permitted to be incurred by it pursuant to Section 7.01 and (B) tax and accrued liabilities and expenses in the ordinary course of business or (iii) engage in any business activity other than (A) owning the Trust Common Securities, the common stock of Intermediate Holdings and the Borrower, respectively (including purchasing additional shares of common stock after the Closing Date), and activities incidental or related thereto or to the maintenance of the corporate existence of Holdings and Intermediate Holdings, respectively, or compliance with applicable law, (B) acting as a Guarantor under its Guaranty and pledging its assets to the Collateral Agent, for the benefit of the Lenders, pursuant to the Collateral Documents to which it is a party, (C) acting as a guarantor in respect of the Debt arising under (x) the Subordinated Debentures Indenture and the Subordinated Debentures, and (y) the Trust Preferred Securities, and other Guaranty Obligations expressly permitted to be incurred by it pursuant to Section 7.01 and (D) issuing its own Capital Stock (other than Debt Equivalents).

(c) Holdings and Intermediate Holdings will not permit any Person other than (i) Holdings to hold any Equity Interests comprising of common stock of Intermediate Holdings and (ii) Intermediate Holdings to hold Equity Interests or Equity Equivalents of the Borrower.

SECTION 7.13 SALE AND LEASEBACK TRANSACTIONS. None of the Group Companies will directly or indirectly become or remain liable as lessee or as guarantor or other surety with respect to any lease (whether an Operating Lease or a Capital Lease) of any property (whether real, personal or mixed), whether now owned or hereafter acquired, (i) which such Group Company has sold or transferred or is to sell or transfer to any other Person which is not a Group Company or (ii) which such Group Company intends to use for substantially the same purpose as any other property which has been sold or is to be sold or transferred by such Group Company to another Person which is not a Group Company in connection with such lease; provided, however, that the Group Companies may enter into any Sale/Leaseback Transaction if (i) after giving effect on a Pro-Forma Basis to such Sale/Leaseback Transaction, the aggregate outstanding

Attributable Debt in respect of all Sale/Leaseback Transactions does not exceed $5,000,000 and the Borrower shall be in compliance with all other provisions of this Agreement, including Section 7.01 and Section 7.02, (B) the gross cash proceeds of any such Sale/Leaseback Transaction are at least equal to the fair market value of such property (as determined by the Board of Directors, whose determination shall be conclusive if made in good faith) and (C) the Net Cash Proceeds are applied as set forth in Section 2.09(b)(iv) to the extent required therein.

SECTION 7.14 CAPITAL EXPENDITURES.

(a) None of the Group Companies will make any Consolidated Capital Expenditures, except that during any of the fiscal years set forth below, the Borrower and its Subsidiaries may make Consolidated Capital Expenditures so long as the aggregate amount of such Consolidated Capital Expenditures (other than Consolidated Capital Expenditures made with the Net Cash Proceeds of one or more Qualified Equity Issuances) does not exceed the amount indicated opposite such period; provided that the reference below to the 2004 fiscal year shall be to the year from the Closing Date to the last day of such fiscal year:

<TABLE>
<CAPTION>
PERIOD AMOUNT
- ------ -----------
<S> <C>
2004 $15,000,000

2005 $15,000,000
</TABLE>

<TABLE>
<S> <C>
2006 $15,000,000

2007 $16,000,000

2008 $16,000,000

2009 $17,000,000

2010 $17,000,000

2011 $18,000,000
</TABLE>

(b) To the extent that Consolidated Capital Expenditures permitted under subsection (a) above for any period set forth above are less than the applicable amount specified in the table in subsection (a) above, the difference may be carried forward and utilized to make Consolidated Capital Expenditures during succeeding fiscal years so long as the aggregate amount of Consolidated Capital Expenditures made during any fiscal year does not exceed 120% of the applicable amount set forth for such year in the table above.

(c) Notwithstanding the foregoing, the Borrower and its Subsidiaries may make Consolidated Capital Expenditures (which Consolidated Capital Expenditures will not be included in any determination under subsection (a) above) with the Net Cash Proceeds of Asset Dispositions, to the extent such Net Cash Proceeds are not required to be applied to repay Loans or Cash Collateralize Letter of Credit Liabilities pursuant to Section 2.09(b)(iii).

SECTION 7.15 ADDITIONAL NEGATIVE PLEDGES. None of the Group Companies will enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for an obligation if security is given for some other obligation, except (i) pursuant to this Agreement and the other Senior Finance Documents, the Subordinated Debentures Indenture and any Debt consisting of Refinancing Debt issued to refinance all or any portion of the foregoing, (ii) pursuant to any document or instrument governing Capital Lease Obligations or Purchase Money Debt incurred pursuant to Section 7.01 if any such restriction contained therein relates only to the assets or assets acquired in connection therewith, (iii) pursuant to any Derivatives Agreement entered into pursuant to Section 7.01(vi), (iv) pursuant to any document or instrument governing Debt incurred by Foreign Subsidiaries and permitted by Section 7.01, (v) pursuant to any documents or agreements creating any Lien referred to in Section 7.02(xvii) if such restriction contained therein relates only to the incurred premiums, dividends, rebates and other rights permitted to be subject to such Lien in accordance with Section 7.02(xvii), (vi) any documents or agreements creating any Lien referred to in Section 7.02(vi) if such restriction contained therein relates only to the property of assets subject to the surety bond or similar obligation permitted to be secured thereby pursuant to Section 7.02(vi), (vii) pursuant to an agreement which has been entered into by the Borrower or any of

its Subsidiaries for the sale or disposition of any assets of the Borrower or such Subsidiary or of any Subsidiary of the Borrower if such restriction contained therein relates only to the Subsidiary or its assets which is the subject of the sale provided for therein, and (viii) pursuant to a joint venture or other similar agreement entered into in the ordinary course of business in connection with Permitted Joint Ventures so long as any such restriction contained therein relates only to the assets of, or the interest of the Borrower and its Subsidiaries in, such Permitted Joint Venture.

SECTION 7.16 IMPAIRMENT OF SECURITY INTERESTS. None of the Group Companies will (i) take or omit to take any action which action or omission could reasonably be expected to materially impair the security interests in favor of the Collateral Agent with respect to the Collateral or (ii) grant to any Person (other than the Collateral Agent pursuant to the Collateral Documents) any interest whatsoever in the Collateral, except for Permitted Liens.

SECTION 7.17 FINANCIAL COVENANTS.

(a) Leverage Ratio. The Leverage Ratio as of the last day of the most recently ended fiscal quarter of Holdings ending on the last day of any calendar quarter ending during any period described below will not be greater than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
Closing Date through 3/31/05	4.90 to 1.0
4/01/05 through 9/30/05	4.75 to 1.0
10/01/05 through 3/31/06	4.50 to 1.0
4/01/06 through 9/30/06	4.25 to 1.0
10/01/06 through 6/30/07	4.00 to 1.0
7/01/07 through 6/30/08	3.75 to 1.0
7/01/08 through 9/30/08	3.50 to 1.0
10/01/08 through 12/31/08	3.25 to 1.0
1/01/09 through 12/31/09	3.00 to 1.0
1/01/10 through 12/31/10	2.50 to 1.0
1/01/11 through 3/31/11	2.25 to 1.0

</TABLE>

(b) Interest Coverage Ratio. The Interest Coverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower and its Consolidated Subsidiaries ending on or about the last day of any calendar quarter ending during any period described below, in each case for the period of four consecutive fiscal quarters of the Borrower and its Consolidated Subsidiaries then ended, taken as a single accounting period, will not be less than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
Closing Date through 12/31/05	3.10 to 1.0
1/01/06 through 6/30/08	3.35 to 1.0
7/01/08 through 12/31/08	3.50 to 1.0
1/01/09 through 12/31/10	3.75 to 1.0
1/01/11 through 3/31/11	4.00 to 1.0

</TABLE>

(c) Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio as of the last day of the most recently ended fiscal quarter of Holdings ending on or about the last day of any calendar quarter ending during any period described below, in each case for the period of four consecutive fiscal quarters

of Holdings then ended, taken as a single accounting period will not be less than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
<S>	<C>
Closing Date through 12/31/04	1.10 to 1.0
1/01/05 through 12/31/05	1.05 to 1.0
1/01/06 through 3/31/11	1.15 to 1.0

</TABLE>

SECTION 7.18 NO OTHER "DESIGNATED SENIOR DEBT". None of Holdings or the Borrower shall designate, or permit the designation of, any Debt (other than under this Agreement and the other Finance Documents) as "Designated Senior Debt" or any other similar term as such term is commonly used for the purpose of the definition of the same or the subordination provisions contained in

the Subordinated Debentures Indenture, the Junior Debentures Indenture or any indenture governing any Subordinated Debt permitted under Section 7.01.

SECTION 7.19 INDEPENDENCE OF COVENANTS. All covenants contained herein shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or condition exists.

ARTICLE VIII
DEFAULTS

SECTION 8.01 EVENTS OF DEFAULT. An Event of Default shall exist upon the occurrence of any of the following specified events or conditions (each an "Event of Default"):

(a) Payment. Any Credit Party shall:

(i) default in the payment when due (whether by scheduled maturity, acceleration or otherwise) of any principal of any of the Loans or any LC Disbursements; or

(ii) default, and such default shall continue for five or more Business Days, (A) in the payment when due of any interest on the Loans, or (B) after receipt of a notice of a default with respect thereto, in the payment of any fees or other amounts owing hereunder, under any of the other Senior Finance Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Senior Finance Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was made or deemed to have been made.

(c) Covenants. Any Credit Party shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.01(a), (e) or (j), 6.08, 6.11 or Article VII;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.01(b) or (c) and such default shall continue unremedied for a period of five Business Days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 6.01(d), (f), (g), (h) or (i) and such default shall continue unremedied for a period of ten Business Days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Administrative Agent; or

(iv) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), (c)(ii) or (c)(iii) of this Section 8.01) contained in this Agreement and such default shall continue unremedied for a period of 30 days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the

Administrative Agent.

(d) Other Senior Finance Documents. (i) Any Credit Party shall default in the due performance or observance of any term, covenant or agreement in any of the other Senior Finance Documents and such default shall continue unremedied for a period of 30 days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Administrative Agent or (ii) except pursuant to the terms thereof, any Senior Finance Document shall fail to be in full force and effect or any Credit Party shall so assert.

(e) Cross-Default.

(i) any Group Company (A) fails to make payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise but after giving effect to all applicable grace periods), regardless of amount, in respect of any Debt, Guaranty Obligation or Synthetic Lease Obligations (other than in respect of (x) Debt outstanding under the Senior Finance Documents and (y) Derivatives Agreements) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $5,000,000, (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any such Debt, Guaranty Obligation or Synthetic Lease Obligations, if the effect of such failure, event or condition is to cause, or to permit the holder or holders or beneficiary or beneficiaries of such Debt, Guaranty Obligation or Synthetic Lease Obligations (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, such Debt or Synthetic Lease Obligations to be declared to be due and payable prior to its stated maturity or such Guaranty Obligation to become payable, or cash collateral in respect thereof to be demanded or (C) shall be required by the terms of such Debt, Guaranty Obligation or Synthetic Lease Obligation to offer to prepay or repurchase such Debt or Synthetic Lease Obligation or the primary Debt underlying such Guaranty Obligation (or any portion thereof) prior to the stated maturity thereof; or

(ii) there occurs under any Derivatives Agreement or Derivatives Obligation an Early Termination Date (as defined in such Derivatives Agreement) resulting from (A) any event of default under such Derivatives Agreement as to which any Group Company is the Defaulting Party (as defined in such Derivatives Agreement) or (B) any Termination Event (as so defined) as to which any Group Company is an Affected Party (as so defined), and, in either event, the Derivatives Termination Value owed and not paid within 10 Business Days of when due by a Group Company as a result thereof is greater than $5,000,000.

(f) Insolvency Events. (i) Any Group Company (other than an Insignificant Subsidiary) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or (ii) an involuntary case or other proceeding shall be commenced against any Group Company (other than an Insignificant Subsidiary) seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days, or any order for relief shall be entered against any Group Company (other than an Insignificant Subsidiary) under the federal bankruptcy laws as now or hereafter in effect.

(g) Judgments. One or more judgments, orders, decrees or arbitration awards is entered against any Group Company involving in the aggregate a liability (to the extent not covered by independent third-party insurance or an indemnity from a creditworthy third party as to which the insurer or indemnitor, as applicable, does not dispute coverage), as to any single or related series of transactions, incidents or conditions, of $5,000,000 or more, and the same shall not have been discharged, vacated or stayed pending appeal within 30 days after the entry thereof.

(h) Employee Benefit Plans. (i) An ERISA Event occurs which has resulted or could reasonably be expected to result in liability of any Group Company in an amount that could reasonably be expected to have a Material Adverse Effect.

(i) Guaranties. Any Guaranty given by any Credit Parties or any provision thereof shall, except pursuant to the terms thereof, cease to be in full force and effect, or any Guarantor thereunder or any Person acting by or on behalf of such guarantor shall deny or disaffirm such Guarantor's obligations under such Guaranty.

(j) Impairment of Collateral. Any security interest purported to be created by any Collateral Document shall cease to be, or shall be asserted by any Group Company not to be, a valid, perfected, first-priority (except as otherwise expressly provided in such Collateral Document) security interest in the securities, assets or properties covered thereby, other than in respect of assets and properties which, individually and in the aggregate, are not material to the Group Companies taken as a whole;

(k) Ownership. A Change of Control shall occur.

(l) Subordinated Debt. (i) Any Governmental Authority with applicable jurisdiction determines that the Lenders are not holders of Senior Indebtedness (as defined in the Senior Subordinated Debentures Indenture and the Junior Debentures Indenture and any other Subordinated Debt) or (ii) the subordination provisions creating the Subordinated Debt shall, in whole or in part terminate, cease to be effective or cease to be legally valid, binding and enforceable as to any holder of the Subordinated Debt.

SECTION 8.02 ACCELERATION; REMEDIES. Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived in writing by the Required Lenders (or the Lenders as may be required pursuant to Section 10.03), the Administrative Agent (or the Collateral Agent, as applicable) shall, upon the request and direction of the Required Lenders, by written notice to the Borrower, take any of the following actions without prejudice to the rights of the Agents or any Lender to enforce its claims against the Credit Parties except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit and any and all other indebtedness or obligations of any and every kind owing by a Credit Party to any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties.

(c) Cash Collateral. Direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 8.01(f), it will immediately pay) to the Collateral Agent additional cash, to be held by the Collateral Agent, for the

benefit of the Lenders, in a cash collateral account as additional security for the LC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to 105% of the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Senior Finance Documents, including, without limitation, all rights and remedies existing under the Collateral Documents, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 8.01(f) shall occur, then the Commitments shall automatically terminate and all Loans, all reimbursement obligations under Letters of Credit, all accrued interest in respect thereof and all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders hereunder and under the other Senior Finance Documents shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders, which notice or other action is expressly waived by the Credit Parties.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

In case any one or more of the covenants and/or agreements set forth

in this Agreement or any other Senior Finance Document shall have been breached by any Credit Party, then the Administrative Agent may proceed to protect and enforce the Lenders' rights either by suit in equity and/or by action at law, including an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement or such other Senior Finance Document. Without limitation of the foregoing, the Borrower agrees that failure to comply with any of the covenants contained herein will cause irreparable harm and that specific performance shall be available in the event of any breach thereof. The Administrative Agent acting pursuant to this paragraph shall be indemnified by the Borrower against all liability, loss or damage, together with all reasonable costs and expenses related thereto (including reasonable legal and accounting fees and expenses) in accordance with Section 10.05.

SECTION 8.03 ALLOCATION OF PAYMENTS AFTER EVENT OF DEFAULT.

(a) Priority of Distributions. The Borrower hereby irrevocably waives the right to direct the application of any and all payments in respect of its Finance Obligations and any proceeds of Collateral after the occurrence and during the continuance of an Event of Default and agrees that, notwithstanding the provisions of Sections 2.09(b) and 2.14, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative Agent, the Collateral Agent or any Finance Party on account of amounts then due and outstanding under any of the Senior Finance Documents or any Derivative Agreement or in respect of the Collateral shall be paid over or delivered in respect of its Finance Obligations as follows:

FIRST, to pay interest on and then principal of any portion of the Revolving Loans that the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower;

SECOND, to pay interest on and then principal of any Swingline Loan;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of the Administrative Agent or the Collateral Agent in connection with enforcing the rights of the Finance Parties under the Finance Documents, including all expenses of sale or other realization of or in respect of the Collateral, including reasonable compensation to the agents and counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection therewith, and any other obligations owing to the Collateral Agent in respect of sums advanced by the Collateral Agent to preserve the Collateral or to preserve its security interest in the Collateral;

FOURTH, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of (i) each of the Lenders (including any Issuing Lender in its capacity as such) in connection with enforcing its rights under the Senior Finance Documents or otherwise with respect to the Senior Obligations owing to such Lender and (ii) each Derivatives Creditor in connection with enforcing any of its rights under the Derivatives Agreements or otherwise with respect to the Derivatives Obligations owing to such Derivatives Creditor;

FIFTH, to the payment of all of the Senior Obligations consisting of accrued fees and interest;

SIXTH, except as set forth in clauses First through Fifth above, to the payment of the outstanding Senior Obligations and Derivatives Obligations owing to any Finance Party, pro-rata, as set forth below, with (i) an amount equal to the Senior Obligations being paid to the Collateral Agent (in the case of Senior Obligations owing to the Collateral Agent) or to the Administrative Agent (in the case of all other Senior Obligations) for the account of the Lenders or any Agent, with the Collateral Agent, each Lender and the Agents receiving an amount equal to its outstanding Senior Obligations, or, if the proceeds are insufficient to pay in full all Senior Obligations, its Pro-Rata Share of the amount remaining to be distributed, and (ii) an amount equal to the Derivatives Obligations being paid to the trustee, paying agent or other similar representative (each a "Representative") for the Derivatives Creditors, with each Derivatives Creditor receiving an amount equal to the outstanding Derivatives Obligations owed to it by the Credit Parties or, if the proceeds are insufficient to pay in full all such Derivatives Obligations, its Pro-Rata Share of the amount remaining to be distributed;

SEVENTH, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next

succeeding category; (ii) each of the Finance Parties shall receive an amount equal to its Pro-Rata Share of amounts available to be applied pursuant to clauses "FOURTH", "FIFTH", and "SIXTH"" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "SIXTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Collateral Agent in a cash collateral account and applied (x) first, to reimburse the Issuing Lender from time to time for any drawings under such Letters of Credit and (y) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clause "SIXTH" above in the manner provided in this Section 8.03.

(b) Pro-Rata Treatment. For purposes of this Section, "Pro-Rata Share" means, when calculating a Finance Party's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Finance Party's Senior Obligations or Derivatives Obligations, as the case may be, and the denominator of which is the

then outstanding amount of all Senior Obligations or Derivatives Obligations, as the case may be. When payments to the Finance Parties are based upon their respective Pro-Rata Shares, the amounts received by such Finance Parties hereunder shall be applied (for purposes of making determinations under this Section 8.03 only) (i) first, to their Senior Obligations and (ii) second, to their Derivatives Obligations. If any payment to any Finance Party of its Pro-Rata Share of any distribution would result in overpayment to such Finance Party, such excess amount shall instead be distributed in respect of the unpaid Senior Obligations or Derivatives Obligations, as the case may be, of the other Finance Parties, with each Finance Party whose Senior Obligations or Derivatives Obligations, as the case may be, have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Senior Obligations or Derivatives Obligations, as the case may be, of such Finance Party and the denominator of which is the unpaid Senior Obligations or Derivatives Obligations, as the case may be, of all Finance Parties entitled to such distribution.

(c) Distributions with Respect to Letters of Credit. Each of the Finance Parties agrees and acknowledges that if (after all outstanding Loans and Reimbursement Obligations with respect to Letters of Credit have been paid in full) the Lenders are to receive a distribution on account of undrawn amounts with respect to Letters of Credit issued (or deemed issued) under the Credit Agreement, such amounts shall be deposited in the LC Cash Collateral Account as cash security for the repayment of Senior Obligations owing to the Lenders as such. Upon termination of all outstanding Letters of Credit, all of such cash security shall be applied to the remaining Senior Obligations of the Lenders. If there remains any excess cash security, such excess cash shall be withdrawn by the Collateral Agent from the LC Cash Collateral Account and distributed in accordance with Section 8.03(a) hereof.

(d) Distributions of Funds on Deposit in a Prepayment Account. Notwithstanding the foregoing provisions of this Section 8.03, amounts on deposit in a Prepayment Account for any Class of Loans shall be applied upon the occurrence of any Event of Default, first, to pay Loans of such Class and, second, after all the Loans of such Class have been paid in full, to the other Senior Obligations in the manner provided in this Section 8.03.

(e) Reliance by Collateral Agent. For purposes of applying payments received in accordance with this Section 8.03, the Collateral Agent shall be entitled to rely upon (i) the Administrative Agent under the Credit Agreement and (ii) the Representative, if any, for the Derivatives Creditors for a determination (which the Administrative Agent, each Representative for any Derivatives Creditor and the Finance Parties agree (or shall agree) to provide upon request of the Collateral Agent) of the outstanding Senior Obligations or Derivatives Obligations owed to the Agents, the Lenders or the Derivatives Creditors, as the case may be. Unless it has actual knowledge (including by way of written notice from a Derivatives Creditor or any Representatives thereof) to the contrary, the Collateral Agent, in acting hereunder, shall be entitled to assume that no Derivatives Agreements are in existence.

ARTICLE IX
AGENCY PROVISIONS

SECTION 9.01 APPOINTMENT; AUTHORIZATION.

(a) Appointment. Each Lender hereby designates and appoints Merrill Lynch Capital as Administrative Agent and as Collateral Agent and JPMorgan Chase Bank as Syndication Agent for such Lender to act as specified herein and in the other Senior Finance Documents, and each such Lender hereby authorizes the Agents, as the agents for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Senior Finance Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Senior Finance Documents, together with such other powers as are reasonably incidental thereto.

Notwithstanding any

provision to the contrary elsewhere herein and in the other Senior Finance Documents, the Agents shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any of the other Senior Finance Documents, or shall otherwise exist against the Agents. In performing its functions and duties under this Agreement and the other Senior Finance Documents, each Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for any Credit Party. Without limiting the generality of the foregoing two sentences, the use of the term "agent" herein and in the other Senior Finance Documents with reference to any Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. The provisions of this Article IX (other than Section 9.10) are solely for the benefit of the Agents and the Lenders, and none of the Credit Parties shall have any rights as a third party beneficiary of the provisions hereof (other than Section 9.10).

(b) Release of Collateral. The Lenders irrevocably authorize the Collateral Agent, at the Collateral Agent's option and in its discretion, to release any security interest in or Lien on any Collateral granted to or held by the Collateral Agent (i) upon termination of this Agreement and the other Senior Finance Documents, termination of the Commitments and all Letters of Credit and payment in full of all Senior Obligations, including all fees and indemnified costs and expenses that are payable pursuant to the terms of the Senior Finance Documents, (ii) if such Collateral constitutes property sold or to be sold or disposed of as part of or in connection with any disposition permitted pursuant to the terms of this Agreement or (iii) if approved by the Required Lenders or Lenders, as applicable, pursuant to the terms of Section 10.03. Upon the request of the Collateral Agent, the Lenders will confirm in writing the Collateral Agent's authority to release particular types or items of Collateral pursuant to this Section 9.01(b).

(c) Release of Guarantors. The Lenders irrevocably authorize the Administrative Agent, at the Administrative Agent's option and in its discretion, to release any Guarantor from its obligations hereunder if (i) such Guarantor is no longer required to be a Guarantor pursuant to the terms of this Agreement or (ii) if approved by the Required Lenders or Lenders, as applicable, pursuant to the terms of Section 10.03. Upon the request of the Administrative Agent, the Lenders will confirm in writing the Administrative Agent's authority to release a particular Guarantor pursuant to this Section 9.01(c).

(d) HLT Classification. Each Lender recognizes that applicable Laws may require the Administrative Agent to determine whether the transactions contemplated hereby should be classified as "highly leveraged" or assigned any similar or successor classification, and that such determination may be binding upon the other Lenders. Each Lender understands that any such determination shall be made solely by the Administrative Agent based upon such factors (which may include the Administrative Agent's internal policies and prevailing market practices) as the Administrative Agent shall deem relevant and agrees that the Administrative Agent shall have no liability for the consequences of any such determination.

SECTION 9.02 DELEGATION OF DUTIES. An Agent may execute any of its duties hereunder or under the other Senior Finance Documents by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. An Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it in the absence of bad faith, gross negligence or willful misconduct.

SECTION 9.03 EXCULPATORY PROVISIONS. No Agent nor any of its or their directors, officers, employees or agents shall be (i) liable for any action lawfully taken or omitted to be taken by any of them under or in connection herewith or in connection with any of the other Senior Finance Documents or the transactions contemplated hereby or thereby (except for its own bad faith, gross negligence or willful misconduct in connection with its duties expressly set forth herein) or (ii) responsible in any manner to any of the Lenders or participants for any recitals, statements, representations or warranties made by any of the Credit Parties contained herein or in any of the other Senior Finance Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by an Agent under or in connection herewith or in connection with the other Senior Finance Documents, or enforceability or sufficiency

therefor of any of the other Senior Finance Documents, or for any failure of any Credit Party to perform its obligations hereunder or thereunder or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or the use of the Letters of Credit or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Credit Parties.

SECTION 9.04 RELIANCE ON COMMUNICATIONS. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex, teletype or e-mail message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to any of the Credit Parties, independent accountants and other experts selected by the Agents). The Agents may deem and treat each Lender as the owner of its interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with Section 10.06(b). The Agents shall be fully justified in failing or refusing to take any action under this Agreement or under any of the other Senior Finance Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Senior Finance Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 10.03, all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders (including their successors and assigns). Where this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, any Agent shall, and in all other instances an Agent may, but shall not be required to, initiate any solicitation for the consent or vote of the Lenders.

SECTION 9.05 NOTICE OF DEFAULT. An Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder, except with respect to defaults in the payment of principal, interest and fees required to be paid to such Agent for the accounts of the Lenders, unless such Agent has received notice from a Lender or the Borrower referring to the Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". If an Agent receives such a notice, such Agent shall give prompt notice thereof to each other Agent and the Lenders. The Administrative Agent and the Collateral Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default or it shall deem advisable or in the best interest of the Lenders.

SECTION 9.06 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT. Each Lender expressly acknowledges that no Agent has made any representations or warranties to it and that no act by any Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Credit Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent to any Lender as to any matter, including whether any Agent has disclosed material information in its possession. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Credit Parties, and all requirements of Law pertaining to the Transaction, and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Senior Finance Documents, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and the other Credit Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Agents shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of any Credit Party or their respective Affiliates which may come into the possession of any Agent.

SECTION 9.07 NO RELIANCE ON ARRANGER'S OR AGENT'S CUSTOMER

IDENTIFICATION PROGRAM. Each Lender acknowledges and agrees that neither such Lender nor any of its Affiliates, participants or assignees may rely on either Lead Arranger or any Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the U.S. Patriot Act or the regulations thereunder, including the regulations contained in 31 C.F.R. 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Credit Parties, their Affiliates or agents, the Senior Finance Documents or the transactions hereunder or contemplated hereby: (i) any identification procedures; (ii) and recordkeeping; (iii) comparisons with government lists, (iv) customer notices; or (v) other procedures required under the CIP Regulations or such other Laws.

SECTION 9.08 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, the Lenders agree to indemnify each Agent (to the extent not reimbursed by the Borrower or any other Credit Party and without limiting the obligation of the Borrower or any other Credit Party to do so), ratably according to their respective Commitments (or if the Commitments have expired or been terminated, in accordance with the respective principal amounts of outstanding Loans and Participation Interests of the Lenders), from and against any and all Indemnified Liabilities which may at any time (including without limitation at any time following payment in full of the Senior Obligations) be imposed on, incurred by or asserted against an Agent in its capacity as such in any way relating to or arising out of this Agreement or the other Senior Finance Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by an Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment to any Agent of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 9.08. If any indemnity furnished to an Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional

indemnity is furnished. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Senior Finance Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower or any other Credit Party. The agreements in this Section 9.08 shall survive the payment of the Senior Obligations and all other obligations and amounts payable hereunder and under the other Senior Finance Documents.

SECTION 9.09 AGENTS IN THEIR INDIVIDUAL CAPACITY. Each Agent and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire Equity Interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting and other business with the Borrower or any other Credit Party as though such Agent were not an Agent hereunder or under another Senior Finance Document. The Lenders acknowledge that, pursuant to any such activities, an Agent or its Affiliates may receive information regarding any Credit Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Credit Party or such Affiliate) and acknowledge that no Agent shall be under any obligation to provide such information to them. With respect to the Loans made by and Letters of Credit issued by and all obligations owing to it, an Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it was not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

SECTION 9.10 SUCCESSOR AGENTS. Any Agent may, at any time, resign upon 30 days' written notice to the Lenders. If an Agent resigns under a Senior Finance Document, the Required Lenders shall appoint from among the Lenders a successor Agent, which successor Agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment prior to the effective date of the resignation of the resigning Agent, then the resigning Agent shall have the right, after consulting with the Lenders and the Borrower, to appoint a successor Agent; provided such successor is a Lender hereunder or an Eligible Assignee. If no successor Agent is appointed prior to the effective date of the resignation of the resigning Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor Agent from among the Lenders. Upon the acceptance

of any appointment as an Agent hereunder by a successor, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations as an Agent, as appropriate, under this Agreement and the other Senior Finance Documents and the provisions of this Section 9.10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent under this Agreement. If no successor Administrative Agent has accepted appointment as Administrative Agent within 60 days after the retiring Administrative Agent's giving notice of resignation, the retiring Administrative Agent's resignation shall nevertheless become effective and the Lenders shall perform all duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Likewise, if no successor Collateral Agent has accepted appointment as Collateral Agent within 60 days after the retiring Collateral Agent's giving notice of resignation, the retiring Collateral Agent's resignation shall nevertheless become effective and the Lenders shall perform all duties of the Collateral Agent under the Collateral Documents until such time, if any, as the Required Lenders appoint a successor Collateral Agent as provided for above.

SECTION 9.11 CERTAIN OTHER AGENTS. None of the Lenders identified on the facing page or signature pages of this Agreement as a "syndication agent", "documentation agent", "co-agent", "bookrunner", "lead manager" or "arranger" shall have any right, power, obligation, liability, responsibility or duty under the Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or any such Person so identified shall have or be deemed to have any fiduciary relationship to any Lender or Credit Party. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 9.12 AGENTS' FEES; ARRANGER FEE. The Borrower shall pay to the Administrative Agent for its own account, to the Collateral Agent for its own account and to the Lead Arrangers, in their capacity as Lead Arrangers, for their own account, fees in the amounts and at the times previously agreed upon between the Borrower and the Administrative Agent, the Collateral Agent and the Lead Arrangers, respectively, in each case with respect to this Agreement, the other Senior Finance Documents and the transactions contemplated hereby and thereby.

ARTICLE X
MISCELLANEOUS

SECTION 10.01 NOTICES AND OTHER COMMUNICATIONS.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices: (i) in the case of Holdings, Intermediate Holdings, the Borrower, the Administrative Agent, or the Swingline Lender, as set forth on the signature pages hereof, (ii) in the case of any Issuing Lender, as set forth on the signature pages hereto, or in any applicable agreement pursuant to which such Issuing Lender was designated as an Issuing Lender hereunder, (iii) in the case of any Lender, as set forth in Schedule 1.01E hereto or in any applicable Assignment and Acceptance pursuant to which such Lender became a Lender hereunder, and (iv) in the case of any party, at such other address as shall be designated by such party in a notice to the Borrower, the Administrative Agent, any Issuing Lender and the Swingline Lender. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, that notices and other communications to the Administrative Agent, any Issuing Lender and the Swingline Lender pursuant to Article II shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified pursuant to this Section 10.01, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Senior Finance Documents may be transmitted and/or signed by facsimile or signed and delivered by electronic mail in an Adobe PDF document. The effectiveness of any such documents and signatures shall, subject to requirements of Law, have the same force and effect as manually-signed originals and shall be binding on all Credit Parties, the Agents and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed

original thereof; provided, however, that

the failure to request or deliver the same shall not limit the effectiveness of any facsimile document, Adobe PDF document or signature.

(c) Limited Use of Electronic Mail. Except as expressly provided herein or as may be agreed by the Administrative Agent in its sole discretion, electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Senior Finance Documents for execution by the parties thereto, to distribute executed Senior Finance Documents in Adobe PDF format and may not be used for any other purpose.

(d) Reliance by Agents and Lenders. The Agents and the Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Borrower or any other Credit Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

SECTION 10.02 NO WAIVER; CUMULATIVE REMEDIES. No failure or delay on the part of an Agent or any Lender in exercising any right, power or privilege hereunder or under any other Senior Finance Document and no course of dealing between the Agents or any Lender and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Senior Finance Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Agents or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agents or the Lenders to any other or further action in any circumstances without notice or demand.

SECTION 10.03 AMENDMENTS, WAIVERS AND CONSENTS. Neither this Agreement nor any other Senior Finance Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated except, in the case of this Agreement pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower, and the Required Lenders or, in the case of any other Senior Finance Document, pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower, any other Credit Parties party thereto and the Administrative Agent and/or the Collateral Agent, as applicable, party thereto; provided that (i) the foregoing shall not restrict the ability of the Required Lenders to waive any Event of Default prior to the time the Administrative Agent shall have declared, or the Required Lenders shall have requested the Administrative Agent to declare, the Loans immediately due and payable pursuant to Article VIII and (ii) the Administrative Agent and the Borrower may, with the consent of the other, amend, modify or supplement this Agreement and any other Senior Finance Document to cure any ambiguity, typographical error, defect or inconsistency if such amendment, modification or supplement does not adversely affect the rights of any Agent, any Lender or any Issuing Lender; provided, however, that:

(i) no such amendment, change, waiver, discharge or termination shall, without the consent of each Lender directly affected thereby:

(A) extend the final maturity of any Loan or the time of payment of any reimbursement obligation, or any portion thereof, arising from drawings under

Letters of Credit, or extend or waive any Principal Amortization Payment or any portion thereof (it being understood that only Required Lenders are necessary to consent to the amendment or waiver of any prepayment required under Section 2.09(b)); provided that this clause (A) shall not restrict the ability of the Required Lenders to waive any Event of Default (other than an Event of Default the waiver of which would effectively result in any such extension or waiver), prior to the time the Administrative Agent shall have declared, or the Required Lenders shall have requested the Administrative Agent to declare, the Loans immediately due and payable pursuant to Article VIII;

(B) reduce the rate, or extend the time of payment, of interest on any Loan (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or fees hereunder;

(C) reduce or waive the principal amount of any Loan or any LC Disbursement;

(D) change the Commitment of a Lender from the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or a mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender);

(E) release all or substantially all of the Collateral securing the Senior Obligations hereunder (provided that the Collateral Agent may, without consent from any other Lender, release any Collateral that is sold or transferred by a Credit Party in compliance with Section 7.05 or released in compliance with Section 9.01(b));

(F) release the Borrower or substantially all of the other Credit Parties from its or their obligations under the Senior Finance Documents (provided that the Administrative Agent may, without the consent of any other Lender, release any Guarantor that is sold or transferred in compliance with Section 7.05);

(G) amend, modify or waive any provision of this Section 10.03, or reduce any percentage specified in, or otherwise modify, the definition of Required Lenders;

(H) consent to the assignment or transfer by the Borrower or all or substantially all of the other Credit Parties of any of its or their rights and obligations under (or in respect of) the Senior Finance Documents, except as permitted thereby; or

(I) amend the priority of distributions to made pursuant to Section 8.03 (a);

(ii) no provision of Article IX may be amended without the consent of the Administrative Agent and the Collateral Agent, no provision of Section 2.05 may be amended without the consent of each Issuing Lender and no provision of Section 2.01(c) may be amended without the consent of the Swingline Lender.

Notwithstanding the above, the right to deliver a Senior Default Notice (as defined in the Subordination Agreement and a notice of an Extension Period as defined in the Junior Debentures Indenture and the equivalent of a payment blockage notice under any other Subordinated Debt), shall

reside solely with the Administrative Agent, and the Administrative Agent shall deliver such notice, only upon the direction of the Required Lenders.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (i) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans or the Letters of Credit, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersede the unanimous consent provisions set forth herein and (ii) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

The various requirements of this Section 10.03 are cumulative. Each Lender and each holder of a Note shall be bound by any waiver, amendment or modification authorized by this Section 10.03 regardless of whether its Note shall have been marked to make reference therein, and any consent by any Lender or holder of a Note pursuant to this Section 10.03 shall bind any Person subsequently acquiring a Note from it, whether or not such Note shall have been so marked.

SECTION 10.04 EXPENSES. Holdings and the Borrower, jointly and severally, agree (i) to pay or reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement and the other Senior Finance Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation of the transactions contemplated hereby and thereby, including all reasonable fees, disbursements and other charges of Fried, Frank, Harris, Shriver & Jacobson, LLP, counsel for the Lead Arrangers and the Administrative Agent, and (ii) to pay or reimburse (without duplication of any amount paid pursuant to Section 10.05) each Agent

and each Lender for all reasonable costs and expenses incurred in connection with the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement or the other Senior Finance Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Senior Obligations and during any legal proceeding, including any proceeding under any bankruptcy or insolvency proceeding), including all reasonable fees and disbursements of counsel (including the allocated charges of internal counsel), provided that the Borrower shall not be required to reimburse the legal fees and expenses of more than one outside counsel (in addition to up to one local counsel in each applicable local jurisdiction) for all Persons indemnified under this clause (ii) unless, in the written opinion of outside counsel reasonably satisfactory to the Borrower, representation of all such indemnified persons would be inappropriate due to the existence of an actual or potential conflict of interest. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by any Agent and the cost of independent public accountants and other outside experts retained by or on behalf of the Agents and the Lender. The agreements in this Section 10.04 shall survive the termination of the Commitments and repayment of all Senior Obligations.

SECTION 10.05 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, Holdings and the Borrower jointly and severally agree to indemnify, save and hold harmless each Agent, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents, trustees, investment advisors and attorneys-in-fact and their respective successors and assignors (collectively, the "Indemnitees") from and against: (i) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Credit Party, any Affiliate of any Credit Party or any of their respective officers or directors; (ii) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Senior Obligations and the resignation or removal of

any Agent or the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Senior Finance Documents, any predecessor Senior Finance Documents, the Commitments, the use of or contemplated use of the proceeds of any Credit Extension, or the relationship of any Credit Party, any Agent and the Lenders under this Agreement or any other Senior Finance Document or from any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Group Company , or any Environmental Liability related in any way to any Group Company; (iii) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in clause (i) or (ii) above; and (iv) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including fees and disbursements of counsel) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action, or proceeding (all the foregoing, collectively, the "Indemnified Liabilities"); provided that no Indemnitee shall be entitled to indemnification for any claim to the extent such claim is determined by a court of competent jurisdiction is a final and nonappealable judgment to have been caused by its own gross negligence, bad faith or willful misconduct and provided further that Holdings and the Borrower shall not be required to reimburse the legal fees and expenses of more than one outside counsel (in addition to up to one local counsel in each applicable local jurisdiction) for all Indemnities unless, in the written opinion of outside counsel reasonably satisfactory to the Borrower, representation of all such Indemnitees would be inappropriate due to the existence of an actual or potential conflict of interest. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 10.05 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Credit Party, its directors, shareholders or creditors or an Indemnitee or any other Person or any Indemnitee is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. Each of Holdings and the Borrower agrees not to assert or permit any of their respective Subsidiaries to assert any claim against any Agent, any Lender, any of their Affiliates or any of their respective directors, officers, employees, attorneys, agents and advisers, and each of the Agents and the Lenders agrees not to assert or permit any of their respective Subsidiaries to assert any claim against Holdings, the Borrower or any of their respective Subsidiaries or any of their respective directors, officers, employees, attorneys, agents, trustees or advisors, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Senior Finance Documents, any of the transactions contemplated herein or therein or the actual or proposed use of the proceeds of the Loans or the Letters of Credit. Without prejudice to the survival of any other agreement

of the Credit Parties hereunder and under the other Senior Finance Documents, the agreements and obligations of the Credit Parties contained in this Section 10.05 shall survive the repayment of the Loans, LC Obligations and other obligations under the Senior Finance Documents and the termination of the Commitments hereunder.

SECTION 10.06 SUCCESSORS AND ASSIGNS.

(a) Generally. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that none of the Credit Parties may assign or transfer any of its interests and obligations without the prior written consent of either the Required Lenders or the Lenders, as the terms set forth in Section 10.03 may require;

(b) Assignments. Any Lender may assign all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Loans, its Notes, its Commitments and any Participation Interest in Letters of Credit and Swingline Loans held by it); provided, however, that

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any Approved Fund (A) the aggregate amount of the Revolving Commitment or Term B Loans of an assigning Lender subject to each such assignments (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if a "Trade Date" is specified in the Assignment and Acceptance, as of the Trade Date) shall not, without the consent of the Lead Arrangers and, if no Default or Event of Default has occurred and is continuing, the Borrower, be less (with respect to any such Class) than $1,000,000, and an integral multiple of $1,000,000 (or such lesser amount as shall equal the assigning Lender's entire Revolving Commitment or Term B Loans) and (B) after giving effect to such assignment, unless otherwise consented to by the Borrower if no Default or Event of Default has occurred and is continuing, the aggregate amount of the Revolving Commitment and Term B Loans at the time owing to, the assigning Lender shall not be less than $1,000,000 (unless the assigning Lender shall have assigned its entire Revolving Commitment and Term B Loans at the time owing it pursuant to such assignment or assignments otherwise complying with this Section 10.06 executed substantially simultaneously with such assignment); provided however, assignments in connection with the primary syndication of the Revolving Commitments or Term B Loans (x) may be made and may be recorded in the Register by the Administrative Agent without any further consent or approval by the Lead Arrangers or the Borrower notwithstanding that the amount subject to any such assignment fails to equal or exceed $1,000,000 or any integral multiple thereof; and (y) may be less than $1,000,000;

(iii) each such assignment by a Lender shall be of a constant, and not varying, percentage of all rights and obligations in respect of a particular Class of Commitments under this Agreement and the other Senior Finance Documents; and

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent and, only with respect to any assignment of all or a portion of the Revolving Committed Amount, the Issuing Lenders for their acceptance an Assignment and Acceptance in the form of Exhibit C, together with any Note subject to such assignment and a processing fee of $3,500 (the "Assignment Fee"), payable or agreed between the assigning Lender and the assignee (and which shall not be required to be paid by the Borrower); provided however, if the parties of such assignment shall electronically execute and deliver to the Administrative Agent an Assignment and Acceptance via an electronic settlement system acceptable to the Administrative Agent in its sole discretion (which initially shall be Clearpar, LLC) the Assignment Fee shall be $500. No Assignment Fee shall be payable in connection with any assignment to which Merrill Lynch, Pierce, Fenner & Smith, Inc., Merrill Lynch Capital Corporation or any of their affiliates are a party.

(c) Assignment and Acceptance. By executing and delivering an Assignment and Acceptance in accordance with this Section 10.06, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and the assignee warrants that it is an Eligible Assignee; (ii) except as set forth in clause (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, any of the other Senior Finance Documents or any other instrument or document furnished pursuant

hereto or thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any of the other Senior Finance Documents or any other instrument or document furnished pursuant hereto or thereto or the financial

condition of the Credit Parties or the performance or observance by any Credit Party of any of its obligations under this Agreement, any of the other Senior Finance Documents or any other instrument or document furnished pursuant hereto or thereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such assignment agreement; (iv) such assignee confirms that it has received a copy of this Agreement, the other Senior Finance Documents, together with copies of the most recent financial statements delivered pursuant to Section 6.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, any Issuing Lender, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Senior Finance Documents; (vi) such assignee appoints and authorizes each of the Administrative Agent and the Collateral Agent to take such action on its behalf and to exercise such powers under this Agreement or any other Senior Finance Document as are delegated to such Persons by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement and the other Senior Finance Documents are required to be performed by it as a Lender. Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. Upon the consummation of any assignment pursuant to this Section 10.06(c), the assignor, the Administrative Agent and the Credit Parties shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not a United States person under Section 7701(a)(30) of the Code, it shall deliver to the Credit Parties and the Administrative Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.01. In addition, if applicable, the assignee shall deliver to the Administrative Agent the information referred to in Section 10.20.

(d) Register. The Borrower hereby designates the Administrative Agent to serve as its agent, solely for purposes of this subsection 10.06(d), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Acceptance delivered to the Administrative Agent pursuant to this Section 10.06. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders shall treat each Person in whose name a Loan and the Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 10.06(d), otherwise complies with Section 10.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Acceptance and payment of the administrative fee referred to in Section 10.06(b)(iv). The Register shall be available at the offices where kept by the Administrative Agent for inspection by the Borrower and any Lender at any reasonable time upon reasonable prior notice to the Administrative Agent. The Borrower

may not replace any Lender pursuant to Section 2.10(d), unless, with respect to any Notes held by such Lender, the requirements of subsection 10.06(b) and this subsection 10.06(d) have been satisfied.

(e) Participations. Each Lender may, without the consent of the Borrower, the Issuing Lenders, the Swingline Lender or any Agent, sell participations to one or more Persons in all or a portion of its rights,

obligations or rights and obligations under this Agreement (including all or a portion of its Loans, its Notes, its Commitments and any Participation Interest in Letters of Credit and Swingline Loans held by it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the right of setoff contained in Section 10.08 and the yield protection provisions contained in Sections 3.01, 3.04 and 3.05 and to the same extent that the Lender from which such participant acquired its participation would be entitled to the benefits of such yield protection provisions; provided that the Borrower shall not be required to reimburse any participant pursuant to Sections 3.01, 3.04 or 3.05 in an amount which exceeds the amount that would have been payable thereunder to such Lender had such Lender not sold such participation and (iv) the Credit Parties, the Agents, the Issuing Lenders, the Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Senior Obligations owing to such Lender and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes or extending its Commitment).

(f) Other Assignments. Any Lender may at any time (i) assign all or any portion of its rights under this Agreement and any Notes to a Federal Reserve Bank, (ii) pledge or assign a security interest in all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes, if any) to secure obligations of such Lender (including, without limitation, any pledge or assignment to any holders of obligations owed, or securities issued, by such Lender as collateral security for such obligations or securities, or to any trustee for, or any other representative of such holders) and (iii) grant to an SPC referred to in subsection (h) below identified as such in writing from time to time by such Lender to the Administrative Agent and the Borrower the option to provide to the Borrower all or any part of any Loans that such Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that no such assignment, option, pledge or security interest shall release a Lender from any of its obligations hereunder or substitute any such Federal Reserve Bank or other Person to which such option, pledge or assignment has been made for such Lender as a party hereto.

(g) Information. Any Lender may furnish any information concerning any Credit Party or any of their respective Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 10.07.

(h) Other Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") the option to fund all or any part of any Loan that such Granting Lender would otherwise be obligated to fund pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to fund all or any part of such Loan, the Granting Lender shall be obligated to fund such Loan pursuant to the terms hereof, (iii) no SPC shall have any voting rights pursuant to Section 10.01 and (iv) with respect to notices, payments and other matters hereunder, the Borrower, the Administrative Agent and the Lenders shall not be obligated to deal with an SPC, but may limit their communications and other dealings relevant to such SPC to the

applicable Granting Lender. The funding of a Loan by an SPC hereunder shall utilize the Revolving Commitment of the Granting Lender to the same extent that, and as if, such Loan were funded by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or payment under this Agreement for which a Lender would otherwise be liable for so long as, and to the extent, the Granting Lender provides such indemnity or makes such payment. Notwithstanding anything to the contrary contained in this Agreement, any SPC may disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee to such SPC. This subsection (h) may not be amended without the prior written consent of each Granting Lender, all or any part of whose Loan is being funded by an SPC at the time of such amendment.

SECTION 10.07 CONFIDENTIALITY AND DISCLOSURE. (a) Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees, trustees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information

confidential); (ii) to the extent requested by any regulatory authority (in which case the Administrative Agent or such Lender, as applicable, shall use reasonable efforts to notify the "Borrower prior to such disclosure); (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (iv) to any other party to this Agreement; (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (vi) subject to an agreement containing provisions substantially the same as those of this Section 10.07, to (A) any Eligible Assignee of or participant in, or any prospective Eligible Assignee of or participant in, any of its rights or obligations under this Agreement or (B) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (vii) with the consent of the Borrower; (viii) to the extent such information (A) becomes publicly available other than as a result of a breach of this Section 10.07 or (B) becomes available to an Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (ix) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Lender or its Affiliates. For the purposes of this Section 10.07, "Information" means all information received from the Borrower or any of its Affiliates relating to the Borrower or any of its Affiliates or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Affiliates; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.07 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding the foregoing, any Agent and any Lender may place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web as it may choose, and circulate similar promotional materials, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or otherwise describing the names of the Credit Parties, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

(b) Notwithstanding the foregoing or any other contrary provision in this Agreement or any other Senior Finance Documents, the parties hereto hereby agree that, from the commencement of discussions with respect to the Transactions and the Senior Finance Documents, each of the parties hereto

and each of their respective employees, representatives and other agents may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the Code and the Treasury Regulations promulgated thereunder) of the Senior Finance Documents and the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to any of the parties hereto relating to such tax treatment and tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws; provided, however, that for this purpose the U.S. federal income tax treatment and U.S. federal income tax structure shall not include (i) the identity of any existing or future party (or affiliate of such party) to this Agreement or (ii) any specific market pricing information, including the amount of any fees, expenses, rates or payments, arising in connection with this Agreement or the transactions contemplated hereby.

SECTION 10.08 SET-OFF. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, each Lender (and each of its Affiliates) is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of such rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits (general or specific, but excluding Exempt Deposit Accounts as defined in the Security Agreement) and any other indebtedness at any time held or owing by such Lender (including, without limitation, branches, agencies or Affiliates of such Lender wherever located) to or for the credit or the account of any Credit Party against obligations and liabilities of such Credit Party then due to the Lenders hereunder, under the Notes, under the other Senior Finance Documents or otherwise, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of such Lender subsequent thereto. The Credit Parties hereby agree that to the extent permitted by law any Person purchasing a participation in the Loans, Commitments and LC Obligations hereunder pursuant to Section 2.01(c), 2.05(a) or (e), 2.13 or 10.06(e) may exercise all rights of set-off with respect to its participation interest as fully as if such Person were a Lender hereunder and any such set-off

shall reduce the amount owed by such Credit Party to the Lender.

SECTION 10.09 INTEREST RATE LIMITATION. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") that may be charged or contracted for, charged or otherwise received by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 10.09, shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such Lender shall have received such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of payment.

SECTION 10.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

SECTION 10.11 INTEGRATION. This Agreement, together with the other Senior Finance Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Senior Finance Document,

the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Senior Finance Document shall not be deemed a conflict with this Agreement. Each Senior Finance Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

SECTION 10.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any other Senior Finance Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Agents and each Lender, regardless of any investigation made by any Agent or any Lender or on their behalf and notwithstanding that any Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Senior Obligation shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

SECTION 10.13 SEVERABILITY. Any provision of this Agreement and the other Senior Finance Documents to which any Credit Party is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.14 HEADINGS. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

SECTION 10.15 DEFAULTING LENDERS. Each Lender understands and agrees that if such Lender is a Defaulting Lender then, notwithstanding the provisions of Section 10.03, it shall not be entitled to vote on any matter requiring the consent of the Required Lenders or to object to any matter requiring the consent of all the Lenders adversely affected thereby; provided, however, that all other benefits and obligations under the Senior Finance Documents shall apply to such Defaulting Lender, except as provided in Section 2.03(e).

SECTION 10.16 GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) THIS AGREEMENT AND THE OTHER SENIOR FINANCE DOCUMENTS (OTHER THAN LETTERS OF CREDIT AND OTHER THAN AS EXPRESSLY SET FORTH IN SUCH OTHER SENIOR FINANCE DOCUMENTS) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO SUCH LAWS OR RULES ARE

DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500 AND, AS TO MATTERS NOT GOVERNED BY SUCH UNIFORM CUSTOMS, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF

LAWS PRINCIPLES. Any legal action or proceeding with respect to this Agreement or any other Senior Finance Document may be brought in the courts of the State of New York in New York County, or of the United States for the Southern District of New York and, by execution and delivery of this Agreement, each of Holdings and the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditional, the nonexclusive jurisdiction of such courts. Each of Holdings and the Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each of Holdings and the Borrower hereby irrevocably consents and agrees that any and all process which may be served in any suit, action or proceeding of the nature referred to in this Section 10.16 may be served by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to Holdings' or the Borrower's address referred to in Section 10.03, as the case may be. Each of Holdings and the Borrower agrees that such service (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon and personal delivery to it. Nothing in this Section 10.16 shall affect the right of any Lender to serve process in any manner permitted by law or limit the right of any Lender to bring proceedings against Holdings or the Borrower in the courts of any jurisdiction or jurisdictions.

SECTION 10.17 WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY SENIOR FINANCE DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY SENIOR FINANCE DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY HERETO CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.18 BINDING EFFECT. This Agreement shall become effective at such time when it shall have been executed by Holdings, Intermediate Holdings, the Borrower, and the Administrative Agent shall have received copies hereof (telefaxed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Agreement shall be binding upon and inure to the benefit of Holdings, Intermediate Holdings, the Borrower, each Agent and each Lender and their respective successors and assigns; provided, however, unless the conditions set forth in Section 4.01 have been satisfied by the Credit Parties or waived by the Lenders on or before April 2, 2004, none of Holdings, the Borrower, the Agents or the Lenders shall have any obligations under this Agreement.

SECTION 10.19 LENDERS' U.S. PATRIOT ACT COMPLIANCE CERTIFICATION. Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States or a State thereof (and is not excepted from the certification requirement contained in Section 313 of the U.S.

Patriot Act and the applicable regulations because it is both (i) an Affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country and (ii) subject to supervision by a banking regulatory authority regulating such affiliated depository institution or foreign bank) shall deliver to the Administrative Agent the certification or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the U.S. Patriot Act and the applicable regulations thereunder: (i) within 10 days after the Closing Date or, if later, the date such Lender, assignee or participant of a Lender becomes a Lender, assignee or participant of a Lender hereunder and (ii) at such other times as are required under the U.S. Patriot Act.

SECTION 10.20 U.S. PATRIOT ACT NOTICE. Each Senior Finance Party (for itself and not on behalf of any other Senior Finance Party) hereby notifies each of Holdings and the Borrower that, pursuant to the requirements of the U.S. Patriot Act, such Senior Finance Party is required to obtain, verify and record information that identifies each of Holdings and each other Credit Party, which information includes the name and address of each such Credit Party and other information that will allow such Senior Finance Party to identify each such Credit Party in accordance with the U.S. Patriot Act.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE HILLMAN GROUP, INC.

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231-0012

THE HILLMAN COMPANIES, INC.

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231-0012

HILLMAN INVESTMENT COMPANY

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231-0012

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services Inc.,
as Issuing Lender

By: /s/ Joseph N. Lazewski

Name: Joseph N. Lazewski
Title: Assistant Vice President

222 N. LaSalle Street
16th Floor
Chicago, IL 60601

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services Inc.,
as Swingline Lender

By: /s/ Joseph N. Lazewski

Name: Joseph N. Lazewski
Title: Assistant Vice President

222 N. LaSalle Street
16th Floor
Chicago, IL 60601

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services Inc.,

as Administrative Agent

By: /s/ Joseph N. Lazewski

Name: Joseph N. Lazewski
Title: Assistant Vice President

222 N. LaSalle Street
16th Floor
Chicago, IL 60601

CREDIT AGREEMENT SIGNATURE PAGES

JPMORGAN CHASE BANK,
as Syndication Agent

By: /S/ KATHRYN A. DUNCAN

Name:
Title:

270 Park Avenue
New York, NY 10017

CREDIT AGREEMENT SIGNATURE PAGES

MERRILL LYNCH & CO., MERRILL LYNCH,
PIERCE, FENNER & SMITH INCORPORATED,
as Joint Lead Arranger and Joint
Bookrunner

By: /S/ SARANG R. GADKARI

Name:
Title:

CREDIT AGREEMENT SIGNATURE PAGES

J.P. MORGAN SECURITIES,
as Joint Lead Arranger and Joint
Bookrunner

By: /s/ ADAM G. SELL

Name:
Title:

CREDIT AGREEMENT SIGNATURE PAGES

MERRILL LYNCH CAPITAL CORPORATION,
as Lender

By: /s/ Lawrence Temlock

Name: Lawrence Temlock
Title: Vice President

Four World Financial Center
250 Vesey Street
New York, NY 10080

CREDIT AGREEMENT SIGNATURE PAGES

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial Services Inc.,
as Lender

By: /s/ Joseph N. Lazewski

Name: Joseph N. Lazewski
Title: Assistant Vice President

222 N. LaSalle Street
16th Floor
Chicago, IL 60601

CREDIT AGREEMENT SIGNATURE PAGES

JPMORGAN CHASE BANK,

as Lender

By: /s/ KATHRYN A. DUNCAN

Name:
Title:

270 Park Avenue
New York, NY 10017

ING CAPITAL LLC,
as Lender

By: /s/ Steven Fleenor

Name: Steven Fleenor
Title: Managing Director

333 South Grand Avenue
Suite 4120
Los Angles, CA 90071

GENERAL ELECTRIC CAPITAL
CORPORATION,
as Lender

By: /s/ Brian Schwinn

Name: Brian Schwinn
Title: Duly Authorized Signatory

General Electric Capital Corporation
Corporate Financial Services
201 Merritt 7, P.O. Box 5201
Norwalk, CT 06856-5201

PNC BANK, NATIONAL ASSOCIATION,
as Issuing Lender

By: /s/ Benjamin Willingham

Name: Benjamin Willingham
Title: Senior Vice President

201 East Fifth Street
P.O. Box 1198
Cincinnati, Ohio 45201-1198

PNC BANK, NATIONAL ASSOCIATION,
as Lender

By: /s/ Benjamin Willingham

Name: Benjamin Willingham
Title: Senior Vice President

201 East Fifth Street
P.O. Box 1198
Cincinnati, Ohio 45201-1198

EXHIBIT 10.2

$47,500,000 LOAN AGREEMENT

DATED AS OF MARCH 31, 2004

AMONG

THE HILLMAN COMPANIES, INC.

HILLMAN INVESTMENT COMPANY

THE HILLMAN GROUP, INC.

AND

ALLIED CAPITAL CORPORATION

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LOAN AGREEMENT

This Loan Agreement is dated as of March 31, 2004 and is among THE HILLMAN COMPANIES, INC. ("Holdings"), HILLMAN INVESTMENT COMPANY ("Intermediate Holdings"), THE HILLMAN GROUP, INC., (the "Borrower"), and ALLIED CAPITAL CORPORATION ("Allied Capital").

Pursuant to Section 1.7(c)(iii) of the Agreement and Plan of Merger

dated as of February 14, 2004 among AcquisitionCo, Target, Allied Capital and the other sellers party thereto, upon consummation of the Acquisition (as defined herein), a number of shares of stock in Target held by Allied Capital will be cancelled in exchange for subordinated debentures of the Borrower having the terms set forth in this Agreement. Accordingly, in connection with the Acquisition, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 DEFINED TERMS. The following terms, as used herein, have the following meanings:

"Accession Agreement" means a Credit Party Accession Agreement, substantially in the form of Exhibit C hereto, executed and delivered by an Additional Subsidiary Guarantor after the Closing Date in accordance with Section 6.10(a).

"Acquisition" means the acquisition contemplated by the Acquisition Agreement.

"Acquisition Agreement" means the Agreement and Plan of Merger dated as of February 14, 2004 among AcquisitionCo, the Sellers and Target, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"AcquisitionCo" means HCI Acquisition Corp., a Delaware corporation.

"Acquisition Documents" means the Acquisition Agreement, including all exhibits and schedules thereto, and all other agreements, documents and instruments relating to the Acquisition, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Additional Subsidiary Guarantor" means each Person that becomes a Subsidiary Guarantor after the Closing Date by execution of an Accession Agreement as provided in Section 6.10.

"Affiliate" means, with respect to any Person, (i) any Person that directly, or indirectly through one or more intermediaries, controls such Person (a "Controlling Person") or (ii) any other Person which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means (i) with respect to any Person having voting shares or their equivalent and elected directors, managers or Persons performing similar functions, the possession, directly or indirectly, of the power to vote 10% or more of the Equity

Interests having ordinary voting power of such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting shares or their equivalent, by contract or otherwise.

"Agreement" means this Loan Agreement, as amended, restated, modified or supplemented from time to time.

"Anti-Terrorism Laws" means any Laws relating to terrorism or money-laundering, including, without limitation, (i) Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, (ii) the U.S. Patriot Act, (iii) the International Emergency Economic Power Act, 50 U.S.C. Section 1701 et seq., (iv) the Bank Secrecy Act, (v) the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq. and (vi) any related rules and regulations of the U.S. Treasury Department's Office of Foreign Assets Control or any other Governmental Authority, in each case as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Approval" has the meaning set forth in Section 9.03.

"Asset Disposition" means any sale (including any Sale/Leaseback Transaction, whether or not involving a Capital Lease), lease (as lessor), transfer or other disposition (including any such transaction effected by way of merger or consolidation and including any sale or other disposition of Equity Interests of a Subsidiary, but excluding any sale or other disposition by way of Casualty or Condemnation) by any Group Company of any asset.

"Attributable Debt" means, at any date (i) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (ii) in respect of any Synthetic Lease Obligation of any Person, the capitalized or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement were accounted for as a Capital Lease and (iii) in respect of any Sale/Leaseback Transaction described

in Section 7.13, the lesser of (A) the present value, discounted in accordance with GAAP at the interest rate implicit in the related lease, of the obligations of the lessee for net rental payments over the remaining term of such lease (including any period for which such lease has been extended or may, at the option of the lessor be extended) and (B) the fair market value of the assets subject to such transaction.

"Bank Secrecy Act" means the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, 31 U.S.C. 1051, et seq., as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Borrower" means The Hillman Group, Inc.

"Business Acquisition" means the acquisition by the Borrower or one or more of its Wholly-Owned Subsidiaries of all of the Equity Interests of, or all (or any division, line of business or substantial part for which financial statements or other financial information reasonably satisfactory to the Lenders is available) of the assets or property of, another Person.

"Business Day" means any day except a Saturday, Sunday or other day on which banks in Washington, D.C. are authorized or required by law to close.

"Cancelled Shares" means the shares of common stock in Target held by Allied Capital that are to be cancelled in exchange for Subordinated Debentures in accordance with the Acquisition Agreement.

"Capital Lease" of any Person means any lease of (or other arrangement conveying the right to use) property (whether real, personal or mixed) by such Person as lessee which would, in accordance with GAAP, be required to be accounted for as a capital lease on the balance sheet of such Person.

"Capital Lease Obligations" means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Capitalization Documents" has the meaning set forth in Section 4.01(f).

"Cash Equivalents" means, at any date of determination:

(i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) or, with respect to any Foreign Subsidiary, an equivalent obligation of the government of the country in which such Foreign Subsidiary transacts business, in each case maturing within one year after such date;

(ii) time deposits and certificates of deposit, including eurodollar time deposits and, with respect to any Foreign Subsidiary, time deposits in the currency of any country in which such Foreign Subsidiary transacts business, of any commercial bank organized in the United States having capital and surplus in excess of $100,000,000 or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent)with a maturity date not more than one year from the date of acquisition;

(iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) above entered into with any bank meeting the qualifications specified in clause (ii) above and organized in the United States;

(iv) direct obligations issued by any state of the United States or any political subdivision of any state or any public instrumentality thereof maturing within 90 days after the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then from such other nationally recognized rating service reasonably acceptable to the Lenders);

(v) commercial paper issued by the parent corporation of any commercial bank organized in the United States having capital and surplus in excess of $100,000,000, or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other

country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent), and commercial paper issued by others having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then from such other nationally recognized rating services reasonably acceptable to the Lenders) and in each case maturing within one year after the date of acquisition;

(vi) overnight bank deposits and bankers' acceptances at any commercial bank organized in the United States having capital and surplus in excess of $100,000,000 or with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $100,000,000 (or its foreign currency equivalent);

(vii) deposits available for withdrawal on demand with commercial banks organized in the United States having capital and surplus in excess of $50,000,000 or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of any other country in which such Foreign Subsidiary transacts business having total assets in excess of $50,000,000 (or its foreign currency equivalent); and

(viii) investments in money market funds substantially all of whose assets comprise securities of the types described in clauses (i) through (vii).

"Casualty" means any casualty, loss, damage, destruction or other similar loss with respect to real or personal property or improvements.

"Casualty Insurance Policy" means any insurance policy maintained by any Group Company covering losses with respect to Casualties.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any applicable law, rule, regulation or treaty, (ii) any change in any applicable law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Change of Control" means the occurrence of any of the following events:

(i) (A) Holdings shall cease to own directly or indirectly 100% of the Common Stock Equity Interests of Intermediate Holdings, on a fully-diluted basis assuming the conversion and exercise of all outstanding Equity Equivalents (whether or not such securities are then currently convertible or exercisable), (B) the Investor Group shall cease to own directly or indirectly 51% of the outstanding Preferred Stock of Intermediate Holdings, (C) Intermediate Holdings shall cease to own directly or indirectly 100% of the Equity Interests of the Borrower, on a fully-diluted basis assuming

the conversion and exercise of all outstanding Equity Equivalents (whether or not such securities are then currently convertible or exercisable), (D) the Investor Group shall cease to own beneficially (as defined in the Exchange Act), directly or indirectly, at least 51% of the outstanding voting Equity Interests of Holdings, (E) any "person" or "group" (as each such term is defined in the Exchange Act, other than the Sponsor Group, is or becomes the "beneficial owner" (as defined in the Exchange Act, except that a Person will be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of a greater percentage of the voting Equity Interests of Holdings and Preferred Stock of Intermediate Holdings than the percentage of the voting Equity Interests of Holdings and Preferred Stock of Intermediate Holdings then owned beneficially, directly or indirectly, by the Sponsor Group, or (F) the failure at any time of the Investor Group to control, whether through the ownership of voting securities or by contract, a majority of the seats on the board of directors (or persons performing similar functions) of Holdings; or

(ii) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors (or persons performing similar functions) of Holdings together with any new members of such board of directors (A) whose elections by such board of directors or whose nominations for election by the equityholders of Holdings was approved by a vote of a majority of the members of such board of directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved or by any new directors who were nominated to serve on behalf of the Investor Group or (B) elected or

appointed by the Investor Group, cease for any reason to constitute a majority of the directors of Holdings still in office; or

(iii) a "change of control" or similar event (as defined in any debt instrument in excess of $5 million) occurs,

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time.

"Common Stock" means the common stock of either Holdings, Intermediate Holdings, the Borrower or any of its Subsidiaries.

"Computer Hardware" means all computer and other electronic data processing hardware of a Credit Party, whether now or hereafter owned, licensed or leased by such Credit Party, including, without limitation, all integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware, all documentation, flowcharts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes associated with any of the foregoing and all options, warranties, services contracts, program

services, test rights, maintenance rights, support rights, renewal rights and indemnifications relating to any of the foregoing.

"Condemnation" means any taking by a Governmental Authority of property or assets, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation.

"Condemnation Award" means all proceeds of any Condemnation or transfer in lieu thereof.

"Consolidated Capital Expenditures" means for any period the aggregate amount of all expenditures (whether paid in cash or other consideration or accrued as a liability) that would, in accordance with GAAP, be included as additions to property, plant and equipment and other capital expenditures of Holdings and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of Holdings and its Consolidated Subsidiaries for such period (including the amount of assets leased under any Capital Lease), but excluding (to the extent that they would otherwise be included) (i) any such expenditures made for the replacement or restoration of assets in amounts not exceeding the aggregate amount of Insurance Proceeds or Condemnation Award with respect to the asset or assets being replaced or restored, (ii) for purposes of Section 7.14 only, capital expenditures for Permitted Business Acquisitions, (iii) any such expenditures made with proceeds of a Qualifying Equity Issuance, (iv) any such expenditures to the extent Holdings or any of its Consolidated Subsidiaries has received reimbursement in cash from a third party other than Holdings or one or more of its Consolidated Subsidiaries and (v) capitalized interest; provided, however, that Consolidated Capital Expenditures for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Cash Interest Expense" means for any period Consolidated Interest Expense that has been paid in cash for such period, or any cash interest that is paid in such period for which the interest expense was accrued in a prior period in accordance with GAAP, other than (to the extent, but only to the extent, included in the determination of Consolidated Interest Expense for such period in accordance with GAAP and paid in cash for such period), (i) amortization of debt discount and debt issuance fees, (ii) any fees (including underwriting fees and expenses paid in connection with the consummation of the Transaction or Permitted Business Acquisitions, (iii) any payments made to obtain Derivatives Agreements, (iv) any agent or collateral monitoring fees paid or required to be paid pursuant to any Finance Document, (v) the actual or implied interest component of any consulting payments and (vi) annual agency fees, unused line fees and letter of credit fees and expenses paid hereunder; provided, however, that Consolidated Cash Interest Expense for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Cash Tax Expense" means for any period the aggregate Federal, state, local and foreign income, franchise, state single business unitary and similar taxes that have been paid in cash by Holdings and its Consolidated Subsidiaries for such period; provided, however, that Consolidated Cash Tax Expense for any fiscal quarter shown on Schedule 1.01G

hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Debt" means at any date the Debt of Holdings and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated EBITDA" means for any period the sum of (i) Consolidated Net Income for such period (excluding therefrom (x) any extraordinary, or non-cash unusual or non recurring items of gain or loss, (y) any gain or loss from discontinued operations and (z) any gain or loss attributable to Asset Dispositions made other than in the ordinary course of business), plus (ii) to the extent not otherwise included in the determination of Consolidated Net Income for such period, all proceeds of business interruption insurance policies, if any, received during such period plus (iii) (without duplication) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (A) Consolidated Interest Expense, (B) provisions for Federal, state, local and foreign income, franchise, state single business unitary and similar taxes, (C) depreciation, amortization (including, without limitation, amortization of goodwill and other intangible assets), impairment of goodwill and other non-cash charges or expenses (excluding any such non-cash charge to the extent that it represents amortization of a prepaid cash expense that was paid in a prior period), (D) non-cash compensation expense, or other non-cash expenses or charges, arising from the sale of stock, the granting of stock options, the granting of stock appreciation rights and similar arrangements (including any repricing, amendment, modification, substitution or change of any such stock, stock option, stock appreciation rights or similar arrangements), (E) non-cash rent expense, (F) any financial advisory fees, accounting fees, legal fees and other similar advisory and consulting fees and related out-of-pocket expenses of the Borrower incurred as a result of the Transaction, all determined in accordance with GAAP, eliminating any increase or decrease in income resulting from non-cash accounting adjustments made in connection with the Acquisition, (G) Transaction related expenditures (including cash charges in respect of strategic market reviews, management bonuses (including payments under the sale bonus program of up to $1,510,000 in the aggregate), early retirement of Debt, restructuring, consolidation, severance or discontinuance of any portion of operations, employees and/or management) described on Schedule 1.01B, (H) expenses incurred by Holdings or any Consolidated Subsidiary to the extent reimbursed in cash by a third party other than Holdings or one or more of its Consolidated Subsidiaries, (I) fees and expenses in connection with the exchange of the Subordinated Debentures, (J) unrealized losses on Derivatives Agreements, (K) losses from foreign currency adjustments, (L) losses in respect of pension or other post-retirement benefits or pension assets, (M) write-offs of deferred financing costs, (N) expenses in respect of earn-out obligations, (O) any financial advisory fees, accounting fees, legal fees and similar advisory and consulting fees and related out-of-pocket expenses of the Borrower and its Consolidated Subsidiaries incurred as a result of Permitted Business Acquisitions, all determined in accordance with GAAP and in each case eliminating any increase or decrease in income resulting from non-cash accounting adjustments made in connection with the related Permitted Business Acquisition and (P) expenses relating to the granting and exercising of management options on or prior to the Closing Date, minus (iv) any amount which, in the determination of Consolidated Net Income for such period, has been added for any non-cash income or non-cash gains, all as determined in accordance with GAAP minus (v) the aggregate amount of cash payments made during such period in respect of any non-cash accrual, reserve or other non-cash charge or expense accounted for in a prior period and not

otherwise reducing Consolidated Net Income for such period, provided, however, that Consolidated EBITDA for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G; and provided, further, that Consolidated EBITDA for the fiscal quarter during which the Closing Date occurs shall be calculated on a Pro-Forma Basis by reducing Consolidated Net Income for such quarter by the aggregate amount of management fees payable to the Sponsor in respect of such quarter or which would have been payable in respect of such quarter if the Closing Date had occurred on the first day of such quarter, each such pro-forma reduction to be in the applicable amount shown therefor for such quarter on Schedule 1.01G.

For purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Leverage Ratio, the Interest Coverage Ratio and the Fixed Charge Coverage Ratio, if during such Reference Period (or in the case of pro-forma calculations, during the period from the last day of such Reference Period to and including the date as of which such calculation is made) any Group Company shall have made an Asset Disposition or a series of Asset Dispositions involving assets comprising all or substantially all of an operating unit of a business or constituting all or substantially all of the common stock of a Subsidiary or made a Permitted Business Acquisition, Consolidated EBITDA for

such Reference Period shall be calculated after giving effect thereto on a Pro-Forma Basis, giving effect to projected or anticipated cost savings permitted or required by regulations S-X or S-K under the Securities Act or otherwise agreed to by the Senior Lenders and the Lenders in their reasonable discretion after consultation with the Borrower.

"Consolidated Fixed Charges" means, for any period, the sum of (i) Consolidated Cash Interest Expense for such period plus (ii) Consolidated Scheduled Debt Payments for such period plus (iii) Consolidated Cash Tax Expense for such period.

"Consolidated Funded Debt" means at any date the Funded Debt of Holdings and its Consolidated Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, for any period, the total interest expense, whether paid or accrued in such period and whether or not capitalized in such period, (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments under Capital Leases (regardless of whether accounted for as interest expense under GAAP), all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptances and net costs in respect of Derivatives Obligations constituting interest rate swaps, collars, caps or other arrangements requiring payments contingent upon interest rates of Holdings and its Consolidated Subsidiaries), net of interest income, in each case determined on a consolidated basis for such period.

"Consolidated Net Income" means, for any period, the net income (or net loss) after taxes of Holdings and its Consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from the calculation of Consolidated Net Income for any period (i) the income (or loss) of any Person in which any other Person (other than Holdings or any of its Wholly-Owned Consolidated

Subsidiaries) has an ownership interest, except to the extent that any such income is actually received in cash by Holdings or such Wholly-Owned Consolidated Subsidiary in the form of Restricted Payments during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of Holdings or is merged with or into or consolidated with Holdings or any of its Consolidated Subsidiaries or that Person's assets are acquired by Holdings or any of its Consolidated Subsidiaries, except as provided in the definitions of Consolidated EBITDA and "Pro-Forma Basis" herein and (iii) the income of any Subsidiary of Holdings to the extent that the declaration or payment of Restricted Payments or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary.

"Consolidated Scheduled Debt Payments" means, for any period, the sum of all scheduled payments of principal on the Subordinated Debentures and all other Consolidated Funded Debt (including, without limitation, the principal component of Capital Lease Obligations and Purchase Money Debt) paid or payable during such period), but excluding payments due on Revolving Loans and Swingline Loans (each under and as defined in the Senior Credit Agreement and as modified in accordance with the terms of the Senior Credit Agreement) during such period; provided that Consolidated Scheduled Debt Payments for any period shall not include voluntary prepayments of Consolidated Funded Debt, mandatory prepayments of the Term B Loans (under and as defined in the Senior Credit Agreement and as modified in accordance with the terms of the Senior Credit Agreement) pursuant to Section 2.09(b) of the Senior Credit Agreement and as modified in accordance with the terms of the Senior Credit Agreement or other mandatory prepayments (other than by virtue of scheduled amortization) of Consolidated Funded Debt (but Consolidated Scheduled Debt Payments for a period shall be adjusted to reflect the effect on scheduled payments of principal for such period of the application of any prepayments of Consolidated Funded Debt during or preceding such period); provided, however, that Consolidated Scheduled Debt Payments for any fiscal quarter shown on Schedule 1.01G hereto shall be deemed to equal the applicable amount set forth opposite such fiscal quarter on Schedule 1.01G.

"Consolidated Subsidiary" means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

"Consolidated Total Assets" means at any date the total consolidated assets of Holdings and its Consolidated Subsidiaries determined as of such date.

"Copyright" means any of the following, whether now existing or hereafter arising, created or acquired: (i) all common law and/or statutory rights in all copyrightable subject matter under the laws of the United States

or any other country (whether or not the underlying works of authorship have been published); (ii) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental, derivative or collective work registrations and pending applications for registrations in the United States Copyright Office or any other country; (iii) all computer programs, web pages, computer data bases and computer program flow diagrams,

including all source codes and object codes related to any or all of the foregoing; (iv) all tangible property embodying or incorporating any or all of the foregoing, whether in completed form or in some lesser state of completion, and all masters, duplicates, drafts, versions, variations and copies thereof, in all formats; (v) all claims for, and rights to sue for, past, present and future infringement of any of the foregoing; (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Copyright Licenses in connection therewith; (vii) all rights in any of the foregoing, whether arising under the laws of the United States or any foreign country or otherwise, to copy, record, synchronize, broadcast, transmit, perform and/or display any of the foregoing or any matter which is the subject of any of the foregoing in any manner and by any process now known or hereafter devised; and (viii) the name and title of each Copyright item and all rights of any Credit Party to the use thereof, including, without limitation, rights protected pursuant to trademark, service mark, unfair competition, anti-cybersquatting and/or the rules and principles of any other applicable statute, common law or other rule or principle of law now existing or hereafter arising.

"Copyright License" means any agreement now or hereafter in existence granting to any Credit Party any rights, whether exclusive or non-exclusive, to use another Person's copyrights or copyright applications, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, with respect to any Copyright, whether or not registered.

"Credit Party" means each of Holdings, Intermediate Holdings, the Borrower and each Subsidiary Guarantor, and "Credit Parties" means any combination of the foregoing.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (iv) all obligations, other than intercompany items, of such Person to pay the deferred purchase price of property or services (other than trade accounts and accrued expenses arising in the ordinary course of business), (v) the Attributable Debt of such Person in respect of Capital Lease Obligations, (vi) (other than the Management Put Rights up to a maximum aggregate amount of $8,000,000) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property and which mature or otherwise become non-contingent on or prior to 90 days after the Maturity Date, (vii) all non-contingent obligations (and, solely for purposes of Section 7.01 and Section 8.01(e), all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, bankers' acceptance or similar instrument, (viii) all obligations of others secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) a Lien on, or payable out of the proceeds of production from, any property or asset of such Person, whether or not such obligation is assumed by such Person; provided that the amount of any Debt of others that constitutes Debt of such Person solely by reason of this clause (viii) shall not for purposes of this Agreement exceed the

greater of the book value or the fair market value of the properties or assets subject to such Lien, (ix) all Guaranty Obligations of such Person in respect of Debt of another Person, (x) all Debt Equivalents of such Person, (xi) all Derivatives Obligations of such Person (determined at their then respective Derivatives Termination Values) and (xii) the Debt of any other Person (including any partnership in which such Person is a general partner and any unincorporated joint venture in which such Person is a joint venturer) to the extent such Person would be liable therefor under applicable law or any agreement or instrument by virtue of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such person shall not be liable therefore; provided (i) Debt shall not include (x) earn out obligations until matured or earned or employee consulting agreements and (y) for the purposes only of Section 7.17, the

Derivatives Termination Value, and (ii) that the amount of any Limited Recourse Debt of any Person shall be equal to the lesser of (A) the aggregate principal amount of such Limited Recourse Debt for which such Person provides credit support of any kind (including any undertaking agreement or instrument that would constitute Debt), is directly or indirectly liable as a guarantor or otherwise or is the lender and (B) the fair market value of any assets securing such Debt or to which such Debt is otherwise recourse.

"Debt Equivalents" of any Person means any Equity Interest of such Person which by its terms (or by the terms of any security for which it is convertible or for which it is exchangeable or exercisable), or upon the happening of any event or otherwise (including an event which would constitute a Change of Control but only to the extent such an event occurs), (A) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund or otherwise, (B) is convertible into or exchangeable for Debt or Debt Equivalents or (C) is redeemable or subject to any repurchase requirement arising at the option of the holder thereof, in each case, in whole or in part, on or prior to the first anniversary of the latest of the Maturity Date.

"Debt Issuance" means the issuance by any Group Company of any Debt.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Derivatives Agreement" means (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement.

"Derivatives Obligations" of any Person means all obligations (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to such Person, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) of such Person in respect of any Derivatives Agreement, excluding any amounts which such Person is entitled to set-off against its obligations under applicable law.

"Derivatives Termination Value" means, at any date and in respect of any one or more Derivatives Agreements, after taking into account the effect of any legally enforceable netting agreements relating to such Derivatives Agreements, (i) for any date on or after the date such Derivatives Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (ii) for any date prior to the date referenced in clause (i), the amount(s) determined as the mark-to-market value(s) for such Derivatives Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Derivatives Agreements (which may include any Lender).

"Dollars" and the sign "$" means lawful money of the United States of America.

"Domestic Subsidiary" means with respect to any Person each Subsidiary of such Person which is incorporated under the laws of the United States or any state thereof, and the District of Columbia, and "Domestic Subsidiaries" means any two or more of them.

"Employee Benefit Arrangements" means, in any jurisdiction, the benefit schemes or arrangements in respect of any employees or past employees operated by any Group Company or in which any Group Company participates and which provide benefits on retirement, ill-health, injury, death or voluntary withdrawal from or termination of employment, including termination indemnity payments and life assurance and post-retirement medical benefits.

"Environmental Laws" means all Laws relating in any way to the protection of the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of remediation, fines, penalties or indemnities), of any Group Company directly or indirectly resulting from or based on (i) violation of any Environmental Law, (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Material, (iii) exposure to any Hazardous Material, (iv) the release or threatened release of any Hazardous Material into the environment or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Equivalents" means with respect to any Person any rights, warrants, options, convertible securities, exchangeable securities, indebtedness or other rights, in each case exercisable for or convertible or exchangeable into, directly or indirectly, Equity Interests of

such Person or securities exercisable for or convertible or exchangeable into Equity Interests of such Person, whether at the time of issuance or upon the passage of time or the occurrence of some future event.

"Equity Interests" means all shares of capital stock, partnership interests (whether general or limited), limited liability company membership interests, beneficial interests in a trust and any other interest or participation that confers on a Person the right to receive a share of profits or losses, or distributions of assets, of an issuing Person, but excluding any debt securities convertible into such Equity Interests.

"Equity Issuance" means (i) any sale or issuance by any Group Company to any Person other than Holdings or a Subsidiary of Holdings of any Equity Interests or any Equity Equivalents (other than any such Equity Equivalents that constitute Debt) and (ii) the receipt by any Group Company of any cash capital contributions, whether or not paid in connection with any issuance of Equity Interests of any Group Company, from any Person other than Holdings or a Subsidiary of Holdings.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any rule or regulation issued thereunder.

"ERISA Affiliate" means each business or entity which is or was a member of a "controlled group of corporations", under "common control" or a member of an "affiliated service group" with a Group Company within the meaning of Section 414(b), (c) or (m) of the Code, or required or was required to be aggregated with a Group Company under Section 414(o) of the Code or is or was under "common control" with a Group Company, within the meaning of Section 4001(a)(14) of ERISA.

"ERISA Event" means:

(i) a reportable event as defined in Section 4043 of ERISA and the regulations issued under such Section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event;

(ii) the requirements of Section 4043(b) of ERISA apply with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of any Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days;

(iii) (x) the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Plan (whether or not waived in accordance with Section 412(d) of the Code), the application for a minimum funding waiver under Section 303 of ERISA with respect to any Plan, or the failure to make by its due date a required installment under Section 412(m) of the Code with respect to any Plan; or (y) the failure to make any required contribution to a Multiemployer Plan;

(iv) the incurrence of any material liability by a Group Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of

ERISA), or the occurrence or existence of any event, transaction or condition that could reasonably be expected to result in the incurrence of any such material liability by a Group Company or any ERISA Affiliate, or in the imposition of any lien on any of the rights, properties or assets of a Group Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions of the Code or to Section 401(a)(29) or 412 of the Code;

(v) the provision by the administrator of any Plan pursuant to Section 4041(a)(2) of ERISA of a notice (or the reasonable expectation of such provision of notice) of intent to terminate such Plan in a distress termination described in Section 4041(c) of ERISA, the institution by the PBGC of proceedings to terminate any Plan or the occurrence of any event or condition which could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee by the PBGC to administer, any Plan;

(vi) the withdrawal of a Group Company or ERISA Affiliate in a complete or partial withdrawal (within the meaning of Section 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any material liability therefor, or the receipt by a Group Company or ERISA Affiliate of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA;

(vii) the imposition of material liability (or the reasonable expectation thereof) on a Group Company or ERISA Affiliate pursuant to Section 4062, 4063, 4064 or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA;

(viii) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, or against a Group Company in connection with any Plan;

(ix) the receipt from the United States Internal Revenue Service of notice of the failure of any Plan (or any Employee Benefit Arrangement intended to be qualified under Section 401(a) of the Code) to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Plan to qualify for exemption from taxation under Section 501(a) of the Code, and, with respect to Multiemployer Plans, notice thereof to any Group Company; or

(x) the establishment or amendment by a Group Company of any Welfare Plan that provides post-employment welfare benefits in a manner that would increase the liability of a Group Company.

"Event of Default" has the meaning set forth in Section 8.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Taxes" means with respect to any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (i) income or

franchise taxes imposed on (or measured by) its net income by the United States or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located, (ii) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, and (iii) in the case of the Loan with respect to any Lender (other than an Eligible Assignee pursuant to a request by a Borrower under Section 2.10(d)), any withholding tax imposed by the jurisdiction in which the Borrower is located that is (A) imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or (B) is attributable to such Lender's failure to comply (other than as a result of a Change in Law) with Section 3.01(d), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Sections 3.01(a).

"Exempt Deposit Accounts" means each all deposit accounts the balance of which consists exclusively of (i) withheld income taxes and federal, state or local employment taxes in such amounts as are required in the reasonable judgment of the Borrower to be paid to the Internal Revenue Service or state or local government agencies within the following two months with respect to employees of any of the Credit Parties and (ii) amounts required to be paid over to an employee benefit plan pursuant to DOL Reg. Sec. 2510.3-102 on behalf of or for the benefit of employees of one or more Credit Parties and all segregated deposit accounts constituting (and the balance of which consists solely of funds set aside in connection with) taxes accounts, payroll accounts and trust accounts.

"Fee Letter" means the fee letter dated February 14, 2004 between Allied Capital and AcquisitionCo.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of (i) Consolidated EBITDA to (ii) Consolidated Fixed Charges for such period plus the aggregate amount of Consolidated Capital Expenditures for such period (exclusive of the portion thereof financed with (A) Capital Leases, Purchase

Money Debt or other Debt (exclusive of Senior Debt) permitted by Section 7.01 incurred during such period or any Qualifying Equity Issuance or (B) Net Cash Proceeds of Asset Dispositions received during such period and not required to be applied to repay or cash collateralize Senior Debt).

"Foreign Pension Plan" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained or formerly established or maintained outside the United States by any Group Company primarily for the benefit of employees of any Group Company residing outside the United States, which plan, fund or other similar program provides or provided, or results or resulted in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" means with respect to any Person any Subsidiary of such Person that is not a Domestic Subsidiary of such Person.

"Funded Debt" means, with respect to any Person, all Debt (including current maturities) of such Person (including, in respect of the Credit Parties, the Obligations) that by its

terms matures more than one year after the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year after such date or arises under a revolving credit or similar agreement that obligations the lender or lenders to extend credit during a period of more than one year after such date.

"GAAP" means at any time generally accepted accounting principles as then in effect in the United States, applied on a basis consistent (except for changes with which Holdings' independent public accountants have concurred) with the most recent audited consolidated financial statements of Holdings and its Consolidated Subsidiaries previously delivered to the Lenders.

"Government Acts" has the meaning set forth in Section 2.05(q)(i).

"Governmental Authority" means any federal, state, local, provincial or foreign government, authority, agency, central bank, quasi-governmental or regulatory authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

"Group Company" means any of Holdings, Intermediate Holdings, the Borrower or their respective Subsidiaries (regardless of whether or not consolidated with Holdings or the Borrower for purposes of GAAP), and "Group Companies" means all of them, collectively.

"Guarantor" means each of Holdings, Intermediate Holdings and each Subsidiary Guarantor.

"Guaranty" means the Guaranty, substantially in the form of Exhibit B hereto, by Acquisition Co., Holdings, Intermediate Holdings, the Borrower and the Subsidiary Guarantors in favor of the Lenders, as the same may be amended, modified or supplemented from time to time.

"Guaranty Obligation" means, with respect to any Person, without duplication, any obligation (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guarantying, intended to guaranty, or having the economic effect of guarantying, any Debt or other obligation of any other Person in any manner, whether direct or indirect, and including, without limitation, any obligation, whether or not contingent, (i) to purchase any such Debt or other obligation or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of such indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including, without limitation, maintenance agreements, comfort letters, take or pay arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Debt or other obligation of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Debt or other obligation or (iv) to otherwise assure or hold harmless the owner of such Debt or obligation against loss in respect thereof, it being understood and agreed that indemnification and similar reimbursement obligations entered into in the ordinary course of business in favor of the obligor on any such Debt or other obligation which are not enforceable by any holder of such Debt or other obligation and which do not otherwise constitute Debt hereunder shall not be deemed to constitute Guaranty Obligations for purposes of this Agreement and the other Subordinated

Debenture Documents. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the lesser of the outstanding principal amount or maximum principal amount of

the Debt or other obligation in respect of which such Guaranty Obligation is made.

"Harbour Vest" means Harbour Vest Partners VI - Direct Fund, L.P., a Delaware limited partnership.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, or environmental contaminants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environment Law.

"Holdings" means The Hillman Companies, Inc., a Delaware corporation, and its successors.

"Holdings Stockholder Agreement" means the stockholders' agreement dated as of the date hereof among Holdings and the Investor Group as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and this Agreement.

"Indemnified Liabilities" has the meaning set forth in Section 9.05.

"Indemnitee" has the meaning set forth in Section 9.05.

"Insignificant Subsidiaries" means (i) as of the Closing Date, the Subsidiaries of Holdings listed on Schedule 1.01F hereto and, thereafter, (ii) any Subsidiary of Holdings which is formed or acquired after the Closing Date and designated as such by the Borrower; provided, however, that no Subsidiary of Holdings may remain, or be designated, as an Insignificant Subsidiary if the assets of such Subsidiary, when taken together with the assets of the other Insignificant Subsidiaries at such time exceed the lesser of (i) 3% Consolidated Total Assets or (ii) $7,500,000 in asset value.

"Insurance Proceeds" means all insurance proceeds (other than business interruption insurance proceeds), damages, awards, claims and rights of action with respect to any Casualty.

"Intellectual Property" means all Patents, Trademarks, Copyrights, Software, Licenses, rights in intellectual property, goodwill, trade names, service marks, trade secrets, confidential or proprietary technical and business information, know-how, show-how, domain names, mask works, customer lists, vendor lists, subscription lists, data bases and related documentation, registrations, franchises and all other intellectual or other similar property rights.

"Interest Coverage Ratio" means for any period the ratio of (i) Consolidated EBITDA to (ii) Consolidated Cash Interest Expense for such period.

"Interest Payment Date" means the 15th day of each April, July, October and January and the Maturity Date.

"Intermediate Holdings" means Hillman Investment Company, a Delaware incorporated company.

"Intermediate Holdings Stockholder Agreement" means the stockholders' agreement dated as of the date hereof among Intermediate Holdings, Holdings and the Investor Group as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and this Agreement.

"Investment" in any Person means (i) the acquisition (whether for cash, property, services, assumption of Debt, securities or otherwise) of assets, shares of Capital Stock, bonds, notes, debentures, time deposits or other securities of such Person, (ii) any deposit with, or advance, loan or other extension of credit to or for the benefit of such Person (other than deposits made in connection with the purchase of equipment or inventory in the ordinary course of business) or (iii) any other capital contribution to or investment in such Person, including by way of Guaranty Obligations of any Debt or other obligation of such Person, any support for a letter of credit issued on behalf of such Person incurred for the benefit of such Person or any release, cancellation, compromise or forgiveness in whole or in part of any Debt owing by such Person. The outstanding amount of any Investment shall be deemed to equal the difference of (i) the aggregate initial amount of such Investment less (ii) all returns of principal thereof or capital with respect thereto and all dividends and other distributions of income received in respect thereof and all liabilities expressly assumed by another Person (and with respect to which Holdings and its Subsidiaries, as applicable, shall have received a novation) in connection with the sale of such Investment.

"Investor Group" means the Sponsor Group, the OTPP, Harbour Vest, the Management Group and certain other investors identified to Allied Capital

prior to the Closing Date.

"Investor Preferred Equity Issuance" means the $60,000,000 non-convertible accreting preferred stock of Intermediate Holdings issued to the Investor Group.

"Junior Debentures" mean the junior subordinated debentures issued by Holdings to The Hillman Group Capital Trust (the "Junior Debentures Lenders") pursuant to the Junior Debentures Indenture, as such Junior Debentures may be amended, modified or supplemented from time to time in accordance with the provisions thereof and the limitations set forth herein.

"Junior Debentures Documents" means the Junior Debentures Indenture, in each case including all exhibits and schedules thereto, and all other agreements, documents and instruments relating to the Junior Debentures, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Junior Debentures Indenture" means the indenture dated September 5, 1997 between Holdings and The Bank of New York as the trustee, as such Junior Debentures Indenture may be amended, modified or supplemented from time to time.

"Law" means any international, foreign, Federal, state or local statute, treaty, rule, guideline, regulation, ordinance, code, or administrative or judicial precedent or authority, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Leaseholds" means with respect to any Person all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lenders" means, collectively, Allied Capital and each Eligible Assignee that becomes a Lender pursuant to Section 9.06(b) and their respective successors.

"Leverage Ratio" means on any day the ratio of (i) Consolidated Funded Debt as of such date, less the aggregate amount outstanding under the Junior Debentures and Subordinated Seller Paper, to (ii) Consolidated EBITDA for the four consecutive fiscal quarters of Holdings ended on, or most recently preceding, such day.

"License" means any Patent License, Trademark License, Copyright License Software License or other license or sub-license of rights in intellectual property.

"Lien" means, with respect to any asset, any mortgage, pledge, hypothecation, assignment, deposit arrangement, lien (statutory or other) or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction). Solely for the avoidance of doubt, neither the filing of a Uniform Commercial Code financing statement that is a protective lease filing in respect of an operating lease that does not constitute a security interest in the leased property or otherwise give rise to a Lien nor the filing of a Uniform Commercial Code financing statement in respect of consigned goods that does not constitute a security interest in the consigned goods or otherwise give rise to a Lien shall constitute a Lien solely on account of being filed in a public office.

"Limited Recourse Debt" means with respect to any Persons, Debt to the extent: (i) such Person (A) provides no credit support of any kind (including any undertaking, agreement or instrument that would constitute Debt), (B) is not directly or indirectly liable as a guarantor or otherwise or (C) does not constitute the lender; and (ii) no default with respect thereto would permit upon notice, lapse of time or both any holder of any other Debt (other than the Senior Debt) of such Person to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"Loan" has the meaning set forth in Article II.

"Management Agreement" means the Management Service Agreement dated as of the date hereof between CHS Management IV, L.P. and The Hillman Group, Inc. as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof and of this Agreement

"Management Group" means the Persons identified on Schedule 1.01D.

"Management Put Rights" means the rights of certain members of management of Holdings or its Subsidiaries to put Equity Interests of Holdings and Intermediate Holding to Holdings pursuant to the Executive Securities Agreement dated as of the date hereof between HCI Acquisition Corp. and each such member of management.

"Margin Stock" means "margin stock" as such term is defined in Regulation U.

"Material Adverse Effect" means (i) any material adverse effect upon the business, operations, assets, condition (financial or otherwise) liabilities (contingent or otherwise) or prospects of Holdings and its Consolidated Subsidiaries, taken as a whole, (ii) a material adverse effect on the ability of a Credit Party to consummate the transactions contemplated hereby to occur on the Closing Date or (iii) a material impairment of the rights and remedies of the Lenders in the aggregate under any Senior Finance Document.

"Maturity Date" means September 30, 2011.

"Merger" means the merger of HCI Acquisition Corp. with and into Holdings pursuant to, and in accordance with the terms of, the Acquisition Documents, with Holdings as the surviving entity of said merger.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Lenders may select.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) or 4001(a)(3) of ERISA.

"Net Cash Proceeds" has the meaning set forth in the Senior Credit Agreement.

"Obligations" means with respect to each Credit Party, without duplication:

(i) in the case of Borrower, all principal of and interest (including, without limitation, any interest which accrues after the commencement of any bankruptcy or insolvency proceeding with respect to the Borrower, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) on the Loan, or any Subordinated Debenture issued pursuant to, this Agreement or any other Subordinated Debenture Document;

(ii) all fees, expenses, indemnification obligations, foreign currency exchange obligations and other amounts of whatever nature now or hereafter payable by such Credit Party (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to such Credit Party, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) pursuant to this Agreement or any other Subordinated Debenture Document;

(iii) all expenses of the Lenders as to which the Lenders have a right to reimbursement by such Credit Party under Section 9.04 of this Agreement or under any other similar provision of any other Subordinated Debenture Document;

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement by such Credit Party under Section 9.05 of this Agreement or under any other similar provision of any other Subordinated Debenture Document; and

(v) in the case of Holdings and each Subsidiary Guarantor, all amounts now or hereafter payable by Holdings or such Subsidiary Guarantor and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any bankruptcy or insolvency proceeding with respect to the Borrower, Holdings or such Subsidiary Guarantor, whether or not allowed or allowable as a claim under any bankruptcy or insolvency proceeding) on the part of Holdings or such Subsidiary Guarantor pursuant to this Agreement, the Guaranty or any other Subordinated Debenture Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"Operating Lease" means, as applied to any Person, a lease

(including leases which may be terminated by the lessee at any time) of any property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Other Taxes" has the meaning set forth in Section 3.01(b).

"OTPP" means the Ontario Teachers' Pension Plan Board.

"OTPP Side Letter" means the letter from Sponsor to Teabar Capital Corporation dated as of the date hereof in respect of certain fees payable to Teabar Capital Corporation in connection with the Transaction.

"Patent" means any of the following: (i) all letters patent and design letters patent of the United States or any other country; (ii) all applications filed or in preparation for filing for letters patent and design letters patent of the United States or any other country including, without limitation, applications in the United States Patent and Trademark Office or in any similar office or agency of the United States or any other country or political subdivision thereof; (iii) all reissues, divisions, continuations, continuations-in-part, revisions, renewals or extensions thereof; (iv) all claims for, and rights to sue for, past, present or future infringement of any of the foregoing; (v) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Patent Licenses in connection therewith; and (vi) all rights corresponding to any of the foregoing whether arising under the laws of the United States or any foreign country or otherwise.

"Patent License" means any agreement now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, with respect to any Person's patent or any invention now or hereafter in existence, whether or not patentable, or pursuant to

which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, with respect to any Patent or any invention now or hereafter in existence, whether or not patentable and whether or not a Patent or application for Patent is in or hereafter comes into existence on such invention.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

"Permit" means any license, permit, franchise, right or privilege, certificate of authority or order, or any waiver of the foregoing, issued or issuable by any Governmental Authority.

"Permitted Business Acquisition" means a Business Acquisition; provided that:

(i) the Equity Interests or property or assets acquired in such acquisition relate to a line of business similar to the business of the Borrower or any of its Subsidiaries engaged in on the Closing Date or reasonably related or ancillary or complimentary thereto;

(ii) the representations and warranties made by the Credit Parties in each Subordinated Debenture Document shall be true and correct in all material respects at and as of the date of such acquisition (as if made on such date after giving effect to such acquisition), except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects at and as of such earlier date);

(iii) the Lenders shall have received all items in respect of the Equity Interests or property or assets acquired in such acquisition (and/or the seller thereof) required to be delivered by Section 6.10;

(iv) in the case of an acquisition of the Equity Interests of another Person, (A) except in the case of the incorporation of a new Subsidiary, the board of directors (or other comparable governing body) of such other Person shall have duly approved such acquisition and (B) the Equity Interests so acquired shall constitute 100% of the total Equity Interests of the issuer thereof (it being understood that, subject to the limitations set forth in Section 7.06(a)(x) and other provisions of this Agreement, the foregoing restriction shall not prohibit the acquisition of a Person which itself has non-Wholly-Owned Subsidiaries);

(v) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such acquisition, and Holdings shall have delivered to the Lenders a Pro-Forma Compliance Certificate demonstrating that, upon giving effect to

such acquisition on a Pro-Forma Basis (with pro-forma adjustments reasonably satisfactory to the Lenders), (A) Holdings shall be in compliance with all of the financial covenants set forth in Section 7.17 hereof as of the last day of the most recent 12 month period which precedes or ends on the date of such acquisition and with respect to which the Lenders have received the consolidated

financial information required under Section 6.01(a) and (b) and the certificate required by Section 6.01(d) and (B) the Leverage Ratio as of the last day of such period shall not be greater than the ratio set forth below opposite the period during which such period ends:

<TABLE>
<CAPTION>

FISCAL QUARTERS ENDED DURING	RATIO
<S>	<C>
Closing Date through 3/31/05	4.65 to 1.0
4/01/05 through 9/30/05	4.50 to 1.0
10/01/05 through 3/31/06	4.25 to 1.0
4/01/06 through 9/30/06	4.00 to 1.0
10/01/06 through 6/30/07	3.75 to 1.0
7/01/07 through 6/30/08	3.50 to 1.0
1/01/09 through 12/31/09	2.75 to 1.0
1/01/10 through 12/31/10	2.25 to 1.0
1/01/11 through 3/31/11	2.00 to 1.0

</TABLE>

; and

(vi) the aggregate consideration (including cash, earn-out payments (to the extent required to be reserved for under GAAP), assumption and/or incurrence of Debt and non-cash consideration for all such acquisitions occurring after the Closing Date) shall not exceed $60,000,000; provided that (A) the aggregate amount of Debt incurred and assumed in connection with all such acquisitions shall not exceed $40,000,000 plus $10,000,000 permitted to be incurred under Section 7.01(xvii) and (B) any incurrence of Debt in connection with such acquisitions shall be permitted under Section 7.01(xi) or (xvii) and any assumption of Debt in connection with such acquisitions shall be permitted under Section 7.01(iv).

"Permitted Encumbrances" means (i) those liens, encumbrances and other matters affecting title to any Mortgaged Property listed in the Mortgage Policies (each as defined in the Senior Credit Agreement) in respect thereof and found, (ii) zoning, building codes, land use and other similar laws and municipal ordinances which are not violated in any material respect by the existing improvements and the present use by the mortgagor of the Premises (as defined in the Senior Credit Agreement), (iii) such other items to which the Lenders may consent (such consent not to be unreasonably withheld) and (iv) encumbrances, right of way and other matters affecting title to any Mortgaged Property that would not have a Material Adverse Effect.

"Permitted Joint Venture" means a joint venture, in the form of a corporation, limited liability company, business trust, joint venture, association, company or partnership, entered into by the Borrower or any of its Subsidiaries which (i) is engaged in a line of business related, ancillary or complementary to those engaged in by the Borrower and its Subsidiaries and (ii) is formed or organized in a manner that limits the exposure of the Borrower and its Subsidiaries for the liabilities thereof to (A) the Investments of the Borrower and its Subsidiaries therein permitted under Section 7.06(a)(xvii) and (B) any Debt of any Permitted Joint Venture or any Guaranty Obligations by the Borrower or any of its Subsidiaries in respect of such Debt, which Debt or Guaranty Obligations are permitted at the time under Section 7.01.

"Permitted Liens" has the meaning set forth in Section 7.02.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PIK Amount" has the meaning set forth in the Subordinated Debentures.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code maintained or formerly maintained by or contributed or formerly contributed to by any Group Company or any ERISA Affiliate, including a

Multiemployer Plan.

"Preferred Stock" means, as applied to the Equity Interests of a Person, Equity Interests of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Equity Interests of any other class of such Person.

"Pro-Forma Basis" means, for purposes of calculating compliance of any transaction with any provision hereof, that the transaction in question shall be deemed to have occurred as of the first day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such transaction and with respect to which the Lenders have received the financial information for Holdings and its Consolidated Subsidiaries required under Section 6.01(a) and (b), as applicable, and the certificate required by Section 6.01(d) for such period. As used in this definition, "transaction" means (i) any incurrence or assumption by a Group Company of Attributable Debt in respect of a Sale/Leaseback Transaction under Section 7.13, (ii) any Permitted Business Acquisition referred to in Section 7.06(a)(xiii) or in clause (v) of the definition of "Permitted Business Acquisition" set forth in Section 1.01, (iii) any Asset Disposition referred to in Section 7.05(xiv), (iv) any computation of Consolidated EBITDA under the circumstances contemplated by the second sentence of the definition thereof, or (v) Equity Issuances requiring prepayment under Section 2.09(b)(v) of the Senior Credit Agreement, and any related repayment of Debt. In connection with any calculation of the financial covenants set forth in Section 7.17 upon giving effect to a transaction on a "Pro-Forma Basis", (i) any Debt incurred or any Equity Interests issued, and any related repayment of Debt, by Holdings or any of its Subsidiaries in connection with such transaction (or any other transaction which occurred during the relevant four fiscal quarter period) shall be deemed to have been incurred as of the first day of the relevant four fiscal-quarter period, (ii) if such Debt has a floating or formula rate, then the rate of interest for such Debt for the applicable period for purposes of the calculations contemplated by this definition shall be determined by utilizing the rate which is or would be in effect with respect to such Debt as at the relevant date of such calculations (iii) income statement items (whether positive or negative) attributable to all property acquired in such transaction or to the Investment comprising such transaction, as applicable, shall be included as if such transaction has occurred as of the first day of the relevant four-fiscal-quarter period, (iv) such other pro forma adjustments which would be permitted or required by Regulation S-X or S-K under the Securities Act shall be taken into account and (v)

such other adjustments as may be reasonably agreed between the Borrower and the Lenders shall be taken into account.

"Pro-Forma Compliance Certificate" means a certificate of the chief financial officer or chief accounting officer of Holdings delivered to the Lenders in connection with any "transaction" as defined in the definition of "Pro-Forma Basis" above and containing reasonably detailed calculations, upon giving effect to the applicable transaction on a Pro-Forma Basis, of the Interest Coverage Ratio and the Leverage Ratio as of the last day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of the applicable transaction and with respect to which the Lenders shall have received the consolidated financial information for Holdings and its Consolidated Subsidiaries required under Section 6.01(a) or (b), as applicable, and the certificate required by Section 6.01(d) for such period.

"Purchase Money Debt" means Debt of Holdings or any of its Subsidiaries incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property used in the business of Holdings or such Subsidiary; provided that such Debt is incurred within 120 days after such property is acquired or, in the case of improvements, constructed.

"Qualifying Equity Issuance" means (i) any Equity Issuance by Holdings or Intermediate Holdings to, or any receipt by Holdings or Intermediate Holdings of a capital contribution from, the Investor Group and any other Person holding Equity Interests, directly or indirectly, of Holdings or Intermediate Holdings on the Closing Date and any subsequent holders of preemptive rights in respect of Equity Interests of Holdings or Intermediate Holdings, the Net Cash Proceeds of which are contributed immediately, directly or indirectly, to the common equity of the Borrower, (ii) grants of stock of Holdings or Preferred Stock of Intermediate Holdings or options to acquire stock of Holdings or Preferred Stock of Intermediate Holdings to the management of Holdings and its Subsidiaries, and (iii) the issuance by Holdings or Intermediate Holdings for cash of its common Equity Interests to the Sponsor Group or any other Person if: (A) 100% of the proceeds of such issuance shall be immediately contributed, directly or indirectly, by Holdings or Intermediate Holdings (as the case may be) to the Borrower; (B) after giving effect thereto, no Change of Control shall have occurred; (C) such stock shall be issued in a private placement exempt from

registration under the Securities Act; (D) the proceeds thereof shall be used (without duplication) only (w) to make Consolidated Capital Expenditures, (x) to make Permitted Business Acquisitions pursuant to Section 7.06(a)(xiii), Investments in Permitted Joint Ventures pursuant to Section 7.06(a)(xvii) and other Investments pursuant to Section 7.06(a)(xxi), (y) to repay Debt of the Borrower and its Subsidiaries or (z) to make Restricted Payments pursuant to Section 7.07(viii), and in any event the proceeds thereof shall not be used to repay any Subordinated Debt or to make any Restricted Payment other than Restricted Payments expressly permitted pursuant to Section 7.07(viii); (E) within five Business Days after such issuance, Holdings or Intermediate Holdings (as the case may be) shall have delivered to the Lenders a certificate of the chief financial officer or chief accounting officer of Holdings (in each case) attesting to the satisfaction of the foregoing conditions, describing the uses of the proceeds of such issuance and attesting that such use shall not constitute a Default or an Event of Default; and (F) such proceeds shall be used within 30 days after such issuance as described in such certificate.

"Real Property" means, with respect to any Person, all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Refinanced Agreements" means those instruments, documents and agreements listed on Schedule 1.01C.

"Register" has the meaning set forth in Section 9.06(d).

"Regulation D, T, U or X" means Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System as amended, or any successor regulation.

"Regulation S-X" means Regulation S-X under the Securities Act, as amended, or any successor regulation.

"Reinvestment Funds" means, with respect to any Insurance Proceeds or any Condemnation Award, that portion of such funds as shall, according to a certificate of a Responsible Officer of Holdings delivered to the Lenders within 30 days after an executive officer of Holdings becoming aware of the occurrence of the Casualty or Condemnation giving rise thereto, be reinvested or contractually committed to be reinvested within one year after the date of receipt of such Insurance Proceeds or Condemnation Award in the repair, restoration or replacement of the properties that were the subject of such Casualty or Condemnation or in other tangible assets of a like nature used or useful in the ordinary course of business of the Borrower and its Subsidiaries; provided that (i) the aggregate amount of such proceeds with respect to any such event or series of related events shall not exceed $5,750,000 without the prior written consent of the Lenders, (ii) such certificate shall be accompanied by evidence reasonably satisfactory to the Lenders that any property subject to such Casualty or Condemnation has been or will be repaired, restored or replaced to, or better than, its condition immediately prior to such Casualty or Condemnation, or that such Insurance Proceeds or Condemnation Awards have otherwise been reinvested in tangible assets of a like nature used or useful in the ordinary course of business of Holdings and its Subsidiaries, and (iii) from and after the date of delivery of such certificate, Holdings or one or more of its Subsidiaries shall diligently proceed, in a commercially reasonable manner, to complete the repair, restoration or replacement of the properties that were the subject of such Casualty or Condemnation or otherwise reinvest such Insurance Proceeds or Condemnation Awards as described in such certificate; and provided, further, that, if any of the foregoing conditions shall cease to be satisfied at any time, such funds shall no longer be deemed Reinvestment Funds and such funds shall immediately be applied to prepayment of the Senior Debt in accordance with Section 2.09(b) of the Senior Credit Agreement; and provided, further, that any funds not so reinvested within such one year period shall immediately be applied to the payment of the Senior Debt in accordance with Section 2.09(b) of the Senior Credit Agreement.

"Responsible Officer" means the chief executive officer, president, senior vice president, vice president, chief financial officer, treasurer or assistant treasurer, secretary or assistant secretary of a Credit Party. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any class of Equity Interests or Equity Equivalents of any Group Company, now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of Equity Interests or

Equity Equivalents of any Group Company, now or hereafter outstanding and (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any class of Equity Interests or Equity Equivalents of any Group Company, now or hereafter outstanding.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successor or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Lenders may select.

"Sale/Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to Holdings or any of its Subsidiaries of any property, whether owned by Holdings or any of its Subsidiaries as of the Closing Date or later acquired, which has been or is to be sold or transferred by Holdings or any of its Subsidiaries to such Person or to any other Person from whom funds have been, or are to be, advanced by such Person on the security of such property.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Sellers" means the Optionholders and Stockholders, each as defined under the Acquisition Agreement.

"Senior Credit Agreement" means the Credit Agreement dated as of the date hereof, by and among the Credit Parties and the lender parties thereto, as the same may be amended, supplemented, renewed, replaced, refinanced, extended or otherwise modified from time to time and any one or more agreements renewing, replacing, extending or refinancing all or any of the debt or commitments thereunder, but only in each case to the extent permitted by the Subordination Agreement.

"Senior Debt" means all obligations, liabilities and indebtedness now or hereafter existing, whether fixed or contingent, and whether for principal of, premium (if any), interest (including, without limitation, interest accruing at the rates set forth in the Senior Debt Documents after the commencement of any Proceeding (as defined in the Subordination Agreement) by the Credit Parties, whether or not allowed or allowable as a claim in any such proceeding), fees, expenses, indemnifications, reimbursement obligations or otherwise, under the Senior Debt Documents or any Derivatives Agreement related to the Senior Obligations (as defined in the Senior Credit Agreement), whether or not evidenced by notes or other instruments, and whether such indebtedness, obligations and liabilities are direct or indirect, fixed or contingent, liquidated or unliquidated, due or to become due, secured or unsecured, joint, several or joint and several, together in each case with all renewals, extensions, increases or rearrangements thereof; provided, however, that in no event shall the principal amount of the Senior Debt exceed $300,000,000 as reduced by the amount of any scheduled principal amortization payments to the extent paid in cash (specifically excluding, however, any such

repayments and commitment reductions occurring in connection with any Permitted Refinancing (as defined in the Subordination Agreement)). Senior Debt under the Senior Debt Documents shall continue to constitute Senior Debt for all purposes hereof, notwithstanding that such Senior Debt or any claim in respect thereof may be disallowed, avoided or subordinated pursuant to any insolvency law, the Bankruptcy Code (as defined in the Subordination Agreement) or any similar federal or state law for the relief of debtors or other applicable insolvency law or equitable principles (i) as a claim for unmatured interest, (ii) as a fraudulent transfer or conveyance or (iii) otherwise. Senior Debt shall be considered to be outstanding whenever any loan commitment under the Senior Debt Document is outstanding. Notwithstanding any provision to the contrary, in no event shall any Debt held, directly or indirectly, by any member of the Sponsor Group be deemed "Senior Debt".

"Senior Finance Documents" means the Senior Credit Agreement, each Derivatives Agreement between one or more Credit Parties and a Derivatives Creditor (as defined in the Subordination Agreement) and all other related agreements and documents (including any Notes issued thereunder) issued or delivered hereunder or thereunder or pursuant hereto or thereto, in each case as the same may be amended, modified or supplemented from time to time.

"Senior Lenders" means the lenders providing the Senior Debt under the Senior Credit Agreement, but in no event shall include any member of the Sponsor Group.

"Software" means all "software" (as defined in the UCC), and also means and includes all software programs, whether now or hereafter owned, licensed or leased by a Credit Party, designed for use on Computer Hardware, including, without limitation, all operating system software, utilities and application programs in whatever form and whether or not embedded in goods, all source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever, all firmware associated with any of the foregoing all

documentation, flowcharts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes associated with any of the foregoing, and all options, warranties, services contracts, program services, test rights, maintenance rights, support rights, renewal rights and indemnifications relating to any of the foregoing.

"Software License" means any agreement (including any agreement constituting a Copyright License, Patent License and/or Trademark License) now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, to use another Person's Software, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, to use any Software, whether or not subject to any registration.

"Solvent" means, with respect to any Person as of a particular date, that on such date (i) such Person is able generally to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (ii) such Person does not intend to, and does not believe that it will, incur debts beyond such Person's ability to pay as such debts mature, (iii) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets would constitute unreasonably small capital after giving due consideration to the prevailing practice in the

industry in which such Person is engaged or is to engage, (iv) the fair value (determined in accordance with the United States Bankruptcy Code) of the assets of such Person is greater than the total amount of liabilities, including, without limitation, probable liabilities, of such Person and (v) the present fair value (i.e., the amount that may be realized within a commercially reasonable time either through collection or sale at the regular market value, conceiving the latter as the amount that could be obtained for the assets in question within such period by a capable and diligent businessman from a buyer who is willing to purchase under ordinary selling conditions) of the assets of such Person will exceed the amount that will be required to pay the probable liability on such Person's existing debts as they become absolute and matured. For purposes of this definition, "debt" means any legal liability, whether matured, unmatured, liquidated or unliquidated, absolute, fixed or contingent, or (ii) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right is an equitable remedy, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"Sponsor" means Code Hennessy & Simmons LLC and Code Hennessy & Simmons IV, LP, collectively, and their respective successors.

"Sponsor Group" means the Sponsor and any of its Subsidiaries or Affiliates.

"Stockholder Agreements" means the Holdings Stockholder Agreement and the Intermediate Holdings Stockholder Agreement.

"Subordinated Debentures" means the subordinated debentures substantially in the form of Exhibit D hereto issued by the Borrower in favor of the Lenders pursuant to this Agreement, as such Subordinated Debentures may be amended, modified or supplemented from time to time in accordance with the limitations set forth herein.

"Subordinated Debentures Documents" means this Agreement, the Subordinated Debentures, the Subordination Agreement, the Guaranty, in each case including all exhibits and schedules thereto, and all other agreements, documents and instruments relating to the Subordinated Debentures, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement.

"Subordinated Debt" of any Person means (i) the Junior Debentures and (ii) all other Debt (A) the principal of which by its terms is not required to be repaid, in whole or in part, before the first anniversary of the Maturity Date, (B) is contractually or structurally subordinated in right of payment to such Person's indebtedness, obligations and liabilities to the Lenders under the Subordinated Debenture Documents pursuant to payment and subordination provisions reasonably satisfactory in form and substance to the Lenders and (C) is issued pursuant to credit documents having covenants, subordination provisions and events of default that are reasonably satisfactory in form and substance to the Lenders but that in no event are less favorable, including with respect to rights of acceleration, to such Person than the terms hereof.

"Subordinated Seller Paper" means unsecured Subordinated Debt of Holdings which (i) is issued to a seller of assets or a Person the subject of a Permitted Business Acquisition in a transaction permitted by this Agreement, (ii) by its terms does not require the

payment of interest in cash or Cash Equivalents until a date on or after the first anniversary of the Maturity Date, and (iii) is issued on terms, covenants and conditions satisfactory in all respects to the Lenders. For the avoidance of doubt, "Subordinated Seller Paper" shall not include the Subordinated Debentures.

"Subordination Agreement" means that certain Subordination and Intercreditor Agreement of even date among the Credit Parties, Allied Capital, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Agent for all Senior Lenders party to the Senior Credit Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of this Agreement

"Subsidiary" means with respect to any Person any corporation, partnership, limited liability company, association or other business entity of which (i) if a corporation, more than 50% of the total voting power 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 partnership, limited liability company, association or business entity other than a corporation, more than 50% of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have more than 50% ownership interest in a partnership, limited liability company, association or other business entity if such Person or Persons shall be allocated more than 50% of partnership, association or other business entity gains or losses or shall be or control the managing director, manager or a general partner of such partnership, association or other business entity.

"Subsidiary Guarantor" means each Subsidiary of Holdings existing on the Closing Date (other than a Foreign Subsidiary) and each Subsidiary of Holdings (other than a Foreign Subsidiary) that becomes a party to the Guaranty after the Closing Date by execution of an Accession Agreement referring to the Guaranty or otherwise, and "Subsidiary Guarantors" means any two or more of them.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (i) a so-called synthetic, off-balance sheet or tax retention lease or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such person (without regard to accounting treatment).

"Target" means The Hillman Companies, Inc., a Delaware corporation (prior to the consummation of the Merger).

"Taxes" has the meaning set forth in Section 3.01.

"Trademark" means any of the following: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, certification marks, collective marks, brand names and trade dress which are or have been used in the United States or in any state, territory or possession thereof, or in

any other place, nation or jurisdiction, along with all prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law; (ii) the goodwill of the business symbolized thereby or associated with each of the foregoing; (iii) all registrations and applications in connection therewith, including, without limitation, registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, (iv) all reissues, extensions and renewals thereof; (v) all claims for, and rights to sue for, past, present or future infringements of any of the foregoing; (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past, present or future infringements thereof and payments and damages under all Trademark Licenses in connection therewith; and (vii) all rights corresponding to any of the foregoing whether arising under the laws of the United States or any foreign country or otherwise.

"Trademark License" means any agreement now or hereafter in existence granting to any Credit Party any right, whether exclusive or non-exclusive, to use another Person's trademarks or trademark applications, or pursuant to which any Credit Party has granted to any other Person, any right, whether exclusive or non-exclusive, to use any Trademark, whether or not

registered, and the rights to prepare for sale, sell and advertise for sale, all of the inventory now or hereafter owned by any Credit Party and now or hereafter covered by such license agreements.

"Transaction" means the events contemplated by the Transaction Documents to occur on the Closing Date.

"Transaction Documents" means the Acquisition Documents, the Capitalization Documents, the Subordinated Debenture Documents, and the Senior Finance Documents, collectively, and "Transaction Document" means any one of them.

"Trust Common Securities" means the 11.6% trust common securities of The Hillman Group Capital Trust held by The Hillman Companies, Inc.

"Trust Preferred Securities" means the 11.6% trust preferred securities issued by Hillman Group Capital Trust pursuant to an amended and restated declaration of trust dated September 5, 1997 as amended, revised or modified.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if by reason of mandatory provisions of law, the perfection, the effect of perfection or non-perfection or the priority of the security interests of the Collateral Agent in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"Unfunded Liabilities" means with respect to each Plan, the amount (if any) by which the present value of all nonforfeitable benefits under each Plan exceeds the current value

of such Plan's assets allocable to such benefits, all determined in accordance with the respective most recent valuations for such Plan using applicable PBGC plan termination actuarial assumptions (the terms "present value" and "current value" shall have the same meanings specified in Section 3 of ERISA).

"United States" means the United States of America, including each of the States and the District of Columbia, but excluding its territories and possessions.

"U.S. Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as the same may be amended, supplemented, modified, replaced or otherwise in effect from time to time.

"Welfare Plan" means a "welfare plan" as such term is defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" means, with respect to any Person at any date, any Subsidiary of such Person all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares are at the time directly or indirectly owned by such Person and for the purposes of this Agreement, Intermediate Holdings and the Borrower shall be deemed to be wholly-owned Subsidiaries of Holdings, notwithstanding the Investor Preferred Equity Issuance.

SECTION 1.02 COMPUTATION OF TIME PERIODS AND OTHER DEFINITIONAL PROVISIONS. For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". All references to time herein shall be references to Eastern Standard time or Eastern Daylight time, as the case may be, unless specified otherwise. References in this Agreement to Articles, Sections, Schedules, Appendices or Exhibits shall be to Articles, Sections, Schedules, Appendices or Exhibits of or to this Agreement unless otherwise specifically provided. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined.

SECTION 1.03 ACCOUNTING TERMS AND DETERMINATIONS. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All financial statements delivered to the Lenders hereunder shall be accompanied by a statement from Holdings that GAAP has not changed since the most recent financial statements delivered by Holdings to the Lenders or if GAAP has changed describing such changes in detail and explaining how such changes affect the financial statements. All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the

most recent annual or quarterly financial statements delivered pursuant to Section 6.01 (or, prior to the delivery of the first financial statements pursuant to Section 6.01, consistent with the financial statements described in Section 5.05(a)); provided, however, if (i) Holdings shall object to determining such compliance on such basis at the time of delivery of such financial statements

due to any change in GAAP or the rules promulgated with respect thereto or (ii) the Lenders shall so object in writing within 60 days after delivery of such financial statements (or after the Lenders have been informed of the change in GAAP affecting such financial statements, if later), then such calculations shall be made on a basis consistent with the most recent financial statements delivered by Holdings to the Lenders as to which no such objection shall have been made. Any financial ratios required to be maintained by any Group Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

ARTICLE II
THE LOAN

SECTION 2.01 FUNDING. At the Closing, a number of shares of common stock in Target held by Allied Capital equal to the quotient determined by dividing $47,500,000 by the Per Share Closing Merger Consideration (as defined in the Acquisition Agreement) will be cancelled in exchange for indebtedness of the Borrower in the aggregate principal amount of $47,500,000. All such indebtedness shall be evidenced by, and is to be repaid according to the terms of, one or more Subordinated Debentures.

SECTION 2.02 SENIOR DEBT. The Lenders' rights under the Subordinated Debentures and this Agreement are subordinate in all respects to the Senior Debt pursuant to the Subordination Agreement.

SECTION 2.03 REPAYMENT OF SUBORDINATED DEBENTURES. Subject to the terms of Section 2.07 and the Subordination Agreement, all unpaid principal amounts and accrued and unpaid interest under the Subordinated Debentures, and all other Obligations of the Borrower to the Lenders due and owing hereunder shall be paid upon the earliest of (a) the date of acceleration of the Subordinated Debentures pursuant to Article VIII, (b) the date of redemption pursuant to Section 2.06 or 2.07 and (c) the Maturity Date, in immediately available Dollars, without set-off, defense or counterclaim.

SECTION 2.04 INTEREST ON THE SUBORDINATED DEBENTURES. Subject to the provisions of Section 2.05, the Subordinated Debentures shall bear interest (computed on the basis of twelve 30-day months) at the interest rate set forth in the Subordinated Debentures (the "Interest Rate"), payable in accordance with the Subordinated Debentures.

SECTION 2.05 DEFAULT INTEREST. If any Event of Default exists under Section 8.01(a) hereunder, whether or not such default is declared, the Borrower shall pay interest ("Default Interest"), to the extent permitted by applicable Law, on amounts due under the Subordinated Debentures so long as such Event of Default is continuing (after as well as before judgment) at the Interest Rate plus 2%.

SECTION 2.06 OPTIONAL PREPAYMENT.

(a) At any time and from time to time after September __, 2005, the Borrower may, subject to the Subordination Agreement, prepay the Subordinated Debentures, in whole or

in part, upon at least 15 days but no more than 60 days prior written or facsimile notice (or telephone notice promptly confirmed by written or facsimile notice) to the Lenders, with a copy to Agent under the Senior Credit Agreement, before 1:00 p.m., Washington, D.C. time, subject to the Borrower's obligation to pay a repayment charge (the "Repayment Charge") of 6.0% of any principal prepaid at such time (excluding any PIK Amount) prior to and including the second anniversary of the Closing Date, a Repayment Charge of 3.0% of any principal prepaid at such time (excluding any PIK Amount) after the second anniversary of the Closing Date but prior to and including the third anniversary of the Closing Date, a Repayment Charge of 1.0% of any principal prepaid at such time (excluding any PIK Amount) after the third anniversary of the Closing Date but prior to and including the fourth anniversary of the Closing Date, and no Repayment Charge after the fourth anniversary of the Closing Date. Any partial prepayments shall be made in increments of $500,000 and shall be applied pro rata to amounts outstanding under the Subordinated Debentures. Notwithstanding any provision to the contrary, (i) the Repayment Charge shall be due and payable

upon any voluntary or mandatory prepayment of the Subordinated Debentures in whole or in part, and (ii) the Borrower may prepay any PIK Amount that has accrued as principal without being subject to any Repayment Charge, premium or penalty. On the date of prepayment, the Borrower shall pay to the holders of the Subordinated Debentures being prepaid pursuant to this Section 2.06, the amount specified above, by wire transfer of immediately available funds to an account designated by such Lender. Concurrently therewith, each Lender of Subordinated Debentures being prepaid in full shall deliver to the Borrower the original copy of its Subordinated Debenture or an affidavit of loss thereof in a form that is reasonably satisfactory to the Borrower. Any offer made by the Borrower pursuant to this Section 2.06 shall be irrevocable so long as the specified conditions are met.

(b) Notwithstanding the foregoing, if Allied Capital transfers all or any portion of the Subordinated Debentures to a Person other than the Agent or any of its Affiliates, the Repayment Charges set forth in paragraph (a) shall not apply to any optional repayment under this Section 2.06 or any mandatory prepayment under Section 2.07, in each case occurring with respect to such Subordinated Debentures held by Persons other than Allied Capital or the Agent or any of its Affiliates.

SECTION 2.07 MANDATORY PREPAYMENT. The Borrower's obligations under the Subordinated Debentures and this Agreement are not assumable. Subject to the Subordination Agreement, upon (a) a Change of Control, or (b) the sale or disposition by the Sponsor Group of Equity Interests of Holdings or Intermediate Holdings with a value of $35,000,000 or more in aggregate, each Lender shall have the right (but not the obligation) to require the Borrower to: (i) prepay all or any portion of the Subordinated Debentures held by such Lender for an amount equal to the then outstanding principal balance, all accrued but unpaid interest thereon, plus all PIK Amounts and 50% of any Repayment Charge computed in accordance with Section 2.06(a), provided that any prepayment under this Section 2.07 that occurs prior to the 18 month anniversary of the date hereof shall be subject to a Repayment Charge equal to 6.0% of any principal prepaid (excluding any PIK Amount); and (ii) pay in full a corresponding portion of the other Obligations owing to such Lender, which amount shall be calculated on the date of prepayment and be payable in cash on such date. On the date of prepayment, the Borrower shall pay to the Lenders of the Subordinated Debentures being prepaid pursuant to this Section 2.07, the price specified above, by wire transfer of immediately available funds to an account designated by such Lender. Concurrently therewith, each Lender of Subordinated Debentures

being prepaid in full shall deliver to the Borrower the original copy of its Subordinated Debenture or an affidavit of loss thereof in a form that is reasonably satisfactory to the Borrower. Any offer made by the Borrower pursuant to this Section 2.07 shall be irrevocable so long as the Change of Control occurs.

SECTION 2.08 PAYMENTS.

(a) The Borrower shall make each payment (including principal of or interest on the Subordinated Debentures or other amounts) hereunder and under any other Subordinated Debenture Document not later than 2:00 P.M., Washington, D.C. time, on the date when due in immediately available Dollars, without setoff, defense or counterclaim (including, without limitation, any set-off due to a purchase price adjustment or claim for indemnification under the Acquisition Documents). Each such payment shall be made to each Lender pursuant to the wire transfer instructions set forth on Annex I hereto, or pursuant to such other written instructions from such Lender to the Borrower.

(b) Whenever any payment (including principal of or interest or Repayment Charge on the Subordinated Debenture or other amounts) hereunder or under any other Subordinated Debenture Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

SECTION 3.01 TAXES.

(a) Payments Net of Certain Taxes. Any and all payments by any Credit Party to or for the account of the Lenders hereunder or under any other Subordinated Debenture Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding any and all Excluded Taxes (all such non-Excluded Taxes being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable under this Agreement or any other Subordinated Debenture Document to the Lenders, (i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings

applicable to additional sums payable under this Section 3.01) any Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Credit Party shall make such deductions and withholdings, (ii) such Credit Party shall pay the full amount deducted or withheld to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Credit Party shall furnish to the Lenders, the original or a certified copy of a receipt, if any, evidencing payment thereof or other documentation evidencing such payment.

(b) Other Taxes. In addition, the Borrower agrees to pay any and all present or future stamp or documentary, excise or property taxes or similar charges or levies (including mortgage recording taxes) which arise from any payment made by it under this Agreement or

any other Subordinated Debenture Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Subordinated Debenture Document (hereinafter referred to as "Other Taxes").

(c) Additional Taxes. The Borrower agrees to indemnify each Lender for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.01), as applicable, whether or not correctly or legally asserted, paid by any Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that if the Borrower reasonably believes that such Taxes or Other Taxes were not correctly or legally asserted, the Lenders will use reasonable efforts to cooperate with the Borrower to obtain a refund of such Taxes or other Taxes so long as such efforts would not, in the sole discretion of the Lenders, as the case may be, result in any additional costs, expenses or risks or be otherwise disadvantageous to it.

(d) U.S. Tax Forms and Certificates. Any Lender organized under the laws of a jurisdiction outside the United States (a "Non-U.S. Lender"), on or prior to the date of its execution and delivery of this Agreement shall provide the Borrower and Allied Capital with (i) Internal Revenue Service Form W-8 BEN, W-8 IMY or W-8 ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, and or (ii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Agreement or any of the other Subordinated Debenture Documents. Should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required to be delivered hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(e) Obligations in Respect of Non-U.S. Lenders. The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of Taxes (other than Other Taxes) pursuant to subsection (a) above to the extent that the obligation to withhold amounts with respect to Taxes (other than Other Taxes) existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a participant, on the date such participant acquired its participation interest); provided, however, that this subsection (e) shall not apply (i) to any participant that becomes a participant as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (ii) to the extent the indemnity payment or additional amounts any participant would be entitled to receive (without regard to this subsection (e)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such participant would have been entitled to receive in the absence of such assignment, participation, transfer or designation.

(f) Mitigation. If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.01, then such Lender will agree to use reasonable efforts to file or deliver to the Borrower any certificate or document so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, filing or delivery, in the judgment of such Lender, is not otherwise disadvantageous to such holder.

(g) Tax Receipts. Within thirty days after the date of any payment of Taxes, the Borrower shall furnish to the Lenders the original or a certified

copy of a receipt evidencing such payment (to the extent the Borrower receives a receipt for such payment).

(h) Refunds or Credits. If any Lender (i) receives a refund from a taxation authority in respect of any tax for which it has been indemnified by a Credit Party or with respect to which a Credit Party has paid additional amounts pursuant to this Section 3.01 or (ii) claims any credit or other tax benefit (such credit to include any increase in any foreign tax credit) with respect to any tax for which it has been indemnified by a Credit Party or with respect to which a Credit Party has paid additional amounts pursuant to this Section 3.01, which refund, credit or other tax benefit in the sole judgment of such Lender is directly attributable to any such indemnified tax or additional amounts, such Lender shall (within 30 days from the date of such receipt) pay over to such Credit Party the amount of such refund, credit or other tax benefit (but only to the extent of indemnity payments made, or additional amounts paid, by such Credit Party with respect to the tax giving rise to such refund or credit), net of all out-of-pocket expenses (including any taxes on a refund or on interest received or credited) which such Lender certifies that it has reasonably determined to have been incurred in connection with obtaining such refund, credit or other tax benefit; provided, however, that (i) each Credit Party shall repay, upon the request of such Lender, the amount paid over to such Credit Party (plus penalties, interest or other charges) to such Lender in the event such Lender is required to repay such refund or credit to such tax authority, (ii) such Lender, as the case may be, shall have no obligation to cooperate with respect to any contest (or continue to cooperate with respect to any contest), or to seek or claim any refund, credit or other tax benefit if such Lender determines that its interest would be adversely affected by so cooperating (or continuing to cooperate) or by seeking or claiming any such refund, credit or other tax benefit and (iii) no Credit Party shall have any right to examine the tax returns or other records of any Lender or to obtain any information with respect thereto by reason of the provisions of this Section 3.01 or any judgment or determination made by any Lender pursuant to this Section 3.01.

SECTION 3.02 INCREASED COSTS AND REDUCED RETURN.

(a) If on or after the date hereof, the adoption of or any change in any applicable Law or in the interpretation or application thereof applicable to any Lender, or compliance by any Lender with any request or directive (whether or not having the force of Law) from any Governmental Authority, in each case made subsequent to the date hereof (or, if later, the date on which such Lender becomes a Lender):

(i) shall subject such Lender to any tax of any kind whatsoever with respect to any of the Subordinated Debentures, or change the basis of taxation of payments to such Lender in respect thereof (except for (A) Taxes and Other Taxes

covered by Section 3.01 (including Taxes imposed solely by reason of any failure of such Lender to comply with its obligations under Section 3.01(d)) and (B) Excluded Taxes);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender; or

(iii) shall impose on such Lender any other condition (excluding any tax of any kind whatsoever);

and the result of any of the foregoing is to increase the cost to such Lender of making, continuing or maintaining the Loan or to reduce any amount receivable hereunder in respect thereof, then, in any such case, upon notice to the Borrower from such Lender in accordance herewith, the Borrower shall be obligated to pay such Lender, within 10 Business Days of its demand, any additional amounts necessary to compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such increased cost or reduced amount receivable.

(b) If any Lender shall have determined that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority charged with the interpretation or administration thereof in the interpretation or administration of, any applicable Law regarding capital adequacy, or compliance by such Lender, or its parent corporation, with any request or directive regarding capital adequacy (whether or not having the force of Law) of any such Governmental Authority has or would have the effect of reducing the rate of return on such Lender's (or parent corporation's) capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender, or its parent corporation, could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's (or parent corporation's) policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the

Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such reduction; provided, that the Borrower shall not required to compensate any Lender pursuant to subsection (a) above or this subsection (b) for any additional costs or reductions suffered more than 180 days prior to the date such Lender notifies the Borrower of the circumstances giving rise to such additional costs or reductions and of such Lender's intentions to claim compensation therefor, and provided, further, that, if the Change in Law or in the interpretation or administration thereof giving rise to such additional costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. Each determination by any such Lender of amounts owing under this Section 3.02 shall, absent manifest error, be conclusive and binding on the parties hereto.

(c) A certificate in reasonable detail of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in subsection (a) or (b) above, as the case may be, shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay each Lender the amount shown as due on any such certificate delivered by it within 10 Business Days after receipt of the same.

(d) Promptly after any Lender becomes aware of any circumstance that will, in its reasonable judgment, result in a request for increased compensation pursuant to this Section 3.02, such Lender shall notify the Borrower thereof. Failure on the part of any Lender so to notify the Borrower or to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period, except as expressly otherwise provided above. The protection of this Section 3.02 shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

ARTICLE IV
CONDITIONS

SECTION 4.01 CONDITIONS TO CLOSING. The obligation of Allied Capital to proceed in accordance with Section 3.01 on the Closing Date is subject to the satisfaction of the following conditions:

(a) Executed Subordinated Debenture Documents. Receipt by Allied Capital of duly executed copies of: (i) this Agreement; (ii) the Subordinated Debentures; (iii) the Guaranty; and (iv) all other Subordinated Debentures Documents, each in form and substance satisfactory to Allied Capital in its sole discretion.

(b) Legal Matters. All legal matters incident to this Agreement and the borrowings hereunder shall be reasonably satisfactory to Allied Capital and to Piper Rudnick LLP, counsel for Allied Capital.

(c) Organizational Documents. After giving effect to the transactions contemplated by the Transaction Documents, the ownership, capital, corporate, organizational and legal structure of each Credit Party shall be reasonably satisfactory to Allied Capital, and Allied Capital shall have received: (i) a copy of the certificate or articles of incorporation or other organizational documents, as applicable, including all amendments thereto, of each Credit Party, certified as of a recent date by the Secretary of State or other applicable authority of its respective jurisdiction of organization; (ii) a certificate as to the good standing of each Credit Party, as of a recent date, from the Secretary of State or other applicable authority of its respective jurisdiction of organization and, to the extent reasonably available, from each other state in which such Credit Party is qualified or is required to be qualified to do business, together in each case, to the extent generally available, with a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each such jurisdiction; (iii) a certificate of the Secretary or Assistant Secretary of each Credit Party dated the Closing Date substantially in the form of Exhibit F hereto; (iv) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (iii) above; and (v) such other corporate or other constitutive or organizational documents as Allied Capital, or Piper Rudnick LLP, counsel for Allied Capital, may reasonably request.

(d) Officer's Certificate. Allied Capital shall have received a certificate, dated the Closing Date and signed by a Responsible Officer of each of Holdings, Intermediate Holdings and the Borrower, confirming compliance with the condition precedent set forth in Section 4.02(c).

(e) Opinions of Counsel. On the Closing Date, Allied Capital shall have received:

(i) a written opinion of Kirkland & Ellis LLP, special counsel to the Credit Parties, addressed to the Lenders, dated the Closing Date, substantially in the form of Exhibit A-1 hereto; and

(ii) from Kirkland & Ellis LLP, special counsel to the Borrower, copies of the opinions delivered by them under the Senior Finance Documents, accompanied by a letter from such special counsel stating that Allied Capital and the Lenders are entitled to rely on such opinions as if they were addressed to Allied Capital and the Lenders.

(f) Capitalization. On or prior to the Closing Date, (i) AcquisitionCo shall have received gross cash proceeds of not less than $95,000,000 (less the amount of Rollover Stock as defined in the Acquisition Agreement) in connection with the purchase by the Investor Group of common and preferred equity of AcquisitionCo (the "Investor Equity Issuance"), (ii) Intermediate Holdings shall have received gross cash proceeds of not less than $60,000,000 in connection with the Investor Preferred Equity Issuance (less the amount of Rollover Stock as defined in the Acquisition Agreement), (iii) without the express written consent of Allied Capital, no common or preferred stock of AcquisitionCo, Holdings, Intermediate Holdings or the Borrower shall be subject to any redemption, put, call, repurchase or similar provisions prior to the Maturity Date (except in connection with the Management Put Rights and preemptive rights), (iv) the proceeds of the Investor Equity Issuance and the Investor Preferred Equity Issuance, when aggregated with the Senior Debt and the Obligations incurred by the Borrower on the Closing Date, shall be used, and shall be sufficient, to pay the purchase price required to be paid on the Closing Date to consummate the Acquisition and to pay all fees and expenses owing in connection therewith on the Closing Date and (v) the Lenders shall have received true and correct copies, certified as such by an appropriate officer of Holdings, of all subscription agreements, registration rights agreements, shareholder agreements and other documents and instruments delivered in connection therewith (collectively, the "Capitalization Documents"), each of which shall be in full force and effect and shall be in form and substance reasonably satisfactory to Allied Capital.

(g) Issuance of Senior Notes. On or prior to the Closing Date, the Borrower shall have (A) entered into the Senior Credit Agreement on terms that are reasonably satisfactory to Allied Capital, (B) executed and delivered the promissory notes issued under the Senior Credit Agreement, (C) delivered to Allied Capital true and correct copies, certified as such by an appropriate officer of the Borrower, of the Senior Finance Documents including each of the promissory notes issued under the Senior Credit Agreement as originally executed and delivered and each of the other Senior Finance Documents (on terms that are reasonably satisfactory to Allied Capital), each of which shall be in full force and effect, and (D) utilized the full amount of

such cash proceeds to make payments owing in connection with the Transaction prior to or concurrently with the utilization of any proceeds of the Subordinated Debentures for such purpose.

(h) Consummation of the Acquisition. On or prior to the Closing Date, there shall have been delivered to Allied Capital true and correct copies of all Acquisition Documents, certified as such by an appropriate officer of the Borrower, and all terms and conditions of the Acquisition Documents shall be in form and substance reasonably satisfactory to Allied Capital. The Acquisition, including all of the terms and conditions thereof and including, without limitation, the Merger, shall have been duly approved by the board of directors and (if required by applicable law) the shareholders of each of the Borrower (prior to the consummation of the Merger), the Target and each other Group Company party thereto, and all Acquisition Documents shall have been duly executed and delivered by the parties thereto and shall be in full force and effect. The representations and warranties set forth in the Acquisition Documents shall be true and correct in all material respects as if made on and as of the Closing Date (except to the extent such representations and warranties expressly refer to a prior date, in which case such representations and warranties shall have been true and correct as of such prior date), and each of the parties to the Acquisition Documents shall have complied in all material respects with all covenants set forth in the Acquisition Documents to be complied with by it on or prior to the Closing Date (without giving effect to any modification, amendment, supplement or waiver of any of the material terms thereof unless consented to by Allied Capital, which consent shall not be unreasonably withheld or delayed). Each of the material conditions precedent to the Group Companies' obligations to consummate the Acquisition as set forth in the Acquisition Documents shall have been satisfied to the reasonable satisfaction of Allied Capital or waived with the consent of Allied Capital, and, on or prior to the Closing Date and prior to the borrowing of the Loan, the Acquisition shall have been consummated for aggregate consideration not in excess of $510,000,000 (excluding purchase price adjustments)(excluding related

transaction fees and expenses not exceeding $20,000,000) in accordance with all applicable laws and the Acquisition Documents (without giving effect to any material amendment or modification thereof or material waiver with respect thereto including, but not limited to, any material modification, amendment, supplement or waiver relating to any disclosure schedule or exhibit, unless such modification, amendment, supplement or waiver could not reasonably be expected to be materially adverse in any respect to Allied Capital or unless consented to by Allied Capital). On the Closing Date, the certificate of merger with respect to the Merger shall have been filed with the appropriate Governmental Authority having primary jurisdiction over affairs of corporations in Delaware.

(i) Refinancing of Certain Existing Debt; Other Debt. On the Closing Date, the commitments under all Refinanced Agreements shall have been terminated, all loans outstanding thereunder shall have been repaid in full (other than contingent indemnification obligations not due and payable), together with accrued interest thereon (including, without limitation, any prepayment premium), all letters of credit issued thereunder shall have been terminated or backstopped through the issuance of letters of credit under the Senior Credit Agreement or shall have become letters of credit under the Senior Credit Agreement and all other amounts owing pursuant to each Refinanced Agreement shall have been repaid in full, and Allied Capital shall have received evidence in form, scope and substance reasonably satisfactory to Allied Capital that the matters set forth in this subsection (i) have been satisfied at such time.

In addition, on the Closing Date, the creditors under each Refinanced Agreement shall have terminated and released all applicable Liens on the capital stock of and assets owned by the Borrower and its Subsidiaries (including, without limitation, all capital stock and assets of Holdings and its Subsidiaries), and Allied Capital shall have received copies of all such releases as may have been requested by Allied Capital, which releases shall be in form and substance satisfactory to Allied Capital. After the consummation of the transactions contemplated by the Acquisition Agreement on the Closing Date, the Group Companies shall have no material liabilities (actual or contingent) required to be disclosed in its financial statements or Preferred Stock, except (i) as disclosed in the most recent interim balance sheet included in the financial statements delivered pursuant to subsection (o) below or the footnotes thereto, (ii) for current obligations and contractual obligations incurred in the ordinary course of business, (iii) Senior Debt and the Subordinated Debentures, (iv) the Junior Debentures and the preferred stock issued in connection with the Investor Preferred Equity Issuance and (v) contingent indemnification obligations not due and payable.

(j) Evidence of Insurance. Receipt by Allied Capital of copies of insurance policies or certificates of insurance of the Credit Parties and their Subsidiaries evidencing liability and casualty insurance meeting the requirements set forth herein.

(k) Consents and Approvals. On the Closing Date, all governmental (domestic or foreign), regulatory and third party approvals (including, without limitation, with respect to real property leases and license agreements relating to intellectual property) required and material in connection with the transactions contemplated by the Acquisition Agreement and the other Transaction Documents and otherwise referred to herein or therein shall have been obtained and remain in full force and effect, and all applicable waiting periods (including any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976) and appeal periods shall have expired, in each case without any action being taken or threatened by any competent authority which has or could have a reasonable likelihood of restraining, preventing or imposing materially burdensome conditions on such transactions or impose, in the sole judgment of Allied Capital, materially burdensome conditions or qualifications upon the consummation of such transactions.

(l) Litigation; Judgments. On the Closing Date, there shall be no actions, suits, proceedings, counterclaims or investigations pending or overtly threatened (i) challenging the consummation of any portion of the Transaction or which in the judgment of Allied Capital could restrain, prevent or impose burdensome conditions on the Transaction, in the aggregate, or any other transaction contemplated hereunder, (ii) seeking to prohibit the ownership or operation by Holdings, the Borrower, or any of their respective Subsidiaries of all or any material portion of any of their respective businesses or assets or (iii) seeking to obtain, or which could result or has resulted in the entry of, any judgment, order or injunction that (A) would restrain, prohibit or impose adverse or burdensome conditions on the ability of the Lenders to make the Loan, (B) in the judgment of Allied Capital could reasonably be expected to result in a Material Adverse Effect with respect to Holdings, the Borrower and their Subsidiaries taken as a whole (after giving effect to the Transaction) or (C) could purport to affect the legality, validity or enforceability of any Subordinated Debenture Document or could have a material adverse effect on the ability of any Credit Party to fully and timely perform their payment and security obligations under the Subordinated Debenture Documents or the rights and remedies of the

Lenders. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the transactions contemplated by the Transaction Documents and otherwise referred to herein or therein.

(m) Solvency Certificate. On or prior to the Closing Date, the Borrower shall have delivered or caused to be delivered to Allied Capital a solvency certificate from the chief financial or chief accounting officer of the Borrower, substantially in the form of Exhibit E hereto and otherwise in form and substance reasonably satisfactory to Allied Capital, setting forth the conclusions that, after giving effect to the Acquisition and the consummation of all financings contemplated herein, Holdings and its Subsidiaries (on a consolidated basis) and the Borrower and its Subsidiaries (on a consolidated basis) are solvent.

(n) Environmental Reports. On or prior to the Closing Date, if requested by Allied Capital in its reasonable discretion, the Borrower shall have delivered or caused to be delivered to Allied Capital the environmental assessment reports with respect to the Tempe, AZ and Goodlettsville, TN facilities in scope, form and substance and prepared by Gaiatech, Incorporated or other environmental consultants, in each case satisfactory to Allied Capital, together with reliance letters with respect thereto as reasonably requested by Allied Capital.

(o) Financial Information. Allied Capital shall each be reasonably satisfied that the financial statements referred to in Section 5.05, including the pro-forma balance sheet referenced to in Section 5.05(c), are not materially inconsistent with the information, projections, sources and uses of funds or financial model delivered to Allied Capital prior to the Closing Date.

(p) Material Adverse Effect. There shall not have occurred or become known any condition, fact, event or development that has resulted or could reasonably be expected to result in a material adverse change in the business, assets, operations, condition (financial or otherwise), liabilities (contingent or otherwise) or prospects of the Holdings and its Subsidiaries (including the Borrower and its Subsidiaries), taken as a whole (both before and after giving effect to the Transaction) since December 31, 2003.

(q) Management Employment Agreements and Arrangements. On or prior to the Closing Date, there shall have been delivered to Allied Capital certified copies of management employment agreements or arrangements, including management equity incentive agreements, and all terms and conditions of such management employment agreements or arrangements shall be, as of the Closing Date, in form and substance reasonably satisfactory to Allied Capital.

(r) Minimum EBITDA; Maximum Pro-Forma Leverage Ratio. Allied Capital shall have received reasonably satisfactory evidence (including satisfactory supporting schedules and other data) that: (i) pro-forma EBITDA of Holdings and its subsidiaries after giving effect to the Transactions for the trailing four quarters ended December 31, 2003, calculated in a manner reasonably acceptable to Allied Capital was not less than $60.0 million and (ii) the ratio of pro forma consolidated debt to pro forma EBITDA of Holdings, Borrower and its subsidiaries after giving effect to the Transaction for the trailing four quarters ended December 31, 2003,

calculated in a manner reasonably acceptable to Allied Capital, was not greater than 6.22x (based on an average outstanding revolver balance necessary to meet average working capital needs over a 12 month period).

(s) OFAC/Anti-Terrorism Compliance Certificate. Allied Capital shall have received a certificate substantially in the form of Exhibit G hereto, dated the Closing Date and signed by a Responsible Officer of Holdings, certifying as to the matters set forth in Exhibit G.

(t) Payment of Fees. All costs, fees and expenses due to Allied Capital on or before the Closing Date shall have been paid to the extent invoiced to the Borrower (together with reasonable detail therefor.

(u) Counsel Fees. Piper Rudnick LLP shall have received full payment from the Borrower of its fees and expenses as described in Section 9.04 which are billed through the Closing Date.

(v) Fee Letter. Holdings shall have satisfied all of the terms and conditions of the Fee Letter.

(w) Other Information. Allied Capital shall have received such other documents, instruments and information as Allied Capital may reasonably

request.

All corporate and legal proceedings and instruments and agreements relating to the transactions contemplated by this Agreement and the other Transaction Documents or in any other document delivered in connection herewith or therewith shall be reasonably satisfactory in form and substance to Allied Capital and its counsel, and Allied Capital shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down facsimiles, if any, which Allied Capital reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or Governmental Authorities. The documents referred to in this Section 4.01 shall be delivered to Allied Capital, no later than the Closing Date. The certificates and opinions referred to in this Section 4.01 shall be dated the Closing Date.

The requirement that any document, agreement, certificate or other writing be reasonably satisfactory to Allied Capital shall be deemed to be satisfied if (i) such document, agreement, certificate or other writing was delivered to Allied Capital not less than two Business Days prior to the Closing Date, and (ii) such document, agreement, certificate or other writing is satisfactory to Allied Capital.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Each of Holdings, Intermediate Holdings and the Borrower represents and warrants that on the Closing Date:

SECTION 5.01 ORGANIZATION AND GOOD STANDING. Each of the Group Companies is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its formation, has all corporate, partnership or limited liability company powers and all material governmental licenses, franchises, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals required to own its property and carry on its business as now conducted and is duly qualified as a foreign corporation, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers, except to the extent the failure to so qualify or be licensed, as the case may be, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.02 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS. Each of the Credit Parties has the corporate, partnership, limited liability company or other necessary power and authority, and the legal right, to execute, deliver and perform the Transaction Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary corporate, partnership or limited liability action to authorize the borrowings and other extensions of credit on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of the Transaction Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of the Transaction Documents, except for (i) consents, authorizations, notices and filings disclosed in Schedule 5.02, all of which have been obtained or made, and (ii) filings to perfect the Liens created by the Collateral Documents. This Agreement has been, and each other Transaction Document to which Holdings or any of its Subsidiaries is a party will be, duly executed and delivered on behalf of such Person. This Agreement constitutes, and each other Transaction Document to which any Credit Party or Holdings is a party when executed and delivered will constitute, a legal, valid and binding obligation of each Credit Party thereto and, to the knowledge of Holdings and the Borrower enforceable against each such Person in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) that rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability (regardless of whether enforcement is sought by proceedings in equity or at law).

SECTION 5.03 NO CONFLICTS. Neither the execution and delivery by any Credit Party of the Transaction Documents to which it is a party, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by such Person, nor the exercise of remedies by the Lenders under the Subordinated Debenture Documents, will (i) violate or conflict with any provision of the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other organizational or governing documents of such Person, (ii) violate, contravene

or conflict with any Law applicable to it or its properties, (iii) violate, contravene or conflict with contractual provisions of, cause an event of default under, or give rise to material increased, additional, accelerated or guaranteed, rights of any Person under, any indenture, loan agreement, mortgage,

deed of trust or other instrument, material contract or material lease to which it is a party or by which it may be bound or (iv) result in or require the creation of any Lien (other than the Lien of the Collateral Documents) upon or with respect to its properties, except in the case of clause (iii) for such violations as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 5.04 NO DEFAULT. Except as disclosed on Schedule 5.04, none of the Group Companies is in default in any respect (i) under any loan agreement, indenture, mortgage, security agreement or other agreement relating to Debt or any other contract, lease, agreement or obligation to which it is a party or by which any of its properties is bound which default could reasonably be expected to have a Material Adverse Effect, (ii) the Senior Credit Agreement or (iii) the Junior Debentures Indenture. No Default or Event of Default has occurred or exists.

SECTION 5.05 FINANCIAL CONDITION.

(a) Audited Financial Statements. The consolidated balance sheets of Holdings and its Consolidated Subsidiaries as of December 31, 2001, December 31, 2002 and December 31, 2003 and the related consolidated and consolidating statements of income and cash flows for the respective fiscal years then ended, reported on by PricewaterhouseCoopers LLP, copies of each of which have been delivered to each of the Lenders, fairly present in all material respects, in accordance with GAAP (except as disclosed therein), the consolidated financial position of Holdings and its Consolidated Subsidiaries as of each such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Pro-Forma Financial Statements. The consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of the most recent fiscal quarter prior to the Closing Date for which financial information is available, prepared on a pro-forma basis in accordance with Regulation S-X giving effect to the consummation of the Transactions, has heretofore been furnished to each Lender as part of the Pre-Commitment Information. Such pro-forma balance sheet has been prepared in good faith by the Borrower, based on the assumptions used to prepare the pro-forma financial information contained in the Pre-Commitment Information (which assumptions are believed by the Borrower on the date hereof and on the Closing Date to be reasonable and fair in light of current conditions and facts known to the Borrower), is based on the best information available to the Borrower as of the date of delivery thereof, accurately reflects all material adjustments required to be made to give effect to the Transactions and presents fairly on a pro-forma basis the estimated consolidated financial position of Holdings and its Consolidated Subsidiaries as of December 31, 2003, assuming that the Transactions had actually occurred on that date. None of Holdings or any of its Subsidiaries has any reason to believe that such pro-forma balance sheet is misleading in any material respect in light of the circumstances existing at the time of the preparation thereof.

(c) Projections. The projections prepared as part of, and included in, the Pre-Commitment Information (which include projected balance sheets, income and cash flow statements on a quarterly basis for the period from the Closing Date through December 31, 2008 and on an annual basis for each of the following two fiscal years) have been prepared on a basis consistent with the financial statements referred to in subsection (a) above and are based on good faith estimates and assumptions believed by management of the Borrower to be reasonable and

fair in light of current conditions and facts known to the Borrower at the time delivered. On the Closing Date, such management believes that such projections are reasonable and attainable, it being recognized by the Lenders, however, that projections as to future events are not to be viewed as facts or guaranties of future performance, that actual results during the period or periods covered by such projections may differ from the projected results and that such differences may be material and that the Credit Parties make no representation that such projections will be in fact be realized. There is no fact known to Holdings or the Borrower or any of their Subsidiaries which could reasonably be expected to have a Material Adverse Effect which has not been disclosed herein or in the Pre-Commitment Information.

(d) No Undisclosed Liabilities. Except as disclosed on Schedule 5.05 hereto or as fully reflected in the financial statements described in subsection (a) and (b) above and the Debt incurred under this Agreement, the Senior Finance Documents and the Junior Debentures Documents, (i) there were as of the Closing Date (and after giving effect to the Debt incurred on such date),

no liabilities or obligations (excluding current obligations and contractual obligations up to [$500,000] in aggregate incurred in the ordinary course of business) with respect to any Group Company of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due and including obligations or liabilities for taxes, long-term leases and unusual forward or other long-term commitments), and (ii) neither Holdings nor the Borrower knows of any basis for the assertion against any Group Company of any such liability or obligation in each case which, either individually or in the aggregate, are or could reasonably be expected to have, a Material Adverse Effect.

(e) Sarbanes-Oxley Act Compliance. To the extent applicable to each Group Company subject thereto, each required form, report and document containing financial statements that has been filed with or submitted to the United States Securities and Exchange Commission since July 31, 2002, was accompanied by the certifications required to be filed or submitted by the chief executive officer and chief financial officer of any Group Company pursuant to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and at the time of filing or submission of each such certification, such certification was true and accurate and complied in all material respects with the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect. No Group Company nor, to the knowledge of Holdings or the Borrower, any director, senior officer, employee, auditor, accountant or authorized representative of any Group Company has received or otherwise had or obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of any Group Company or their respective internal accounting controls, including any complaint, allegation, assertion or claim that any Group Company has engaged in questionable accounting or auditing practices, in each case which if determined to be valid could reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 5.05, to the knowledge of Holdings and the Borrower, no attorney representing any Group Company, whether or not employed by any Group Company, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by any Group Company or any of its officers, directors, employees or agents to the board of directors of any Group Company or any committee thereof or to any director or officer of any Group Company, in each case which if determined to have occurred could reasonably be expected to have a Material Adverse Effect.

SECTION 5.06 NO MATERIAL CHANGE. Since December 31, 2003 there has been no Material Adverse Effect, and no event or development has occurred which could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.07 TITLE TO PROPERTIES; POSSESSION UNDER LEASES. Each Group Company has good insurable and legal fee title to (in the case of owned Real Property), or valid leasehold interests in (in the case of Leaseholds), all its material properties and assets, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted. All such material properties and assets are free and clear of Liens other than Permitted Liens. Each Group Company has complied with all obligations under all leases to which it is a party, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and the violation of which will not result in a Material Adverse Effect, and all such leases are in full force and effect, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and in respect of which the failure to be in full force and effect will not result in a Material Adverse Effect. Each Group Company enjoys peaceful and undisturbed possession under all such leases with respect to which it is the lessee, other than leases that, individually or in the aggregate, are not material to the Group Companies, taken as a whole, and in respect of which the failure to enjoy peaceful and undisturbed possession will not result in a Material Adverse Effect.

SECTION 5.08 LITIGATION. Except as disclosed in Schedule 5.08, there are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of any Credit Party, threatened against or affecting any Group Company in which there is a reasonable possibility of an adverse decision that (i) involve any Subordinated Debenture Document or any of the Transactions or (ii) if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 5.09 TAXES. Except as disclosed in Schedule 5.09 or otherwise permitted by Section 6.05, each Group Company has filed, or caused to be filed, all federal and all material state, local and foreign tax returns) required to be filed and paid (i) all amounts of taxes shown thereon to be due (including interest and penalties) and (ii) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangible taxes) owing by it. No Credit Party knows of any pending investigation of such party by any taxing authority or proposed tax assessments against any Group Company.

SECTION 5.10 COMPLIANCE WITH LAW. Except as disclosed in Schedule 5.10, each Group Company is in compliance with all requirements of Law (including Environmental Laws) applicable to it or to its properties, except for any such failure to comply which could not reasonably be expected to cause a Material Adverse Effect. Except as disclosed in Schedule 5.10, to the knowledge of the Credit Parties, none of the Group Companies or any of their respective material properties or assets is subject to or in default with respect to any judgment, writ, injunction, decree or order of any court or other Governmental Authority which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Except as disclosed in Schedule 5.10, none of the Group Companies has received any written communication from any Governmental Authority that alleges that any of the Group Companies is not in compliance in any material respect with any Law, except for allegations that

have been satisfactorily resolved and are no longer outstanding or which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.11 EMPLOYEE BENEFIT ARRANGEMENTS.

(a) ERISA. Except as disclosed in Schedule 5.11:

(i) Except as could not reasonably be expected to have a Material Adverse Effect, there are no Unfunded Liabilities (A) with respect to any member of the Group Companies and (B) with respect to any ERISA Affiliates; provided that for purposes of this Section 5.11(a)(i)(B) only, Unfunded Liabilities shall mean the amount (if any) by which the projected benefit obligation exceeds the value of the plan's assets as of its last valuation date.

(ii) Each Plan complies in all respects with the applicable requirements of ERISA and the Code, and each Group Company complies in all respects with the applicable requirements of ERISA and the Code with respect to all Multiemployer Plans to which it contributes, except to the extent that the failure to comply therewith would not reasonably be expected to have a Material Adverse Effect.

(iii) Except to the extent that such ERISA Event could not reasonably be expected to have a Material Adverse Effect, no ERISA Event has occurred or, subject to the passage of time, is reasonably expected to occur with respect to any Plan and, except to the extent that such ERISA Event would not reasonably be expected to have a Material Adverse Effect, no ERISA Event has occurred or, subject to the passage of time, is reasonably expected to occur with respect to any Plan maintained or formerly maintained by an ERISA Affiliate.

(iv) No Group Company: (A) is or has been within the last six years a party to any Multiemployer Plan; or (B) has completely or partially withdrawn from any Multiemployer Plan, except to the extent that the participation in or withdrawal from such Multiemployer Plan could not reasonably be expected to have a Material Adverse Effect.

(v) If any Group Company or any ERISA Affiliate incurred or were to incur a complete or partial withdrawal (as described in Section 4203 of ERISA) from any Multiemployer Plan as of the Closing Date, the aggregate withdrawal liability, as determined under Section 4201 of ERISA, with respect to all such Multiemployer Plans would not exceed an amount that could reasonably be expected to have a Material Adverse Effect.

(vi) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which taxes could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code, for which an exemption under ERISA does not apply.

(vii) Except as could not reasonably be expected to have a Material Adverse Effect, no Group Company or, to the knowledge of any Group Company, any

ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

(viii) Foreign Pension Plans. No Group Company has any material liability in connection with or arising from a Foreign Pension Plan.

(b) Employee Benefit Arrangements.

(i) All liabilities under the Employee Benefit Arrangements are (A) funded to at least the minimum level required by law or, if higher, to the level required by the terms governing the Employee Benefit Arrangements, (B) insured with a reputable insurance company, (C) provided for or recognized in the financial statements most recently delivered to the Lenders pursuant to Section 6.01(d) hereof or (D) estimated in the formal notes to the financial statements most recently delivered to the Lenders pursuant to Section 6.01(a) hereof where such failure to fund, insure, provide for, recognize or estimate the liabilities arising under such arrangements could reasonably be expected to have a Material Adverse Effect.

(ii) There are no circumstances which may give rise to a liability in relation to the Employee Benefit Arrangements which are not funded, insured, provided for, recognized or estimated in the manner described in clause (i) above and which could reasonably be expected to have a Material Adverse Effect.

(iii) Each Group Company is in material compliance with all applicable Laws, trust documentation and contracts relating to the Employee Benefit Arrangements.

(iv) Except as set forth on Schedule 5.11, the execution and delivery of the Acquisition Agreement and the consummation of the transactions contemplated thereby (i) does not require any Group Company to make any contributions (including accelerating the timing of contributions) in respect of the Hillman Companies Inc. Non-Qualified Deferred Compensation Plan and (ii) does not otherwise increase the liability of any Group Company under such plan.

SECTION 5.12 SUBSIDIARIES. Schedule 5.12 sets forth a complete and accurate list as of the Closing Date of all Subsidiaries of Holdings. Schedule 5.12 sets forth as of the Closing Date the jurisdiction of formation of each such Subsidiary, whether each such Subsidiary is a Subsidiary Guarantor, the number of authorized shares of each class of Equity Interests of each such Subsidiary, the number of outstanding shares of each class of Equity Interests, the number and percentage of outstanding shares of each class of Equity Interests of each such Subsidiary owned (directly or indirectly) by any Person and the number and effect, if exercised, of all Equity Equivalents with respect to Capital Stock of each such Subsidiary. All the outstanding Equity Interests of each Subsidiary of Holdings are validly issued, fully paid and non-assessable and were not issued in violation of the preemptive rights of any shareholder and, as of the Closing Date, are owned by Holdings, directly or indirectly, free and clear of all Liens (other than those arising under the Collateral Documents). Other than as set forth on Schedule 5.12, as of the Closing Date, no such Subsidiary has outstanding any Equity Equivalents nor does any

such Person have outstanding any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its Equity Interests. Holdings has no Subsidiaries, other than Intermediate Holdings, the Borrower and its Subsidiaries.

SECTION 5.13 GOVERNMENTAL REGULATIONS, ETC.

(a) None of Holdings and its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U. No part of the proceeds of the Loan will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U. If requested by any Lender, the Borrower will furnish to each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loan was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of Holdings and its Consolidated Subsidiaries. None of the transactions contemplated by this Agreement (including the direct or indirect use of the proceeds of the Loan) will violate or result in a violation of the Securities Act, the Exchange Act, or Regulation T, U or X.

(b) None of the Group Companies is subject to regulation under the Public Utility Holdings Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, none of the Group Companies is (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, (ii) controlled by such a company, or (iii) a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holdings Act of 1934, as

amended.

SECTION 5.14 PURPOSE OF LOAN. The proceeds of the Loan made on the Closing Date will be used solely to cancel the Cancelled Shares in accordance with the Acquisition Agreement.

SECTION 5.15 LABOR MATTERS. There are no strikes against Holdings or any of its Subsidiaries, other than any strikes that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The hours worked and payments made to employees of Holdings and its Subsidiaries have not been in violation in any material respect of the Fair Labor Standards Act or any other applicable Law dealing with such matters, except to the extent any such violation or violations, could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All payments due from Holdings or any of its Subsidiaries, or for which any claim may be made against Holdings or any of its Subsidiaries, on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of the Borrower and its Subsidiaries, as applicable. The consummation of the Transactions will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings or any of its Subsidiaries is a party or by which Holdings or any of its Subsidiaries (or

any predecessor) is bound, other than collective bargaining agreements which, individually or in the aggregate, are not material to Holdings and its Subsidiaries taken as a whole.

SECTION 5.16 ENVIRONMENTAL MATTERS. Except as disclosed on Schedule 5.16, no Group Company has failed to comply with any Environmental Law or to obtain, maintain, or comply with any permit, license or other approval required under any Environmental Law or is subject to any Environmental Liability which, in any of the foregoing cases, individually or collectively, could reasonably be expected to result in a Material Adverse Effect, or has received notice of any claim with respect to any Environmental Liability, or knows of any basis for any Environmental Liability against any Group Company, in either case which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

SECTION 5.17 INTELLECTUAL PROPERTY. (a) Part A of Schedule 5.17 (as such schedule may be amended or supplemented from time to time) sets forth a true and complete list of (i) all United States and foreign registrations of and applications for Patents, Trademarks, domain names and Copyrights owned by Holdings and its domestic Subsidiaries and all material United States and foreign registrations of and applications for Patents, Trademarks, domain names and Copyrights owned by Foreign Subsidiaries of Holdings, and (ii) all Licenses material to the business of the Borrower and its Subsidiaries.

(b) Holdings and its Subsidiaries own, or possess the right to use, all of the Trademarks, service marks, trade names, Copyrights, Patents, Patent rights, franchises, Licenses and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except to the extent the failure to own or possess the right to use any such Intellectual Property could not reasonably be expected to have a Material Adverse Effect.

(c) To the best knowledge of Holdings and the Borrower, no Trademark, slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person, except to the extent any such infringement, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(d) Holdings, the Borrower and their Subsidiaries have taken all action to maintain and preserve their rights in the Intellectual Property owned by Holdings, the Borrower and their Subsidiaries, including without limitation paying all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Intellectual Property in full force and effect, except to the extent such action or proceeding would not have a Material Adverse Effect.

(e) The Intellectual Property material to the business of Holdings, the Borrower and their Subsidiaries is valid and enforceable in all material respects, and no holding, decision, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity of Holdings or the Borrower's or their Subsidiaries' right to register, or Holdings or the Borrower's or their Subsidiaries' rights to own or use any Intellectual Property, and no such action or proceeding is pending or, to Holdings or

the Borrower's and their Subsidiaries' knowledge, threatened, except as disclosed in Part E of Schedule 5.17 or except to the extent the failure to do so would not have a Material Adverse Effect.

(f) All registrations and applications for Copyrights, Patents and Trademarks are standing in the name of the Borrower or one of its Subsidiaries, and no material Intellectual Property has been licensed by Holdings, the Borrower or their Subsidiaries to any third party, except in the ordinary course of business (such Licenses in effect on the Closing Date being as disclosed in Part F of Schedule 5.17).

SECTION 5.18 SOLVENCY. Each of Holdings and its Consolidated Subsidiaries (on a consolidated basis) and the Borrower and its Consolidated Subsidiaries (on a consolidated basis) is and, after consummation of the Transactions, will be Solvent.

SECTION 5.19 DISCLOSURE. No information, or data (excluding financial projections, budgets, estimates and general market data) made by any Credit Party in any Subordinated Debenture Document or furnished to the Lenders by or on behalf of any Credit Party in connection with any Subordinated Debenture Document, when taken as a whole as of the date furnished contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not materially misleading in light of the circumstances under which such statements were made; provided that (i) to the extent any such statement, information or report therein was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized assumptions believed by it to be reasonable at the time made (it being understood and agreed that projections as to future events are not to be viewed as facts or guaranties of future performance, that actual results during the period or periods covered by such projections may differ from the projects results and that such differences may be material and that the Credit Parties make no representation that such representations will in fact be realized) and (ii) as to statements, information and reports specified as having been supplied by third parties, other than Affiliates of the Borrower or any of its Subsidiaries, the Borrower represents only that it is not aware of any material misstatement or omission therein.

SECTION 5.20 [INTENTIONALLY OMITTED].

SECTION 5.21 OWNERSHIP.

(a) Securities of the Borrower. Intermediate Holdings owns good, valid and insurable legal title to all the outstanding common stock of the Borrower, free and clear of all Liens of every kind, whether absolute, matured, contingent or otherwise, other than those arising under the Collateral Documents. Except as set forth on Schedule 5.21, there are no shareholder agreements or other agreements pertaining to Intermediate Holdings' beneficial ownership of the common stock of the Borrower, including any agreement that would restrict Intermediate Holdings' right to dispose of such common stock and/or its right to vote such common stock.

(b) Holdings Equity Interests. Schedule 5.21 sets forth a true and accurate list as of the Closing Date of each holder of any Equity Interest or Equity Equivalent of Holdings, indicating the name of each such holder and the Equity Interest or Equity Equivalent held by

each such Person. Except as set forth on Schedule 5.21, as of the Closing Date, there are no shareholders agreements or other agreements pertaining to the Investor Group's beneficial ownership of the common stock of Holdings, including any agreement that would restrict the Investor Group's right to dispose of such common Equity Interests and/or its right to vote such common Equity Interests.

SECTION 5.22 CERTAIN TRANSACTIONS.

(a) Acquisition Agreement. On the Closing Date, (i) the Acquisition Agreement has not been amended or modified, nor has any material condition thereof been waived by Holdings or the Borrower, (ii) all conditions to the obligations of Holdings and the Borrower to consummate the transactions contemplated by the Acquisition Agreement have been satisfied or waived in accordance with Section 4.01(h), (iii) all funds advanced on the Closing Date by the Lenders have been used in accordance with Section 5.14 and (iv) the transactions contemplated by the Acquisition Agreement have been consummated in accordance with the Acquisition Agreement in all material respects and all applicable requirements of Law.

(b) Senior Debt and Junior Debentures. On the Closing Date, (i) neither the Senior Finance Documents nor the Junior Debentures Documents have been amended or modified, (ii) nor has any condition thereof been waived by the Borrower in a manner adverse in any material respect to the rights or interests of the Lenders, and (iii) all funds advanced by the Senior Lenders, have been

used to consummate the transactions contemplated by the Acquisition Agreement.

(c) No Broker's Fees. Except as disclosed on Schedule 5.22, no broker's or finder's fee or commission will be payable with respect to this Agreement or any of the transactions contemplated hereby as a result of any action by or on behalf of the Borrower or their Affiliates, and each of Holdings and the Borrower hereby indemnifies each Lender against, and agrees that it will hold each Lender harmless from, any claim, demand or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable fees, expenses and disbursements of counsel) arising in connection with any such claim, demand or liability.

ARTICLE VI
AFFIRMATIVE COVENANTS

Each of Holdings, Intermediate Holdings and the Borrower agrees that so long as any Obligation or other amount payable hereunder or under any Subordinated Debenture or other Subordinated Debenture Document (in each case other than contingent indemnification obligations) remains unpaid:

SECTION 6.01 INFORMATION. The Borrower will furnish, or cause to be furnished, to each of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet and income statement of Holdings and its Consolidated Subsidiaries, as of the end of such fiscal year, and the related consolidated statement of operations and retained earnings and consolidated

statement of cash flows for such fiscal year, setting forth in comparative form consolidated figures for the preceding fiscal year and corresponding figures from the annual forecast, all such financial statements to be in reasonable form and detail and (in the case of such consolidated financial statements) audited by independent certified public accountants of recognized national standing reasonably acceptable to Allied Capital and accompanied by an opinion of such accountants (which shall not be qualified or limited in any material respect) to the effect that such consolidated financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated Subsidiaries in accordance with GAAP consistently applied (except for changes with which such accountants concur) and accompanied by a written statement by the accountants reporting on compliance with this Agreement to the effect that in the course of the audit upon which their opinion on such financial statements was based (but without any special or additional audit procedures for the purpose), they obtained knowledge of no condition or event relating to financial matters which constitutes a Default or an Event of Default or, if such accountants shall have obtained in the course of such audit knowledge of any such Default or Event of Default, disclosing in such written statement the nature and period of existence thereof, it being understood that such accountants shall be under no liability, directly or indirectly, to the Lenders for failure to obtain knowledge of any such condition or event.

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the end of each of the first three fiscal quarters in each fiscal year of the Borrower, a consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of such fiscal quarter, together with related consolidated statement of operations and retained earnings and consolidated statement of cash flows for such fiscal quarter and the then elapsed portion of such fiscal year, setting forth in comparative form consolidated figures for the corresponding periods of the preceding fiscal year and the annual forecast, all such financial statements to be in form and detail and reasonably acceptable to the Lenders, and accompanied by a certificate of the chief financial officer of the Borrower to the effect that such quarterly financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated Subsidiaries in accordance with GAAP consistently applied, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes required by GAAP.

(c) Monthly Financial Statements. As soon as available, and in any event within 30 days after the end of each month in each fiscal year of the Borrower, a consolidated balance sheet of Holdings and its Consolidated Subsidiaries as of the end of such month, together with related consolidated statement of operations and retained earnings and consolidated statement of cash flows for such month and the then elapsed portion of such fiscal year, setting forth in comparative form consolidated figures for the corresponding periods of the preceding fiscal year and the annual forecast, all such financial statements to be in form and detail and reasonably acceptable to the Lenders, and accompanied by a certificate of the chief financial officer of the Borrower to

the effect that such monthly financial statements have been prepared in accordance with GAAP and present fairly in all material respects the consolidated financial position and consolidated results of operations and cash flows of Holdings and its Consolidated

Subsidiaries in accordance with GAAP consistently applied, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes required by GAAP.

(d) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 6.01(a) and 6.01(b) above, a certificate of the chief financial officer or other appropriate Responsible Officer of the Borrower (i) demonstrating compliance with the financial covenants contained in Section 7.17 by calculation thereof as of the end of the fiscal period covered by such financial statements, (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower and the other Credit Parties propose to take with respect thereto and (iii) stating whether, since the date of the most recent financial statements delivered hereunder, there has been any material change in the GAAP applied in the preparation of the financial statements of Holdings and its Consolidated Subsidiaries, and, if so, describing such change.

(e) Annual Business Plan and Budgets. No later than 90 days after the end of each fiscal year of the Borrower, beginning with the delivery of the business plan and budget for the fiscal year ending December 31, 2005 within 90 days of the end of the fiscal year ending December 31, 2004, an annual business plan and budget of Holdings and its Consolidated Subsidiaries containing, among other things, projected financial statements for the then-current fiscal year.

(f) Auditor's Reports. Within five Business Days of receipt thereof, a copy of any other final report or "management letter" submitted by independent accountants to Holdings, the Borrower or any of their respective Subsidiaries in connection with any annual, interim or special audit of the books of Holdings, the Borrower or any of their respective Subsidiaries.

(g) Reports. Promptly upon transmission or receipt thereof, copies of all filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports any Group Company shall send to its shareholders generally or to a holder of Junior Debentures or holders of any other Debt (excluding the Senior Debt and Capital Leases) owed by any Group Company where the outstanding principal and interest in respect of such other Debt exceeds $5,000,000 in their capacity as such a holder.

(h) Notices. Prompt notice of: (i) the occurrence of any Default or Event of Default; (ii) any matter that has resulted or may result in a Material Adverse Effect, including (A) breach or non-performance of, or any default under, any material agreement of Holdings or any of its Subsidiaries; (B) any dispute, litigation, investigation, proceeding or suspension between Holdings or any of its Subsidiaries and any Governmental Authority; (C) the commencement of, or any material adverse development in, any litigation or proceeding affecting Holdings or any of its Subsidiaries, including pursuant to any applicable Environmental Law; (D) any litigation, investigation or proceeding affecting any Credit Party in which the amount involved exceeds $5,000,000, or in which injunctive relief or similar relief is sought, which relief, if granted, could be reasonably expected to have a Material Adverse Effect; and (E) any material change in accounting policies or financial reporting practice by Holdings or any of its Subsidiaries. Each notice pursuant to this Section 6.01(i) shall (i) be accompanied by a

statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or any other Credit Party has taken and proposes to take with respect thereto and (ii) describe with particularity any and all provisions of this Agreement or the other Subordinated Debenture Documents that have been breached.

(i) Employee Benefits Arrangements. (i) The Borrower will give written notice to the Lenders promptly (and in any event within five Business Days after any officer of any Group Company obtains knowledge thereof) of: (A) any event or condition that constitutes, or is reasonably likely to lead to, an ERISA Event; (B) any change in the funding status of any Plan that could reasonably be expected to have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by the chief financial officer of the Borrower briefly setting forth the details regarding such event, condition or notice and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower and the other Credit Parties with respect thereto; or (C) any event or condition that constitutes, or is reasonably likely to lead to, an event described in Section 8.01(h)(iii)-(viii). Promptly upon request, the Borrower shall furnish

the Lenders with such additional information concerning any Plan or Employee Benefit Arrangement as may be reasonably requested, including, but not limited to, with respect to any Plans, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA) of each Plan; and (ii) the Borrower will (A) promptly deliver to the Lenders the most recently prepared actuarial reports in relation to the Employee Benefit Arrangements for the time being operated by Group Companies which are prepared in order to comply with the then current statutory or auditing requirements within the relevant jurisdiction.

(j) Domestication in Other Jurisdiction. Not less than 20 days prior to any change in the jurisdiction of organization of any Credit Party, a copy of all documents and certificates intended to be filed or otherwise executed to effect such change.

(k) Other Information. With reasonable promptness upon request therefor, such other information regarding the business, properties or financial condition of any Group Company as any Lender may reasonably request, which may include such information as any Lender may reasonably determine is necessary or advisable to enable it either (i) to comply with the policies and procedures adopted by it and its Affiliates to comply with the Bank Secrecy Act, the U.S. Patriot Act and all applicable regulations thereunder or (ii) to respond to requests for information concerning Holdings and its Subsidiaries from any government, self-regulatory organization or financial institution in connection with its anti-money laundering and anti-terrorism regulatory requirements or its compliance procedures under the U.S. Patriot Act, including in each case information concerning the Borrower's direct and indirect shareholders and its use of the proceeds of the Loan hereunder.

SECTION 6.02 PRESERVATION OF EXISTENCE AND FRANCHISES. Except as a result of or in connection with a dissolution, merger or disposition of a Subsidiary of the Borrower permitted under Section 7.04 or Section 7.05, each Group Company will do all things necessary to preserve and keep in full force and effect its legal existence and do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights,

licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its business and to maintain and operate such business in substantially the manner in which it is presently conducted and operated; provided, however, that neither Holdings nor any of its Subsidiaries shall be required to preserve any such rights, licenses, permits, franchises, authorizations or Intellectual Property if the preservation thereof is no longer desirable in the conduct of the business of the Borrower and its Subsidiaries or the loss thereof could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.03 BOOKS AND RECORDS; LENDER MEETING. Each of the Group Companies will keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves). The Borrower will permit the Lenders to attend the lender meeting described in Section 6.03 of the Senior Credit Agreement. In the event, however, that the Senior Lenders prohibit the Lenders from attending such meeting, then at the request of the Lenders, within 110 days after the end of each fiscal year of the Borrower, the Borrower will conduct a meeting (which may be by telephone) of the Lenders to discuss such fiscal year's results and the financial condition of Holdings and its Consolidated Subsidiaries. Such meetings shall be held at times and places convenient to the Lenders and to the Borrower.

SECTION 6.04 COMPLIANCE WITH LAW; EMPLOYEE BENEFIT ARRANGEMENTS. Each of the Group Companies will comply with all requirements of Law applicable to it and its properties to the extent that noncompliance with any such requirement of Law could reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, each of the Group Companies will do each of the following as it relates to any Plan, Foreign Pension Plan or Employee Benefit Arrangement, except to the extent that failure to do any of the following could not reasonably be expected to have a Material Adverse Effect: (i) maintain each Plan, Foreign Pension Plan and Employee Benefit Arrangement in compliance in all material respects with the applicable provisions of ERISA, the Code or other Federal, state or foreign law; (ii) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualifications; (iii) make all required contributions to any Plan subject to Section 412 of the Code and make all required contributions to Multiemployer Plans; (iv) ensure that there are no Unfunded Liabilities in excess of an amount that could reasonably be expected to have a Material Adverse Effect; (v) except for the obligations set forth on Schedule 5.11, not become a party to any Multiemployer Plan; (vi) make all contributions (including any special payments to amortize any Unfunded Liabilities) required to be made in accordance with all applicable laws and the terms of each Foreign Pension Plan in a timely manner; (vii) ensure that all liabilities under the Employee Benefit Arrangements are

either (A) funded to at least the minimum level required by Law or, if higher, to the level required by the terms governing the Employee Benefit Arrangements; (B) insured with a reputable insurance company; (C) provided for or recognized in the accounts most recently delivered to the Lenders under Section 6.01(d); or (D) estimated in the formal notes to the accounts most recently delivered to the Lenders under Section 6.01(a); (viii) ensure that the contributions or premium payments to or in respect of all Employee Benefit Arrangements are and continue to be promptly paid at no less than the rates required under the rules of such arrangements and in accordance with the most recent actuarial advice received in relation to the Employee Benefit Arrangement and generally in accordance with applicable law; and (ix) shall use its reasonable efforts to cause each ERISA Affiliates to do each of the items

listed in clauses (i) through (iv) above as it relates to Plans maintained by or contributed to by such ERISA Affiliate.

SECTION 6.05 PAYMENT OF TAXES. Each of the Group Companies will pay and discharge (i) all taxes, assessments and other governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (ii) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien (other than a Permitted Lien) upon any of its properties; provided, however, that no Group Company shall be required to pay any such tax, assessment, charge, levy or claim (i) which is being contested in good faith by appropriate proceedings diligently pursued and as to which adequate reserves have been established in accordance with GAAP, (ii) in respect of immaterial, state, local or foreign taxes, or (iii) unless the failure to make any such payment (A) could give rise to an immediate right to foreclose on a Lien securing such amounts (unless proceedings thereto conclusively operate to stay such foreclosure) or (B) could reasonably be expected to have a Material Adverse Effect.

SECTION 6.06 INSURANCE; CERTAIN PROCEEDS.

(a) Insurance Policies. Each of the Group Companies will at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance or casualty insurance) in such amounts, covering such risk and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice or otherwise consistent with past practice of the Group Companies or prudent in the reasonable business judgment of the senior management of the Borrower. Each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Lenders, that it will give the Lenders 30 days' prior written notice before any such policy or policies shall be altered or canceled.

(b) Loss Events. In case of any Casualty or Condemnation with respect to any property of any Group Company or any part thereof in excess of $1,150,000, the Borrower shall promptly give written notice thereof to the Lenders generally describing the nature and extent of such damage, destruction or taking. The Borrower shall, or shall cause such Group Company to, repair, restore or replace the property of such Person (or part thereof) which was subject to such Casualty or Condemnation, at such Person's cost and expense, whether or not the Insurance Proceeds or Condemnation Award, if any, received on account of such event shall be sufficient for that purpose; provided, however, that such property need not be repaired, restored or replaced to the extent the failure to make such repair, restoration or replacement (i) is desirable to the proper conduct of the business of such Person in the ordinary course and otherwise in the best interest of such Person or (ii) the failure to repair, restore or replace the property is attributable to the contemplated application of the Insurance Proceeds from such Casualty or the Condemnation Award from such Condemnation to the acquisition of other tangible assets used or useful in the business of the Borrower and its Subsidiaries as contemplated in the definition of "Reinvestment Funds" in Section 1.01 or to payment of the Senior Debt or the Obligations.

SECTION 6.07 MAINTENANCE OF PROPERTY. Each of the Group Companies will maintain and preserve its properties and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and Casualty and Condemnation

excepted, and will make, or cause to be made, as to such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper in the reasonable good faith business judgment of the Responsible Officers of such Group Companies.

SECTION 6.08 USE OF PROCEEDS. The Borrower will use the proceeds of the Loan solely for the purposes set forth in Section 5.14.

SECTION 6.09 AUDITS/INSPECTIONS. At any time within 12 months of any Default or Event of Default, upon reasonable notice and during normal business hours, each of the Group Companies will permit representatives appointed by the Lenders to visit and inspect its executive offices and/or manufacturing facilities and, following the occurrence and during the continuance of any Event of Default, any of its properties, and to review and inspect its books and records, accounts receivable and inventory, and to make photocopies or photographs thereof and to write down and record any information such representatives obtain and shall permit the Lenders or such representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees, independent accountants and representatives of the Group Companies, in each case so long as a Responsible Officer has been given the opportunity to be present; provided, however, that the Group Companies shall not be obligated to reimburse the expenses of more than two representatives of the Lenders in the aggregate.

SECTION 6.10 ADDITIONAL CREDIT PARTIES. Each of Holdings and the Borrower will take, and will cause each of its Subsidiaries (other than Foreign Subsidiaries) to take, such actions from time to time as shall be necessary to ensure that all Subsidiaries of Holdings (other than the Borrower and Foreign Subsidiaries) are Subsidiary Guarantors. Without limiting the generality of the foregoing, if any Group Company shall form or acquire any new Subsidiary, the Borrower, as soon as practicable and in any event within 30 days after such formation or acquisition, will provide the Lenders with notice of such formation or acquisition setting forth in reasonable detail a description of all of the assets of such new Subsidiary and will cause such new Subsidiary (other than a Foreign Subsidiary) to:

(a) within 30 days after such formation or acquisition, execute an Accession Agreement pursuant to which such new Subsidiary shall agree to become a "Guarantor" under the Guaranty; and

(b) deliver such proof of organizational authority, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Credit Party pursuant to Section 4.01 on the Closing Date or as the Lenders reasonably shall have requested.

SECTION 6.11 [INTENTIONALLY OMITTED].

SECTION 6.12 CONTRIBUTIONS. Within three Business Days following its receipt thereof, Holdings will contribute as a common equity contribution to the capital of Intermediate Holdings which will then contribute an equal amount to the capital of the Borrower, any cash proceeds received by Holdings after the Closing Date from any Asset Disposition, Casualty,

Condemnation, Debt Issuance or Equity Issuance or any cash capital contributions received by Holdings after the Closing Date (less any Restricted Payments permitted under Section 7.07 and made in connection with such Asset Disposition, Casualty, Condemnation, Debt Issuance, Equity Issuance or cash capital contribution).

SECTION 6.13 OBSERVATION RIGHTS.

(a) The board of directors of Holdings shall hold a general meeting (which may be held by conference call) at least semi-annually for the purpose of discussing the business and operations of Holdings and its Subsidiaries. Holdings shall notify each of the Lenders in writing of the date and time for each general or special meeting of its board of directors or of the adoption of any resolutions by written consent (describing in reasonable detail the nature and substance of such action) at the time notice is provided to the directors of any such meeting or adoption of such resolutions and concurrently deliver to each Lender any materials delivered to the directors (other than materials directly related to matters described in clauses (i) through (iii) of paragraph (b) below), including a draft of any resolutions proposed to be adopted by written consent.

(b) Holdings shall permit one authorized representative of the holders of a majority of the principal amount of the Subordinated Debentures to attend and participate in all meetings of its board of directors, whether in person, by telephone or otherwise, and shall provide such representative with such notice and other information with respect to such meetings as are delivered to the directors of Holdings; provided that Holdings shall have the right to exclude such representative from any portion of a meeting containing any discussion which is (i) subject to attorney-client privilege, (ii) relating to the Subordinated Debentures or (iii) relating to indemnification, purchase price adjustments or the exercise of rights under the Acquisition Agreement. The Borrower shall pay such representative's reasonable out-of-pocket expenses (including, without limitation, the cost of airfare, meals and lodging) in connection with the attendance of such meetings.

ARTICLE VII

NEGATIVE COVENANTS

Each of Holdings, Intermediate Holdings and the Borrower agrees that so long as any Obligation or other amount payable hereunder or under any Subordinated Debenture or other Subordinated Debenture Document (in each case other than contingent indemnification obligations) remains unpaid:

SECTION 7.01 LIMITATION ON DEBT.

(a) None of the Group Companies will incur, create, assume or permit to exist any Debt, Derivatives Obligations or Synthetic Lease Obligations except:

(i) Debt of the Credit Parties under this Agreement and the other Subordinated Debenture Documents;

(ii) (A) Senior Debt and (B) Debt arising under the Junior Debentures Indenture and the Junior Debentures (but with respect to this clause (B) not including any renewal, refinancing or extension thereof);

(iii) Capital Lease Obligations and Purchase Money Debt of the Borrower and its Subsidiaries incurred after the Closing Date to finance Capital Expenditures permitted by Section 7.14; provided that (A) the aggregate amount of all such Debt (together with refinancing thereof permitted by clause (v) below) does not exceed $11,500,000 at any time outstanding, (B) the aggregate amount of all such Debt consisting of Capital Lease Obligations (together with refinancing thereof permitted by clause (v) below) does not exceed $8,625,000 at any time outstanding, (C) the Debt when incurred shall not be more than 100% of the lesser of the cost or fair market value as of the time of acquisition of the asset financed, (D) such Debt is issued and any Liens securing such Debt are created concurrently with, or within 120 days after, the acquisition of the asset financed and (E) no Lien securing such Debt shall extend to or cover any property or asset of any Group Company other than the asset so financed;

(iv) Debt of the Borrower or its Subsidiaries secured by Liens permitted by clauses (xi), (xii) and (xiii) of Section 7.02 or any other unsecured Subordinated Debt acquired or assumed in a Permitted Business Acquisition or in connection with the acquisition of assets; provided that (A) the aggregate principal amount of all Debt incurred or assumed pursuant to this clause (iv) (together with refinancings thereof permitted by clause (v) below) shall not exceed in the aggregate, together with all Debt incurred pursuant to clause (xi) below, $46,000,000 at any time outstanding, and (B) such Debt was not incurred in connection with, or in anticipation of, the events described in such clauses;

(v) Debt (A) of the Borrower representing a refinancing, replacement or refunding of the Senior Debt of the Borrower permitted by clause (ii) above, (B) of Holdings representing a refinancing, replacement or refunding of the Junior Debentures and Junior Debentures Indenture permitted by clause (ii) above, provided that the Lenders shall have given their prior written consent to such refinancing, replacement or refunding of Junior Debentures, which consent shall not be unreasonably withheld or delayed, or (C) of the Borrower or its Subsidiaries representing a refinancing, replacement or refunding of Debt permitted by clause (iii) or (iv) above, provided in each case that (A) such Debt (the "Refinancing Debt") is an original aggregate principal amount not greater than the aggregate principal amount of, and unpaid interest on, the Debt being refinanced, replaced or refunded plus the amount of any premiums required to be paid thereon and fees and expense associated therewith, (B) such Refinancing Debt has a later or equal final maturity and a larger or equal weighted average life than the Debt being refinanced, replaced or refunded, (C) if the Debt being refinanced, replaced or refunded is subordinated to the Obligations, such Refinancing Debt is subordinated to the Obligations on terms no less favorable to the Lenders than the terms of the Debt being refinanced, replaced or refunded, (D) the covenants, events of default and any Guaranty Obligations in respect thereof shall be no less favorable to the Lenders than those contained in the Debt being refinanced, replaced or refunded and (E) at the time of, and

after giving effect to, such refinancing, replacement or refunding, no Default or Event of Default shall have occurred and be continuing;

(vi) Derivatives Obligations of the Borrower or any Subsidiary under Derivatives Agreements to the extent entered into after the Closing Date in compliance with Section 6.11 of the Senior Credit Agreement or to manage interest rate or foreign currency exchange rate risks and not for speculative purposes;

(vii) Debt owed to any Person providing property, casualty, liability or other insurance to the Borrower or any Subsidiary of the Borrower, so long as such Debt shall not be in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Debt is incurred and such Debt shall be outstanding only during such year;

(viii) Debt consisting of Guaranty Obligations (A) by Holdings and Intermediate Holdings in respect of Debt incurred by the Borrower under the Subordinated Debentures or otherwise permitted to be incurred by the Borrower or any of its subsidiaries, provided, however, that all such Guaranty Obligations by Holdings and Intermediate Holdings shall be unsecured, (B) by Holdings in respect of Debt incurred by Hillman Group Capital Trust under the Trust Preferred Securities, (C) by the Borrower in respect of Debt permitted to be incurred by the Subsidiaries of the Borrower and (D) by Subsidiaries of the Borrower of Debt permitted to be incurred by the Borrower or Subsidiaries of the Borrower;

(ix) (A) Debt owing to the Borrower or a Subsidiary of the Borrower to the extent permitted by Section 7.06(a)(ix), (x), (xi) or (xxi) and (B) Debt owing by the Borrower to Holdings or Intermediate Holdings to the extent permitted by (x) Section 7.06(a)(xi) or (y) incurred in connection with tax planning, provided that in the case of (y) the Lenders shall have given their prior consent not to be unreasonably withheld;

(x) contingent liabilities in respect of any indemnification, adjustment of purchase price, earn-out, incentive, non-compete, consulting, deferred compensation and similar obligations of Holdings and its Subsidiaries incurred in connection with the Acquisition and Permitted Business Acquisitions;

(xi) unsecured Subordinated Debt of the Borrower or any of its Subsidiaries that is issued to a seller of assets or a Person the subject of a Permitted Business Acquisition or that is otherwise incurred to fund consideration payable in a Permitted Business Acquisition (and for no other purpose) in a transaction permitted by this Agreement in an aggregate principal amount at any one time outstanding not exceeding $46,000,000;

(xii) unsecured Debt of Holdings or Intermediate Holdings representing the obligation of Holdings or Intermediate Holdings to make payments with respect to the cancellation or repurchase of certain Equity Interests of officers, employees or directors (or their estates) of Holdings and its Subsidiaries, to the extent permitted by Section 7.07(iii);

(xiii) contingent liabilities in respect of any indemnification, adjustment of purchase price, earn-out, incentive, non-compete, consulting, deferred compensation and similar obligations of Holdings and its Subsidiaries incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than Guaranty Obligations in respect of Debt of any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(xiv) Debt in respect of performance bonds, bid bonds, appeal bonds, surety bonds and completion guarantees and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(xv) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that (A) such Debt (other than credit or purchase cards) is extinguished within three Business Days of its incurrence and (B) such Debt in respect of credit or purchase cards in extinguished within 60 days from its incurrence;

(xvi) accrual of interest on Debt otherwise permitted under this Section 7.01, accretion or amortization of original issue discount with respect to Debt otherwise permitted under this Section 7.01 and/or Debt incurred as a result of payment of interest in kind on Debt otherwise permitted under this Section 7.01;

(xvii) Debt or Synthetic Lease Obligations of the Borrower and its Subsidiaries not otherwise permitted by this Section 7.01 incurred after the Closing Date in an aggregate principal amount not to exceed $11,500,000 at any time outstanding; provided that no Default or Event of Default shall have occurred and be continuing immediately before and

immediately after giving effect to such incurrence; and

(xviii) Debt of Foreign Subsidiaries of the Borrower organized and operating in Canada or Mexico incurred after the Closing Date in an aggregate principal amount not to exceed $1,150,000 at any time outstanding.

(b) Notwithstanding any provision to the contrary contained herein, none of the Group Companies shall incur any Debt that is expressly subordinate or junior in right of payment to any Senior Debt unless such Debt by its terms is subordinated to the Subordinated Debentures and the Guarantees of the Guarantors, in each case on terms acceptable to the Lenders.

SECTION 7.02 RESTRICTION ON LIENS. None of the Group Companies will create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any Person, including any Subsidiary of Holdings) now owned or hereafter acquired by it or on any income or rights in respect of any thereof, except Liens described in any of the following clauses (collectively, "Permitted Liens"):

(i) Liens securing the Senior Debt;

(ii) Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) for taxes (including outstanding Chapter 11 taxes), assessments or governmental charges or levies not yet more than 30 days overdue or not required to be paid pursuant to Section 6.05;

(iii) Liens securing the charges, claims, demands or levies of landlords, carriers, warehousemen, mechanics, sellers of goods, carriers and other like persons which were incurred in the ordinary course of business and which (A) secure charges, claims, demands, or levies which are not more than 30 days overdue or not required to be paid pursuant to Section 6.05 or (B) do not, individually or in the aggregate, materially detract from the value of the property or assets which are the subject of such Lien or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (c) which are being contested in good faith by appropriate proceedings diligently pursued, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to such Lien;

(iv) Liens arising from judgments, decrees or attachments (or securing of appeal bonds with respect thereto) in circumstances not constituting an Event of Default under Section 8.01; provided that no cash or other property (other than proceeds of insurance payable by reason of such judgments, decrees or attachments) the fair value of which exceeds $5,750,000 is deposited or delivered to secure any such judgment, decree or award, or any appeal bond in respect thereof;

(v) Liens (other than any Liens imposed by ERISA or pursuant to any Environmental Law) not securing Debt or Derivatives Obligations incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security and other similar obligations incurred in the ordinary course of business;

(vi) Liens (including pledges or deposits) securing obligations in respect of surety bonds (other than appeal bonds), bids, trade contracts, public or statutory obligations, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business;

(vii) pledges or deposits of cash and Cash Equivalents securing deductibles, self-insurance, co-payment, co-insurance, retentions and similar obligations to providers of insurance on the ordinary cause of business;

(viii) zoning restrictions, building codes, easements, rights of way, licenses, reservations, covenants, conditions, waivers, restrictions on the use of property or other minor encumbrances or irregularities of title not securing Debt or Derivatives Obligations which do not, individually or in the aggregate, materially impair the use of any property in the operation or business of Holdings or any of its Subsidiaries or the value of such property for the purpose of such business;

(ix) Permitted Encumbrances;

(x) Liens securing Capital Lease Obligations and Purchase Money Debt permitted to be incurred under Section 7.01(iii) and Liens

securing Debt of Foreign Subsidiaries permitted under Section 7.01(xviii);

(xi) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such event;

(xii) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Subsidiary of the Borrower and not created in contemplation of such event;

(xiii) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary of the Borrower and not created in contemplation of such acquisition;

(xiv) any Lien securing Refinancing Debt in respect of any Debt of the Borrower or any Subsidiary of the Borrower secured by any Lien permitted by clauses (xi), (xii), (xiii) or (xxi) of this Section 7.02; provided that such Debt is not secured by any additional assets;

(xv) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights, in each case incurred in the ordinary course of business;

(xvi) licenses, sublicenses, leases or subleases granted by a Group Company as lessor to third Persons in the ordinary course of business not interfering in any material respect with the business of any Group Company;

(xvii) Liens on (A) incurred premiums, dividends and rebates which may become payable under insurance policies and loss payments which reduce the incurred premiums on such insurance policies and (B) rights which may arise under State insurance guarantee funds relating to any such insurance policy, in each case securing Debt permitted to be incurred pursuant to Section 7.01(vii);

(xviii) any (A) Lien not securing any Debt, Derivatives Obligations or Synthetic Lease Obligations constituting an interest or title of a licensor, lessor or sublicensor or sublessor under any Operating Lease or license entered into by the Borrower or any of its Subsidiaries in compliance with this Agreement or (B) Lien resulting from the subordination by any such lessor or sublessor of its interest or title under such Operating Lease to any Lien described in subparagraph (viii) above; provided that the holder of such Lien or restriction agrees in writing to recognize the rights of such lessee or sublessee under such Operating Lease;

(xix) Liens in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods;

(xx) Liens securing obligations (other than Debt or Derivatives Obligations) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of the Borrower and its Subsidiaries;

(xxi) Liens existing on the Closing Date and listed on Schedule 7.02 hereto; provided that such Liens shall secure only those obligations which they secure on the date hereof (and permitted extensions, renewals and refinancings of such obligations) and shall not subsequently apply to any other property or assets of Holdings and its Subsidiaries (other than accessions to and the proceeds of the property or assets subject to such Liens to the extent provided by the terms thereof on the date hereof);

(xxii) Liens solely on any cash earnest money deposits made by the Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to a Permitted Business Acquisition;

(xxiii) Liens upon specific items or inventory or other goods and proceeds of the Borrower or any of its Subsidiaries securing such Person's obligations in respect of bankers' acceptances or documentary letters of credit issued or created for the account of such Person to facilitate the shipment or storage of such inventory or other goods;

(xxiv) Liens deemed to exist in the ordinary course in connection with Cash Equivalents; and

(xxv) other Liens incurred by the Borrower and its Subsidiaries if the aggregate amount of the obligations secured thereby do not exceed $11,500,000.

SECTION 7.03 NATURE OF BUSINESS. None of the Group Companies will alter in any material respect the character of the business conducted by such Person as of the Closing Date except that the Borrower and its Subsidiaries may engage in reasonable extensions thereof and in business reasonably related, ancillary or complementary thereto.

SECTION 7.04 CONSOLIDATION, MERGER AND DISSOLUTION. Except in connection with an Asset Disposition permitted by the terms of Section 7.05, none of the Group Companies will enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself or its affairs (or suffer any liquidations or dissolutions); provided that:

(i) the Merger shall be permitted;

(ii) any Domestic Subsidiary of the Borrower may merge with and into, or be voluntarily dissolved or liquidated into, the Borrower, so long as (A) the Borrower is the surviving corporation of such merger, dissolution or liquidation, (B) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction and (C) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect or as a result of such transaction;

(iii) any Domestic Subsidiary of the Borrower may merge with and into, or be voluntarily dissolved or liquidated into, any other Domestic Subsidiary of the

Borrower, so long as (A) in the case of any such merger, dissolution or liquidation involving one or more Subsidiary Guarantors, (y) a Subsidiary Guarantor is the surviving corporation of such merger, dissolution or liquidation, (z) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect of or as a result of such transaction and (B) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction;

(iv) any Foreign Subsidiary of the Borrower may be merged with and into, or be voluntarily dissolved or liquidated into, the Borrower or any Subsidiary of the Borrower, so long as (A) in the case of any such merger, dissolution or liquidation involving one or more Subsidiary Guarantors, (y) the Borrower or a Subsidiary Guarantor, as the case may be, is the surviving corporation of any such merger, dissolution or liquidation and (z) no Person other than the Borrower or a Subsidiary Guarantor receives any consideration in respect of or as a result of such transaction and (B) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction; and

(v) the Borrower or any Subsidiary of the Borrower may merge with any Person (other than Holdings) in connection with a Permitted Business Acquisition if (A) in the case of any such merger involving the Borrower, the Borrower shall be the continuing or surviving corporation in such merger, (B) in the case of any such merger involving a Subsidiary Guarantor, such Subsidiary Guarantor, as the case may be, shall be the continuing or surviving corporation in such merger or the continuing or surviving corporation in such merger shall, simultaneously with the consummation of such merger, become a Subsidiary Guarantor having all the responsibilities and obligations of the Subsidiary Guarantor so merged, or (C) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Lenders may reasonably request so as to cause the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such transactions.

In the case of any merger or consolidation permitted by this Section 7.04 of any Subsidiary of Holdings which is not a Credit Party into a Credit Party, the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Lenders may reasonably request so as to cause the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such transaction. Notwithstanding anything to the contrary contained above in this Section 7.04, no action shall be permitted which results in a Change of Control.

SECTION 7.05 ASSET DISPOSITIONS. None of the Group Companies will make any Asset Disposition; provided that:

(i) any Group Company may sell inventory in the ordinary course of business on an arms'-length basis;

(ii) the Borrower may make any Asset Disposition to any of the Subsidiary Guarantors if (A) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Lenders may request so as to cause

the Credit Parties to be in compliance with the terms of Section 6.10 after giving effect to such Asset Disposition and (B) after giving effect to such Asset Disposition, no Default or Event of Default exists;

(iii) the Borrower and its Subsidiaries may liquidate or sell Cash Equivalents;

(iv) the Borrower or any of its Subsidiaries may sell, lease, transfer, assign or otherwise dispose of assets (other than in connection with any Casualty or Condemnation) to any other Person provided that the aggregate fair market value of all property, disposed of pursuant to this clause (iv) does not exceed $3,450,000 in the aggregate in any fiscal year of the Borrower or $11,500,000 in the aggregate from and after the Closing Date;

(v) the Borrower or any of its Subsidiaries may dispose of machinery or equipment which will be replaced or upgraded with machinery or equipment put to a similar use and owned, or otherwise used or useful in the ordinary course of business of and owned by such Person; provided that such replacement or upgraded machinery and equipment is acquired within 120 days after such disposition;

(vi) the Borrower or any of its Subsidiaries may in the ordinary course of business and in a commercially reasonable manner, dispose of obsolete, worn-out or surplus tangible assets and other excess property no longer used or useful in the ordinary course of business;

(vii) any Group Company may enter into any Sale/Leaseback Transaction not prohibited by Section 7.13;

(viii) any Subsidiary of the Borrower may sell, lease or otherwise transfer (x) any or all or substantially all of its assets (including any such transaction effected by way of merger or consolidation) to the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower, so long as after giving effect to such Asset Disposition, no Default or Event of Default exists, and (y) assets to Foreign Subsidiaries or non-Wholly-Owned Domestic Subsidiaries to the extent permitted by Section 7.06(x);

(ix) any non-Wholly-Owned Domestic Subsidiary or Foreign Subsidiary of the Borrower may sell, lease or otherwise transfer any or all or substantially all of its assets (including any such transactions effected by way of merger or consolidation) to any other non-Wholly-Owned Domestic Subsidiary or Foreign Subsidiary of the Borrower;

(x) any Group Company may (A) lease, as lessor or sublessor, or license, as licensor or sublicensor, real or personal property (including Intellectual Property) in the ordinary course of business and consistent with past practices and (B) grant options to purchase, lease or acquire real or personal property in the ordinary course of business, so long as the Asset Disposition resulting from the exercise of such option would otherwise be permitted under this Section 7.05;

(xi) any Group Company may dispose of defaulted receivables and similar obligations in the ordinary course of business and not as part of an accounts receivable financing transaction;

(xii) any Group Company may dispose of non-core assets acquired in connection with Permitted Business Acquisitions;

(xiii) any Group Company may make one or more Asset Dispositions involving any or all of the assets described in Schedule 7.05;

(xiv) any Group Company may make one or more Asset Dispositions in connection with a like-kind exchange pursuant to Section 1031 of the Code; provided that the Borrower shall have delivered to the Lenders a Pro-Forma Compliance Certificate demonstrating that upon giving effect on a Pro-Forma Basis to such transaction, the Credit Parties will be in compliance with all of the financial covenants set forth in Section 7.17(a) and (b) as of the last day of the most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such transaction and with respect to which the Lenders have received the consolidated financial information required under Section 6.01(a) or (b) and the officer's certificate required under Section 6.01(d);

(xv) any Group Company may sell or dispose of Equity Interests in its Subsidiaries to qualify directors where required by

applicable Law or to satisfy other requirements of applicable Law with respect to the ownership of Equity Interests of Foreign Subsidiaries; and

(xvi) any Group Company may make any other Asset Disposition; provided that (A) at least 75% of the consideration therefor is cash or Cash Equivalents; (B) if such transaction is a Sale/Leaseback Transaction, such transaction is permitted by Section 7.01 and Section 7.13; (C) such transaction does not involve the sale or other disposition of a minority Equity Interest in any Group Company; (D) the aggregate fair market value of all assets sold or otherwise disposed of by the Group Companies in all such transactions in reliance on this clause (xv) shall not exceed $11,500,000 in the aggregate from and after the Closing Date; and (E) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such transaction.

SECTION 7.06 INVESTMENTS.

(a) Investments. None of the Group Companies will hold, make or acquire, any Investment in any Person, except the following:

(i) Investments existing on the date hereof in Persons which are Subsidiaries on the date hereof;

(ii) Holdings, the Borrower, Intermediate Holdings or any Subsidiary of the Borrower may invest in cash and Cash Equivalents;

(iii) Holdings or Intermediate Holdings may acquire and hold obligations of one or more officers or other employees of Holdings or any of its Subsidiaries in connection with such officers' or employees' acquisition of Equity Interests of Holdings or Intermediate Holdings, so long as no cash is paid by Holdings or any of its Subsidiaries to such officers or employees in connection with the acquisition of any such obligations or such cash is immediately reinvested in such Equity Interest;

(iv) the Borrower and any Subsidiary of the Borrower may acquire and hold receivables not constituting Debt owing to them, if created or acquired in the ordinary course of business;

(v) the Borrower and each Subsidiary of the Borrower may acquire and own Investments (including Debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(vi) deposits by the Borrower or any Subsidiary of the Borrower made in the ordinary course of business consistent with past practices to secure the performance of leases shall be permitted;

(vii) Holdings may make equity contributions to the capital of Intermediate Holdings which may make equity contributions to the capital of the Borrower and both Holdings and Intermediate Holdings may incur Guaranty Obligations permitted under Section 7.01(viii);

(viii) Holdings and Intermediate Holdings may hold the (i) Trust Common Securities and (ii) promissory notes issued by the Borrower and Intermediate Holdings (as applicable);

(ix) the Borrower may make Investments in any of its Wholly-Owned Domestic Subsidiaries and any Subsidiary of the Borrower may make Investments in the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower;

(x) the Borrower and its Subsidiaries may make Investments in any Foreign Subsidiary organized and operating in Canada or Mexico or any non-Wholly-Owned Domestic Subsidiary of the Borrower (A) in the case of Investments by the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower, in an aggregate amount (determined without regard to any write-downs or write-offs of any such Investments constituting Debt) and together with the fair market value of all assets transferred pursuant to Section 7.05(viii)) at any one time outstanding not exceeding $5,750,000 and (B) to the extent such Investments arise from the sale of inventory in the ordinary course of business by the Borrower or such Subsidiary to such Foreign Subsidiary or non-Wholly-Owned Domestic Subsidiary for resale by such Foreign Subsidiary or non-Wholly-Owned Domestic Subsidiary (including any such Investments resulting from the extension of the payment terms with respect to such sales);

(xi) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make Investments in Holdings and Intermediate Holdings provided that (A) all proceeds thereof are applied by Holdings or passed on by Intermediate Holdings to Holdings solely for the purposes of Section 7.08(d); and (B) no such Investment shall be made if an interest payment in respect of the Junior Debentures could not, but for such Investment, be made in accordance with Section 7.08(d);

(xii) the Borrower and its Subsidiaries may make transfers of assets to the Borrower and its Subsidiaries in accordance with Section 7.05(viii) and (ix) and in connection with mergers and consolidations permitted under Section 7.04;

(xiii) the Borrower and its Subsidiaries may purchase inventory, machinery, equipment and other assets in the ordinary course of business;

(xiv) the Borrower and its Subsidiaries may make expenditures in respect of Permitted Business Acquisitions;

(xv) the Borrower or any of its Subsidiaries may make loans and advances to employees of Holdings and its Subsidiaries for moving and travel and other similar expenses, in each case in the ordinary course of business, in an aggregate principal amount not to exceed $300,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such loans and advances);

(xvi) the Borrower or any of its Subsidiaries may make loans and advances to Holdings and Intermediate Holdings and Intermediate Holdings may make loans to Holdings for the purposes and in the amounts necessary to make payments described in Section 7.07;

(xvii) Holdings and Intermediate Holdings may redeem or repurchase Equity Interests to the extent permitted by Section 7.07;

(xviii) the Borrower and its Subsidiaries may make Investments in Permitted Joint Ventures in an aggregate amount (determined without regard to any write-downs or write-offs of any such Investments constituting Debt) at any one time outstanding not exceeding $5,750,000;

(xix) Investments existing on the date hereof and identified on Schedule 7.06;

(xx) Investments arising out of the receipt by the Borrower or any of its Subsidiaries of noncash consideration for the sale of assets permitted under Section 7.05;

(xxi) Investments resulting from pledges and deposits specifically referred to in Section 7.02; and

(xxii) other Investments not otherwise permitted by this Section 7.06 in an aggregate amount (determined without regard to any write-downs or write-offs of any

such Investments constituting Debt but excluding any portion thereof funded with proceeds of an Qualifying Equity Issuance) at any time outstanding not exceeding $11,500,000 in the aggregate;

provided that no Group Company may make or own any Investment in Margin Stock.

(b) Limitation on the Creation of Subsidiaries. No Group Company will establish, create or acquire after the Closing Date any Subsidiary; provided that the Borrower and its Subsidiaries shall be permitted to establish, create or acquire Subsidiaries so long as (i) at least 5 days' prior written notice thereof is given to the Lenders, (ii) the Investment resulting from such establishment, creation or acquisition is permitted pursuant to Section 7.06(a) above, (iii) such new Subsidiary (other than a Foreign Subsidiary, except to the extent otherwise required pursuant to Section 6.10(d)) executes a counterpart of the Accession Agreement and the Guaranty, to the extent required by Section 6.10, and (iv) such new Subsidiary, to the extent requested by the Lenders, takes all other actions required pursuant to Section 6.10.

SECTION 7.07 RESTRICTED PAYMENTS, ETC. None of the Group Companies will declare or pay any Restricted Payments (other than Restricted Payments payable solely in Equity Interests (exclusive of Debt Equivalents) of such Person), except that:

(i) any Wholly-Owned Subsidiary of the Borrower may make Restricted Payments to the Borrower or to any Wholly-Owned Subsidiary of the Borrower;

(ii) any non-Wholly-Owned Subsidiary of the Borrower may make Restricted Payments to the Borrower or to any Wholly-Owned Subsidiary of the Borrower or ratably to all holders of its outstanding Equity Interests;

(iii) Holdings and Intermediate Holdings may redeem or repurchase Equity Interests (or Equity Equivalents) or to make payments on notes issued in connection with the prior redemption or purchase of such Equity Interests and permitted pursuant to Section 7.01(xii) from (A) officers, employees and directors of any Group Company (or their estates, spouses or former spouses) upon the death, permanent disability, retirement or termination of employment of any such Person or otherwise or (B) other holders of Equity Interests or Equity Equivalents in Holdings and Intermediate Holdings, so long as the purpose of such purchase is to acquire common stock for reissuance to new officers, employees and directors (or their estates) of any Group Company, to the extent so reissued within 12 months of any such purchase; provided that in all such cases (A) no Default or Event of Default is then in existence or would otherwise arise therefrom, (B) the aggregate amount of all cash distributed by the Borrower directly or indirectly to Holdings and Intermediate Holdings in respect of all such shares so redeemed or repurchased (or otherwise spent by Holdings and Intermediate Holdings) does not exceed $2,300,000 in any fiscal year of Holdings (with unused amounts being carried forward to succeeding fiscal years) or $11,500,000 in the aggregate from and after the Closing Date, and provided further that Holdings and Intermediate Holdings may purchase, redeem or otherwise acquire Equity Interests and Equity Equivalents of Holdings and Intermediate Holdings pursuant to this clause (iii)

without regard to the restrictions set forth in the first proviso above for consideration consisting of the proceeds of key man life insurance obtained for the purposes described in this clause (iii);

(iv) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make cash Restricted Payments, directly or indirectly, to Holdings and Intermediate Holdings, if Holdings and Intermediate Holdings promptly uses such proceeds for the purposes described in clause (iii) above;

(v) the Borrower and Intermediate Holdings may make cash Restricted Payments, directly or indirectly, to Intermediate Holdings or Holdings (as the case may be) for the purpose of paying, and in amounts not to exceed the amount necessary to pay, (A) the then currently due fees and expenses of Holdings' counsel, accountants and other advisors and consultants, and other operating and administrative expenses of Holdings (including employee and compensation expenditures and other similar costs and expenses) incurred in the ordinary course of business that are for the benefit of, or are attributable to, or are related to, including the financing or refinancing of, Holdings' Investment in the Borrower and its Subsidiaries, (B) the then currently due fees and expenses of Holdings' independent directors and observers, (C) the then currently due taxes payable by Holdings solely on account of the income of Holdings related to its Investment in the Borrower and its Subsidiaries and the reasonable expenses of preparing returns reflecting such taxes; provided that Holdings agrees to be obligated to contribute to the Borrower any refund Holdings receives relating to any such taxes and (D) so long as no Default or Event of Default is then in existence or would arise therefrom, other fees and expenses permitted under Section 7.09;

(vi) the Borrower may pay directly or indirectly to Intermediate Holdings or Holdings the amount that Holdings is required to pay for franchise, federal, state, local or other taxes on income as the common parent of an affiliated group (within the meaning of Section 1504 of the Code) and quarterly or annually for other taxes incurred by Intermediate Holdings or Holdings; provided that (A) such payments with respect to income taxes may be made only in respect of the period during which the Borrower is consolidated with Holdings for purposes of the payment of such taxes and (B) no such payment by the Borrower may be paid until 15 days after receipt by the Lenders of a certificate of the chief financial officer or chief accounting officer of the Borrower in form and substance acceptable to the Lenders demonstrating compliance with the foregoing provisions (such payments being herein referred to as ("Permitted Tax Dividends").

(vii) so long as no Default or Event of Default is then in existence or would otherwise arise therefrom, the Borrower may make Restricted Payments to Holdings, directly or indirectly, provided that (A) all proceeds thereof are applied by Holdings solely for the purposes of Section 7.08(d); and (B) no such Restricted Payment shall be made if an interest payment in respect of the Junior Debentures could not, but for such Restricted Payment, be made in accordance with Section 7.08(d);

(viii) Holdings and its Subsidiaries may make Restricted Payments made with Net Cash Proceeds of one or more Qualifying Equity Issuances within three Business Days following the receipt thereof; provided that, after giving effect to such Restricted Payment, no Change of Control shall have occurred;

(ix) Holdings and Intermediate Holdings may make noncash repurchases of Equity Interests deemed to occur upon exercise of stock options if such Equity Interests represent a portion of the exercise price of such options; and

(x) cash payments by Holdings and Intermediate Holdings in lieu of the issuance of fractional shares upon exercise or conversion of Equity Equivalents.

SECTION 7.08 PREPAYMENTS OF DEBT, ETC.

(a) Amendments of Agreements. None of the Group Companies will, or will permit any of their respective Subsidiaries to, after the issuance thereof, amend, waive or modify (or permit the amendment, waiver or modification of) any of the terms, agreements, covenants or conditions of or applicable to (i) the Junior Debentures or (ii) any other Subordinated Debt issued by such Group Company if such amendment, waiver or modification would add or change any terms, agreements, covenants or conditions in any manner adverse to any Group Company, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof.

(b) Prohibition Against Certain Payments of Principal and Interest of Other Debt. Except as provided in subsections (c) or (d) below, none of the Group Companies will (i) directly or indirectly, redeem, purchase, prepay, retire, defease or otherwise acquire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Debt, or set aside any funds for such purpose, whether such redemption, purchase, prepayment, retirement or acquisition is made at the option of the maker or at the option of the holder thereof, and whether or not any such redemption, purchase, prepayment, retirement or acquisition is required under the terms and conditions applicable to such Subordinated Debt or (ii) make any interest or other payment in respect of the Junior Debentures or any other Subordinated Debt.

(c) Certain Allowed Payments in Respect of Subordinated Debt. Holdings, the Borrower and any of its Subsidiaries may (i) make regularly scheduled interest payments as and when due in respect of any Subordinated Debt (other than the Junior Debentures) of the Borrower entered into in compliance with Section 7.01, (ii) refinance Subordinated Debt to the extent expressly permitted under Section 7.01, in each case other than any such payments prohibited by the subordination provisions applicable thereto; (iii) exchange Subordinated Debt of Holdings or any of its Subsidiaries for Equity Interests issued by Holdings or Intermediate Holdings (provided that Subordinated Debt of Holdings may be exchanged for Equity Interests of Holdings only); and (iv) permit the cancellation or forgiveness of Subordinated Debt of Holdings or any of its Subsidiaries.

(d) Allowed Payments in Respect of the Junior Debentures.

(i) Holdings may make (A) interest payments as and when due, and (B) payments of deferred interest (or a portion thereof), in respect of the Junior Debentures in each case if (I) no Event of Default under Section 8.01(a) continuing unremedied or unwaived and (II) Holdings shall have delivered to the Lenders a Pro-Forma Compliance Certificate demonstrating that upon giving effect to such payments on a Pro-Forma Basis, including as if such payments under clause (A) and (B) were made in the prior period of calculation (with pro-forma adjustments satisfactory to the Lenders), the Fixed Charge Coverage Ratio, as of the last day of the period of four consecutive fiscal quarters of Holdings, taken as a single accounting period, most recent period of four consecutive fiscal quarters of Holdings which precedes or ends on the date of such payment, will not be less than the ratio set forth below opposite the period during which such day occurs:

<TABLE>
<CAPTION>

FISCAL QUARTERS ENDED	RATIO
<S>	<C>
Closing Date through 12/31/06	1.10 to 1.0
1/01/07 through 12/31/07	1.15 to 1.0
1/01/08 through 12/31/08	1.20 to 1.0
1/01/09 through 12/31/09	1.25 to 1.0

1/01/10 through 3/31/11 1.30 to 1.0
</TABLE>

(ii) In the event that Holdings cannot make a payment pursuant to the terms of paragraph (i) above, Holdings will within five Business Days after the calculation under paragraph (i) above prior to the relevant scheduled interest payment date under the Junior Debentures serve a notice on the Junior Debenture Holders of an Extension Period for a period of not less than six months (as such term is defined in the Junior Debentures Indenture) (an "Extension Notice"), with a copy of such notice, certified as true and correct, to be simultaneously delivered to the Lenders; and

(iii) After all Senior Debt is indefeasibly paid in full in cash, Holdings hereby irrevocably appoints the Lenders as its attorney-in-fact (with full power of substitution and delegation) in its name and on its behalf to serve an Extension Notice on the Junior Debenture Holders, in the event that Holdings does not deliver an Extension Notice to the Junior Debenture Holders and the Lenders within the applicable period as prescribed in paragraph (ii) above.

SECTION 7.09 TRANSACTIONS WITH AFFILIATES. None of the Group Companies will engage in any transaction or series of transactions with any Affiliate of Holdings other than:

(i) commencing with the fiscal quarter of the Borrower ended March 31, 2004, the payment of management and other fees when due, pursuant to the Management Agreement and OTPP Side Letter, in each case, as in effect, on the date

hereof, when due; provided that no such payment may be made if the Lenders shall have notified the Borrower (which notice may be provided by electronic mail) that a Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such payment (it being understood and agreed that any payment which cannot be made when due as a result of a Default or an Event of Default shall continue to accrue and may be made upon the cure or waiver of such Default or Event of Default or otherwise with the consent of the Lenders);

(ii) reimbursement of reasonable out-of-pocket expenses and indemnities pursuant to the Management Agreement and OTPP Side Letter;

(iii) transfers of assets to any Credit Party other than Holdings permitted by Section 7.05;

(iv) transactions expressly permitted by Section 7.01, Section 7.04, Section 7.05, Section 7.06 or Section 7.07;

(v) normal compensation, indemnities and reimbursement of reasonable expenses of officers, directors and board observers;

(vi) other transactions in existence on the Closing Date to the extent disclosed in Schedule 7.09;

(vii) any transaction entered into among the Borrower and its Wholly-Owned Domestic Subsidiaries or among such Wholly-Owned Subsidiaries;

(viii) preemptive rights held by the Investor Group in respect of the Equity Interests of Holdings or Intermediate Holdings; and

(ix) so long as no Default or Event of Default has occurred and is continuing, other transactions which are engaged in by the Borrower or any of its Subsidiaries in the ordinary course of its business on terms and conditions as favorable to such Person as would be obtainable by it in a comparable arms'-length transaction with an independent, unrelated third party.

Notwithstanding the foregoing, none of Holdings or any of its Subsidiaries will enter into any management, consulting or similar agreement or arrangement other than the Management Agreement with, or otherwise pay any professional, consulting, management or similar fees to or for the benefit of, the Sponsor Group or its successors or transferees, except for payments pursuant to the Management Agreement permitted under clause (i), (ii), (vi) or (viii) above.

SECTION 7.10 FISCAL YEAR; ORGANIZATIONAL AND OTHER DOCUMENTS. None of the Group Companies will (i) change its fiscal year or (ii) consent to any amendment, modification or supplement that is adverse in any respect to the Lenders to its articles or certificate of incorporation, bylaws (or analogous organizational documents), the Acquisition Documents, the Management Agreement or any agreement entered into by it with respect to its Equity Interests (including the Capitalization Documents and the Stockholder Agreements), in each case as in effect on the Closing Date. The Borrower will cause the Group

Companies to

promptly provide the Lenders with copies of all amendments to the foregoing documents and instruments as in effect as of the Closing Date.

SECTION 7.11 RESTRICTIONS WITH RESPECT TO INTERCORPORATE TRANSFERS. None of the Group Companies will create or otherwise cause or permit to exist any consensual encumbrance or restriction which prohibits or otherwise restricts (i) the ability of any such Subsidiary to (A) make Restricted Payments or pay any Debt owed to the Borrower or any Subsidiary of the Borrower, (B) pay Debt or other obligations owed to any Credit Party, (C) make loans or advances to the Borrower or any Subsidiary of the Borrower, (D) transfer any of its properties or assets to the Borrower or any Subsidiary of the Borrower or (E) act as a Subsidiary Guarantor or (ii) the ability of Holdings or any Subsidiary of Holdings to create, incur, assume or permit to exist any Lien upon its property or assets whether now owned or hereafter acquired to secure the Senior Obligations, except in each case for prohibitions or restrictions existing under or by reason of:

(i) this Agreement and the other Subordinated Debenture Documents;

(ii) restrictions in effect on the date of this Agreement contained in the Senior Finance Documents or the Junior Debentures Documents, all as in effect on the date of this Agreement, and, if such Debt is renewed, extended or refinanced, restrictions in the agreements governing the renewed, extended or refinancing Debt (and successive renewals, extensions and refinancings thereof) if such restrictions are no more restrictive than those contained in the agreements governing the Debt being renewed, extended or refinanced;

(iii) customary non-assignment provisions with respect to contracts, leases or licensing agreements entered into by the Borrower or any of its Subsidiaries, in each case entered into in the ordinary course of business and consistent with past practices;

(iv) any restriction or encumbrance with respect to any asset of the Borrower or any of its Subsidiaries or a Subsidiary of the Borrower imposed pursuant to an agreement which has been entered into for the sale or disposition of such assets or all or substantially all of the capital stock or assets of such Subsidiary, so long as such sale or disposition is permitted under this Agreement;

(v) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business in connection with Permitted Joint Ventures;

(vi) restrictions on cash and other deposits or net worth imposed by customers or suppliers in the ordinary course of business and consistent with past practice;

(vii) any restriction applicable to an acquired Subsidiary of the Borrower pursuant to agreements in effect on the date such Subsidiary became a Subsidiary of the Borrower and otherwise permitted to remain in effect hereunder; provided that such restrictions apply only to such Subsidiary;

(viii) Liens permitted under Section 7.02 and any documents or instruments governing the terms of any Debt or other obligations secured by any such Liens; provided that such prohibitions or restrictions apply only to the assets subject to such Liens; and

(ix) documents evidencing indebtedness incurred by Foreign Subsidiaries to the extent permitted under Section 7.01.

SECTION 7.12 OWNERSHIP OF SUBSIDIARIES; LIMITATIONS ON HOLDINGS AND THE BORROWER.

(a) Holdings and the Borrower will not (i) permit any Subsidiary of the Borrower to issue Equity Interests to any Person, except (A) the Borrower or any Wholly-Owned Subsidiary of the Borrower, (B) to qualify directors where required by applicable Law or to satisfy other requirements of applicable Law with respect to the ownership of Equity Interests of Foreign Subsidiaries or (C) in the case of non-Wholly-Owned Subsidiaries of the Borrower, ratably to all holders of its outstanding Equity Interests or (ii) permit any non Wholly Owned Subsidiary of the Borrower to issue any shares of Preferred Stock.

(b) Each of Holdings and Intermediate Holdings will not (i) hold any material assets other than the Trust Common Securities, the Equity Interests

of Intermediate Holdings and the Borrower respectively and cash or Cash Equivalents expressly permitted to be received and held by it from time to time in accordance with this Agreement, (ii) have any material liabilities other than (A) liabilities under the Senior Finance Documents, the Subordinated Debentures, the Junior Debentures or the Management Put Rights and other obligations or liabilities expressly permitted to be incurred by it pursuant to Section 7.01 and (B) tax and accrued liabilities and expenses in the ordinary course of business or (iii) engage in any business activity other than (A) owning the Trust Common Securities, the common stock of Intermediate Holdings and the Borrower, respectively (including purchasing additional shares of common stock after the Closing Date), and activities incidental or related thereto or to the maintenance of the corporate existence of Holdings and Intermediate Holdings, respectively, or compliance with applicable law, (B) acting as a Guarantor under its Guaranty and pledging its assets to the Collateral Agent, for the benefit of the Lenders, pursuant to the Collateral Documents to which it is a party, (C) acting as a guarantor in respect of the Debt arising under (x) this Agreement and the Subordinated Debentures, and (y) the Trust Preferred Securities, and other Guaranty Obligations expressly permitted to be incurred by it pursuant to Section 7.01 and (D) issuing its own Capital Stock (other than Debt Equivalents).

(c) Holdings and Intermediate Holdings will not permit any Person other than (i) Holdings to hold any Equity Interests comprised of common stock of Intermediate Holdings and (ii) Intermediate Holdings to hold Equity Interests or Equity Equivalents of the Borrower.

SECTION 7.13 SALE AND LEASEBACK TRANSACTIONS. None of the Group Companies will directly or indirectly become or remain liable as lessee or as guarantor or other surety with respect to any lease (whether an Operating Lease or a Capital Lease) of any property (whether real, personal or mixed), whether now owned or hereafter acquired, (i) which such Group Company has sold or transferred or is to sell or transfer to any other Person which is not a

Group Company or (ii) which such Group Company intends to use for substantially the same purpose as any other property which has been sold or is to be sold or transferred by such Group Company to another Person which is not a Group Company in connection with such lease; provided, however, that the Group Companies may enter into any Sale/Leaseback Transaction if (i) after giving effect on a Pro-Forma Basis to such Sale/Leaseback Transaction, the aggregate outstanding Attributable Debt in respect of all Sale/Leaseback Transactions does not exceed $5,750,000 and the Borrower shall be in compliance with all other provisions of this Agreement, including Section 7.01 and Section 7.02, (B) the gross cash proceeds of any such Sale/Leaseback Transaction are at least equal to the fair market value of such property (as determined by the Board of Directors, whose determination shall be conclusive if made in good faith) and (C) the Net Cash Proceeds are applied as set forth in Section 2.09(b)(iv) to the extent required therein.

SECTION 7.14 CAPITAL EXPENDITURES.

(a) None of the Group Companies will make any Consolidated Capital Expenditures, except that during any of the fiscal years set forth below, the Borrower and its Subsidiaries may make Consolidated Capital Expenditures so long as the aggregate amount of such Consolidated Capital Expenditures (other than Consolidated Capital Expenditures made with the Net Cash Proceeds of one or more Qualified Equity Issuances) does not exceed the amount indicated opposite such period; provided that the reference below to the 2004 fiscal year shall be to the year from the Closing Date to the last day of such fiscal year:

<TABLE>
<CAPTION>

PERIOD	AMOUNT
<S>	<C>
2004	$17,250,000
2005	$17,250,000
2006	$17,250,000
2007	$18,400,000
2008	$18,400,000
2009	$19,550,000
2010	$19,550,000
2011	$20,700,000

</TABLE>

(b) To the extent that Consolidated Capital Expenditures permitted under subsection (a) above for any period set forth above are less than the applicable amount specified in the table in subsection (a) above, the difference may be carried forward and utilized to make Consolidated Capital Expenditures during succeeding fiscal years so long as the aggregate amount of Consolidated Capital Expenditures made during any fiscal year does not exceed 120% of the applicable amount set forth for such year in the table above.

(c) Notwithstanding the foregoing, the Borrower and its Subsidiaries may make Consolidated Capital Expenditures (which Consolidated Capital Expenditures will not be included in any determination under subsection (a) above) with the Net Cash Proceeds of Asset Dispositions, to the extent such Net Cash Proceeds are not required to be applied to repay Senior Debt pursuant to Section 2.09(b)(iii) of the Senior Credit Agreement.

SECTION 7.15 ADDITIONAL NEGATIVE PLEDGES. None of the Group Companies will enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for an obligation if security is given for some other obligation, except (i) pursuant to this Agreement and the other Subordinated Debenture Documents, the Senior Debt and any Debt consisting of Refinancing Debt issued to refinance all or any portion of the foregoing, (ii) pursuant to any document or instrument governing Capital Lease Obligations or Purchase Money Debt incurred pursuant to Section 7.01 if any such restriction contained therein relates only to the assets or assets acquired in connection therewith, (iii) pursuant to any Derivatives Agreement entered into pursuant to Section 7.01(vi), (iv) pursuant to any document or instrument governing Debt incurred by Foreign Subsidiaries and permitted by Section 7.01, (v) pursuant to any documents or agreements creating any Lien referred to in Section 7.02(xvii) if such restriction contained therein relates only to the incurred premiums, dividends, rebates and other rights permitted to be subject to such Lien in accordance with Section 7.02(xvii), (vi) any documents or agreements creating any Lien referred to in Section 7.02(vi) if such restriction contained therein relates only to the property of assets subject to the surety bond or similar obligation permitted to be secured thereby pursuant to Section 7.02(vi), (vii) pursuant to an agreement which has been entered into by the Borrower or any of its Subsidiaries for the sale or disposition of any assets of the Borrower or such Subsidiary or of any Subsidiary of the Borrower if such restriction contained therein relates only to the Subsidiary or its assets which is the subject of the sale provided for therein, and (viii) pursuant to a joint venture or other similar agreement entered into in the ordinary course of business in connection with Permitted Joint Ventures so long as any such restriction contained therein relates only to the assets of, or the interest of the Borrower and its Subsidiaries in, such Permitted Joint Venture.

SECTION 7.16 [INTENTIONALLY OMITTED].

SECTION 7.17 FINANCIAL COVENANTS.

(a) Leverage Ratio. The Leverage Ratio as of the last day of the most recently ended fiscal quarter of Holdings ending on the last day of any calendar quarter ending during any period described below will not be greater than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
<S>	<C>
Closing Date through 3/31/05	5.64 to 1.0
4/1/05 through 9/30/05	5.46 to 1.0

</TABLE>

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
<S>	<C>
10/01/05 through 3/31/06	5.18 to 1.0
4/01/06 through 9/30/06	4.89 to 1.0
10/01/06 through 6/30/07	4.60 to 1.0
7/01/07 through 6/30/08	4.31 to 1.0
1/01/09 through 12/31/09	3.45 to 1.0
1/01/10 through 12/31/10	2.88 to 1.0
1/01/11 and thereafter	2.59 to 1.0

</TABLE>

(b) Interest Coverage Ratio. The Interest Coverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower and its Consolidated Subsidiaries ending on or about the last day of any calendar quarter ending during any period described below, in each case for the period of four consecutive fiscal quarters of the Borrower and its Consolidated Subsidiaries then ended, taken as a single accounting period, will not be less than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
<S>	<C>
Closing Date through 12/31/05	2.64 to 1.0
1/01/06 through 6/30/08	2.85 to 1.0
7/01/08 through 12/31/08	2.98 to 1.0
1/01/09 through 12/31/10	3.19 to 1.0
1/01/11 and thereafter	3.40 to 1.0

</TABLE>

(c) Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio as of the last day of the most recently ended fiscal quarter of Holdings ending on or about the last day of any calendar quarter ending during any period described below, in each case for the period of four consecutive fiscal quarters of Holdings then ended, taken as a single accounting period will not be less than the ratio set forth below opposite the period during which such calendar quarter ends:

<TABLE>
<CAPTION>

CALENDAR QUARTERS ENDED DURING	RATIO
<S>	<C>
Closing Date through 12/31/04	1.0 to 1.0
1/01/05 through 12/31/05	.95 to 1.0
1/01/06 and thereafter	1.0 to 1.0

</TABLE>

SECTION 7.18 AMENDMENT OF SENIOR FINANCE DOCUMENTS. The Credit Parties shall not amend the Senior Finance Documents to (a) increase the principal amount of the Senior Debt (except as permitted by the definition of Senior Debt herein), (b) increase any applicable margin (including fees) with respect to the Senior Debt by more than 2% over the highest interest rate margin applicable to the Senior Debt on the date hereof except in connection with the imposition of a default rate of interest in accordance with the terms of the Senior Debt Documents in effect on the date hereof or change the floating interest rate component of the Senior Debt from Prime Rate or London Interbank Offered Rate, (c) extend the final maturity of the Senior Debt (as set forth in the Senior Debt Documents in effect on the date hereof) to a date less than six months prior to the maturity date of the Subordinated Debt, or (d) shorten the weighted average term to maturity by more than six months. In the event that any Senior Finance Document is amended to add or make more restrictive any covenant or event of default with respect to the Senior Debt, at the request of the Lenders, the Lenders and the Credit Parties shall amend the Subordinated Debenture Documents to provide for such additional, or more restrictive, covenant or event of default (it being understood that any such additional, or more restrictive, financial covenant shall be subject to "cushions" consistent with the existing "cushions" between the existing financial covenant set forth in the Senior Finance Documents and the Subordinated Debenture Documents). In the event that any Senior Finance Document is amended to change the dates upon which payments of principal or interest on the Senior Debt are due, at the request of the Lenders, the Lenders and the Credit Parties shall amend the Subordinated Debenture Documents to change interest payment dates with respect to the Obligations such that the number of days between the interest payment dates under the Senior Finance Documents and the Subordinated Debenture Documents remain the same as on the date hereof.

SECTION 7.19 INDEPENDENCE OF COVENANTS. All covenants contained herein shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or condition exists.

ARTICLE VIII
DEFAULTS

SECTION 8.01 EVENTS OF DEFAULT. An Event of Default shall exist upon the occurrence of any of the following specified events or conditions (each an "Event of Default"):

(a) Payment. Any Credit Party shall:

(i) Default, and such default shall continue for 10 or more calendar days, in the payment when due (whether by scheduled maturity, acceleration or otherwise) of any principal of the Loan; or

(ii) default, and such default shall continue for five or more Business Days, (A) in the payment when due of any interest on the Loan, or (B) after receipt of a notice of a default with respect thereto, in the payment of any fees or other amounts owing hereunder, under any of the other Subordinated Debenture Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Subordinated Debenture Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was made or deemed to have been made.

(c) Covenants. Any Credit Party shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.01(a) or (j), 6.02, 6.08, 6.11 or Article VII;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.01(b), (c) or (d) and such default shall continue unremedied for a period of five Business Days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Lenders; or

(iii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 6.01(e), (f), (g), (h) or (i) and such default shall continue unremedied for a period of ten Business Days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Lenders; or

(iv) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), (c)(ii) or (c)(iii) of this Section 8.01) contained in this Agreement and such default shall continue unremedied for a period of 30 days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Lenders.

(d) Other Subordinated Debenture Documents. (i) Any Credit Party shall default in the due performance or observance of any term, covenant or agreement in any of the other Subordinated Debenture Documents and such default shall continue unremedied for a period of 30 days after the earlier of an executive officer of a Credit Party becoming aware of such default or notice thereof given by the Lenders or (ii) except pursuant to the terms thereof, any Subordinated Debenture Document shall fail to be in full force and effect or any Credit Party shall so assert.

(e) Cross-Default.

(i) any Group Company (A) fails to make payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise but after giving effect to all applicable grace periods), regardless of amount, in respect of any Debt, Guaranty Obligation or Synthetic Lease Obligations (other than in respect of Senior Debt) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $5,750,000, (B) fails to make payment of any principal or interest when due (whether scheduled or by acceleration, but after giving effect to all applicable grace periods), regardless of amount, in respect of any Senior Debt, or (C) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any such Debt, Guaranty Obligation or Synthetic Lease Obligations, if, as the result of such failure, event or condition, such Debt or Synthetic Lease Obligations is declared due and payable prior to its stated maturity or such Guaranty Obligation becomes payable; or

(ii) there occurs under any Derivatives Agreement or Derivatives Obligation in each case that are not related to the Senior Obligations (as defined in the Senior Credit Agreement) an Early Termination Date (as defined in such Derivatives Agreement) resulting from (A) any event of default under such Derivatives Agreement as to which any Group Company is the Defaulting Party (as defined in such Derivatives Agreement) or (B) any Termination Event (as so defined) as to which any Group Company is an Affected Party (as so defined), and, in either event, the Derivatives Termination Value owed and not paid within 10 Business Days of when due by a Group Company as a result thereof is greater than $5,750,000.

(f) Insolvency Events. (i) Any Group Company (other than an

Insignificant Subsidiary) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or (ii) an involuntary case or other proceeding shall be commenced against any Group Company (other than an Insignificant Subsidiary) seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days, or any order for relief shall be entered against any Group Company (other than an Insignificant Subsidiary) under the federal bankruptcy laws as now or hereafter in effect.

(g) Judgments. One or more judgments, orders, decrees or arbitration awards is entered against any Group Company involving in the aggregate a liability (to the extent not

covered by independent third-party insurance or an indemnity from a creditworthy third party as to which the insurer or indemnitor, as applicable, does not dispute coverage), as to any single or related series of transactions, incidents or conditions, of $5,750,000 or more, and the same shall not have been discharged, vacated or stayed pending appeal within 30 days after the entry thereof.

(h) Employee Benefit Plans. (i) An ERISA Event occurs which has resulted or could reasonably be expected to result in liability of any Group Company in an amount that could reasonably be expected to have a Material Adverse Effect.

(i) Guaranties. Any Guaranty given by any Credit Parties or any provision thereof shall, except pursuant to the terms thereof, cease to be in full force and effect, or any Guarantor thereunder or any Person acting by or on behalf of such guarantor shall deny or disaffirm such Guarantor's obligations under such Guaranty.

(j) Subordinated Debt. (i) Any Governmental Authority with applicable jurisdiction determines that the Lenders are not holders of senior indebtedness (as defined in the Junior Debentures Indenture or any other Subordinated Debt) or (ii) the subordination provisions creating the Subordinated Debt shall, in whole or in part terminate, cease to be effective or cease to be legally valid, binding and enforceable as to any holder of the Subordinated Debt.

SECTION 8.02 ACCELERATION; REMEDIES. Subject to the Subordination Agreement, upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived in writing by the Lenders (or the Lenders as may be required pursuant to Section 9.03), the Lenders shall, by written notice to the Borrower, take any of the following actions without prejudice to the rights of any Lender to enforce its claims against the Credit Parties except as otherwise specifically provided for herein:

(a) Acceleration of Loan. Declare the unpaid principal of and any accrued interest in respect of the Loan and any and all other indebtedness or obligations of any and every kind owing by a Credit Party to any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties. Notwithstanding any provision of this Agreement to the contrary, upon acceleration of the Loan pursuant to this Section 8.02(a), a Repayment Charge shall be due and payable hereunder, calculated as if the Subordinated Debentures were prepaid on the date of the Default.

(b) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Subordinated Debenture Documents, including, without limitation, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 8.01(f) shall occur, then the Loan, all accrued interest in respect thereof and all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders hereunder and under the other Subordinated Debenture Documents shall immediately become due and payable without the giving of any notice or other action by the Lenders, which notice or other action is expressly waived by the Credit Parties.

Each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

In case any one or more of the covenants and/or agreements set forth in this Agreement or any other Subordinated Debenture Document shall have been breached by any Credit Party, then the Lenders may proceed to protect and enforce the Lenders' rights either by suit in equity and/or by action at law, including an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement or such other Subordinated Debenture Document. Without limitation of the foregoing, the Borrower agrees that failure to comply with any of the covenants contained herein will cause irreparable harm and that specific performance shall be available in the event of any breach thereof. The Lenders acting pursuant to this paragraph shall be indemnified by the Borrower against all liability, loss or damage, together with all reasonable costs and expenses related thereto (including reasonable legal and accounting fees and expenses) in accordance with Section 9.05.

SECTION 8.03 ALLOCATION OF PAYMENTS AFTER EVENT OF DEFAULT.

(a) Priority of Distributions. The Borrower hereby irrevocably waives the right to direct the application of any and all payments in respect of the Obligations after the occurrence and during the continuance of an Event of Default and agrees that, notwithstanding the provisions of Sections 2.08, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Lenders on account of amounts then due and outstanding under any of the Subordinated Debenture Documents shall be paid over or delivered in respect of the Obligations as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of the Lenders in connection with enforcing the rights of the Lenders under the Subordinated Debenture Documents or otherwise with respect to the Obligations owing to such Lender;

SECOND, to the payment of all of the Obligations consisting of accrued fees and interest;

THIRD, except as set forth in clauses First or SECOND above, to the payment of the outstanding Obligations owing to any Lender, Pro-Rata;

FOURTH, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; and (ii) each of the Lenders shall receive an amount equal to its Pro-Rata Share of amounts available to be applied.

(b) Pro-Rata Treatment. For purposes of this Section, "Pro-Rata Share" means, when calculating a Lender's portion of any distribution or amount, that amount

(expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Lender's Obligations and the denominator of which is the then outstanding amount of all Obligations. When payments to the Lenders are based upon their respective Pro-Rata Shares, the amounts received by such Lenders hereunder shall be applied (for purposes of making determinations under this Section 8.03 only) to their Obligations. If any payment to any Lender of its Pro-Rata Share of any distribution would result in overpayment to such Lender, such excess amount shall instead be distributed in respect of the unpaid Obligations of the other Lenders, with each Lender whose Obligations have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Obligations of such Lender and the denominator of which is the unpaid Obligations of all Lenders entitled to such distribution.

(c) [Intentionally Omitted]

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 NOTICES AND OTHER COMMUNICATIONS.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices: (i) in the case of Holdings, Intermediate Holdings, the Borrower or Allied Capital as set forth on the signature pages hereof; (ii) in the case of any Lender, as set forth in any applicable Assignment and Acceptance pursuant to which such Lender became a Lender hereunder; and (iii) in the case of any party, at such other address as shall be designated by such party in a notice to the Borrower and Allied Capital. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, that notices and other communications to Allied Capital or any other Lender pursuant to Article II shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified pursuant to this Section 9.01, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder. Notwithstanding anything to the contrary contained herein, if Allied Capital transfers all or any portion of the Subordinated Debentures to a Person other than the Agent (as defined in the Senior Credit Agreement) or its Affiliates, the Borrower shall deliver all information described in Sections 6.01(a) through 6.01(d) to the holder of a majority of the principal amount of the Subordinated

Debentures, which holder shall act as agent for the other holders of Subordinated Debentures, and delivery to such agent shall be deemed to be a delivery to all holders of Subordinated Debentures for the purposes of such sections.

(b) Effectiveness of Facsimile Documents and Signatures. Subordinated Debenture Documents may be transmitted and/or signed by facsimile or signed and delivered by electronic mail in an Adobe PDF document. The effectiveness of any such documents and signatures shall, subject to requirements of Law, have the same force and effect as manually-signed originals and shall be binding on all Credit Parties and the Lenders. The Lenders may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document, Adobe PDF document or signature.

(c) Limited Use of Electronic Mail. Except as expressly provided herein or as may be agreed by the Lenders in their sole discretion, electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Subordinated Debenture Documents for execution by the parties thereto, to distribute executed Subordinated Debenture Documents in Adobe PDF format and may not be used for any other purpose.

(d) Reliance by Lenders. The Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Borrower or any other Credit Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Lenders from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with the Lenders may be recorded by the Lenders, and each of the parties hereto hereby consents to such recording.

SECTION 9.02 NO WAIVER; CUMULATIVE REMEDIES; AMENDMENT.

(a) No failure or delay on the part of a Lender in exercising any right, power or privilege hereunder or under any other Subordinated Debenture Document and no course of dealing between the Lenders and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Subordinated Debenture Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Lenders would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower and the Lenders in accordance with Section 9.03.

SECTION 9.03 CONSENTS AND APPROVALS; DEFAULTS.

(a) Subject to the terms of Section 9.03(c), to the extent that (i) the terms of this Agreement or any of the other Subordinated Debenture Documents require Holdings or the Borrower to obtain the consent or approval of the Lenders, (ii) Holdings or the Borrower seeks an amendment to or termination of any of the terms of this Agreement or any of the Subordinated Debenture Documents, or (iii) Holdings or the Borrower seeks a waiver of any right granted to the Lenders under this Agreement or any of the Subordinated Debenture Documents, such consent, approval, action, termination, amendment or waiver (each, an "Approval") shall be made by the Lenders of Subordinated Debentures representing at least 51% of the aggregate principal amount outstanding under all of the Subordinated Debentures.

(b) Notwithstanding anything to the contrary contained in Section 9.03(a), the Lenders shall not, without the prior written consent and approval of all of the affected Lenders, amend, modify, terminate or obtain a waiver of any provision of this Agreement or any of the Subordinated Debenture Documents, which will have the effect of (i) reducing the principal amount of any Subordinated Debentures or of any payment required to be made to the Lenders hereunder, or modifying the terms of a payment or prepayment thereof; (ii) reducing the Interest Rate, or extend the time for payment of interest under any Subordinated Debentures (other than as a result of waiving the applicability of any post-default increase in interest rates); or (iii) releasing Holdings, the Borrower, any Guarantor or other obligor from any payment obligation under this Agreement or any of the other Subordinated Debenture Documents.

(c) Each Lender agrees that, for the benefit of the other Lenders, any proceeds received upon enforcement by such Lender of its rights and remedies under this Agreement, will be divided, pro rata, among all Lenders.

(d) The various requirements of this Section 9.03 are cumulative. Each Lender and each holder of a Subordinated Debenture shall be bound by any waiver, amendment or modification authorized by this Section 9.03 regardless of whether its Subordinated Debenture shall have been marked to make reference therein, and any consent by any Lender pursuant to this Section 9.03 shall bind any Person subsequently acquiring a Subordinated Debenture from it, whether or not such Subordinated Debenture shall have been so marked.]

SECTION 9.04 EXPENSES. Holdings and the Borrower, jointly and severally, agree: (i) to pay to Allied Capital the fees set forth in the Fee Letter; (ii) to pay or reimburse Lenders for all reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement and the other Subordinated Debenture Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation of the transactions contemplated hereby and thereby, including all reasonable fees, disbursements and other charges of Piper Rudnick LLP, counsel for Allied Capital; and (iii) to pay or reimburse each holder for all reasonable costs and expenses incurred in connection with the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement or the other Subordinated Debenture Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any bankruptcy or

insolvency proceeding), including all reasonable fees and disbursements of counsel, provided that the Borrower shall not be required to reimburse the legal fees and expenses of more than one outside counsel (in addition to up to one local counsel in each applicable local jurisdiction) for all Persons indemnified under this clause (iii) unless, in the written opinion of outside counsel reasonably satisfactory to the Borrower, representation of all such indemnified persons would be inappropriate due to the existence of an actual or potential conflict of interest. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by any Lender and the cost of independent public accountants and other outside experts retained by or on behalf of the Lenders. The agreements in this Section 9.04 shall survive the repayment of all Obligations.

SECTION 9.05 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, Holdings and the Borrower jointly and severally agree to indemnify, save and hold harmless each Lender and its

Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact and its respective successors and assignors (collectively, the "Indemnitees") from and against: (i) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Credit Party, any Affiliate of any Credit Party or any of their respective officers or directors; (ii) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Subordinated Debenture Documents, any predecessor Subordinated Debenture Documents, the use of or contemplated use of the proceeds of the Loan, or the relationship of any Credit Party and any Lender under this Agreement or from any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Group Company , or any Environmental Liability related in any way to any Group Company; (iii) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in clause (i) or (ii) above; and (iv) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including fees and disbursements of counsel) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action, or proceeding (all the foregoing, collectively, the "Indemnified Liabilities"); provided that no Indemnitee shall be entitled to indemnification for any claim to the extent such claim is determined by a court of competent jurisdiction is a final and nonappealable judgment to have been caused by its own gross negligence, bad faith or willful misconduct and provided further that the Borrower shall not be required to reimburse the legal fees and expenses of more than one outside counsel (in addition to up to one local counsel in each applicable local jurisdiction) for all Indemnities unless, in the written opinion of outside counsel reasonably satisfactory to the Borrower, representation of all such Indemnitees would be inappropriate due to the existence of an actual or potential conflict of interest. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 9.05 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Credit Party, its directors, shareholders or creditors or an Indemnitee or any other Person or any Indemnitee is otherwise a party thereto and whether or not the transactions contemplated hereby

are consummated. Each of Holdings and the Borrower agrees not to assert or permit any of their respective Subsidiaries to assert any claim against Lender, any of their Affiliates or any of their respective directors, officers, employees, attorneys, agents and advisers, and each of the Lenders agrees not to assert or permit any of their respective Subsidiaries to assert any claim against Holdings, the Borrower or any of their respective Subsidiaries or any of their respective directors, officers, employees, attorneys, agents or advisors, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Loan, any of the transactions contemplated herein or therein or the actual or proposed use of the proceeds of the Loan. Without prejudice to the survival of any other agreement of the Credit Parties hereunder and under the other Subordinated Debenture Documents, the agreements and obligations of the Credit Parties contained in this Section 9.05 shall survive the repayment of the Obligations.

SECTION 9.06 SUCCESSORS AND ASSIGNS.

(a) Generally. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Credit Parties or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Assignments. No Credit Party may assign or delegate any of its rights or duties hereunder without the prior written consent of the Lenders and any attempted assignment or delegation without such consent shall be null and void. Each Lender may assign or delegate all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of the Subordinated Debentures held by it (and any participation interest in the Loan) in accordance with Section 9.22, provided that there shall be either (i) no more than five holders of Subordinated Debentures, or (ii) one Person acting as agent for all holders of Subordinated Debentures.

(c) Participations. Any Lender may, without the consent of the Borrower, sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Agreement (including all or a portion of its Subordinated Debentures); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such

Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the right of setoff contained in Section 9.08 and the yield protection provisions contained in Sections 3.01 and 3.02 and to the same extent that the Lender from which such participant acquired its participation would be entitled to the benefits of such yield protection provisions; provided that the Borrower shall not be required to reimburse any participant pursuant to Sections 3.01 or 3.02 in an amount which exceeds the amount that would have been payable thereunder to such Lender had such Lender not sold such participation, (iv) the Credit Parties and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Obligations owing to such Lender and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing the amount of principal of or the rate at which

interest is payable on such Subordinated Debentures, extending any scheduled principal payment date or date fixed for the payment of interest on such Subordinated Debentures) and (v) such participant shall be deemed to be bound by all of the provisions of the Subordination Agreement.

(d) [Intentionally Omitted].

(e) Information. Any Lender may furnish any information concerning any Credit Party or any of their respective Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 9.07.

(f) [Intentionally Omitted].

SECTION 9.07 CONFIDENTIALITY AND DISCLOSURE. Each of the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed: (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority (in which case such Lender shall use reasonable efforts to notify the Borrower prior to such disclosure); (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any permitted transferee of any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower or its Subsidiaries; (g) with the consent of the Borrower or Holdings, as applicable; or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Lender on a nonconfidential basis from a source other than the Borrower or Holdings provided that such source is not bound by a confidentiality agreement. For the purposes of this Section, "Information" means all information received from Holdings, the Borrower or its Subsidiaries relating to Holdings, the Borrower or its Subsidiaries or their business, other than any such information that is available to any Lender on a nonconfidential basis prior to disclosure by Holdings, the Borrower or its Subsidiaries; provided that, in the case of information received from Holdings, the Borrower or any Subsidiary after the date hereof, such information is clearly identified (in a reasonable manner) at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In any event, however, each Lender may disclose to any and all Persons without limitation of any kind, the tax treatment and tax structure of the transactions contemplated hereby and by the other Subordinated Debenture Documents and all materials of any kind (including opinions or other tax analyses) that are provided to the Lenders relating to such tax treatment and tax structure; it being understood that this authorization is retroactively effective to the commencement of the first discussions between

or among any of the parties regarding the transactions contemplated hereby and by the other Subordinated Debenture Documents.

SECTION 9.08 SET-OFF. Subject to the Subordination Agreement, upon

the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time without notice to any Credit Party (any such notice being expressly waived by such Credit Party) and, to the fullest extent permitted by applicable Law, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts (other than Exempt Deposit Accounts) or moneys at any time held and other indebtedness at any time owing by such Lender to or for the account of such Credit Party against any and all of the obligations of the Credit Parties then due now or hereafter existing under this Agreement or any other agreement or instrument delivered by such Credit Party to such Lender in connection therewith, whether or not such Lender shall have made any demand hereunder or thereunder. The rights of the Lenders under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which they may have. A Lender shall give the Credit Party notice of any set-off hereunder after such set-off has occurred.

SECTION 9.09 INTEREST RATE LIMITATION. If at any time the interest rate applicable to the Subordinated Debentures, together with all fees, charges, and other amounts which are treated under applicable Law as interest thereunder (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lenders holding the Subordinated Debentures in accordance with applicable Law, the rate of interest payable in respect of the Subordinated Debentures, together with all Charges payable in respect thereof shall be limited to the Maximum Rate. If, from any circumstance whatsoever, the Lender shall ever receive anything of value deemed Charges by applicable Law in excess of the maximum lawful amount, an amount equal to any excessive Charges shall be applied to the reduction of the principal balance owing under the Subordinated Debentures in the inverse order of maturity (whether or not then due) or at the option of the Lender be paid over to the Borrowers, and not to the payment of Charges. All Charges (including any amounts or payments deemed to be Charges) paid or agreed to be paid to the Lender shall, to the extent permitted by applicable Law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal balance of the Subordinated Debentures so that the Charges thereof for such full period will not exceed the maximum amount permitted by applicable Law.

SECTION 9.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

SECTION 9.11 INTEGRATION. This Agreement, together with the other Subordinated Debenture Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Subordinated Debenture Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor

of the Lenders in any other Subordinated Debenture Document shall not be deemed a conflict with this Agreement. Each Subordinated Debenture Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof. Nothing in this Agreement or in the other Subordinated Debenture Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Subordinated Debenture Documents.

SECTION 9.12 SURVIVAL OF AGREEMENT. All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Subordinated Debenture Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loan, regardless of any investigation made by the Lenders or on their behalf and shall continue in full force and effect as long as the principal of or any accrued interest on the Subordinated Debentures is outstanding and unpaid.

SECTION 9.13 SEVERABILITY. Any provision of this Agreement and the other Subordinated Debenture Documents to which any Credit Party is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.14 HEADINGS. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

SECTION 9.15 APPLICABLE LAW. THIS AGREEMENT AND THE OTHER SUBORDINATED DEBENTURE DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN OTHER SUBORDINATED DEBENTURE DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF MARYLAND (EXCLUDING CONFLICTS OF LAWS PROVISIONS).

SECTION 9.16 JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) Each of the Credit Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Maryland State court or Federal court of the United States of America sitting in the State of Maryland, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Subordinated Debenture Documents, or for recognition or enforcement of any judgment and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in the State of Maryland or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a

final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. Nothing in this Agreement shall affect any right that the Lenders may otherwise have to bring any action or proceeding relating to this Agreement or the other Subordinated Debenture Documents against such Credit Party or their properties in the courts of any jurisdiction.

(b) Each of the Credit Parties hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit action or proceeding arising out of or relating to this Agreement or the other Subordinated Debenture Documents in any Maryland state or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable Law.

SECTION 9.17 WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY HERETO CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.18 WAIVER OF CONSEQUENTIAL AND PUNITIVE DAMAGES. Each of the Credit Parties and the Lenders hereby waive to the fullest extent permitted by applicable Law all claims to consequential and punitive damages in any lawsuit or other legal action brought by any of them against any other of them in respect of any claim among or between any of them arising under this Agreement, the other Subordinated Debenture Documents, or any other agreement or agreements between or among any of them at any time, including any such agreements, whether written or oral, made or alleged to have been made at any time prior to the Closing Date, and all

agreements made hereafter or otherwise, and any and all claims arising under common law or under any statute of any state or the United States of America, including any thereof in contract, tort, strict liability or otherwise, whether any such claims be now existing or hereafter arising, now known or unknown. The Lenders and the Credit Parties acknowledge and agree that this waiver of claims for consequential damages and punitive damages is a material element of the

consideration for this Agreement.

SECTION 9.19 BINDING EFFECT. This Agreement shall become effective at such time when it shall have been executed by Holdings, Intermediate Holdings the Borrower, and the Lenders shall have received copies hereof (by facsimile or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Agreement shall be binding upon and inure to the benefit of Holdings, Intermediate Holdings, the Borrower, the Lenders and their respective successors and assigns; provided, however, unless the conditions set forth in Section 4.01 have been satisfied by the Credit Parties or waived by the Lenders on or before March 31, 2004, none of Holdings, the Borrower or the Lenders shall have any obligations under this Agreement.

SECTION 9.20 [INTENTIONALLY OMITTED].

SECTION 9.21 RELATIONSHIP OF THE PARTIES; ADVICE OF COUNSEL. This Agreement provides for the making of an investment by the Lenders, in its capacity as an investor, in the Borrower, in its capacity as borrower, and for the payment of interest and repayment of principal by the Borrower to the Lenders. The provisions herein for compliance with financial covenants, if any, and delivery of financial statements are intended solely for the benefit of the Lenders to protect their interests as investors in assuring payments of interest and repayment of principal, and nothing contained in this Agreement shall be construed as permitting or obligating the Lenders to act as a financial or business advisor or consultant to the Borrower (or Holdings), as permitting or obligating the Lenders to control the Borrower (or Holdings) or to conduct the Borrower's (or Holdings') operations, as creating any fiduciary obligation on the part of the Lenders to the Borrower (or Holdings'), or as creating any joint venture, agency or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Lenders are not (and shall not be construed as) a partner, joint venturer, alter-ego, manager, controlling person, operator or other business participant of any kind of the Borrower or Holdings; none of the Lenders nor the Borrower nor Holdings intend that the Lenders assume such status, and, accordingly, the Lenders shall not be deemed responsible for (or a participant in) any acts or omissions of the Borrower or Holdings or any of its partners. Each of the Lenders, Holdings and the Borrower represent and warrant to the other that it has had the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and with respect to all matters contained herein.

SECTION 9.22 REGISTRATION AND TRANSFER OF SUBORDINATED DEBENTURES.

(a) The Borrower will keep at its principal office a register in which the Borrower will provide for the registration of the Subordinated Debentures and their transfer. The Borrower may treat any Person in whose name any Subordinated Debenture is registered on such register as the owner thereof for the purpose of receiving payment of the principal of and interest on such Subordinated Debenture and for all other purposes, whether or not such Subordinated

Debenture shall be overdue, and the Borrower shall not be affected by any notice to the contrary from any Person other than the applicable Lender. All references in this Agreement to a "Lender" of any Subordinated Debenture shall mean the Person in whose name such Subordinated Debenture is at the time registered on such register.

(b) So long as no Event of Default has occurred and is continuing, the Holders shall not transfer the Subordinated Debentures to any Person without the consent of the Borrower, which consent shall not be unreasonably withheld, conditioned or delayed. If a Lender desires to transfer the Subordinated Debentures pursuant to this Section 9.22(b), such Lender shall notify the Borrower in writing. If the Borrower fails to respond within 10 days of the receipt of such notice, the Borrower shall be deemed to have consented to a transfer of the Subordinated Debentures by the Lenders in accordance with this Section 9.22(b).

(c) If an Event of Default has occurred and is continuing, the Holders may transfer all or any portion of the Subordinated Debentures to any Person other than a Person engaged in the manufacturing or distribution of fasteners and related products. Notwithstanding anything to the contrary contained herein, a Lender may transfer all or any portion of the Subordinated Debentures if required to do so by law or for regulatory reasons.

(d) Upon surrender of any Subordinated Debenture for registration of transfer or for exchange to the Borrower at its principal office, the Borrower at its expense will execute and deliver in exchange therefor a new Subordinated Debenture or Subordinated Debentures, as the case may be, of the same type in denominations of at least $100,000 (except a Subordinated Debenture may be issued in a lesser principal amount if the unpaid principal amount of the surrendered Subordinated Debenture is not evenly divisible by, or is less than, $100,000), as requested by the holder or transferee, which aggregate the unpaid principal amount of such Subordinated Debenture, registered as such holder or

transferee may request, dated so that there will be no loss of interest on such surrendered Subordinated Debenture and otherwise of like tenor.

(e) Upon receipt of evidence reasonably satisfactory to the Borrower of the loss, theft, destruction or mutilation of any Subordinated Debenture and, in the case of any such loss, theft or destruction of any Subordinated Debenture, upon delivery of an indemnity bond in such reasonable amount as the Borrower may determine (or an unsecured indemnity agreement from the Lender reasonably satisfactory to the Borrower), or, in the case of any such mutilation, upon the surrender of such Subordinated Debenture for cancellation to the Borrower at its principal office, the Borrower at its expense will execute and deliver, in lieu thereof, a new Subordinated Debenture of the same class and of like tenor, dated so that there will be no loss of interest on (and registered in the name of the holder of) such lost, stolen, destroyed or mutilated Subordinated Debenture. Any Subordinated Debenture in lieu of which any such new Subordinated Debenture has been so executed and delivered by the Borrower shall be deemed to be not outstanding for any purpose of this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE HILLMAN GROUP, INC.

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: James Waters
Chief Financial Officer

THE HILLMAN COMPANIES, INC.

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: James Waters
Chief Financial Officer

HILLMAN INVESTMENT COMPANY

By: /s/ Max W. Hillman

Name:
Title:

10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: James Waters
Chief Financial Officer

[SIGNATURE PAGE TO LOAN AGREEMENT]

ALLIED CAPITAL CORPORATION

By: /s/ John Fruehwirth

Name:
Title:

401 North Michigan Avenue
Suite 2050
Chicago, Illinois 60611
Attention: John Fruehwirth

[SIGNATURE PAGE TO LOAN AGREEMENT]

EXHIBIT 10.3

SUBORDINATION AND INTERCREDITOR AGREEMENT

THIS SUBORDINATION AND INTERCREDITOR AGREEMENT (this "Agreement") is entered into as of this March 31, 2004, by and among: (i) THE HILLMAN GROUP, INC., a Delaware corporation ("Borrower"); (ii) THE HILLMAN COMPANIES, INC., a Delaware corporation, and each of its Subsidiaries other than the Borrower (the "Guarantors", and together with Borrower, each an "Obligor" and collectively, "Obligors"); (iii) ALLIED CAPITAL CORPORATION, a Maryland corporation ("Subordinated Creditor"); and (iv) MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services, Inc., a Delaware corporation, as Administrative Agent for all Senior Lenders party to the Senior Credit Agreement described below.

RECITALS

A. Borrower, Agent (as hereinafter defined) and Senior Lenders (as hereinafter defined) have entered into a Credit Agreement of even date herewith (as the same may be amended, supplemented, extended, renewed, replaced, refinanced or otherwise modified from time to time as permitted hereunder, the "Senior Credit Agreement") pursuant to which, among other things, Senior Lenders have agreed, subject to the terms and conditions set forth in the Senior Credit Agreement, to make certain loans and financial accommodations to Borrower.

B. To induce Agent and Senior Lenders to execute and deliver the Senior Credit Agreement, each of the Guarantors has executed and delivered to Agent that certain Guaranty Agreement of even date herewith (as the same may be amended, supplemented or otherwise modified from time to time, the "Senior Guaranty") pursuant to which Guarantors have guaranteed all of Borrower's obligations to Agent and Senior Lenders under the Senior Credit Agreement and the other Senior Debt Documents (as hereinafter defined).

C. All of Obligors' obligations to Agent and Senior Lenders under the Senior Credit Agreement, the Senior Guaranty and the other Senior Debt Documents are secured by liens on and security interests in substantially all of the now existing and hereafter acquired real and personal property of each Obligor (the "Collateral").

D. Borrower and Subordinated Creditor have entered into a Loan Agreement of even date herewith (as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder, the "Loan Agreement") pursuant to which Subordinated Creditor is extending credit to Borrower as evidenced by Senior Subordinated Debentures of even date herewith in the aggregate principal amount of $47,500,000 (as the same may be amended, supplemented or otherwise modified from time to time as permitted hereunder, the "Subordinated Notes").

E. To induce Subordinated Creditor to execute and deliver the Loan Agreement, each of the Guarantors has executed and delivered to Subordinated Creditor that certain Guaranty Agreement of even date herewith (as the same may be amended, supplemented or otherwise modified from time to time as permitted hereunder, the "Subordinated Guaranty") pursuant to which Guarantors have guaranteed all of Borrower's

obligations to Subordinated Creditor under the Loan Agreement and the other Subordinated Debt Documents (as hereinafter defined).

F. As an inducement to and as one of the conditions precedent to the agreement of Agent and Senior Lenders to consummate the transactions contemplated by the Senior Credit Agreement, Agent and Senior Lenders have required the execution and delivery of this Agreement by Subordinated Creditor and each Obligor in order to set forth the relative rights and priorities of Agent, Senior Lenders and Subordinated Creditor under the Senior Debt Documents and the Subordinated Debt Documents.

NOW, THEREFORE, in order to induce Agent and Senior Lenders to consummate the transactions contemplated by the Senior Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to them in the Senior Credit Agreement. In addition, the following terms shall have the following meanings in this Agreement:

"AGENT" shall mean Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Administrative Agent for the Senior Lenders, or any other Person appointed by the holders of the Senior Debt as successor administrative agent for purposes of the Senior Debt Documents and this Agreement.

"BANKRUPTCY CODE" shall mean Chapter 11 of Title 11 of the United

States Code, as amended from time to time and any successor statute and all rules and regulations promulgated thereunder.

"DERIVATIVES AGREEMENT" means any agreement between any Obligor and any Derivatives Creditor with respect to one or more Derivative Obligations, and "Derivatives Agreements" means any two or more of such Derivatives Agreements, collectively.

"DERIVATIVES CREDITOR" means the Agent, in its individual capacity, any Affiliate of the Agent, any Senior Lender, any Affiliate of any Senior Lender or any syndicate of financial institutions arranged by the Agent or any Senior Lender from time to time party to one or more Derivatives Agreements with any Obligor (even if the Agent or such Senior Lender ceases after the execution of such agreement to be the Agent or a Senior Lender, as applicable, under the Senior Credit Agreement for any reason) and their successors and assigns, and "Derivatives Creditors" means any two or more of such Derivatives Creditors, collectively.

"DISTRIBUTION" means, with respect to any indebtedness, (a) any payment or distribution by any Person of cash, securities or other property, by set-off or otherwise, on account of such indebtedness or obligation, (b) any redemption, purchase or other acquisition of such indebtedness or obligation

by any Person or (c) the granting of any lien or security interest to or for the benefit of the holders of such indebtedness or obligation in or upon any property of any Person.

"ENFORCEMENT ACTION" shall mean (a) to take or receive from, for the account or on behalf of any Obligor or any guarantor of the Subordinated Debt, by set-off or in any other manner, the whole or any part of any moneys which may now or hereafter be owing by any Obligor or any such guarantor with respect to the Subordinated Debt (except for the payment of Permitted Subordinated Debt Payments to the extent permitted by Section 2.3), (b) to demand or sue for payment of, or to initiate or participate with others in any suit, action or proceeding against any Obligor or any such guarantor to (i) enforce payment of or to collect the whole or any part of the Subordinated Debt or (ii) commence judicial enforcement of any of the rights and remedies under the Subordinated Debt Documents or applicable law with respect to the Subordinated Debt, (c) to accelerate the Subordinated Debt, (d) to exercise any put option or to cause any Obligor or any such guarantor to honor any redemption or mandatory prepayment obligation under any Subordinated Debt Document or (e) to take any action under the provisions of any state or federal law, including, without limitation, the Uniform Commercial Code, or under any contract or agreement, to enforce, foreclose upon, take possession of or sell any property or assets of any Obligor or any such guarantor.

"MERRILL LYNCH LOAN DOCUMENTS" shall mean the Senior Credit Agreement, the Notes issued under the Senior Credit Agreement, the Senior Guaranty and all other agreements, documents and instruments executed from time to time in connection therewith, now existing or hereinafter entered into evidencing or pertaining to all or any portion of the Senior Debt, as the same may be amended, supplemented or otherwise modified (including to increase the amounts outstanding thereunder to the extent permitted hereunder) from time to time as permitted hereunder.

"OBLIGOR" shall have the meaning given in the preamble to this Agreement and shall include any subsidiary of any Obligor which hereafter executes a joinder to this Agreement agreeing to be bound hereby.

"PERMITTED REFINANCING" shall mean any addition to or refinancing in whole or in part of the Senior Debt under the Merrill Lynch Loan Documents provided that the financing documentation entered into by Obligors in connection with such Permitted Refinancing constitute Permitted Refinancing Senior Debt Documents.

"PERMITTED REFINANCING SENIOR DEBT DOCUMENTS" shall mean any financing documentation which replaces all or any portion of the Merrill Lynch Loan Documents and pursuant to which the Senior Debt is extended, renewed, replaced or refinanced, as such financing documentation may be amended, supplemented or otherwise modified or further extended, renewed,

replaced or refinanced from time to time in compliance with this Agreement, but specifically excluding any such financing documentation to the extent that it contains, either initially or by amendment or other modification, any material terms, conditions, covenants or defaults other than those which (a) then exist in Merrill Lynch Loan Documents or (b) could be included in the Merrill Lynch Loan Documents by an amendment or

other modification, extension, renewal, replacement or refinancing that would not be prohibited by the terms of this Agreement.

"PERMITTED SUBORDINATED DEBT PAYMENTS" means regularly scheduled payments of interest on the Subordinated Debt (including interest paid in kind under the Subordinated Note), all fees consented to by Agent and all reasonable out-of-pocket costs and expenses due and payable on a non-accelerated basis, in accordance with the terms of the Subordinated Debt Documents as in effect on the date hereof or as modified in accordance with the terms of this Agreement.

"PERSON" means any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

"PROCEEDING" shall mean any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

"REORGANIZATION SUBORDINATED SECURITIES" shall mean any debt or equity securities of any Obligor or any other Person that are authorized by an unstayed, final, nonappealable order or decree stating that effect is being given to the subordination of the Subordinated Obligations to the Senior Debt and made by a court of competent jurisdiction in a Proceeding and distributed to the Subordinated Creditor in respect of the Subordinated Debt pursuant to a confirmed plan of reorganization or adjustment and that are subordinated in right of payment to the Senior Debt (or any debt or equity securities issued in substitution of all or any portion of the Senior Debt) to at least the same extent as the Subordinated Debt is subordinated to the Senior Debt; provided, that (x) if a new entity results from any such reorganization or similar proceeding, such entity assumes all Senior Debt that will be outstanding after giving effect thereto and (y) the rights of the holders of the Senior Debt are not, without the consent of such holders, altered or impaired, including, without limitation, such rights being impaired within the meaning of Section 1124 of the Bankruptcy Code, or any impairment of the right to receive interest accruing during the pendency of a Proceeding, including Proceedings under Title 11 of the Bankruptcy Code.

"SENIOR COVENANT DEFAULT" shall mean any "Event of Default" with respect to Sections 6.01 (a), 6.01(b), 6.01(c) or Article VII of the Senior Credit Agreement (other than a Senior Payment Default).

"SENIOR DEBT" shall mean all obligations, liabilities and indebtedness now or hereafter existing, whether fixed or contingent, and whether for principal of, premium (if any), interest (including, without limitation, interest accruing at the rates set forth in the Senior Debt Documents after the commencement of any Proceeding by the Obligors, whether or not allowed or allowable as a claim in any such proceeding), fees, expenses, indemnifications, reimbursement obligations or otherwise, under the Senior Debt Documents or any Derivatives Agreement related to the Obligations under the Senior Debt Documents, whether or not evidenced by notes or other instruments, and whether such indebtedness, obligations and liabilities are direct or indirect, fixed or contingent, liquidated or unliquidated, due or to become due, secured or unsecured, joint, several or joint and several, together in each case with all renewals, extensions, increases or rearrangements thereof; provided, however, that in no event shall the principal amount of the Senior Debt exceed $300,000,000 as reduced by the amount of any scheduled principal amortization payments to the extent paid in cash (specifically excluding, however, any such repayments and commitment reductions occurring in connection with any Permitted Refinancing). Senior Debt under the Senior Debt Documents shall continue to constitute Senior Debt for all purposes hereof, notwithstanding that such Senior Debt or any claim in respect thereof may be disallowed, avoided or subordinated pursuant to any insolvency law, the Bankruptcy Code or any similar federal or state law for the relief of debtors or other applicable insolvency law or equitable principles (i) as a claim for unmatured interest, (ii) as a fraudulent transfer or conveyance or (iii) otherwise. Senior Debt shall be considered to be outstanding whenever any loan commitment under the Senior Debt Document is outstanding.

"SENIOR DEBT DOCUMENTS" shall mean (a) the Merrill Lynch Loan Documents, and (b) after the consummation of any Permitted Refinancing, the Permitted Refinancing Senior Debt Documents.

"SENIOR DEFAULT" shall mean any Senior Payment Default or Senior Covenant Default.

"SENIOR DEFAULT NOTICE" shall mean a written notice from Agent to Subordinated Creditor pursuant to which Subordinated Creditor is notified of the occurrence of a Senior Default, which notice incorporates a description of such Senior Default.

"SENIOR LENDERS" shall mean the holders from time to time of the Senior Debt.

"SENIOR PAYMENT DEFAULT" shall mean any "Event of Default" under the Senior Debt Documents resulting from the failure of any Obligor to pay, on a timely basis, any principal, interest, fees or other monetary obligations under the Senior Debt Documents including, without limitation, any default in payment of Senior Debt after acceleration thereof.

"SUBORDINATED DEBT" shall mean all of the obligations of any Obligor to Subordinated Creditor evidenced by or incurred pursuant to, or arising out of, the Subordinated Debt Documents.

"SUBORDINATED DEBT DOCUMENTS" shall mean the Subordinated Note, the Loan Agreement, the Subordinated Guaranty, any other guaranty with respect to the Subordinated Debt, and all other documents, agreements and instruments now existing or hereinafter entered into evidencing or pertaining to all or any portion of the Subordinated Debt and all amendments, supplements and modifications thereof, whether or not made in compliance with this Agreement.

"SUBORDINATED DEBT DEFAULT" shall mean a default in the payment of the Subordinated Debt or in the performance of any term, covenant or condition contained in the Subordinated Debt Documents or any other occurrence permitting Subordinated Creditor to accelerate the payment of, put or cause the redemption of all or any portion of the Subordinated Debt or any Subordinated Debt Document.

"SUBORDINATED DEBT DEFAULT NOTICE" shall mean a written notice from Subordinated Creditor or any Obligor to Agent pursuant to which Agent is notified of the occurrence of a Subordinated Debt Default, which notice incorporates a reasonably detailed description of such Subordinated Debt Default.

2. SUBORDINATION.

2.1. SUBORDINATION OF SUBORDINATED DEBT TO SENIOR DEBT. Each Obligor covenants and agrees, and Subordinated Creditor by its acceptance of the Subordinated Debt Documents (whether upon original issue or upon transfer, exchange, replacement or assignment) likewise covenants and agrees, notwithstanding anything to the contrary contained in any of the Subordinated Debt Documents, that the payment of any and all of the Subordinated Debt shall be subordinate and subject in right and time of payment, to the extent and in the manner hereinafter set forth, to the prior indefeasible payment in full in cash of all Senior Debt. Each holder of Senior Debt, whether now outstanding or hereafter created, incurred, assumed or guaranteed, shall be deemed to have acquired Senior Debt in reliance upon the provisions contained in this Agreement.

2.2. LIQUIDATION, DISSOLUTION, BANKRUPTCY. In the event of any Proceeding involving any Obligor:

(a) All Senior Debt shall first be indefensibly paid in full in cash and all commitments to lend under the Senior Debt Documents shall be terminated before any Distribution, whether in cash, securities or other property, shall be made to Subordinated Creditor from the Obligor subject to such Proceeding on account of any Subordinated Debt (other than a Distribution of Reorganization Subordinated Securities which the Subordinated Creditor is hereby specifically authorized to receive and retain).

(b) Any Distribution, whether in cash, securities or other property which would otherwise, but for the terms hereof, be payable or deliverable in respect of the Subordinated Debt (other than a Distribution of Reorganization Subordinated Securities which the Subordinated Creditor is hereby specifically authorized to receive and retain) shall be paid or delivered directly to Agent (to be held and/or applied by Agent in accordance with the terms of the Senior Debt Documents) until all Senior Debt is indefeasibly paid in full in cash and all commitments to lend under the Senior Debt Documents shall have been terminated. Subordinated Creditor irrevocably authorizes, empowers and directs any debtor, debtor in possession, receiver, trustee, liquidator, custodian, conservator or other Person having authority, to pay or otherwise deliver all such

Distributions (other than Reorganization Subordinated Securities) to Agent. Subordinated Creditor also irrevocably authorizes and empowers Agent, in the name of Subordinated Creditor, to demand, sue for, collect and receive any and all such Distributions (other than Reorganization Subordinated Securities) and agrees to execute such further documents and instruments evidencing the same as the Agent may reasonably request.

(c) Subordinated Creditor agrees not to initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority of the Senior Debt, this Agreement or any liens and security interests securing the Senior Debt.

(d) At the meeting of creditors or in the event of any Proceeding involving such Obligor, Subordinated Creditor shall retain the right to vote, file proofs of claim and otherwise act with respect to the Subordinated Debt (including the right to vote to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension); provided that Subordinated Creditor hereby irrevocably authorizes, empowers and appoints Agent its agent and attorney-in-fact to (i) execute, verify, deliver and file such proofs of claim upon the failure of Subordinated Creditor promptly to do so prior to 20 days before the expiration of the time to file any such proof of claim and (ii) vote such claim in any such Proceeding upon the failure of Subordinated Creditor to do so prior to five days before the expiration of the time to vote any such claim; provided the Agent shall have no obligation to execute, verify, deliver, file and/or vote any such proof of claim. In the event Agent votes any claim in accordance with the authority granted hereby, no Subordinated Creditor shall be entitled to change or withdraw such vote.

(e) The Senior Debt shall continue to be treated as Senior Debt and the provisions of this Agreement shall continue to govern the relative rights and priorities of Senior Lenders and Subordinated Creditor even if all or part of the Senior Debt or the security interests securing the Senior Debt are subordinated, set aside, avoided, invalidated or disallowed in connection with any such Proceeding, and this Agreement shall be reinstated if at any time any payment of any of the Senior Debt is rescinded or must otherwise be returned by any holder of Senior Debt or any representative of such holder.

2.3. SUBORDINATED DEBT PAYMENT RESTRICTIONS.

(a) Notwithstanding the terms of the Subordinated Debt Documents, each Obligor hereby agrees that it may not make, and Subordinated Creditor hereby agrees that it will not accept, any Distribution with respect to the Subordinated Debt until the Senior Debt is indefeasibly paid in full in cash and all commitments to lend under the Senior Debt Documents have terminated other than Permitted Subordinated Debt Payments subject to the terms of Section 2.2 of this Agreement; provided, however, that each Obligor and Subordinated Creditor further agree that no Permitted Subordinated Debt Payment may be made (other than interest paid in kind) by any Obligor or accepted by Subordinated Creditor if, at the time of such payment:

(i) a Senior Payment Default exists and such Senior Payment Default shall not have been cured or waived in accordance with the terms of the Senior Debt Documents; or

(ii) (A) Borrower and Subordinated Creditor shall have received a Senior Default Notice from Agent or all Senior Lenders stating mat a Senior Covenant Default exists, (B) each such Senior Covenant Default shall not have been cured or waived and (C) 180 days shall not have elapsed since the date such Senior Default Notice was received by the Subordinated Creditor.

(b) Obligors shall resume Permitted Subordinated Debt Payments (and shall make any Permitted Subordinated Debt Payments missed due to the application of Section 2.3(a)) in respect of the Subordinated Debt or any judgment with respect thereto:

(i) in the case of a Senior Payment Default referred to in Section 2.3(a)(i), upon a cure or waiver thereof in accordance with the terms of the Senior Debt Documents; or

(ii) in the case of a Senior Default Notice referred to in Section 2.3(a)(ii), upon the earlier to occur of (A) the cure or waiver of all such Senior Covenant Defaults in accordance with the terms of the Senior Debt Documents or (B) the expiration of a period of 18O days

from the date such Senior Default Notice was received by the Subordinated Creditor.

(c) No Senior Default shall be deemed to have been waived for purposes of this Section 2.3 unless and until Borrower shall have received a written waiver from Agent or all Senior Lenders.

(d) Notwithstanding any provision of this Section 2.3 to the contrary:

(i) no Obligor shall be prohibited from making, and Subordinated Creditor shall not be prohibited from receiving, Permitted Subordinated Debt Payments under Section 2.3(a)(ii) on more than one occasion within any period of 360 consecutive days and on more than five occasions during the period this Agreement is in effect with respect to the Subordinated Debt;

(ii) no Senior Covenant Default existing on the date any Senior Default Notice is given pursuant to Section 2.3(a)(ii) shall be used as a basis for any subsequent Senior Default Notice unless such default has been cured or waived for a period of at least 90 consecutive days, provided, however, any breach of Section 7.17 of the Senior Credit Agreement for a period after the expiration of a blockage period that would give rise to a new Senior Covenant Default, even though such breach is a breach of a provision under which a prior Senior Covenant Default previously existed, shall constitute a new Senior Covenant Default for this purpose;

(iii) the failure of Obligors to make any Distribution with respect to the Subordinated Debt by reason of the operation of this Section 2.3 shall not be construed as preventing the occurrence of a Subordinated Debt Default arising from such failure under the applicable Subordinated Debt Documents;

(iv) nothing in this Agreement or in the Subordinated Debt Documents shall prevent the Obligors at any time, except during the pendency of any Proceeding referred to in Section 2.2 or under the conditions referred to in Section 2.3, from making Permitted Subordinated Debt Payments or prevent the Subordinated Creditor from receiving Permitted Subordinated Debt Payments or, subject to Section 2.4, exercising any remedy available to the Subordinated Creditor under the Subordinated Debt Documents at any time on account of the principal, interest or other charges with respect to the Subordinated Debt; and

(v) the provisions of this Section 2.3 shall not apply to any payment with respect to which Section 2.2 would be applicable.

2.4. SUBORDINATED DEBT STANDSTILL PROVISIONS.

(a) Until the Senior Debt is indefeasibly paid in full in cash and all commitments to lend under the Senior Debt Documents have been terminated, Subordinated Creditor shall not, without the prior written consent of Agent, take any Enforcement Action with respect to the Subordinated Debt, until the earliest to occur of the following and in any event no earlier than five (5) days after Agent's receipt of written notice of Subordinated Creditor's intention to take any such Enforcement Action (which five day notice may be given during the 180 day period described in clause (ii) below):

(i) acceleration of the Senior Debt;

(ii) the passage of 180 days from the delivery of a Subordinated Debt Default Notice to Agent if any Subordinated Debt Default described therein shall not have been cured or waived within such period;

(iii) the occurrence of any Proceeding with respect to any Obligor or its assets;

(iv) the commencement by Agent or any Senior Lender of any judicial or non-judicial action or proceeding against any Obligor or any guarantor of the Senior Debt to (A) realize upon any collateral securing the Senior Debt or exercise any right or remedy with respect to such collateral, (B) enforce any of the rights and remedies available to Agent or any Senior Lender with respect to the Senior Debt or any collateral securing the Senior Debt, or (C) enforce payment of or to collect the whole or any part of the Senior Debt; or

(v) the occurrence of any Senior Default or Subordinated

Debt Default arising from the merger, sale, liquidation, dissolution, or change of control of an Obligor.

(b) Notwithstanding the foregoing but subject to Section 2.2 hereof, Subordinated Creditor may vote, file proofs of claim and otherwise act with respect to the Subordinated Debt against any Obligor in any Proceeding involving such Obligor or its assets. Any Distributions (other than a Distribution of Reorganization Subordinated Securities permitted under Section 2.2(a) or Section 2.2(b)) or other proceeds of any Enforcement Action obtained by Subordinated Creditor shall in any event be held in trust by it for the benefit of Agent and Senior Lenders and promptly paid or delivered to Agent for the benefit of Senior Lenders in the form received until all Senior Debt is paid in full in cash and all commitments to lend under the Senior Debt Documents shall have been terminated.

(c) Notwithstanding anything contained herein to the contrary, if following the acceleration of the Senior Debt by Senior Lenders such

acceleration is rescinded (whether or not any existing Senior Default has been cured or waived), then all Enforcement Actions taken by the Subordinated Creditor shall likewise be rescinded if such Enforcement Action is based solely on Section 2.4(a)(i).

(d) Notwithstanding anything herein to the contrary, no provision herein shall prevent the Subordinated Creditor from (i) taking any action described in clause (b) or (c) of the definition of "Enforcement Action" to the extent necessary to prevent the running of any applicable statute of limitation or similar restriction on claims or (ii) seeking specific performance or other injunctive relief to compel an Obligor to comply with an obligation under the Subordinated Debt Documents, so long as it is not accompanied by a claim for, or result in or potentially result in the receipt of, monetary damages.

2.5. INCORRECT PAYMENTS. If any Distribution on account of the Subordinated Debt not permitted to be made by an Obligor or accepted by Subordinated Creditor under this Agreement is made and received by Subordinated Creditor before all Senior Debt is paid in full in cash and all lending commitments under the Senior Debt Documents have terminated, such Distribution shall not be commingled with any of the assets of Subordinated Creditor, shall be held in trust by Subordinated Creditor for the benefit of Agent and Senior Lenders and shall be promptly paid over to Agent, or its designated representative, for application (in accordance with the Senior Debt Documents) to the payment of the Senior Debt then remaining unpaid, until all of the Senior Debt is indefeasibly paid in full in cash.

2.6. SUBORDINATION OF LIENS AND SECURITY INTERESTS; AGREEMENT NOT TO CONTEST; AGREEMENT TO RELEASE LIENS. Until the Senior Debt has been paid in full in cash and all lending commitments under the Senior Debt Documents have terminated, any liens and security interests of Subordinated Creditor in the Collateral which may exist in breach of Subordinated Creditor's agreement pursuant to Section 3.2(f) or Section 4.1 of this Agreement shall be and hereby are subordinated for all purposes and in all respects to the liens and security interests of Agent and Senior Lenders in the Collateral, regardless of the time, manner or order of perfection of any such liens and security interests. Subordinated Creditor agrees that it will not at any time contest the validity, perfection, priority or enforceability of the Senior Debt, the Senior Debt Documents, or the liens and security interests of Agent and Senior Lenders in the Collateral securing the Senior Debt. In the event that any Obligor grants to the Subordinated Creditor any liens or security interests in the Collateral, Subordinated Creditor shall (or shall cause its agent) to promptly execute and deliver to Agent such termination statements and releases as Agent shall request to effect the release of the liens and security interests of Subordinated Creditor in such Collateral solely in connection with any sale of such Collateral by Agent so long as the proceeds thereof are used to repay and permanently reduce the amount of Senior Debt outstanding. In furtherance of the foregoing, Subordinated Creditor hereby irrevocably appoints Agent its attorney-in-fact, with full authority in the place and stead of Subordinated Creditor and in the name of Subordinated Creditor or otherwise, to execute and deliver any document or instrument which Subordinated Creditor may be required to deliver pursuant to this Section 2.6.

2.7. SALE, TRANSFER OR OTHER DISPOSITION OF SUBORDINATED DEBT.

(a) Subordinated Creditor shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of the Subordinated Debt or any Subordinated Debt Document: (i) without giving prior written notice of such action to Agent and (ii) unless (a) prior to the consummation of any such action, the transferee thereof shall execute and deliver to Agent an

agreement substantially identical (as reasonably determined by the Agent) to this Agreement, providing for the continued subordination of the Subordinated Debt to the Senior Debt as provided herein and for the continued effectiveness of all of the rights of Agent and Senior Lenders arising under this Agreement, and (b) after the consummation of such action there shall be either (i) no more than five holders of Subordinated Debt, or (ii) one Person acting as agent for all holders of Subordinated Debt such that any Senior Default Notices and other notices and communications to be delivered to the holders of Subordinated Debt shall be made to or obtained from such agent and shall be binding on each holder of Subordinated Debt as if directly obtained from the Senior Lenders.

(b) Notwithstanding the failure of any transferee to execute or deliver an agreement substantially identical to this Agreement, the subordination effected hereby shall survive any sale, assignment, pledge, disposition or other transfer of all or any portion of the Subordinated Debt, and the terms of this Agreement shall be binding upon the successors and assigns of Subordinated Creditor, as provided in Section 9 hereof.

2.8. LEGENDS. Until the termination of this Agreement in accordance with Section 15 hereof, Subordinated Creditor will cause to be clearly, conspicuously and prominently inserted on the face of the Subordinated Note and any other Subordinated Debt Document, as well as any renewals or replacements thereof, the following legend:

"This instrument and the rights and obligations evidenced hereby are subordinate in the manner and to the extent set forth in that certain Subordination and Intercreditor Agreement (the "Subordination Agreement") dated as of March 31, 2004 among The Hillman Group, Inc. ("Borrower"); The Hillman Companies, Inc. and its Subsidiaries other than the Borrower (the "Guarantors", and together with Borrower, each an "Obligor" and collectively, "Obligors"); Allied Capital Corporation ("Subordinated Creditor"); and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Agent for all Senior Lenders party to the Senior Credit Agreement, to the indebtedness (including interest) owed by certain of such Obligors pursuant to that certain Credit Agreement dated as of March 31, 2004 among such Obligors, Agent and the lenders from time to time party thereto, as such Credit Agreement may be amended, supplemented or otherwise modified from time to time and to indebtedness refinancing the indebtedness under that agreement, each to the extent permitted by the Subordination Agreement; and each holder

of this instrument, by its acceptance hereof, irrevocably agrees to be bound by the provisions of the Subordination Agreement."

3. MODIFICATIONS.

3.1. MODIFICATIONS TO SENIOR DEBT DOCUMENTS. Senior Lenders may at any time and from time to time without the consent of or notice to Subordinated Creditor, without incurring liability to Subordinated Creditor and without impairing or releasing the obligations of Subordinated Creditor under this Agreement, change the manner or place of payment or extend the time of payment of or renew or alter any of the terms of the Senior Debt, or amend in any manner any agreement, note, guaranty or other instrument evidencing or securing or otherwise relating to the Senior Debt; provided that Senior Lenders shall not amend any Senior Debt Document to (a) increase the principal amount of the Senior Debt (except as permitted by the definition of Senior Debt herein), (b) increase any applicable margin (including fees) with respect to the Senior Debt by more than 2% over the highest interest rate margin applicable to the Senior Debt on the date hereof except in connection with the imposition of a default rate of interest in accordance with the terms of the Senior Debt Documents in effect on the date hereof or change the floating interest rate component of the Senior Debt from Prime Rate, Federal Funds Rate or London Interbank Offered Rate, (c) extend the final maturity of the Senior Debt (as set forth in the Senior Debt Documents in effect on the date hereof) to a date less than six months prior to the maturity date of the Subordinated Debt, or (d) shorten the weighted average term to maturity by more than six months. In the event that any Senior Debt Document is amended to add or make more restrictive any covenant or event of default with respect to the Senior Debt, the Subordinated Creditor shall be permitted to amend the Subordinated Debt Documents to provide for such additional, or more restrictive, covenant or event of default (it being understood that any such additional, or more restrictive, financial covenant shall be subject to "cushions" consistent with the existing "cushions" between the existing financial covenant set forth in the Senior Debt Documents and the Subordinated Debt Documents); provided that any such covenant, to the extent amended, may not be used by Agent or the Senior Lenders as the basis of a Senior Default Notice under Section 2.3(a)(ii) hereof. In the event that any Senior Debt Document is amended to change the dates upon which payments of principal or interest on the Senior Debt are due, the Subordinated Creditor shall be permitted to amend the Subordinated Debt Documents to change interest payment dates with respect to the Subordinated Debt such that the number of days between the interest payment dates under the Senior Debt and the Subordinated Debt

remain the same as on the date hereof.

3.2. MODIFICATIONS TO SUBORDINATED DEBT DOCUMENTS. Until the Senior Debt has been indefeasibly paid in full in cash and all lending commitments under the Senior Debt Documents have terminated, and notwithstanding anything to the contrary contained in the Subordinated Debt Documents, Subordinated Creditor shall not, without the prior written consent of Agent, agree to any amendment, modification or supplement to the Subordinated Debt Documents if such amendment, modification or supplement would add or change any terms, agreements, covenants or conditions in any manner adverse to any Obligor, or shorten the final maturity or average life to maturity or required any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof.

4. REPRESENTATIONS AND WARRANTIES.

4.1. REPRESENTATIONS AND WARRANTIES OF SUBORDINATED CREDITOR. Subordinated Creditor hereby represents and warrants to Agent and Senior Lenders that as of the date hereof: (a) Subordinated Creditor is a corporation duly formed and validly existing under the laws of the State of Maryland; (b) Subordinated Creditor has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by Subordinated Creditor will not violate or conflict with the organizational documents of Subordinated Creditor, any material agreement binding upon Subordinated Creditor or any law, regulation or order or require any consent or approval which has not been obtained; (d) this Agreement is the legal, valid and binding obligation of Subordinated Creditor, enforceable against Subordinated Creditor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles; (e) Subordinated Creditor is the sole owner, beneficially and of record, of the Subordinated Debt Documents and the Subordinated Debt; and (f) the Subordinated Debt is an unsecured obligation of Obligors.

4.2. REPRESENTATIONS AND WARRANTIES OF AGENT. Agent hereby represents and warrants to Subordinated Creditor that as of the date hereof: (a) Agent is a division of a corporation duly formed and validly existing under the laws of the State of Delaware; (b) Agent has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (c) the execution of this Agreement by Agent will not violate or conflict with the organizational documents of Agent, any material agreement binding upon Agent or any law, regulation or order or require any consent or approval which has not been obtained; and (d) this Agreement is the legal, valid and binding obligation of Agent, enforceable against Agent in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

5. SUBROGATION. Subject to the indefeasible payment in full in cash of all Senior Debt and the termination of all lending commitments under the Senior Debt Documents, Subordinated Creditor shall be subrogated to the rights of Agent and Senior Lenders to receive Distributions with respect to the Senior Debt until the Subordinated Debt is paid in full. Subordinated Creditor agrees that in the event that all or any part of a payment made with respect to the Senior Debt is recovered from the holders of the Senior Debt in a Proceeding or otherwise, any Distribution received by Subordinated Creditor with respect to the Subordinated Debt at any time after the date of the payment that is so recovered, whether pursuant to the right of subrogation provided for in this Agreement or otherwise, shall be deemed to have been received by Subordinated Creditor in trust as property of the holders of the Senior Debt and Subordinated Creditor shall forthwith deliver the same to the Agent for the benefit of the Senior Lenders for application to the Senior Debt until the Senior Debt is paid in full. A Distribution made pursuant to this Agreement to Agent or Senior Lenders which otherwise would have been made to Subordinated Creditor is not, as between the

Companies and Subordinated Creditor, a payment by any Obligor to or on account of the Senior Debt.

6. MODIFICATION. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by Agent and Subordinated Creditor, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such

notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. FURTHER ASSURANCES. Each party to this Agreement promptly will execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. NOTICE OF SUBORDINATED DEBT DEFAULT; NOTICE OF TRANSFER, (a) the Borrower shall provide Agent with notice of the occurrence of each Subordinated Debt Default and shall notify Agent in the event such Subordinated Debt Default is cured and waived; (b) Upon transfer of Subordinated Debt, Subordinated Creditor will provide Agent with the notice thereof certifying that the transfer complies with the provisions of Section 2.7 hereof and supplying Agent with the name, jurisdiction of formation (for transferees that are not individuals) and address of each such transferee.

9. NOTICES. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, sent by facsimile or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by facsimile, on the date of transmission if transmitted on a business day before 4:00 p.m. (Chicago time) or, if not, on the next succeeding business day; (c) if delivered by overnight courier, one business day after delivery to such courier properly addressed; or (d) if by United States mail, four business days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to Subordinated Creditor:

Allied Capital Corporation
401 North Michigan
Suite 2050
Chicago, Illinois 60611
Attention: John Fruehwirth
Facsimile: (312) 828-0909

With a copy to:

Piper Rudnick LLP
1200 19th Street, N.W.
Washington, D.C. 20036
Attention: Richard Marks
Facsimile: (202) 223-2085

If to any Obligor:

The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attention: James Waters
Facsimile: (513) 595-8297

With a copy to:

Kirkland & Ellis LLP
Aon Center
200 East Randolph Drive.
Chicago, Illinois 60601-6636
Attention: Christopher Butler
Facsimile: (312)861-2200

If to Agent or Senior Lenders:

Merrill Lynch Capital
222 North LaSalle Street
Chicago, Illinois 60601
Attention: Legal Department
Facsimile: (312) 499-3127

With a copy to:

Fried, Frank, Harris., Shriver & Jacobson LLP
One New York Plaza
New York, New York 10004
Attention: Valerie Jacob
Facsimile: (212) 859-8589

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

10. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of Agent, Senior Lenders, Subordinated Creditor and each Obligor. To the extent permitted under the Senior Debt Documents, Senior Lenders may, from time to time, without notice to Subordinated Creditor, assign or transfer any or all of the Senior Debt or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Senior Debt shall, subject to the terms hereof, be and remain Senior Debt for purposes of this Agreement, and every permitted assignee or transferee of any of the Senior Debt or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Senior Debt, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto.

11. RELATIVE RIGHTS. This Agreement shall define the relative rights of Agent, Senior Lenders and Subordinated Creditor. Nothing in this Agreement shall (a) impair, as among Obligors, Agent and Senior Lenders and as between Obligors and Subordinated Creditor, the obligation of any Obligor with respect to the payment of the Senior Debt and the Subordinated Debt in accordance with their respective terms or (b) affect the relative rights of Agent, Senior Lenders or Subordinated Creditor with respect to any other creditors of any Obligor.

12. CONFLICT. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Subordinated Debt Documents or the Senior Debt Documents, the provisions of this Agreement shall control and govern.

13. HEADINGS. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

14. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. SEVERABILITY. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

16. CONTINUATION OF SUBORDINATION; TERMINATION OF AGREEMENT. This Agreement shall remain in full force and effect until the payment in full in cash of the Senior Debt and the termination of all lending commitments under the Senior Debt Documents after which this Agreement shall terminate without further action on the part of the parties hereto.

17. APPLICABLE LAW. This Agreement shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of New York, without regard to conflicts of law principles.

18. CONSENT TO JURISDICTION. EACH OF AGENT, SUBORDINATED CREDITOR AND EACH OBLIGOR HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF NEW YORK, STATE OF NEW YORK. EACH OF AGENT, SUBORDINATED CREDITOR AND EACH OBLIGOR EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH OF AGENT, SUBORDINATED CREDITOR AND EACH OBLIGOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO AGENT, SUBORDINATED CREDITOR AND EACH OBLIGOR AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE 10 DAYS AFTER THE SAME HAS BEEN POSTED.

19 WAIVER OF JURY TRIAL. SUBORDINATED CREDITOR, EACH OBLIGOR AND AGENT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE SUBORDINATED DEBT DOCUMENTS OR ANY OF THE SENIOR DEBT DOCUMENTS. EACH OF SUBORDINATED CREDITOR, EACH OBLIGOR AND AGENT ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE SENIOR DEBT DOCUMENTS AND THAT

EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF SUBORDINATED CREDITOR, EACH OBLIGOR AND AGENT WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

20. RELIANCE. Upon any payment or distribution of assets of an Obligor of the Subordinated Debt or Senior Debt in connection with any Proceeding with respect thereto, the Subordinated Creditor shall be entitled to rely upon any order or decree by any court of competent jurisdiction in which such Proceeding is pending, delivered to the Subordinated Creditor, purporting to enforce or interpret this Agreement for the purpose of ascertaining the holders of Senior Debt entitled to participate in such payment or distribution in accordance with this Agreement, the amount thereof, and all other matters related thereto. The Subordinated Creditor shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or the receipt of any payment by it, unless and until the Subordinated Creditor shall have received written notice thereof in accordance with this Agreement from the Obligors or Agent, and prior to the

receipt of any such written notice the Subordinated Creditor shall be entitled to assume conclusively that no such facts exist.

{Signatures on following page.}

IN WITNESS WHEREOF, Subordinated Creditor,. Obligors and Agent have caused this Agreement to be executed as of the date first above written.

SUBORDINATED CREDITOR:

ALLIED CAPITAL CORPORATION

By: /s/ JOHN FRUEHWIRTH

Name: JOHN FRUEHWIRTH
Title: PRINCIPAL

OBLIGORS:

THE HILLMAN COMPANIES, INC.

BY: /s/ MAX W. HILLMAN, JR.

NAME: _____
TITLE:_____

THE HILLMAN GROUP, INC.

BY: /s/ MAX W. HILLMAN, JR.

NAME: _____
TITLE: _____

HILLMAN INVESTMENT COMPANY

BY: /s/ MAX W. HILLMAN, JR.

Name:_____
Title:_____

SUNSOURCE TECHNOLOGY SERVICES LLC

By: /s/ MAX W. HILLMAN, JR.

Name: _____
Title: _____

SUNSUB C INC.

B: /s/ MAX W. HILLMAN, JR.

Name: _____
Title: _____

SUNSUB HOLDINGS LLC

By: /s/ MAX W. HILLMAN, JR.

Name: _____
Title: _____

AGENT:

MERRILL LYNCH CAPITAL, as Agent
a division of Merrill Lynch Business
Financial Services Inc.

By: /s/ JOSEPH LAZEWSKI

Name: Joseph Lazewski
Title: ASSISTANT VICE PRESIDENT

EXHIBIT 10.4

THE HILLMAN COMPANIES, INC.
2004 STOCK OPTION PLAN

ARTICLE I

Purpose of Plan

The 2004 Stock Option Plan (the "Plan") of The Hillman Companies, Inc., a Delaware corporation (the "Company"), adopted by the Board and approved by the stockholders of the Company on March 31, 2004, for executive and other key employees of the Company and its subsidiaries, is intended to advance the best interests of the Company and its subsidiaries by providing those persons who have a substantial responsibility for its management and growth with additional incentives by allowing them to acquire an ownership interest in the Company and thereby encouraging them to contribute to the success of the Company and its subsidiaries and to remain in their employ. The availability and offering of stock options under the Plan also increases the Company's and its subsidiaries' ability to attract and retain individuals of exceptional managerial talent upon whom, in large measure, the sustained progress, growth and profitability of the Company and its subsidiaries depends.

All options granted under the Plan are intended to qualify for an exemption (the "Exemptions") from the registration requirements (i) under the Securities Act of 1933, as amended (the "Act"), pursuant to Rule 701 of the Act and (ii) under applicable state securities laws. In the event that any provision of the Plan would cause any options granted under the Plan to not qualify for any Exemptions, the Plan shall be deemed automatically amended to the extent necessary to cause all options granted under the Plan to qualify for such Exemptions.

ARTICLE II

Definitions

For purposes of the Plan, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

"Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by or under common control with such Person.

"Board" shall mean the board of directors of the Company.

"Cause" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, in the absence of any such written Executive Securities Agreement, shall mean (i) a material breach by a Participant of this Plan, his Option Agreement or any employment or noncompetition agreement to which the Participant is a party, (ii) the Participant's failure to adhere to any written policy of the Company or any of its subsidiaries if the Participant has been given a reasonable opportunity to comply with such policy or to cure his failure to comply, (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company or any of its subsidiaries, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company or

any of its subsidiaries, (iv) the misappropriation (or attempted misappropriation) of any of the Company's or any of its subsidiaries' funds or property, (v) the conviction of, the indictment for (or its procedural equivalent), or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, or any other crime with respect to which imprisonment is a possible punishment, (vi) any act or acts of disloyalty, misconduct or moral turpitude by the Participant injurious to the interest, property, operations, business or reputation of the Company or any of its subsidiaries or (vii) the Participant's failure or inability (other than by reason of the Participant's Disability) to carry out effectively the Participant's duties and obligations to the Company or any of its subsidiaries or to participate effectively and actively in the management of the Company or any of its subsidiaries, as determined in the reasonable judgment of the Board.

"Class B Common Stock" shall mean the Company's Class B Common Stock, par value $0.01 per share, or if the outstanding Class B Common Stock is hereafter changed into or exchanged for different stock or securities of the Company, such other stock or securities.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute.

"Committee" shall mean the compensation committee of the

Board. The Committee shall be composed of two or more directors as appointed from time to time to serve by the Board.

"Disability" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, in the absence of any such written Executive Securities Agreement, shall mean the inability, due to illness, accident, injury, physical or mental incapacity or other disability, of any Participant to carry out effectively his duties and obligations to the Company or any of its subsidiaries or to participate effectively and actively in the management of the Company or any of its subsidiaries for a period of at least 90 consecutive days or for shorter periods aggregating at least 120 days (whether or not consecutive) during any twelve-month period, as determined in the reasonable judgment of the Board.

"Executive Securities Agreement" shall mean any Executive Securities Agreement entered into on March 31, 2004 between the Company and a Participant.

"Fair Market Value" of the Class B Common Stock shall be determined by the Committee or, in the absence of the Committee, by the Board.

"Good Reason" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, if the Participant has not entered into an Executive Securities Agreement, shall mean if the Participant resigns from employment with the Company and its Subsidiaries as a result of one or more of the following reasons: (i) the Company reduces his responsibilities in a manner materially inconsistent with the positions he holds or (ii) the Company changes his place of work to a location more than 75 miles from his present place of work; provided that, the Participant must give written notice to the Company of his objection to any such act within 10 days of such act and such act shall not be deemed to constitute Good Reason if it is of such a nature that substantially all detriment otherwise resulting to the

Participant can be cured by appropriate action which the Company causes to be taken within 30 days following written notice from the Participant.

"Investors" shall have the meaning set forth in the Stockholders Agreement.

"Options" shall have the meaning set forth in Article IV.

"Participant" shall mean any executive or other key employee of the Company or any of its subsidiaries who has been selected to participate in the Plan by the Committee or the Board.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Public Offering" shall mean a public offering and sale, registered under the 1933 Act, of shares of the Company's common stock.

"Sale of the Company" shall mean any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investors and their Affiliates) in the aggregate acquire(s) (i) capital stock of the Company possessing the voting power (other than voting rights accruing only in the event of a default, breach, event of noncompliance or other contingency) to elect a majority of the Board (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Stockholders Agreement" shall mean the Stockholders Agreement, dated as of March 31, 2004, by and among the Company and certain of its stockholders, as amended from time to time in accordance with its terms.

ARTICLE III
Administration

The Plan shall be administered by the Committee; provided that if for any reason the Committee shall not have been appointed by the Board, all authority and duties of the Committee under the Plan shall be vested in and exercised by the Board. Subject to the limitations of the Plan, the Committee shall have the sole and complete authority to: (i) select Participants, (ii) grant Options to Participants in such forms and amounts as it shall determine, (iii) impose such limitations, restrictions and conditions upon such Options as it shall deem appropriate, (iv) interpret the Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (v) correct any defect or omission or reconcile any inconsistency in the Plan or in any Option granted hereunder and (vi) make all other determinations and take

all other actions necessary or advisable for the implementation and administration of the Plan; provided, that in making determinations under the Plan the Committee shall take into consideration the recommendations of the Company's chief executive

officer. The Committee's determinations on matters within its authority shall be conclusive and binding upon the Participants, the Company and all other Persons. All expenses associated with the administration of the Plan shall be borne by the Company. The Committee may, as approved by the Board and to the extent permissible by law, delegate any of its authority hereunder to such persons as it deems appropriate.

ARTICLE IV

Limitation on Aggregate Shares

The number of shares of Class B Common Stock with respect to which options may be granted under the Plan (the "Options") and which may be issued upon the exercise thereof shall not exceed, in the aggregate, 256.41 shares; provided that the type and the aggregate number of shares which may be subject to Options shall be subject to adjustment in accordance with the provisions of Section 6.8 below, and further provided that to the extent any Options expire unexercised or are canceled, terminated or forfeited in any manner without the issuance of Class B Common Stock thereunder, or if any Options are exercised and the shares of Class B Common Stock issued thereunder are repurchased by the Company, such shares shall again be available under the Plan. The 256.41 shares of Class B Common Stock available under the Plan may be either authorized and unissued shares, treasury shares or a combination thereof, as the Committee shall determine.

ARTICLE V

Awards

5.1 Options. The Committee may grant Options to Participants in accordance with this Article V.

5.2 Form of Option. Options granted under this Plan shall be nonqualified stock options and are not intended to be "incentive stock options" within the meaning of Section 422 of the Code or any successor provision.

5.3 Exercise Price. The option exercise price per share of Class B Common Stock shall be fixed by the Committee.

5.4 Exercisability. Options shall be exercisable at such time or times as the Committee shall determine at or subsequent to grant; provided that any Options granted hereunder shall fully vest and become exercisable on the second anniversary of the date of grant, but only if the applicable Participant is still employed by the Company or any of its subsidiaries as of such anniversary.

5.5 Payment of Exercise Price. Options shall be exercised in whole or in part by written notice to the Company (to the attention of the Company's Secretary) accompanied by payment in full of the option exercise price. Payment of the option exercise price shall be made in cash (including check, bank draft or money order).

5.6 Terms of Options. The Committee shall determine the term of each Option, which term shall in no event exceed ten years from the date of grant.

5.7 Annual Limitation on Grant of Options. Unless otherwise consented to by the Board, the aggregate number of shares of Class B Common Stock for which Options may be granted by the Committee in any calendar year shall not exceed 20% of the shares of Class B Common Stock reserved under Article IV of the Plan.

ARTICLE VI

General Provisions

6.1 Conditions and Limitations on Exercise. Subject to Section 5.4 hereof, Options may be made exercisable in one or more installments, upon the happening of certain events, upon the passage of a specified period of time, upon the fulfillment of certain conditions or upon the achievement by the Company or any of its subsidiaries of certain performance goals, as the Committee shall decide in each case when the Options are granted.

6.2 Sale of the Company. In the event of a Sale of the Company, the Committee may terminate (i) any vested Options without payment of

any kind provided that each Participant shall first be given notice of such termination and at least 15 days to exercise all vested Options that are to be so terminated or (ii) any vested Options for a payment of (x) cash and/or (y) consideration in the same form as that received by the holders of the Company's Common Stock in connection with such Sale of the Company, equal to the excess of the Fair Market Value per share of Class B Common Stock (measured as of the date of such Sale of the Company) over such Option's exercise price multiplied by the number of Options to be terminated or (iii) any Option without payment of any kind that on the date of such Sale of the Company (x) is not vested or (y) has a Fair Market Value less than or equal to the aggregate exercise price of such Option. In the event of a Sale of the Company, the Committee shall immediately vest any unvested Options, causing such Options to become immediately exercisable, but only if a Participant is employed by the Company or any of its subsidiaries as of the date of such Sale of the Company.

6.3 Written Agreement. Each Option granted hereunder to a Participant shall be embodied in a written agreement (an "Option Agreement") which shall be signed by the Participant and by the President of the Company for and in the name and on behalf of the Company and shall be subject to the terms and conditions of the Plan prescribed in the Option Agreement (including, but not limited to, (i) the right of the Company and such other Persons as the Committee shall designate ("Designees") to repurchase from each Participant, and such Participant's transferees, all shares of Class B Common Stock issued or issuable to such Participant on the exercise of an Option, in the event of such Participant's termination of employment, (ii) rights of first refusal granted to the Company and Designees, (iii) holdback and other registration right restrictions in the event of a public registration of any equity securities of the Company and (iv) any other terms and conditions which the Committee shall deem necessary and desirable).

6.4 Listing, Registration and Compliance with Laws and Regulations. Options shall be subject to the requirement that if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares subject to the Options upon any securities exchange or under any state or federal securities or other law or regulation, or the consent or approval of any governmental regulatory body, is necessary or desirable as a

condition to or in connection with the granting of the Options or the issuance or purchase of shares thereunder, no Options may be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The holders of such Options shall supply the Company with such certificates, representations and information as the Company shall request and shall otherwise cooperate with the Company in obtaining such listing, registration, qualification, consent or approval. In the case of officers and other Persons subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Committee may at any time impose any limitations upon the exercise of an Option that, in the Committee's discretion, are necessary or desirable in order to comply with such Section 16(b) and the rules and regulations thereunder. If the Company, as part of an offering of securities or otherwise, finds it desirable because of federal or state regulatory requirements to reduce the period during which any Options may be exercised, the Committee, may, in its discretion and without the Participant's consent, so reduce such period on not less than 15 days written notice to the holders thereof.

6.5 Nontransferability. Options may not be transferred other than by will or the laws of descent and distribution and, during the lifetime of the Participant, may be exercised only by such Participant (or his legal guardian or legal representative). In the event of the death of a Participant, exercise of Options granted hereunder shall be made only:

(i) by the executor or administrator of the estate of the deceased Participant or the Person or Persons to whom the deceased Participant's rights under the Option shall pass by will or the laws of descent and distribution; and

(ii) to the extent that the deceased Participant was entitled thereto at the date of his death, unless otherwise provided by the Committee in such Participant's Option Agreement.

6.6 Expiration of Options.

(a) Normal Expiration. In no event shall any part of any Option be exercisable after the date of expiration thereof (the "Expiration Date"), as determined by the Committee pursuant to Section 5.6 above.

(b) Early Expiration Upon Termination of Employment. Except as otherwise provided by the Committee in the Option Agreement, any portion of a Participant's Option that was not vested and exercisable on the date of the termination of such Participant's employment shall expire and be forfeited as of such date, and any portion of a Participant's Option that was

vested and exercisable on the date of the termination of such Participant's employment shall expire and be forfeited as of such date, except that the Option Agreement may delay such expiration for such period as the Committee determines.

6.7 Withholding of Taxes. The Company shall be entitled, if necessary or desirable, to withhold from any Participant from any amounts due and payable by the Company or any of its subsidiaries to such Participant (or secure payment from such Participant in lieu of withholding) the amount of any withholding or other tax due from the Company with respect to any shares issuable under the Options, and the Company may defer such issuance unless indemnified to its satisfaction.

6.8 Adjustments. In the event of a reorganization, recapitalization, stock dividend or stock split, or combination or other change in the shares of Class B Common Stock, the Board or the Committee may, in order to prevent the dilution or enlargement of rights under outstanding Options, make such adjustments in the number and type of shares authorized by the Plan, the number and type of shares covered by outstanding Options and the exercise prices specified therein as may be determined to be appropriate and equitable. The issuance by the Company of shares of stock of any class, or options or securities exercisable or convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale, or upon the exercise of rights or warrants to subscribe therefor, or upon exercise or conversion of other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Class B Common Stock then subject to any Options.

6.9 No Right to Employment. Nothing in this Plan shall interfere with or limit in any way the right of the Company or any of its subsidiaries to terminate any Participant's employment at any time (with or without Cause), nor confer upon any Participant any right to continue in the employ of the Company or any of its subsidiaries for any period of time or to continue his present (or any other) rate of compensation, and except as otherwise provided under this Plan or by the Committee in the Option Agreement, in the event of any Participant's termination of employment (including, but not limited to, the termination by the Company or any of its subsidiaries without Cause) any portion of such Participant's Option that was not previously vested and exercisable shall expire and be forfeited as of the date of such termination. No employee shall have a right to be selected as a Participant or, having been so selected, to be selected again as a Participant.

6.10 Amendment, Suspension and Termination of Plan. The Board or the Committee may suspend or terminate the Plan or any portion thereof at any time and may amend it from time to time in such respects as the Board or the Committee may deem advisable; provided that no such amendment shall be made without stockholder approval to the extent such approval is required by law, agreement or the rules of any exchange upon which the Common Stock is listed, and no such amendment, suspension or termination shall impair the rights of Participants under outstanding Options without the consent of the Participants affected thereby; provided, further, that no amendment that increases the maximum number of shares of Class B Common Stock with respect to which Options may be granted and which may be issued upon the exercise thereof shall be effective without the approval of Code Hennessy & Simmons IV LP and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares (as defined in the Stockholders Agreement) and shares of Investment Company Preferred Stock (as defined in the Stockholders Agreement) with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers.

6.11 Amendment, Modification and Cancellation of Outstanding Options. The Committee may amend or modify any Option in any manner to the extent that the Committee would have had the authority under the Plan initially to grant such Option; provided that no such amendment or modification shall impair the rights of any Participant under any Option without the consent of such Participant. With the Participant's consent, the Committee may cancel any Option and issue a new Option to such Participant.

6.12 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Board and the

Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding; provided that any such Board or Committee member shall be entitled to the indemnification rights set forth in this Section 6.12 only if such member has acted in good faith and in a manner that such member reasonably believed to be

in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful, and further provided that upon the institution of any such action, suit or proceeding a Board or Committee member shall give the Company written notice thereof and an opportunity, at its own expense, to handle and defend the same before such Board or Committee member undertakes to handle and defend it on his own behalf.

* * * *

EXHIBIT 10.5

THE HILLMAN COMPANIES, INC.
EMPLOYEE SECURITIES PURCHASE PLAN

ARTICLE 1

PURPOSE OF PLAN

This Employee Securities Purchase Plan (this "Plan") of The Hillman Companies, Inc., a Delaware corporation (the "Company"), adopted by the Board of Directors of the Company on March 31, 2004, is for certain executives and other key employees of the Company and its subsidiaries and is intended to foster and promote the long-term financial success of the Company and its subsidiaries and materially increase stockholder value by (a) motivating superior performance by encouraging and providing for the acquisition of an ownership interest in the Company by executives and employees and (b) enabling the Company's subsidiaries to attract and retain the services of an outstanding management team upon whose judgment, interest and special effort the successful conduct of its operations is largely dependent. The Plan became effective as of the date of approval by the Board of Directors set forth above and, unless sooner terminated pursuant to the terms hereof, the Plan shall terminate on March 31, 2014 (the "Termination Date").

All securities purchased under the Plan are intended to qualify for an exemption (the "Exemptions") from the registration requirements (i) under the Securities Act of 1933, as amended (the "Act"), pursuant to Rule 701 of the Act and (ii) under applicable state securities laws. In the event that any provision of the Plan would cause any securities purchased under the Plan to not qualify for any Exemptions, the Plan shall be deemed automatically amended to the extent necessary to cause all securities purchased under the Plan to qualify for such Exemptions.

ARTICLE 2

DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

2.2 "Board" means the Board of Directors of the Company.

2.3 "Class A Common Stock" means the Company's Class A Common Stock, par value $0.01 per share.

2.4 "Class A Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

2.5 "Class B Common Stock" means the Company's Class B Common Stock, par value $0.01 per share.

2.6 "Committee" means the compensation committee of the Board.

2.7 "Employee" means any present or future officer or other key employee of the Company or its subsidiaries, as may be selected in the sole discretion of the Committee.

2.8 "Executive Securities" means any shares of Class A Common Stock, Class B Common Stock and Options (and the shares of Class A Preferred Stock issued upon exercise thereof) issued under this Plan.

2.9 "Participant" means an Employee, selected by the Committee in its sole discretion, who purchases Executive Securities under this Plan.

2.10 "Plan" means The Hillman Companies, Inc. Employee Securities Purchase Plan, as set forth herein and as the same may be amended from time to time in accordance with its terms.

2.11 "Stockholders Agreement" means the Stockholders Agreement, dated as of March 31, 2004, among the Company and its stockholders, as amended from time to time in accordance with its terms.

2.12 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural and the plural shall include the singular.

ARTICLE 3

ELIGIBILITY AND PARTICIPATION

Only those Employees who are selected by the Committee in its sole discretion may participate in this Plan.

ARTICLE 4

ADMINISTRATION

4.1 Power to Sell Securities and Establish Terms. The Committee shall have the discretionary power and authority to sell to any Employee any Executive Securities at any time prior to the termination of this Plan in such quantity, at such price, on such terms and subject to such conditions that are consistent with this Plan and established by the Committee. Executive Securities sold under this Plan shall be subject to such terms of, and evidenced by, an Executive Securities Agreement (as defined below).

4.2 Administration. The Committee shall be responsible for the administration of this Plan. The Committee shall have discretionary power and authority to prescribe, amend and rescind rules, procedures and regulations relating to this Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, to interpret this Plan and to make all other determinations necessary or advisable for the administration and interpretation of this Plan and to carry out its provisions and purposes. Determinations, interpretations or other actions made or taken by the Committee in good faith pursuant to the provisions of this Plan shall be final, binding and conclusive for all purposes and upon all

persons and shall be given deference in any proceeding with respect thereto. The Committee may consult with legal counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith.

ARTICLE 5

SECURITIES SUBJECT TO PLAN

5.1 Class A Common Stock. The aggregate number of shares of Class A Common Stock that may be sold under this Plan may not exceed 187. The shares of Class A Common Stock to be sold under this Plan may consist, in whole or in part as the Committee shall determine, of Class A Common Stock held in treasury or authorized but unissued shares of Class A Common Stock not reserved for any other purpose.

5.2 Class B Common Stock. The aggregate number of shares of Class B Common Stock that may be sold under this Plan may not exceed 512. The shares of Class B Common Stock to be sold under this Plan may consist, in whole or in part as the Committee shall determine, of Class B Common Stock held in treasury or authorized but unissued shares of Class B Common Stock not reserved for any other purpose.

5.3 Options to Purchase Shares of Class A Preferred Stock. Options to purchase shares of Class A Preferred Stock may be granted under this Plan (the "Options"), and the aggregate number of shares of Class A Preferred Stock with respect to which the Options may be granted and which may be issued upon the exercise thereof shall not exceed 6,932 shares.

5.4 Stockholders Agreement. All of the Executive Securities issued under this Plan shall be, in all respects, subject to the terms of the Stockholders Agreement.

ARTICLE 6

SECURITIES OFFERINGS

6.1 Sale of Securities. The Executive Securities may be sold to Participants at such time or times as shall be determined by the Committee. The Committee shall determine the number of Executive Securities, if any, to be offered for sale to a Participant. Each sale shall be evidenced by an executive securities agreement (the "Executive Securities Agreement") that shall be in substantially the form of the Executive Securities Agreement attached hereto as Exhibit A, subject to such changes not inconsistent with this Plan as the Committee shall determine, in its good faith judgment, to be equitable and appropriate.

6.2 Offering Terms. All Executive Securities sold under this Plan shall be sold on the terms set forth in the Executive Securities Agreement.

6.3 Repurchase of Securities. Any Executive Securities granted hereunder shall be subject to the repurchase rights set forth in the Executive Securities Agreement.

ARTICLE 7

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Committee may at any time terminate or suspend this Plan and from time to time amend or modify this Plan, except that it may not, without further approval by Code Hennessy & Simmons IV LP, in its capacity as a stockholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares (as defined in the Stockholders Agreement) and shares of Investment Company Preferred Stock (as defined in the Stockholders Agreement) with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers, (a) increase the maximum number of Executive Securities available for issuance under this Plan or (b) extend the term of this Plan. No Executive Securities shall be issued hereunder after the Termination Date or the termination of this Plan by the Committee, whichever is earlier.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 Nontransferability of Securities. The Executive Securities purchased under this Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated unless in accordance with such Participant's Executive Securities Agreement.

8.2 No Guarantee of Employment or Participation. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future invitations to purchase additional Executive Securities.

8.3 Indemnification. Each person who is or shall have been a member of the Board or the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be made a party or in which he may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Limited Liability Agreement of the Company (as in effect at the time of the initiation of the claim, action, suit or proceeding giving rise to the right of indemnification), by contract, as a matter of law or otherwise.

8.4 No Limitation on Compensation. Nothing in this Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its Employees in cash or property.

8.5 Requirements of Law. The issuance of the Executive Securities shall be subject to all applicable laws, rules, and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.6 Governing Law. This Plan shall be construed in accordance with and governed by the laws of the State of Delaware.

8.7 Securities Law Compliance. Instruments evidencing the sale and issuance of Executive Securities may contain such other provisions, not inconsistent with this Plan, as the Committee deems advisable, including a requirement that the Participant represent to the Company in writing when he receives Executive Securities that he is acquiring such Executive Securities (unless they are then covered by an effective registration statement filed under the Act) for his own account for investment only and with no present intention to transfer, sell or otherwise dispose of such Executive Securities except such disposition by a legal representative as shall be required by will or the laws of any jurisdiction in winding up the estate of the Participant. Such Executive Securities shall be transferable only if the proposed transfer shall be permissible pursuant to this Plan, the Executive Securities Agreement and if, in the opinion of counsel satisfactory to the Company, such transfer at such time will be in compliance with all applicable securities laws.

* * * * *

EXHIBIT A

[FORM OF EXECUTIVE SECURITIES AGREEMENT ATTACHED]

EXHIBIT 10.6

HILLMAN INVESTMENT COMPANY
EMPLOYEE SECURITIES PURCHASE PLAN

ARTICLE 1

PURPOSE OF PLAN

This Employee Securities Purchase Plan (this "Plan") of Hillman Investment Company, a Delaware corporation (the "Company"), adopted by the Board of Directors of the Company on March 31, 2004, is for certain executives and other key employees of the Company and its subsidiaries and is intended to foster and promote the long-term financial success of the Company and its subsidiaries and materially increase stockholder value by (a) motivating superior performance by encouraging and providing for the acquisition of an ownership interest in the Company by executives and employees and (b) enabling the Company's subsidiaries to attract and retain the services of an outstanding management team upon whose judgment, interest and special effort the successful conduct of its operations is largely dependent. The Plan became effective as of the date of approval by the Board of Directors set forth above and, unless sooner terminated pursuant to the terms hereof, the Plan shall terminate on March 31, 2014 (the "Termination Date").

All securities purchased under the Plan are intended to qualify for an exemption (the "Exemptions") from the registration requirements (i) under the Securities Act of 1933, as amended (the "Act"), pursuant to Rule 701 of the Act and (ii) under applicable state securities laws. In the event that any provision of the Plan would cause any securities purchased under the Plan to not qualify for any Exemptions, the Plan shall be deemed automatically amended to the extent necessary to cause all securities purchased under the Plan to qualify for such Exemptions.

ARTICLE 2

DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

2.2 "Board" means the Board of Directors of the Company.

2.3 "Class A Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

2.4 "Committee" means the compensation committee of the Board.

2.5 "Employee" means any present or future officer or other key employee of the Company, its parents or its subsidiaries, as may be selected in the sole discretion of the Committee.

2.6 "Executive Securities" means any Options and the shares of Class A Preferred Stock issued upon exercise thereof issued under this Plan.

2.7 "Participant" means an Employee, selected by the Committee in its sole discretion, who purchases Executive Securities under this Plan.

2.8 "Plan" means this Hillman Investment Company Employee Securities Purchase Plan, as set forth herein and as the same may be amended from time to time in accordance with its terms.

2.9 "Stockholders Agreement" means the Stockholders Agreement, dated as of March 31, 2004, among the Company and its stockholders, as amended from time to time in accordance with its terms.

2.10 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural and the plural shall include the singular.

ARTICLE 3

ELIGIBILITY AND PARTICIPATION

Only those Employees who are selected by the Committee in its sole discretion may participate in this Plan.

ARTICLE 4

ADMINISTRATION

4.1 Power to Sell Securities and Establish Terms. The Committee shall have the discretionary power and authority to sell to any Employee any Executive Securities at any time prior to the termination of this Plan in such quantity, at such price, on such terms and subject to such conditions that are consistent with this Plan and established by the Committee. Executive Securities sold under this Plan shall be subject to such terms of, and evidenced by, an Executive Securities Agreement (as defined below).

4.2 Administration. The Committee shall be responsible for the administration of this Plan. The Committee shall have discretionary power and authority to prescribe, amend and rescind rules, procedures and regulations relating to this Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, to interpret this Plan and to make all other determinations necessary or advisable for the administration and interpretation of this Plan and to carry out its provisions and purposes. Determinations, interpretations or other actions made or taken by the Committee in good faith pursuant to the provisions of this Plan shall be final, binding and conclusive for all purposes and upon all persons and shall be given deference in any proceeding with respect thereto. The Committee may consult with legal counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith.

ARTICLE 5

SECURITIES SUBJECT TO PLAN

5.1 Options to Purchase Shares of Class A Preferred Stock. Options to purchase shares of Class A Preferred Stock may be granted under this Plan (the "Options"), and the aggregate number of shares of Class A Preferred Stock with respect to which the Options may be granted and which may be issued upon the exercise thereof shall not exceed 4,836 shares.

5.2 Stockholders Agreement. All of the Executive Securities issued under this Plan shall be, in all respects, subject to the terms of the Stockholders Agreement.

ARTICLE 6

SECURITIES OFFERINGS

6.1 Sale of Securities. The Executive Securities may be sold to Participants at such time or times as shall be determined by the Committee. The Committee shall determine the number of Executive Securities, if any, to be offered for sale to a Participant. Each sale shall be evidenced by an executive securities agreement (the "Executive Securities Agreement") that shall be in substantially the form of the Executive Securities Agreement attached hereto as Exhibit A, subject to such changes not inconsistent with this Plan as the Committee shall determine, in its good faith judgment, to be equitable and appropriate.

6.2 Offering Terms. All Executive Securities sold under this Plan shall be sold on the terms set forth in the Executive Securities Agreement.

6.3 Repurchase of Securities. Any Executive Securities granted hereunder shall be subject to the repurchase rights set forth in the Executive Securities Agreement.

ARTICLE 7

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Committee may at any time terminate or suspend this Plan and from time to time amend or modify this Plan, except that it may not, without further approval by Code Hennessy & Simmons IV LP, in its capacity as a stockholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares (as defined in the Stockholders Agreement) and shares of Hillman Common Stock (as defined in the Stockholders Agreement) and Hillman Preferred Stock (as defined in the Stockholders Agreement) with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers, (a) increase the maximum number of Executive Securities available for issuance under this Plan or (b) extend the term of this Plan. No Executive Securities shall be issued hereunder after the Termination Date or the termination of this Plan by the Committee, whichever is earlier.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 Nontransferability of Securities. The Executive Securities purchased under this Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated unless in accordance with such Participant's Executive Securities Agreement.

8.2 No Guarantee of Employment or Participation. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future invitations to purchase additional Executive Securities.

8.3 Indemnification. Each person who is or shall have been a member of the Board or the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be made a party or in which he may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Limited Liability Agreement of the Company (as in effect at the time of the initiation of the claim, action, suit or proceeding giving rise to the right of indemnification), by contract, as a matter of law or otherwise.

8.4 No Limitation on Compensation. Nothing in this Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its Employees in cash or property.

8.5 Requirements of Law. The issuance of the Executive Securities shall be subject to all applicable laws, rules, and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.6 Governing Law. This Plan shall be construed in accordance with and governed by the laws of the State of Delaware.

8.7 Securities Law Compliance. Instruments evidencing the sale and issuance of Executive Securities may contain such other provisions, not inconsistent with this Plan, as the Committee deems advisable, including a requirement that the Participant represent to the Company in writing when he receives Executive Securities that he is acquiring such Executive Securities (unless they are then covered by an effective registration statement filed under the Act) for his own account for investment only and with no present intention to transfer, sell or otherwise dispose of such Executive Securities except such disposition by a legal representative as shall be required by will or the laws of any jurisdiction in winding up the estate of the

Participant. Such Executive Securities shall be transferable only if the proposed transfer shall be permissible pursuant to this Plan, the Executive Securities Agreement and if, in the opinion of counsel satisfactory to the Company, such transfer at such time will be in compliance with all applicable securities laws.

* * * * *

EXHIBIT A

[FORM OF EXECUTIVE SECURITIES AGREEMENT ATTACHED]

EXHIBIT 10.7

EXECUTION COPY

HCI SECURITIES PURCHASE AGREEMENT

THIS HCI SECURITIES PURCHASE AGREEMENT (the "Agreement") is made as of March 31, 2004 by and among Code Hennessy & Simmons IV LP, a Delaware limited partnership ("CHS"), HCI Acquisition Corp., a Delaware corporation ("HCI"), Ontario Teachers' Pension Plan Board, an Ontario corporation ("OTPPB", or "Teachers"), HarbourVest Partners VI - Direct Fund, L.P., a Delaware limited liability partnership ("HarbourVest"), and each of the other Persons listed on Schedule A attached hereto (CHS, Teachers, HarbourVest and the other Persons listed on Schedule A are referred to sometimes herein individually as "Purchaser" and collectively as the "Purchasers"). Except as otherwise indicated herein, capitalized terms used herein are defined in Section 5 hereof.

This Agreement contemplates a transaction in which HCI will sell, and the Purchasers will purchase, 5,805.27 shares of Class A Common Stock of HCI at a price of $1,000.00 per share for an aggregate purchase price of $5,805,270.06, 2,787.097 shares of Class C Common Stock of HCI at a price of $1,000.00 per share for an aggregate purchase price of $2,787,096.77, and 82,104.84 shares of Preferred Stock of HCI for a price of $1,000.00 per share for an aggregate purchase price of $82,104,838.64.

HCI is a party to a certain Agreement and Plan of Merger dated as of February 14, 2004 (the "Merger Agreement") by and among HCI, The Hillman Companies, Inc. ("Hillman") and the Persons set forth on the Stockholder Signature Page attached thereto in their capacities as stockholders and optionholders of Hillman, pursuant to which HCI is merging with and into Hillman.

Effective upon the consummation of the Merger (as defined in the Merger Agreement) and without any action by HCI, Hillman or the Purchasers, Hillman, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement. The surviving corporation post-Merger shall be referred to herein as the "Company". In addition, by virtue of the Merger, each share of Common Stock of HCI and each share of Preferred Stock of HCI shall be converted into an equivalent number of shares of Common Stock of the Company and of Preferred Stock of the Company, respectively.

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 hereby agree as follows:

1. Authorization and Closing.

(a) Authorization of the Securities. HCI shall authorize the issuance of and sale to the Purchasers of 5,805.27 shares of Class A Common Stock at a price of $1,000.00 per share, 2,787.097 shares of Class C Common Stock at a price of $1,000.00 per share, and 82,104.84 shares of Preferred Stock at a price of $1,000.00 per share, in each case as allocated among the Purchasers in the manner set forth on Schedule B attached hereto.

(b) Purchase and Sale of the Securities. At the Closing, HCI shall sell to the Purchasers and, on the terms and subject to the conditions set forth herein, the Purchasers shall purchase from HCI, 5,805.27 shares of the Class A Common Stock, 2,787.097 shares of the Class C Common Stock and 82,104.84 shares of the Preferred Stock, in each case in the amounts and at the purchase prices set forth on Schedule B attached hereto.

(c) The Closing. The closing of the purchases and sales of the Securities (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois immediately prior to the Effective Time on the date hereof, or at such other place as may be mutually agreeable to HCI and CHS. At the Closing, HCI shall deliver to each Purchaser certificates evidencing the Class A Common Stock to be purchased by such Purchaser, certificates evidencing the Class C Common Stock to be purchased by such Purchaser and certificates evidencing the Preferred Stock to be purchased by such Purchaser, and each Purchaser shall deliver to HCI the purchase price by wire transfer of immediately available funds to a bank account designated by HCI in writing in the amount set forth next to such Purchaser's name on Schedule B attached hereto.

2. Conditions to the Purchasers' Obligations at Closing. The obligation of each Purchaser to purchase and pay for the Securities is subject to the satisfaction as of the Closing of the following conditions:

(a) Representations and Warranties; Covenants. The representations and warranties contained in Section 3 hereof shall be true and correct at and as of the date of Closing, except to the extent of changes caused by the transactions expressly contemplated therein, and HCI shall have performed in all

material respects all of the covenants required to be performed by it hereunder prior to the Closing.

(b) Merger Agreement. All of the conditions to closing in the Merger Agreement shall have been satisfied or shall be satisfied on the date hereof to the satisfaction of the Purchasers or waived pursuant to the Waiver Letter dated March 31, 2004 from HCI to Hillman, including, without limitation, the consummation of the debt financings contemplated by Section 6.1(j) thereof.

(c) Amendment of HCI Certificate of Incorporation. Prior to the Closing, HCI shall have duly adopted, executed and filed with the Secretary of State of Delaware a Certificate of Amendment to its Certificate of Incorporation in form and substance attached hereto as Exhibit A (the Certificate of Incorporation, as so amended, the "HCI Amended Charter"), authorizing the issuance of the Securities being purchased pursuant to this Agreement, and the HCI Amended Charter shall continue to be in full force and effect as of the Closing and shall not have been further amended or modified.

(d) HCI Bylaws. HCI shall have duly adopted Amended and Restated Bylaws in form and substance attached hereto as Exhibit B (the "HCI Bylaws"), and the HCI Bylaws shall continue to be in full force and effect as of the Closing and shall not have been further amended or modified.

(e) HCI Stockholders Agreement. HCI shall have entered into the Stockholders Agreement (the "HCI Stockholders Agreement") in the form attached hereto as Exhibit C, and the HCI Stockholders Agreement shall not have been amended or modified and shall be in full force and effect as of the Closing.

(f) Registration Agreement. HCI shall have entered into a Registration Agreement (the "Registration Agreement") in the form attached hereto as Exhibit D, and the Registration Agreement shall not have been amended or modified and shall be in full force and effect as of the Closing.

(g) Management Agreement. CHS Management IV LP, a Delaware limited partnership ("CHS Management"), shall have entered into a Management Agreement with The Hillman Group, Inc. ("Hillman Group") in the form attached hereto as Exhibit E (the "Management Agreement"), and the Management Agreement shall not have been amended or modified and shall be in full force and effect as of the Closing.

(h) Employment Agreements. As of the date hereof, Hillman Group and Max W. Hillman, Jr., James P. Waters and Richard P. Hillman shall have entered into Employment Agreements in substantially the form attached hereto as Exhibit F (the "Employment Agreements"), and the Employment Agreements shall not have been amended or modified and shall be in full force and effect as of the Closing.

(i) Executive Securities Agreements. HCI and certain managers of the Company and its Subsidiaries shall have entered into Executive Securities Agreements in substantially the form attached hereto as Exhibit G (the "Executive Securities Agreements"), and the Executive Securities Agreements shall not have been amended or modified and shall be in full force and effect as of the Closing, and each manager shall have purchased the equity securities proposed to be purchased by him thereunder.

(j) Investment Company Securities Purchase Agreement. As of the date hereof, Hillman Investment Company shall have entered into a Securities Purchase Agreement with the Purchasers in the form attached hereto as Exhibit H, by which preferred stock of Hillman Investment Company shall have been issued to the Purchasers and certain managers of the Company and its Subsidiaries (the "Invesco Securities Purchase Agreement"), and the Invesco Securities Purchase Agreement shall not have been amended or modified and shall be in full force and effect as of the Closing.

(k) Investment Company Stockholders Agreement. As of the date hereof, Hillman Investment Company shall have entered into the Stockholders Agreement with the Purchasers in the form attached hereto as Exhibit I (the "Invesco Stockholders Agreement"), and the Invesco Stockholders Agreement shall not have been amended or modified and shall be in full force and effect as of the Closing.

(l) Amendment of Invesco Certificate of Incorporation. Prior to the Closing, Hillman Investment Company shall have duly adopted, executed and filed with the Secretary of State of Delaware a Certificate of Amendment to its Certificate of Incorporation in form and substance attached hereto as Exhibit J (the Certificate of Incorporation, as so amended, the

"Invesco Amended Charter"), authorizing the issuance of the securities being purchased pursuant to the Invesco Securities Purchase Agreement, and the Invesco Amended Charter shall continue to be in full force and effect as of the Closing and shall not have been further amended or modified.

(m) Side Letter Regarding 30% Voting Restrictions. As of the date hereof, the Company, Teachers and CHS shall have entered into a Side Letter Regarding 30% Voting Restrictions in the form attached hereto as Exhibit K (the "Side Letter Regarding 30% Voting Restrictions"), and the Side Letter Regarding 30% Voting Restrictions shall not have been amended or modified and shall be in full force and effect as of the Closing.

(n) Side Letter Regarding Fees. As of the date hereof, the Company, Hillman Group, Teabar Capital Corporation ("Teabar") and CHS shall have entered into a Side Letter Regarding Fees in the form attached hereto as Exhibit L (the "Side Letter Regarding Fees"), and the Side Letter Regarding Fees shall not have been amended or modified and shall be in full force and effect as of the Closing. (The Side Letter Regarding 30% Voting Restrictions and the Side Letter Regarding Fees shall be collectively referred to herein as the "Side Letters".)

(o) Closing Documents. HCI shall have delivered to the Purchasers all of the following documents:

(i) an Officer's Certificate, dated as of the date hereof, stating that the conditions specified in Section 2 have been fully satisfied;

(ii) certified copies of the resolutions duly adopted by the Board of Directors of HCI authorizing the execution, delivery and performance of this Agreement, the HCI Stockholders Agreement, the Registration Agreement, the Executive Securities Agreements and each of the other agreements contemplated hereby to which it is a party (the "Transaction Documents"), the issuance and sale of the Securities and the consummation of all other transactions contemplated by this Agreement to which it is a party;

(iii) certified copies of the resolutions duly adopted by the stockholders of HCI adopting the HCI Amended Charter;

(iv) certified copies of the HCI Amended Charter and the HCI Bylaws, each as in effect at the Closing;

(v) a certified copy of the Certificate of Merger filed with the Delaware Secretary of State certifying the merger of HCI with and into Hillman;

(vi) a copy of the Invesco Amended Charter, as in effect at the Closing; and

(vii) a copy of the Invesco By-laws, as in effect at the Closing.

(p) Waiver of Closing Conditions. Any condition specified in this Section 2 may be waived only if such waiver is set forth in a writing executed by the Purchasers.

3. Representations and Warranties of HCI. As a material inducement to the Purchasers to enter into this Agreement and purchase the Securities, HCI hereby represents and warrants that:

(a) Organization and Corporate Power. HCI is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is qualified to do business in every jurisdiction in which its ownership of property or conduct of business requires it to qualify. HCI has all requisite corporate power and authority and all material licenses, permits and authorizations necessary to own and operate its properties, to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the transactions contemplated by this Agreement.

(b) Common Stock and Preferred Stock Outstanding.

(i) As of the Closing and immediately thereafter, the authorized capital stock of the Company shall consist of 23,141 shares of Class A Common Stock (of which 6,212.902 shares shall be issued and outstanding), 2,500 shares of Class B Common Stock (of which 1,000.001 shares shall be issued and outstanding and 256.410 shares shall be reserved for issuance upon the exercise of the options granted under the Company's 2004 Stock Option Plan), 23,141 shares of Class C Common Stock (of which 2,787.097 shares shall be issued and outstanding) and 238,889 shares of Preferred Stock (of which 86,000.00 shares shall be issued and outstanding and of which 9,555.556 shares shall be reserved for issuance upon the exercise of the options granted pursuant to the Executive Securities Agreements).

(ii) As of the Closing, neither the Company nor any Subsidiary shall have outstanding any other stock or securities

convertible or exchangeable for any shares of its capital stock, nor shall it have outstanding any rights or options to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock, except as set forth herein, in the Invesco Securities Purchase Agreement, the Executive Securities Agreements, the HCI Stockholders Agreement, the Investment Company Stockholders Agreement, the Registration Agreement and the Company's 2004 Stock Option Plan.

(iii) There are no statutory or, other than as set forth in this Agreement and the HCI Stockholders Agreement, contractual preemptive rights or rights of refusal with respect to HCI's or the Company's securities or options, warrants or other rights to acquire or cause the issuance of such securities. Assuming the accuracy of the representations in Section 6(d) and in the Executive Securities Agreements, HCI has not violated any applicable federal or state securities laws in connection with the offer, sale or issuance of any of its securities. To HCI's knowledge, there are no agreements with respect to the voting or transfer of HCI's securities except for the HCI Stockholders Agreement and the Executive Securities Agreements.

(c) Authorization; No Breach. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby to which HCI is a party (including, without limitation, the Merger Agreement) (the "HCI Agreements") have been duly authorized

by HCI and, to the extent required, its stockholders. Each of the HCI Agreements constitutes a valid and binding obligation of HCI, enforceable in accordance with its terms. The execution and delivery by HCI of the HCI Agreements, the offering, sale and issuance of the Securities hereunder, and the fulfillment of and compliance with the respective terms hereof and thereof by HCI, do not and shall not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) result in the creation of any lien, security interest charge or encumbrance upon HCI's securities or assets pursuant to, (iv) give any third party the right to modify, terminate or accelerate any obligation under, (v) result in a violation of, or (vi) require any authorization, consent, approval, exemption or other action by or notice to any court, administrative or governmental body or other Person pursuant to the HCI Agreements, the HCI Amended Charter, the HCI Bylaws or any law, statute, rule or regulation to which HCI is subject, or any agreement, instrument, order, judgment or decree to which HCI is subject.

(d) Conduct of Business; Liabilities. Other than in connection with the negotiation, execution and delivery of this Agreement, the Transaction Documents, the Senior Credit Agreement, the Merger Agreement (including the financing contemplated thereunder) and the other agreements contemplated hereby and thereby, prior to the Closing, HCI has not (i) conducted any business, (ii) incurred any expenses, obligations or liabilities (whether accrued, absolute, contingent, unliquidated or otherwise, whether or not known to HCI and whether due or to become due and regardless of when asserted), (iii) owned any assets or (iv) entered into any contracts or agreements. HCI has not violated any laws or governmental rules or regulations.

(e) Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement binding upon HCI. HCI shall pay, and hold the Purchasers harmless against, any liability, loss or expense (including, without limitation, attorneys' fees and out-of-pocket expenses) arising in connection with any such claim.

(f) Governmental Consent, etc. No permit, consent, approval or authorization of, or declaration to or filing with, any governmental authority is required in connection with the execution, delivery and performance by HCI of this Agreement or the other agreements contemplated hereby, or the consummation by HCI of any other transactions contemplated hereby or thereby.

(g) Fees. Other than the fees payable by the Company to CHS under the Management Agreement and to Teabar under the Side Letter Regarding Fees and salary, bonus or other compensation payable to employees of the Company or any of its Subsidiaries, or any payment to any employee pursuant to the Executive Securities Agreements, the Employment Agreements or the Company's 2004 Stock Option Plan, there are no other agreements between the Company or its Subsidiaries and any Person requiring the Company or its Subsidiaries to pay fees or other compensation to any holder of capital stock or other equity interests in the Company or its Subsidiaries.

4. Covenants.

(a) Financial Statements and Other Information. Until the consummation of a Public Offering (as defined in the HCI Stockholders Agreement), the Company shall deliver to each

Purchaser (so long as such Purchaser (together with its Affiliates) holds Stockholder Shares (as defined in the HCI Stockholders Agreement) and shares of Investment Company Preferred Stock with an aggregate Original Cost (as defined in the HCI Stockholders Agreement) of at least $10,000,000):

(i) as soon as available but in any event within 30 days after the end of each monthly accounting period in each fiscal year, unaudited consolidating and consolidated statements of income and cash flows of the Company and its Subsidiaries for such monthly period and for the period from the beginning of the fiscal year to the end of such month, and consolidating and consolidated balance sheets of the Company and its Subsidiaries as of the end of such monthly period, all prepared in accordance with United States generally accepted accounting principles, consistently applied, subject to the absence of footnote disclosures and to normal year-end adjustments;

(ii) as soon as available but in any event within 30 days after the end of each of the first three quarterly accounting periods in each fiscal year, unaudited consolidating and consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarterly period and for the period from the beginning of the fiscal year to the end of such quarter, and consolidating and consolidated balance sheets of the Company and its Subsidiaries as of the end of such quarterly period, all prepared in accordance with United States generally accepted accounting principles, consistently applied, subject to the absence of footnote disclosures and to normal year-end adjustments;

(iii) accompanying the financial statements referred to in Sections 4(a)(i) and 4(a)(ii) above, an Officer's Certificate stating that neither the Company nor any of its Subsidiaries is in default under any of its material agreements or, if any such default exists, specifying the nature and period of existence thereof and what actions the Company and its Subsidiaries have taken and propose to take with respect thereto;

(iv) within 90 days after the end of each fiscal year, consolidated statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, and consolidated balance sheets of the Company and its Subsidiaries as of the end of such fiscal year, setting forth in each case comparisons to the annual budget and to the preceding fiscal year, all prepared in accordance with United States generally accepted accounting principles, consistently applied, and accompanied by (a) with respect to the consolidated portions of such statements (except with respect to budget data), an opinion of an independent accounting firm of recognized national standing acceptable to CHS, (b) a copy of such accounting firm's annual management letter to the Board of Directors, and (c) an Officer's Certificate from either the chief executive officer or chief financial officer of the Company stating the following: "To the knowledge of the undersigned, the information contained in the financial statements attached to this certificate fairly presents, in all material respects, the financial condition and results of operations of the Company and its Subsidiaries";

(v) promptly upon receipt thereof, any additional reports, management letters or other detailed information concerning significant aspects of the Company's operations

or financial affairs given to the Company by its independent accountants (and not otherwise contained in other materials provided hereunder);

(vi) at least 30 days prior to the beginning of each fiscal year, an annual budget prepared on a monthly basis for the Company and its Subsidiaries for such fiscal year (displaying anticipated statements of income and cash flows), and promptly upon preparation thereof any other significant budgets prepared by the Company and any revisions of such annual or other budgets; and

(vii) with reasonable promptness, such other information and financial data concerning the Company and its Subsidiaries as any Person entitled to receive information under this Section 4(a) may reasonably request.

Each of the financial statements referred to in Sections 4(a)(i), 4(a)(ii) and 4(a)(iv) shall be true and correct in all material respects as of the dates and for the periods stated therein, subject in the case of the unaudited financial statements to changes resulting from normal year-end audit adjustments (none of which would, alone or in the aggregate, be materially adverse to the financial condition, operating

results, assets, operations or business prospects of the Company and its Subsidiaries taken as a whole).

(b) Restrictions. The Company shall not, without (x) the prior written consent of CHS, provided that CHS and its Affiliates (other than portfolio companies of CHS and of its affiliated funds) hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost of at least $25,000,000, (y) in the case of Sections 4(b)(i), 4(b)(ii), 4(b)(iii) (other than with respect to issuances and sales by the Company), 4(b)(iv), 4(b)(v), 4(b)(vi), 4(b)(vii), 4(b)(viii), 4(b)(x), 4(b)(xi), 4(b)(xii), 4(b)(xiii) and 4(b)(xv) the prior written consent of Teachers, provided that Teachers and its Affiliates hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost of at least $25,000,000, and (z) in the case of Section 4(b)(xiv) below, the prior written consent of Teachers, provided that Teachers and its Affiliates hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost of at least $35,000,000:

(i) directly or indirectly declare or pay any dividends or make any distributions upon any of its equity securities, or cause any Subsidiary to directly or indirectly declare or pay any dividends or make any distributions upon any of its equity securities, provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if (A) such dividend or distribution is paid on a pro rata basis to all holders of such equity securities or (B) such dividend or distribution by a Subsidiary is paid solely to the Company or one of its Subsidiaries;

(ii) directly or indirectly redeem, purchase or otherwise acquire, or permit any Subsidiary to redeem, purchase or otherwise acquire, any of the Company's or any Subsidiary's equity securities (including, without limitation, warrants, options and other rights to acquire equity securities), other than redemptions or repurchases of stock owned by employees of the Company or its Subsidiaries, provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if such such

redemption, purchase or acquisition is on a pro rata basis to all holders of such equity securities;

(iii) except as expressly contemplated by this Agreement, the Executive Securities Agreements, the Invesco Securities Purchase Agreement or the Merger Agreement, authorize, issue, sell or enter into any agreement providing for the issuance (contingent or otherwise), or permit any Subsidiary to authorize, issue, sell or enter into any agreement providing for the issuance (contingent or otherwise) of, (A) any notes or debt securities containing equity features (including, without limitation, any notes or debt securities convertible into or exchangeable for equity securities, issued in connection with the issuance of equity securities or containing profit participation features) or (B) any equity securities (or any securities convertible into or exchangeable for any equity securities) or rights to acquire any equity securities, other than the issuance of equity securities by a Subsidiary to the Company or another Subsidiary or by the Company pursuant to a Board-approved incentive equity plan for the benefit of the employees of the Company and its Subsidiaries;

(iv) make, or permit any Subsidiary to make, any loans or advances to, guarantees for the benefit of, or Investments in, any Person, except for (A) reasonable advances to employees in the ordinary course of business as well as travel advances not prohibited by applicable law, (B) relocation loans to employees not prohibited by applicable law, (C) trade credit extended to customers in the ordinary course of business and (D) Investments having a stated maturity no greater than one year from the date the Company or any Subsidiary makes such Investment in (1) obligations of the United States government or any agency thereof or obligations guaranteed by the United States government, (2) certificates of deposit of commercial banks having combined capital and surplus of at least $50 million, (3) commercial paper with a rating of at least "Prime-1" by Moody's Investors Service, Inc. or (4) money market accounts investing in any of the foregoing or in substantially similar investments, provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required for loans, advances, guarantees or Investments that are not permitted under clauses (A) through (D) of this subsection if the aggregate amount of all such loans, advances, guarantees or Investments is less than $50,000,000;

(v) merge or consolidate with any Person or permit any Subsidiary to merge or consolidate with any Person (other than a wholly owned Subsidiary), or liquidate, dissolve or effect, or permit any of its Subsidiaries to liquidate, dissolve or effect, a recapitalization or reorganization or similar transaction or any other Sale of the

Company (as defined in the HCI Stockholders Agreement) in any form of transaction (including, without limitation, any reorganization into a corporation or a partnership); provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if the Teachers' Targets are satisfied in full;

(vi) sell, lease or otherwise dispose of, or permit any Subsidiary to sell, lease or otherwise dispose of, more than 5% of the consolidated assets of the Company and its Subsidiaries (computed on the basis of book value, determined in accordance with United States generally accepted accounting principles consistently applied, or fair market value,

determined by the Board of Directors in its reasonable good faith judgment) in any transaction or series of related transactions (other than sales of inventory in the ordinary course of business or sales of obsolete assets), provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if (A) such asset sale, lease or disposition involves, together with all other asset sales, leases or dispositions, consideration of less than $50,000,000 in the aggregate or (B) Teachers' Targets are satisfied in full;

(vii) file an initial registration statement with the Securities Exchange Commission with respect to an initial Public Offering ("IPO") if the Teachers' IRR would be less than 10% measured from the date hereof through the estimated date of the effectiveness of the IPO registration statement, based on the stated low end of the price range set forth in such filing or first amendment to such registration statement;

(viii) acquire, or permit any Subsidiary to acquire, any interest in any business or Person (whether by a purchase of assets, purchase of securities, merger or otherwise), provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if all such acquisitions involve consideration of less than $50,000,000 in the aggregate;

(ix) enter into, or permit any Subsidiary to enter into, any joint venture with any other Person or Persons;

(x) enter into, or permit any Subsidiary to enter into, any agreement, contractual commitment or other transaction (including, without limitation, relating to any of the properties, assets or businesses of the Company or any Subsidiary or the acquisition or disposition of property, rights or assets (including, without limitation, any leasehold estate) of the Company or any Subsidiary) with any of its or any Subsidiary's officers, directors, nominees for election as a director, employees, equityholders or 10% Affiliates or any individual related by blood, marriage or adoption to any such Person or any entity in which any such Person or individual owns a beneficial interest, except for normal employment arrangements and benefit programs with its employees on reasonable terms, the Company's 2004 Stock Option Plan, the Transaction Documents, the Management Agreement, the Side Letters, the Employment Agreements, the Investment Company Securities Purchase Agreement, the Investment Company Stockholders Agreement, the Executive Securities Agreements, the Merger Agreement, the Senior Credit Agreement and the Loan Agreement;

(xi) make any amendment to the certificate of incorporation or bylaws of the Company; provided that the prior written consent of Teachers shall not be required in connection with an action that would not otherwise be subject to the prior written consent of Teachers pursuant to any clause (v) of this Section 4(b).

(xii) create a non-wholly owned Subsidiary; provided that the prior written consent of Teachers shall not be required in connection with an action that would not otherwise be subject to the prior written consent of Teachers pursuant to clause (v) this Section 4(b).

(xiii) create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Indebtedness other than pursuant to the Senior Credit Agreement and the Loan Agreement, provided that, notwithstanding clause (y) above, the prior written consent of Teachers shall not be required if the outstanding amount of all such Indebtedness incurred after the date hereof is less than $50,000,000 in the aggregate;

(xiv) appoint a chief executive officer of the Company; or

(xv) approve an annual operating budget (or modifications thereof) that provides for or could reasonably be expected to result in (A) capital expenditures in excess of $17,000,000 in the aggregate, (B) an EBITDA Margin of less than 6%, (C) material changes in strategy or (D) introduction of new product lines that could reasonably be expected to result in an adverse change in EBITDA (as defined in the Senior Credit Agreement) of 5% or more. For purposes of this Agreement, an "EBITDA Margin" shall mean EBITDA divided by net sales of the Company on a consolidated basis.

(c) Affirmative Covenants. Unless the Company obtains the prior written consent of CHS (for so long as the CHS Group (as defined in the HCI Stockholders Agreement) and its Affiliates (other than portfolio companies of CHS) hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost of at least $25,000,000), and, with respect to Section 4(c)(i) only, Teachers (for so long as Teachers and its Affiliates hold Stockholder Shares and shares of Investment Company Preferred Stock with an aggregate Original Cost of at least $25,000,000) the Company shall, and shall cause each Subsidiary to:

(i) comply with all applicable laws, rules and regulations of all governmental authorities, the violation of which would reasonably be expected to have a material adverse effect upon the financial condition, operating results, assets, operations or business prospects of the Company and its Subsidiaries taken as a whole, and pay and discharge when payable all Taxes, assessments and governmental charges (except to the extent the same are being contested in good faith and adequate reserves therefor have been established);

(ii) cause any agreement entered into by the Company or any Subsidiary after the date hereof which provides for the sale of Securities (or the capital stock of any Subsidiary of the Company) to or employment of an employee, to be in form and substance substantially similar to the draft of such agreement reviewed and approved by CHS; and

(iii) enforce the provisions of the Executive Securities Agreements and exercise all of its rights and remedies thereunder (including, without limitation, any repurchase options and first refusal rights).

(d) Public Statements. The Company shall not, nor shall it permit any of its Subsidiaries or other Affiliates to, disclose any Purchaser's (or its Affiliates') name or identity as an investor in the Company in any press release or other public announcement or in any document or material filed with any governmental entity, without the prior written consent of

such Purchaser, unless such disclosure is required by applicable law or governmental regulations or by order of a court of competent jurisdiction, in which case prior to making such disclosure the Company shall give prior written notice to the Purchaser describing in reasonable detail the proposed content of such disclosure and shall permit the Purchaser to review and comment upon the form and substance of such disclosure.

(e) Board Meeting Materials. Until the consummation of a Public Offering, the Company shall deliver to each Purchaser (so long as such Purchaser holds Stockholder Shares equal to at least 5% of the voting power (other than with respect to the election of directors) of the Company) the reports and other materials that are distributed to the members of the Board in connection with a meeting of the Board as and when such reports and other materials are distributed to the Board. However, if the reports or other materials contain information which, in the Board's reasonable judgment, cannot be disclosed to a Purchaser, including, but not limited to, in order to avoid a conflict of interest on the part of a Purchaser or to preserve an attorney-client privilege or (if legally available) an accountant-client privilege, then such information may be deleted from any materials being distributed pursuant to this section in connection with any meeting.

(f) Expenses. The annual management fees payable by the Company to CHS under Section 3(a) of the Management Agreement and the annual fees payable by the Company to Teachers under Section 1(a) of the Side Letter Regarding Fees shall in no event exceed $2,000,000 per year in the aggregate.

5. Definitions. For the purposes of this Agreement, the following terms have the meanings set forth below:

"10% Affiliate" means with respect to any Person, any other Person controlling at least 10% of such Person, at least 10% of whom is controlled by, or at least 10% of whom is under common control with such first Person and in the case of a Person which is a partnership or limited liability company, any partner or member with at least a 10% partnership or membership interest in that Person.

"Affiliate" (and collectively "Affiliates") means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Class A Common Stock" means the Class A Common Stock, par value $0.01 per share of, immediately prior to the Merger, HCI, and upon and following the Effective Time, the Company.

"Class C Common Stock" means the Class C Common Stock, par value $0.01 per share of, immediately prior to the Merger, HCI, and upon and following the Effective Time, the Company.

"Common Stock" means the Class A Common Stock and the Class C Common Stock.

"Dollars" and the sign "$" means lawful money of the United States of America.

"Effective Time" has the meaning set forth in the Merger Agreement.

"Indebtedness" means all indebtedness for borrowed money (including purchase money obligations), all indebtedness under revolving credit arrangements, all capitalized lease obligations, obligations evidenced by notes, bonds, debentures or similar instruments, obligations to pay the deferred purchase price of property or services, all obligations under swap transactions, derivative transactions or similar transactions, all indemnification obligations and all guarantees of any of the foregoing.

"Investment" as applied to any Person means (i) any direct or indirect purchase or other acquisition by such Person of any notes, obligations, instruments, stock, securities or ownership interest (including partnership interests and joint venture interests) of any other Person and (ii) any capital contribution by such Person to any other Person.

"Investment Company Preferred Stock" means the Preferred Stock, par value $0.01 per share of Hillman Investment Company.

"Loan Agreement" shall mean (i) the Loan Agreement dated as of the date hereof by and among the Company, Hillman Investment Company, Hillman Group and Allied Capital Corporation and (ii) the Senior Subordinated Debenture dated as of the date hereof issued by the Hillman Group to Allied Capital Corporation.

"Officer's Certificate" means a certificate signed by the chief executive officer or chief financial officer of HCI or the Company, as applicable, stating that (i) the officer signing such certificate has made or has caused to be made such investigations as are necessary in order to permit such officer to verify the accuracy of the information set forth in such certificate and (ii) to the best of such officer's knowledge, such certificate does not misstate any material fact and does not omit to state any fact necessary to make the certificate not misleading.

"Person" means an individual, a partnership, a corporation, a limited liability company, association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Preferred Stock" means the Preferred Stock, par value $0.01 per share of, immediately prior to the Merger, HCI, and upon and following the Effective Time, the Company.

"Public Offering" means an underwritten public offering and sale, registered under the Securities Act, of shares of the Common Stock.

"Securities" means the Common Stock and the Preferred Stock.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities and Exchange Commission" includes any governmental body or agency succeeding to the functions thereof.

"Senior Credit Agreement" shall mean the Credit Agreement dated as of the date hereof by and among HCI, Hillman, Hillman Investment Company, Hillman Group and the Lenders from time to time party thereto.

"Subsidiary" means, with respect to any Person, a 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.

"Teachers' Targets" means, with respect to a transaction, (i) either (A) all or substantially all (but in no event less than 90%) of (1) CHS Shares (as defined in the HCI Stockholders Agreement) and the (2) other Stockholder Shares (based on the value of such Stockholder Shares) are being sold (whether by merger, consolidation, recapitalization, reorganization, combination, sale or transfer of the Company's capital stock or otherwise), or (B) all or substantially all of the Company's assets on a consolidated basis are being sold and, except for the Management Option (as defined in the HCI Stockholders Agreement), the proceeds of such sale, which are actually received by the Company and not otherwise required for the payment of fees, expenses, Indebtedness or other liabilities or obligations in connection with such transaction, are distributed to Teachers and its Affiliates upon the closing thereof; and (ii) 75% or more of the consideration to be paid to Teachers and its Affiliates in such transaction consists of cash or Marketable Securities (as defined in the HCI Stockholders Agreement) or a combination thereof; and (iii) the Teachers' IRR (as defined in the HCI Stockholders Agreement) is greater than 10% after giving effect to such transaction; and (iv) with respect to each class of Stockholder Shares, Teachers and its Affiliates shall receive the same form and amount of consideration per share as all other holders of such Stockholder Shares, or if holders of such class of Stockholder Shares are given an option as to the form and amount of consideration to be received, all such holders shall be given the same option (provided that if any option is given to employees of the Company or any of its Subsidiaries as to the consideration to be received by such employees in such transaction, including sale bonuses approved by the Board of Directors or an option to exchange shares of capital stock in the Company for ownership interests in the Person acquiring the Company, such option need not be given to other holders of Stockholder Shares); and (v) except for any Management Options, Teachers and its Affiliates will receive the same rights and benefits (including, without limitation, consideration and any fees) on a pro rata basis and have no more obligations in respect of its Stockholder Shares being sold than any member of the CHS Group or any other Stockholder (as defined in the HCI Stockholders Agreement).

6. Miscellaneous.

(a) Pre-Emptive Rights. If after the date hereof the Company authorizes the issuance or sale (each an "Issuance") of any equity securities of the Company or any securities convertible, exchangeable or exercisable for equity securities of the Company and any other Stockholder Shares (as defined in the HCI Stockholders Agreement), the Company shall, at least 15 days and not more than 60 days prior to such issuance, notify the CHS Group and Teachers in writing of the Issuance (including the price, the purchaser thereof and the other terms thereof) and grant to the CHS Group and to Teachers the right (the "Right") to subscribe for and concurrently purchase such securities (collectively, the "Preemptive Stock"), in the same proportion at the same price and on the same terms as issued in the Issuance such that, after giving effect to the Issuance and exercise of the Right, the percentage of the Preemptive Stock immediately following such issuance owned by each such holder shall equal the percentage of the outstanding Stockholder Shares as was owned by each such holder prior to the Issuance on a fully diluted basis (but excluding any Stockholder Shares or any class of capital stock of the Company's Subsidiaries which are not then fully vested and, in the case of options, warrants or other rights to acquire capital stock, immediately exercisable, convertible or exchangeable for Stockholder Shares or any class of capital stock of the Company's Subsidiaries issued in such Issuance), or such lesser amount designated by such holder. Notwithstanding the foregoing, the rights set forth in this Section 6(a) shall not apply to Issuances: (i) pro rata to all holders of equity securities of the Company, as a subdivision of or other distribution in respect of, equity securities of the Company, (ii) to executives, directors, employees and consultants of the Company or its Subsidiaries, (iii) in connection with acquisitions by the Company or its Subsidiaries, (iv) in a Public Offering, or (v) to the Purchasers on the Closing Date pursuant to this Agreement. In addition, the rights set forth in this Section 6(a) shall not apply with respect to the CHS Group or to Teachers in connection with an Issuance to the extent the CHS Group or Teachers have available to them and exercises the pre-emptive rights set forth in Section 7 of the HCI Stockholders Agreement in connection with such Issuance. The rights set forth in this Section 6(a) shall continue until the earlier of the consummation of a Sale of the

Company and the consummation of a Public Offering (each as defined in the HCI Stockholders Agreement).

(b) Confidentiality. Except as otherwise required by law or judicial order or decree or by any governmental agency or authority, each Person entitled to receive information regarding the Company and its Subsidiaries under this Agreement or otherwise shall use its reasonable efforts to maintain the confidentiality of all nonpublic information obtained by it hereunder; provided that each such Person may disclose such information (i) to such Person's representatives and professional advisers, (ii) in connection with the sale or transfer of any capital stock if such Person's transferee agrees in writing to be bound by the provisions hereof, and (iii) in summary form, in connection with communications with its limited partners, financing sources, employees, agents, advisors, partners and potential partners or to the extent reasonably required in the ordinary course of their businesses.

(c) Remedies. The Purchasers shall have all rights and remedies set forth in this Agreement and all rights and remedies which the Purchasers have been granted at any time under any other agreement or contract and all of the rights which the Purchasers have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce

such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

(d) Purchasers' Investment Representations. Each Purchaser is an "Accredited Investor" as such term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act. Each Purchaser hereby represents that he, she or it is acquiring the Securities purchased hereunder or acquired pursuant hereto for his, her or its own account with the present intention of holding such securities for purposes of investment, and that he, she or it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws; provided that nothing contained herein shall prevent the Purchasers and subsequent holders of Securities from transferring such securities in compliance with the provisions of Section 4 of the HCI Stockholders Agreement hereof.

(e) Place of Payments with Respect to the Securities. All payments to be made to a Purchaser with respect to the Securities, including, without limitation, dividends and redemption payments, shall be delivered to the respective address indicated on Schedule B or to such other Person or account as a Purchaser may from time to time specify to HCI by prior written notice.

(f) Consent to Amendments. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of CHS and Teachers; provided that in the event that such amendment or waiver would treat a Purchaser or group of Purchasers materially and adversely differently from any other Purchaser or group of Purchasers, then such amendment or waiver will also require the consent of such Purchaser or group of Purchasers (based on the relative ownership of Common Stock) so materially and adversely treated; provided, further, that no amendment or modification that by its terms expressly amends in an adverse manner any right specifically granted to a particular Purchaser hereunder shall be effective without the prior written consent of such Purchaser; provided, further, that no amendment to Section 4(a) hereof, Section 4(e) hereof, Section 4(f) hereof or this Section 6(f) hereof (to the extent it amends this proviso) shall be effective without the prior approval of HarbourVest. No other course of dealing between the Company and any Purchaser or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any such Person. For purposes of this Agreement, any Securities held by the Company shall not be deemed to be outstanding.

(g) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, regardless of any investigation made by any Purchaser or on such Purchaser's behalf.

(h) Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for each Purchaser's benefit as a

purchaser of the Securities are also for the benefit of, and enforceable by, any subsequent holder of the Securities.

(i) 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 prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(j) Counterparts; Facsimile Signature. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall reexecute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

(k) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. The use of the word "including" in this Agreement shall be by way of example rather than by limitation.

(l) Governing Law. This Agreement will be governed in all respects by the laws of the State of Delaware, without regard to the principles of conflicts of law of such state.

(m) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable express courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

The Company's address is:

The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: Chief Executive Officer

with a copy (which shall not constitute notice to the Company) to:

Code Hennessy & Simmons IV LP
10 South Wacker Drive, Suite 3175
Chicago, Illinois 60606

Attention: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Stephen L. Ritchie, P.C.

Teachers' address is:

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M 4H5
Canada
Attention: J. Mark MacDonald

with copies (which shall not constitute notice to Teachers) to:

Ontario Teachers' Pension Plan Board
Law Department
5650 Yonge Street
Toronto, Ontario M2M 4H5
Attention: Legal Counsel, Investments

and

Torys LLP

237 Park Avenue
New York, NY 10017
Attention: Joseph J. Romagnoli, Esq.

HarbourVest's address is:

HarbourVest Partners VI - Direct Fund, L.P.
c/o HarbourVest Partners LLC
One Financial Center, 44th floor
Boston, MA 02111

with a copy (which shall not constitute notice to HarbourVest) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: David J. Schwartz

(n) 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.

(o) Entire Agreement. This Agreement, 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, that may have related to the subject matter hereof in any way.

(p) Understanding Among the Purchasers. The determination of each Purchaser to purchase the Securities pursuant to this Agreement has been made by such Purchaser independent of any other Purchaser and independent of any statements or opinions as to the advisability of such purchase or as to the properties, business, prospects or condition (financial or otherwise) of the Company which may have been made or given by any other Purchaser or by any agent or employee of any other Purchaser. In addition, it is acknowledged by each of the Purchasers that no Purchaser has acted as an agent of any other Purchaser in connection with making its investment hereunder and that no Purchaser shall be acting as an agent of any other Purchaser in connection with monitoring its investment hereunder. It is further acknowledged by each of the other Purchasers that CHS has retained Kirkland & Ellis LLP to act as their counsel in connection with the transactions contemplated hereby and that Kirkland & Ellis LLP has not acted as counsel for any of the other Purchasers in connection herewith and that none of the other Purchasers has the status of a client of Kirkland & Ellis LLP for conflict of interest or other purposes as a result thereof.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this HCI Securities Purchase Agreement on the date first written above.

HCI ACQUISITION CORP.

By: /s/ PETER M. GOTSCH

Name:

Its:

CODE HENNESSY & SIMMONS IV LP

By: CHS Management IV LP
Its: General Partner
By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

ONTARIO TEACHERS' PENSION PLAN BOARD

By: /s/ J. MARK MACDONALD

Name:

Its:

HARBOURVEST PARTNERS VI - DIRECT FUND, L.P.

By: HarbourVest VI - Direct Associates LLC
Its: General Partner
By: HarbourVest Partners, LLC
Its: Managing Member

By: /s/ WILLIAM A. JOHNSTON

Name:

Its:

RANDOLPH STREET PARTNERS VI

/s/ STEPHEN L. RITCHIE

By:

Its: Managing Partner

/s/ PAIGE WALSH

Paige Walsh

EXHIBIT 10.8

EXECUTION COPY

JOINDER
TO
SECURITIES PURCHASE AGREEMENT

To the extent provided herein, the undersigned hereby agree to become a party to and be bound by that certain Securities Purchase Agreement dated as of the date hereof by and among Code Hennessy & Simmons IV LP, a Delaware limited partnership, HCI Acquisition Corp., a Delaware corporation (the "Company"), Ontario Teachers' Pension Plan Board, an Ontario corporation, HarbourVest Partners VI - Direct Fund, L.P., a Delaware limited liability partnership, each of the other Persons listed on Schedule A attached thereto and the other purchasers from time to time a party thereto (as amended or otherwise modified from time to time, the "Securities Purchase Agreement").

The undersigned acknowledge that The Hillman Companies, Inc. (for itself and on behalf of its Subsidiaries (which include the undersigned)) has agreed to take certain actions and refrain from taking certain actions pursuant to the terms and conditions contained in the Securities Purchase Agreement (the "Covenants").

To the extent the Covenants relate to the "Subsidiaries" or a "Subsidiary" (each as defined in the Securities Purchase Agreement), the undersigned agree to take those actions and refrain from taking those actions specified in such Covenants.

The undersigned hereby acknowledge having received and reviewed a copy of the Securities Purchase Agreement.

Dated as of the 31st day of March, 2004

* * * * *

HILLMAN INVESTMENT COMPANY

By: /s/ MAX W. HILLMAN

Name:

Its:

THE HILLMAN GROUP, INC.

By: /s/ MAX W. HILLMAN

Name:

Its:

SUNSOURCE TECHNOLOGY SERVICES LLC

By: /s/ MAX W. HILLMAN

Name:

Its:

THE HILLMAN GROUP CANADA LTD.

By: /s/ MAX W. HILLMAN

Name:

Its:

SUNSUB C, INC.

By: /s/ MAX W. HILLMAN

Name:

Its:

SUNSUB HOLDINGS LLC

By: /s/ MAX W. HILLMAN

Name:

Its:

SUNSOURCE INTEGRATED SERVICES DE MEXICO, SA

By: /s/ MAX W. HILLMAN

Name:

Its:

EXHIBIT 10.9

EXECUTION COPY

INVESTMENT COMPANY SECURITIES PURCHASE AGREEMENT

THIS INVESTMENT COMPANY SECURITIES PURCHASE AGREEMENT (the "Agreement") is made as of March 31, 2004 by and among Code Hennessy & Simmons IV LP, a Delaware limited partnership ("CHS"), Hillman Investment Company, a Delaware corporation ("Invesco"), Ontario Teachers' Pension Plan Board, an Ontario corporation ("OTPPB", or "Teachers"), HarbourVest Partners VI - Direct Fund, L.P., a Delaware limited liability partnership ("HarbourVest"), and each of the other Persons listed on Schedule A attached hereto (collectively, CHS, Teachers, HarbourVest and the other Persons listed on Schedule A are referred to sometimes herein individually as "Purchaser" and collectively as the "Purchasers"). Except as otherwise indicated herein, capitalized terms used herein are defined in Section 4 hereof.

This Agreement contemplates a transaction in which Invesco will sell, and the Purchasers will purchase, 57,282.446 shares of Preferred Stock of Invesco at a price of $1,000.00 per share for an aggregate purchase price of $57,282,445.56 ("Preferred Stock").

The Hillman Companies, Inc. ("Hillman"), a Delaware corporation (of which Invesco is a wholly owned subsidiary), is a party to a certain Agreement and Plan of Merger dated as of February 14, 2004 (the "Merger Agreement") by and among HCI Acquisition Corp. ("HCI"), Hillman and the Persons set forth on the Stockholder Signature Page attached thereto in their capacities as stockholders and optionholders of Hillman, pursuant to which HCI has merged with and into Hillman (the "Merger").

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 hereby agree as follows:

1. Authorization and Closing.

(a) Authorization of the Preferred Stock. Invesco shall authorize the issuance and sale to the Purchasers of Preferred Stock at a price of $1,000.00 per share, in each case as allocated among the Purchasers in the manner set forth on Schedule B attached hereto.

(b) Purchase and Sale of the Preferred Stock. After the Effective Time of the Merger, Invesco shall sell to the Purchasers and, on the terms and subject to the conditions set forth herein, the Purchasers shall purchase from Invesco the Preferred Stock, in each case in the amounts and at the purchase prices set forth on Schedule B attached hereto.

(c) The Closing. The closing of the purchases and sales of the Preferred Stock (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois immediately following the Effective Time on the date hereof, or at such other place as may be agreeable to CHS. At the Closing, Invesco shall deliver to each Purchaser certificates evidencing the Preferred Stock to be purchased by such Purchaser, and each Purchaser shall deliver to Invesco the purchase price by wire transfer of immediately available

funds to a bank account designated by Invesco in writing in the amount set forth next to such Purchaser's name on Schedule B attached hereto.

2. Conditions to the Purchasers' Obligations at Closing. The obligation of each Purchaser to purchase and pay for the Preferred Stock is subject to the satisfaction as of the Closing of the following conditions:

(a) Representations and Warranties; Covenants. The representations and warranties contained in Section 3 hereof shall be true and correct at and as of the date of Closing, except to the extent of changes caused by the transactions expressly contemplated therein, and Invesco shall have performed in all material respects all of the covenants required to be performed by it hereunder prior to the Closing.

(b) HCI Securities Purchase Agreement Conditions. Each of the conditions listed in Section 2 of that certain HCI Securities Purchase Agreement dated as of the date hereof by and among HCI and the Purchasers (the "HCI Securities Purchase Agreement") shall have been performed in all material respects prior to the Closing.

(c) Closing Documents. Invesco shall have delivered to the Purchasers all of the following documents:

(i) an Officer's Certificate, dated as of the date hereof, stating that the conditions specified in Section 2 have been fully satisfied;

(ii) certified copies of the resolutions duly adopted by the Board of Directors of Invesco authorizing the execution, delivery and performance of this Agreement, the Investment Company Stockholders Agreement dated as of the date hereof by and among Invesco, the Purchasers and certain managers of Hillman and/or its Subsidiaries (the "Investment Company Stockholders Agreement"), the Executive Securities Agreements dated as of the date hereof by and among HCI and certain managers of Hillman and its Subsidiaries (the "Executive Securities Agreements"), the Joinder Agreement to the HCI Securities Purchase Agreement and each of the other agreements contemplated hereby to which it is a party (the "Transaction Documents"), the issuance and sale of the Preferred Stock and the consummation of all other transactions contemplated by this Agreement to which it is a party;

(iii) certified copies of the resolutions duly adopted by the stockholders of Invesco adopting the Amended Invesco Charter (as defined in the HCI Securities Purchase Agreement); and

(iv) a certified copy of the Amended Invesco Charter, as in effect at the Closing.

(d) Waiver of Closing Conditions. Any condition specified in this Section 2 may be waived only if such waiver is set forth in a writing executed by the Purchasers.

3. Representations and Warranties of Invesco. As a material inducement to the Purchasers to enter into this Agreement and purchase the Preferred Stock, Invesco hereby represents and warrants that:

(a) Organization and Corporate Power. Invesco is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is qualified to do business in every jurisdiction in which its ownership of property or conduct of business requires it to qualify. Invesco has all requisite corporate power and authority and all material licenses, permits and authorizations necessary to own and operate its properties, to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the transactions contemplated by this Agreement.

(b) Preferred Stock Outstanding.

(i) As of the Closing, the authorized capital stock of Invesco shall consist of 100 shares of Common Stock (of which 100 shares shall be issued and outstanding), 166,667 shares of Preferred Stock (of which 60,000.000 shares shall be issued and outstanding and of which 6,666.666 shares shall be reserved for issuance upon the exercise of the options granted pursuant to the Executive Securities Agreements).

(ii) As of the Closing, neither the Invesco nor any Subsidiary shall have outstanding any other stock or securities convertible or exchangeable for any shares of its capital stock nor shall it have outstanding any rights or options to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock except as set forth herein and in the Executive Securities Agreements.

(iii) There are no statutory or, other than as set forth in this Agreement and the Investment Company Stockholders Agreement, contractual preemptive rights or rights of refusal to Invesco's securities or options, warrants or other rights to acquire or cause the issuance of such securities. Assuming the accuracy of the representations in Section 5(c) and in the Executive Securities Agreements, Invesco has not violated any applicable federal or state securities laws in connection with the offer, sale or issuance of any of the Preferred Stock. To Invesco's knowledge, there are no agreements with respect to the voting or transfer of the Preferred Stock except for the Investment Company Stockholders Agreement and the Executive Securities Agreements.

(c) Authorization; No Breach. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby to which Invesco is a party (the "Invesco Agreements") have been duly authorized by Invesco and, to the extent required, its stockholders. Each of the Invesco Agreements constitutes a valid and binding obligation of Invesco, enforceable in accordance with its terms. The execution and delivery by Invesco of the Invesco Agreements, the offering, sale and issuance of the Preferred Stock hereunder, and the fulfillment of and compliance with the respective terms hereof and thereof by Invesco, do not and shall not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) result in the creation of any lien, security interest charge or encumbrance upon Invesco's securities or assets pursuant to, (iv) give any third party the right to modify, terminate or accelerate any obligation under, (v)

result in a violation of, or (vi) require

any authorization, consent, approval, exemption or other action by or notice to any court, administrative or governmental body or other Person pursuant to the Invesco Agreements, or any law, statute, rule or regulation to which Invesco is subject, or any agreement, instrument, order, judgment or decree to which Invesco is subject.

(d) Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement binding upon Invesco. Invesco shall pay, and hold the Purchasers harmless against, any liability, loss or expense (including, without limitation, attorneys' fees and out-of-pocket expenses) arising in connection with any such claim.

(e) Governmental Consent, etc. No permit, consent, approval or authorization of, or declaration to or filing with, any governmental authority is required in connection with the execution, delivery and performance by Invesco of this Agreement or the other agreements contemplated hereby, or the consummation by Invesco of any other transactions contemplated hereby or thereby.

4. Definitions. For the purposes of this Agreement, the following terms have the meanings set forth below:

"Affiliate" (and collectively "Affiliates") means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Dollars" and the sign "$" means lawful money of the United States of America.

"Effective Time" has the meaning set forth in the Merger Agreement.

"Officer's Certificate" means a certificate signed by the chief executive officer or chief financial officer of Invesco, stating that (i) the officer signing such certificate has made or has caused to be made such investigations as are necessary in order to permit such officer to verify the accuracy of the information set forth in such certificate and (ii) to the best of such officer's knowledge, such certificate does not misstate any material fact and does not omit to state any fact necessary to make the certificate not misleading.

"Person" means an individual, a partnership, a corporation, a limited liability company, association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Preferred Stock" means the Class A Preferred Stock, par value $0.01 per share of Invesco.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities and Exchange Commission" includes any governmental body or agency succeeding to the functions thereof.

"Subsidiary" means, with respect to any Person, a 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.

5. Miscellaneous.

(a) Pre-Emptive Rights. If after the date hereof Invesco authorizes the issuance or sale (each an "Issuance") of any equity securities of

Invesco or any securities convertible, exchangeable or exercisable for equity securities of Invesco and any other Stockholder Shares (as defined in the Investment Company Stockholders Agreement), Invesco shall, at least 15 days and not more than 60 days prior to such issuance, notify the CHS Group (as defined in the Investment Company Stockholders Agreement) and Teachers in writing of the Issuance (including the price, the purchaser thereof and the other terms thereof) and grant to the CHS Group and to Teachers the right (the "Right") to subscribe for and concurrently purchase such securities (collectively, the "Preemptive Stock"), in the same proportion at the same price and on the same terms as issued in the Issuance such that, after giving effect to the Issuance and exercise of the Right, the percentage of the Preemptive Stock immediately following such issuance owned by each such holder shall equal the percentage of the outstanding Stockholder Shares as was owned by each such holder prior to the Issuance on a fully diluted basis (but excluding any Stockholder Shares or any class of capital stock of Invesco's Subsidiaries which are not then fully vested and, in the case of options, warrants or other rights to acquire capital stock, immediately exerciseable, convertible or exchangeable for Stockholder Shares or any class of capital stock of Invesco's Subsidiaries issued in such Issuance) or such lesser amount designated by such holder. Notwithstanding the foregoing, the rights set forth in this Section 5(a) shall not apply to Issuances: (i) pro rata to all holders of equity securities of Invesco, as a subdivision of or other distribution in respect of, equity securities of Invesco, (ii) to executives, directors, employees and consultants of Invesco or its Subsidiaries, (iii) in connection with acquisitions by Invesco or its Subsidiaries, (iv) in a Public Offering (as defined in the Investment Company Stockholders Agreement) or (v) to the Purchasers on the Closing Date pursuant to this Agreement. In addition, the rights set forth in this Section 5(a) shall not apply with respect to the CHS Group or Teachers in connection with an Issuance to the extent the CHS Group or Teachers have available to them and exercise the pre-emptive rights set forth in the Investment Company Stockholders Agreement in connection with such Issuance. The rights set forth in this Section 5(a) shall continue until the earlier of the consummation of a Sale of the Company (as defined in the Investment Company Stockholders Agreement) or a Public Offering.

(b) Remedies. The Purchasers shall have all rights and remedies set forth in this Agreement and all rights and remedies which the Purchasers have been granted at any time under any other agreement or contract and all of the rights which the Purchasers have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

(c) Purchasers' Investment Representations. Each Purchaser is an "Accredited Investor" as such term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act. Each Purchaser hereby represents that he, she or it is acquiring the Preferred Stock purchased hereunder or acquired pursuant hereto for his, her or its own account with the present intention of holding such securities for purposes of investment, and that he, she or it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws; provided that nothing contained herein shall prevent the Purchasers and subsequent holders of Preferred Stock from transferring such securities in compliance with the provisions of the Investment Company Stockholders Agreement.

(d) Place of Payments with Respect to the Preferred Stock. All payments to be made to a Purchaser with respect to the Preferred Stock, including, without limitation, dividends and redemption payments, shall be delivered to the respective address indicated on Schedule B or to such other Person or account as a Purchaser may from time to time specify to Invesco by prior written notice.

(e) Consent to Amendments. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended and Invesco may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if Invesco has obtained the written consent of CHS and Teachers; provided that in the event that such amendment or waiver would treat a Purchaser or group of Purchasers materially and adversely differently from any other Purchaser or group of Purchasers, then such amendment or waiver will require the consent of such Purchaser or group of Purchasers (based on the relative ownership of Preferred Stock) so materially and adversely treated. No other course of dealing between Invesco and any Purchaser or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any such Person. For purposes of this Agreement, any Preferred Stock held by Invesco shall not be deemed to be outstanding.

(f) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, regardless of any investigation made by any Purchaser or on such Purchaser's behalf.

(g) Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for each Purchaser's benefit as a

purchaser of the Preferred Stock are also for the benefit of, and enforceable by, any subsequent holder of the Preferred Stock.

(h) 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 prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(i) Counterparts; Facsimile Signature. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall reexecute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

(j) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. The use of the word "including" in this Agreement shall be by way of example rather than by limitation.

(k) Governing Law. This Agreement will be governed in all respects by the laws of the State of Delaware, without regard to the principles of conflicts of law of such state.

(l) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable express courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

Invesco's address is:

Hillman Investment Company
10590 Hamilton Avenue
Cincinnati, Ohio 45231
Attention: Chief Executive Officer

with a copy (which shall not consitute notice to Invesco) to:

Code Hennessy & Simmons IV LP
10 South Wacker Drive, Suite 3175
Chicago, Illinois 60606

Attention: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Stephen L. Ritchie, P.C.

Teachers' address is:

Ontario Teachers' Pension Plan Board
5640 Yonge Street
Toronto, Ontario M2M 4H5
Canada
Attention: J. Mark MacDonald

with copies (which shall not consitute notice to Teachers) to:

Ontario Teachers' Pension Plan Board
Law Department
5650 Yonge Street
Toronto, Ontario M2M 4H5
Canada
Attention: Legal Counsel, Investments

and

Torys LLP
237 Park Avenue
New York, NY 10017
Attention: Joseph J. Romagnoli, Esq.

HarbourVest's address is:

HarbourVest Partners VI - Direct Fund, L.P.
c/o HarbourVest Partners LLC
One Financial Center, 44th floor
Boston, MA 02111

with a copy (which shall not constitute notice to HarbourVest) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: David J. Schwartz

(m) 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.

(n) Entire Agreement. This Agreement, 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, that may have related to the subject matter hereof in any way.

(o) Understanding Among the Purchasers. The determination of each Purchaser to purchase the Preferred Stock pursuant to this Agreement has been made by such Purchaser independent of any other Purchaser and independent of any statements or opinions as to the advisability of such purchase or as to the properties, business, prospects or condition (financial or otherwise) of Invesco which may have been made or given by any other Purchaser or by any agent or employee of any other Purchaser. In addition, it is acknowledged by each of the Purchasers that no Purchaser has acted as an agent of any other Purchaser in connection with making its investment hereunder and that no Purchaser shall be acting as an agent of any other Purchaser in connection with monitoring its investment hereunder. It is further acknowledged by each of the other Purchasers that CHS has retained Kirkland & Ellis LLP to act as their counsel in connection with the transactions contemplated hereby and that Kirkland & Ellis LLP has not acted as counsel for any of the other Purchasers in connection herewith and that none of the other Purchasers has the status of a client of Kirkland & Ellis LLP for conflict of interest or other purposes as a result thereof.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Investment Company Securities Purchase Agreement on the date first written above.

CODE HENNESSY & SIMMONS IV LP

By: CHS Management IV LP
Its: General Partner
By: Code Hennessy & Simmons LLC
Its: General Partner

By: /s/ PETER M. GOTSCH

Peter M. Gotsch
Partner

CHS ASSOCIATES IV LP

By: Code Hennessy & Simmons LLC
Its: General Partner

/s/ PETER M. GOTSCH

By: Peter M. Gotsch
Its:

HILLMAN INVESTMENT COMPANY

By: /s/ MAX W. HILLMAN

Name:

Its:

ONTARIO TEACHERS' PENSION PLAN BOARD

By: /s/ J. MARK MACDONALD

Name:

Its:

HARBOURVEST PARTNERS VI - DIRECT FUND, L.P.

By: HarbourVest VI - Direct Associates LLC
Its: General Partner
By: HarbourVest Partners, LLC
Its: Managing Member

By: /s/ WILLIAM A. JOHNSTON

Name:

Its:

RANDOLPH STREET PARTNERS

/s/ STEPHEN L. RITCHIE

By:
Its: Managing Partner

/s/ PAIGE WALSH

Paige Walsh

EXHIBIT 10.10

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement"), dated as of March 31, 2004, is made by and between CHS Management IV LP, a Delaware limited partnership ("CHS"), and The Hillman Group, Inc., a Delaware corporation (the "Company").

The Company desires to receive financial and management consulting services from CHS, and thereby obtain the benefit of the experience of CHS in business and financial management generally and its knowledge of the Company and its subsidiaries and the Company's and its subsidiaries' financial affairs in particular.

CHS is willing to provide financial and management consulting services to the Company. Accordingly, the compensation arrangements set forth in this Agreement are designed to compensate CHS for such services.

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements hereinafter set forth and the mutual benefits to be derived herefrom, CHS and the Company hereby agree as follows:

TERMS

1. Engagement. The Company hereby engages CHS as a financial and management consultant, and CHS hereby agrees to provide financial and management consulting services to the Company and its subsidiaries, all on the terms and subject to the conditions set forth below.

2. Services of CHS. CHS hereby agrees during the term of this engagement to consult with the board of directors (the "Board") and the management of the Company and its subsidiaries in such manner and on such business and financial matters as may be reasonably requested from time to time by the Board, including but not limited to: (a) general business strategy; (b) identification, support, negotiation and analysis of financing alternatives, including equity financings, acquisitions, capital expenditures and refinancing of existing indebtedness; and (c) human resource functions, including searching for and hiring of executives.

3. Compensation.

   (a) Monthly Fee. The Company agrees to pay to CHS, as compensation for services to be rendered by CHS under Section 2 hereof, a monthly fee equal to $57,692 (the "Monthly Fee"), payable monthly in arrears on the last day of each month, commencing with the month during which the closing of the Merger (as defined below) occurs, with the monthly payment for the month in which the Merger is closed being pro rated for the number of days between the date of such closing and the end of such month. Upon a termination of this Agreement in accordance with paragraph 5 hereof which does not occur on the last day of a month, a pro rated monthly fee shall be paid based upon the number of days elapsed in the partial month prior to termination.

   (b) Merger. As compensation for services rendered by CHS to the Company in connection with the identification of the Company and negotiation of the Agreement and Plan of Merger, the structuring of the transactions contemplated by the Agreement and Plan of Merger, dated as of February 14, 2004, by and among HCI Acquisition Corp., The Hillman Companies, Inc., a Delaware corporation ("Hillman Companies") and the stockholders and optionholders of Hillman Companies, and in connection with the financing of such transaction (the "Merger"), the Company agrees to pay to CHS on the date hereof an amount equal to $4,320,000.

   (c) Future Investments. After the date hereof, when and as CHS or its affiliated funds (the "Future Investors") purchase additional securities from Hillman Companies or the Company or any of Hillman Companies' subsidiaries or parents, the Company will pay to CHS a fee (a "Future Investment Fee") equal to five percent (5%) of the cost of the total aggregate investment made by the Future Investors in such purchase, as compensation for services to be rendered by CHS to the Company in connection with the consummation of such investment.

   (d) Notwithstanding anything to the contrary contained herein, the Company and CHS hereby agree and acknowledge that, so long as there are amounts outstanding under the Senior Credit Agreement or Loan Agreement (as defined below), the Company

shall not make any payments under this Section 3 (and CHS will not take any action in respect thereof) so long as an Event of Default or Default shall have occurred and be continuing or an Event of Default or Default would result from such payments, provided that such payments will accrue but not be payable until it is permitted to be paid pursuant to this Section 3, Section 7.09 of the Senior Credit Agreement and Section 7.09 of the Loan Agreement. The terms "Event of Default" and "Default" shall have the meanings given thereto in each of (i) the Loan Agreement, dated as of the date hereof, by and among the Company, The Hillman Companies, Inc. ("Hillman Companies"), Hillman Investment Company ("Investment Company") and Allied Capital Corporation (the "Loan Agreement") and (ii) the Senior Credit Agreement, dated as of the date hereof, by and among the Company, Hillman Companies, Investment Company, the banks and other financial institutions from time to time party thereto and other signatories party thereto (the "Senior Credit Agreement").

4. Expense Reimbursement. The Company shall promptly reimburse CHS for such reasonable travel expenses and other out-of-pocket fees and expenses as has or may be incurred by CHS, its partners and employees in connection with the Merger and future acquisitions, and in connection with the rendering of services hereunder.

5. Term. This Agreement shall be in effect for an initial term of five years commencing on the date hereof, and shall be automatically renewed thereafter on a year to year basis unless either CHS or the Company gives 30 days' prior written notice to the other party hereto of its desire to terminate this Agreement; provided, however, that this Agreement shall terminate on the first to occur of a Sale of the Company or a Public Offering (each as defined in the Stockholders Agreement, dated as of the date hereof, among Hillman

Companies and its stockholders). No termination of this Agreement, whether pursuant to this paragraph or otherwise, shall affect the Company's obligations with respect to the fees, costs and expenses incurred by CHS in rendering services hereunder and not reimbursed by the Company as of the effective date of such termination.

6. Indemnification. The Company agrees to indemnify and hold harmless CHS, its officers and employees against and from any and all losses, liabilities, suits, claims, costs, damages and expenses (including attorneys' fees) arising from their performance hereunder, except as a result of their gross negligence or intentional wrongdoing.

7. CHS an Independent Contractor. CHS and the Company agree that CHS shall perform services hereunder as an independent contractor, retaining control over and responsibility for its own operations and personnel. Neither CHS nor its partners or employees shall be considered employees or agents of the Company as a result of this Agreement nor shall any of them have authority to contract in the name of or bind the Company, except as expressly agreed to in writing by the Company.

8. Notices. Any notice, report or payment required or permitted to be given or made under this Agreement by any party to another party shall be deemed to have been duly given or made if personally delivered or, if mailed, when mailed by registered or certified mail, postage prepaid, to the other party at the following addresses (or at such other address as shall be given in writing by one party to the other):

If to CHS:

CHS Management IV LP
10 South Wacker Drive
Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with a copy to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, Ohio 45231

Facsimile: (513) 851-5531
Attn: Chief Executive Officer

9. Entire Agreement; Modification. This Agreement (a) contains the complete and entire understanding and agreement of CHS and the Company with respect to the subject matter hereof; (b) supersedes all prior and contemporaneous understandings, conditions and agreements, oral or written, express or implied, respecting the engagement of CHS in connection with the subject matter hereof; and (c) may not be modified except by an instrument in writing executed by CHS and the Company.

10. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach of that provision or any other provision hereof.

11. Assignment. Neither CHS nor the Company may assign its rights or obligations under this Agreement without the express written consent of the other party hereto.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Illinois, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois.

* * * *

IN WITNESS WHEREOF, CHS and the Company have caused this Management Agreement to be duly executed and delivered on the date and year first above written.

CHS MANAGEMENT IV LP

By: Code Hennessy & Simmons LLC
Its: General Partner

By: /S/ PETER M. GOTSCH

Name:

Its:

THE HILLMAN GROUP, INC.

By: /S/ MAX W. HILLMAN

Name:

Its:

EXHIBIT 10.11

EXECUTION

THE HILLMAN GROUP, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and Max W. Hillman, Jr. ("Executive"). This Agreement is being executed concurrently with the merger of HCI Acquisition Corp., a Delaware corporation, with and into The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman").

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 date hereof and ending as provided in Section 4(a) hereof (the "Employment Period").

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Chief Executive Officer (including full profit and loss responsibility for the operation of the Company and its Subsidiaries) of the Company and shall have the normal duties, responsibilities, functions and authority of the Chief Executive Officer (including full profit and loss responsibility for the operation of the Company and its Subsidiaries), subject to the power and authority of the Board 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 may from time to time direct.

(b) During the Employment Period, Executive shall report to the Board 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 hereof, "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 $365,000 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 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 date of this Agreement and ending December 31, 2004, 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 $600 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. During the Employment Period, the Company shall reimburse Executive for reasonable expenses incurred by Executive in connection with club membership at a club of Executive's choice not to exceed $500 per month, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(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 65% 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 124% 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 0.65% 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 0.65% 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 accordance with the Company's general payroll practices (in effect from time to time).

4. Term.

(a) The Employment Period shall be four 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 Subsidiaries 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 (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.

(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 (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.

(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 the provisions of Sections 5 and 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 Sections 4(d)(i)(A) for two years, and in the case of 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) If, after the third anniversary of the date hereof, 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 (i) the Executive's then applicable Base Salary, plus (ii) the greater of (A) 50% of the annual average of Executive's annual bonuses for the preceding three years, and (B) 50% of the amount of Executive's last annual bonus received prior to the date of termination of the Employment Period. In addition, Executive shall be entitled to receive his Base Salary through the date of such termination or resignation, accrued vacation, 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 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. 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. A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock.

(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, noncompete 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.

(j) 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 his current work location, (iii) to the extent the Chief Executive Officer of Hillman is entitled to a board seat pursuant to the

HCI Stockholders Agreement, the removal without cause of Executive as a director of Hillman, (iv) any amendment to the Company's bylaws which results in a material and adverse change to the officer and director indemnification provisions contained therein or (v) a material breach of Sections 3 or 4 of this Agreement by the Company which is not cured within 10 days following

written notice from Executive. For purposes of this Agreement, the "HCI Stockholders Agreement" means the HCI Stockholders Agreement dated as of the date hereof by and among HCI Acquisition Corp., Code Hennessy & Simmons IV LP, Ontario Teachers' Pension Plan Board, HarbourVest Partners, LLC and each of the other purchasers listed on Schedule A attached thereto.

(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. 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 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 5(b) below), Work Product (as defined in Section 5(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 5(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.

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 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 (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 without Cause or by Executive with Good Reason within 90 days of a Change of Control which occurs after the third anniversary of the date hereof, one year following the date of such termination of the Employment Period, or (iv) 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 (v) 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 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 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 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 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, 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 6 above are in consideration of (i) employment (as employee or consultant) with the Company, (ii) the issuance of certain securities of Hillman under the Executive Securities Agreement between Executive and Hillman and (iii) 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:

Max W. Hillman, Jr.
10590 Hamilton Avenue
Cincinnati, OH 45231
Telecopy: (513) 851-5531

Notices to the Company:

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

and

Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Telecopy: (312) 876-1840
Attn: Peter M. Gotsch

With copies, which shall not constitute notice, to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Telecopy: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

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 (including, without limitation, the Employment Agreement between the parties hereto, dated June 18, 2001, and the Management Term Sheet dated February 14, 2004, which shall be terminated and of no further force or effect as of the date of the execution and delivery of this Agreement, but excluding any breaches thereof by either party prior to the date hereof).

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. 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.

16. 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.

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 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 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.

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 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.

21. 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.

22. 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 Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

/s/ JAMES P. WATERS

By: ---

Its: ---

/s/ MAX W. HILLMAN

Max W. Hillman, Jr.

EXHIBIT A

GENERAL RELEASE

I, Max W. Hillman, Jr., 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 March 31, 2004, (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: ----------

/S/ MAX W. HILLMAN

Max W. Hillman, Jr.

EXHIBIT 10.12

HCI ACQUISITION CORP.

EXECUTIVE SECURITIES AGREEMENT

THIS EXECUTIVE SECURITIES AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between HCI Acquisition Corp., a Delaware corporation ("HCI"), and Max W. Hillman, Jr. (the "Executive Securityholder," and, together with the other executives who execute an agreement with HCI or the Company (as defined below) having terms substantially similar to those contained herein, the "Executive Securityholders"). Certain capitalized terms used herein are defined in Section 6 hereof.

HCI, The Hillman Companies, Inc., a Delaware corporation ("Hillman"), and the stockholders and optionholders of Hillman, including the Executive Securityholder, have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI will be merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger (the surviving corporation in the Merger being hereinafter referred to as the "Company").

Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

The Executive Securityholder owns (i) 17,759 shares (the "Rollover Stock") of Hillman's common stock, par value $0.01 per share (the "Hillman Common Stock"), and (ii) options to purchase 78,194 shares of Hillman Common Stock (the "Rollover Options" and together with the Rollover Stock, the "Rollover Securities").

Section 1.7(c)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Stock shall not be cancelled and converted into the right to receive the Per Share Closing Merger Consideration (as defined in the Merger Agreement), but instead such shares of Rollover Stock shall be cancelled and converted into a right to receive such number of shares of common stock and/or preferred stock of the Company as HCI and the Executive Securityholder may so agree.

Section 1.7(d)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Options shall not be cancelled and converted into the right to receive the Option Consideration (as defined in the Merger Agreement), but instead such Rollover Options shall be cancelled and converted into a right to receive such number of options to purchase shares of preferred stock of the Company and/or of Hillman Investment Company, a Delaware corporation

(the "Investment Company"), as HCI and the Executive Securityholder may so agree. None of the options granted hereunder are intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code (as defined below).

The parties hereto desire to enter into this Agreement for the purposes, among others, of (i) enabling the Executive Securityholder to cancel and exchange the Rollover Securities for the applicable Executive Securities (as defined below) in the manner provided herein and in the Merger Agreement, (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Executive Securities may be transferred.

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 to this Agreement hereby agree as follows:

1. Cancellation and Issuance of Rollover Securities for Executive Securities.

(a) Purchased Equity.

(i) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 5,795 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 166.357 shares of the Company's Class A Common Stock, par value $0.01 per share (the "Class A Common Stock").

(ii) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(d)(ii) and 1.8(a) of the Merger Agreement,

Rollover Options to purchase 78,194 shares of Hillman Common Stock shall be cancelled and exchanged for (A) an option (the "Company Preferred Purchased Option") to purchase 1,322.220 shares of the Preferred Stock and (B) an option (the "Investment Company Preferred Purchased Option") to purchase 922.479 shares of the Investment Company's Class A Preferred Stock, par value $0.01 per share (the "Investment Company Preferred"), in each case, at the applicable Exercise Price per share of underlying stock. The Company Preferred Purchased Option and the Investment Company Preferred Purchased Option issued to the Executive Securityholder pursuant to this Section 1(a)(ii) are hereafter collectively referred to as the "Purchased Options."

(iii) The shares of Class A Common Stock and the Purchased Options issued to the Executive Securityholder pursuant to this Section 1(a) are collectively referred to hereafter as the "Purchased Equity".

(b) Incentive Equity. Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 11,964 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 343.438 shares of the Company's Class B Common Stock, par value $0.01 per share (the "Class B Common Stock"). The shares of Class B Common Stock issued to the Executive

Securityholder pursuant to this Section 1(b) are hereafter collectively referred to as the "Incentive Equity."

(c) Preferred Options. Upon consummation of the Merger, (i) the Company shall grant to the Executive Securityholder an option to purchase 3,243.652 shares of the Preferred Stock and (ii) the Investment Company hereby shall grant to the Executive Securityholder an option to purchase 2,263.013 shares of the Investment Company Preferred, in each case, at the applicable Exercise Price per share of underlying Preferred Stock or Investment Company Preferred, as the case may be. The options granted to the Executive Securityholder pursuant to this Section 1(c) are hereinafter collectively referred to as the "Preferred Options".

(d) Closing. The closing of the transactions contemplated by Sections 1(a), 1(b) and 1(c) (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois at 10:00 a.m. on the date hereof, or at such other place or on such other date as may be mutually agreeable to the Company and the Executive Securityholder.

(e) Surrender and Exchange of Certificates. The Company shall deliver to the Executive Securityholder copies of the certificates representing the Executive Securityholder's Executive Securities (to the extent such Executive Securities are represented by certificates), and the Executive Securityholder shall deliver to the Company stock certificates evidencing the Executive Securityholder's Rollover Stock duly endorsed for transfer or accompanied by appropriate transfer documents pursuant to the Merger Agreement. Until the occurrence of a Sale of the Company, all certificates evidencing the Executive Securities shall be held by the Company for the benefit of the Executive Securityholder and the other holder(s) of Executive Securities. Upon the occurrence of a Sale of the Company, the Company will return the certificates for the Executive Securities to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof certificates representing the Executive Securities (other than with respect to any Executive Securities that remain unvested).

(f) Representations and Warranties. The Executive Securityholder represents and warrants that:

(i) the Executive Securities to be acquired by the Executive Securityholder pursuant to this Agreement and the Merger Agreement shall be acquired for the Executive Securityholder's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Executive Securities shall not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) the Executive Securityholder will be, upon consummation of the Merger, an executive officer of the Company or a Subsidiary thereof, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Executive Securities;

(iii) the Executive Securityholder is able to bear the economic risk of his or her investment in the Executive Securities for an indefinite period of time. The Executive Securityholder understands that the Executive Securities have not been registered under the Securities Act and, therefore, cannot be sold, and in certain circumstances, transferred, unless subsequently registered under the Securities Act or an exemption from such registration is available;

(iv) the Executive Securityholder has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Executive Securities and has had full access to such other information concerning the Company as he or she has requested;

(v) the Executive Securityholder is an "accredited investor" as such term is defined under the Securities Act and the rules and regulations promulgated thereunder; and

(vi) this Agreement constitutes the legal, valid and binding obligation of the Executive Securityholder, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Executive Securityholder does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which the Executive Securityholder is a party or any judgment, order or decree to which the Executive Securityholder is subject.

(g) No Employment Obligation. As an inducement to the Company to issue the Executive Securities to the Executive Securityholder hereunder, and as a condition thereto, the Executive Securityholder acknowledges and agrees that:

(i) neither the issuance of the Executive Securities to the Executive Securityholder hereunder nor any provision contained herein shall entitle the Executive Securityholder to remain in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Executive Securityholder's employment at any time; and

(ii) neither the Company nor its Subsidiaries shall have any duty or obligation to disclose to the Executive Securityholder, and the Executive Securityholder shall have no right to be advised of, any information regarding the Company or its Subsidiaries (except in connection with a determination of the Fair Market Value of the Executive Securities) at any time prior to, upon or in connection with the repurchase of the Executive Securities upon the termination of Executive Securityholder's employment with the Company or any of its Subsidiaries or as otherwise provided hereunder.

(h) 83(b) Election. Within 30 days after the date of hereof, the Executive Securityholder will make an effective election with respect to his Incentive Equity with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code of 1986, as amended

(the "Internal Revenue Code") and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(i) Stock Powers. At the Closing, (i) the Executive Securityholder shall execute in blank ten stock transfer powers in the form of Exhibit B attached hereto (the "Stock Powers") with respect to his Purchased Equity represented by certificates and Incentive Equity and shall deliver such Stock Powers to the Company. The Stock Powers shall authorize the Company to assign, transfer and deliver the shares of Purchased Equity represented by certificates and Incentive Equity to the appropriate acquirer thereof pursuant to Section 4 below or Section 6 of the Stockholders Agreement and under no other circumstances and (ii) the Executive Securityholder's spouse shall execute the consent in the form of Exhibit C attached hereto.

(j) Investment Company. Upon consummation of the Merger, the Company shall cause the Investment Company to execute a joinder to this Agreement in the form of Exhibit D attached hereto, and the parties hereto agree that upon execution of such joinder the Investment Company shall become a party hereto.

2. Vesting of Executive Securities.

(a) Vesting of Purchased Equity. All Purchased Equity shall be fully vested, and with respect to the Purchased Options, fully exercisable, upon issuance hereunder.

(b) Vesting of Incentive Equity. The Executive Securityholder's Incentive Equity shall be subject to vesting in the manner specified in this Section 2(b).

(i) Except as otherwise provided in this Section 2(b), the shares of Incentive Equity will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

<TABLE>
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Date	Cumulative Percentage of Incentive Equity to be Vested
<S>	<C>

1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's shares of Incentive Equity which have not yet become vested shall become vested at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(c) Vesting of Preferred Options. The Preferred Options may be exercised only to the extent they have become vested. The Executive Securityholder's Preferred Options shall be subject to vesting in the manner specified in this Section 2(c).

(i) Except as otherwise provided in this Section 2(c), the Preferred Options will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Preferred Options to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's Preferred Options which have not yet become vested shall become vested and fully exercisable at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(d) Expiration of Preferred Options and Purchased Options. The Preferred Options shall expire at the close of business on March 31, 2014 and the Purchased Options shall expire at the close of business on March 31, 2028 (in either case, such date being hereinafter referred to as the "Expiration Date"), subject to earlier expiration as provided herein. In no event shall any part of the Executive Securityholder's Preferred Options and Purchased Options be exercisable after the applicable Expiration Date. Except as otherwise provided herein, any portion of the Executive Securityholder's Preferred Options that was not vested and exercisable as of the date his employment with the Company or any of its Subsidiaries terminated shall expire and be cancelled on such date.

3. Restrictions on Transfer of Executive Securities; Restriction on Conversion of Common Stock.

(a) Transfer of Executive Securities.

(i) The holders of Executive Securities shall not sell, transfer, assign, pledge or otherwise dispose of (a "Transfer") any interest in any Executive Securities (other than Purchased Options and Preferred Options that have not been exercised), except pursuant to (i) the provisions of Sections 5 and 6 of the Stockholders Agreement, (ii) the provisions of Section 3 of the Investment Company Stockholders Agreement, (iii) a Sale of the Company, (iv) the provisions of Section 3(b) hereof or (v) the provisions of Section 4 hereof.

(ii) The Purchased Options and the Preferred Options are personal to the Executive Securityholder, and any Purchased Options or Preferred Options that have not been exercised in accordance with the terms hereof are not transferable by the Executive Securityholder other than by (i) will or the laws of descent and distribution, (ii) the provisions of Section 4 hereof and (iii) the provisions of Section 7(b) hereof.

(b) Certain Permitted Transfers. The restrictions set forth in Section 3(a)(i) shall not apply with respect to any Transfer of Executive Securities made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investor Group sells Common Stock in a Public Sale, but in the case of this clause (ii) only an amount (the "Transfer Amount") equal to the number of Vested Shares owned by the Executive Securityholder multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of shares of Common Stock sold by the Investor Group in such Public Sale and the denominator of which is the total number of shares of Common Stock held by the Investor Group prior to the Public Sale; provided that, if at the time of a Public Sale by the Investor Group, the Executive Securityholder chooses not to Transfer the Transfer Amount, the Executive Securityholder shall retain the right to Transfer an amount of Vested Shares at a future date equal to the number of Vested Shares owned by the Executive Securityholder at such future date multiplied by the Transfer Fraction; provided further that, the restrictions contained in this Section 3 will continue to be applicable to the Executive Securities after any Transfer of the type referred to in clause (i) and the transferees of such Executive Securities will agree in writing to be bound by the provisions of this Agreement. Any transferee of Executive Securities pursuant to a transfer in accordance with the provisions of this Section 3(b) is herein referred to as a "Permitted Transferee." Upon the transfer of Executive Securities pursuant to this Section 3(b), the transferring Executive Securityholder will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in Sections 3(a)(i) and 3(b) above will continue with respect to each of the Executive Securities until the earlier of (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by this Section 3 or (ii) the consummation of a Sale of the Company. The restrictions set forth in Section 3(a)(ii) will not terminate.

(d) Legends. The certificates representing the Executive Securities will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF MARCH 31, 2004, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO

SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN AN EXECUTIVE SECURITIES AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF MARCH 31, 2004. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

4. Repurchase of Executive Securities.

(a) Repurchase of Purchased Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the lesser of the Fair Market Value and the Original Cost thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to (I) the lesser of the Fair Market Value and Original Cost less (II) the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason, the Executive Securityholder shall have the right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase his Purchased Equity (a "Purchased Equity Put"), or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity, in either case, (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value thereof less any Exercise Price payable with respect each such share of Purchased Option Underlying Stock; provided that after the closing of the Purchased Equity Put with the Executive

Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Purchased Equity Put exercised pursuant to this Section 4(a)(ii) for up to 2 years from the date of such resignation.

(iii) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good

Reason, then the Executive Securityholder shall have a Purchased Equity Put, or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Purchased Equity, in either case, (I) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value and (II) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value less the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(b) Repurchase of Incentive Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company and the Investor Group shall have the right to repurchase the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity) at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have the right to require the Company to repurchase his Incentive Equity (an "Incentive Equity Put"), or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have the right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost; provided that after the closing of the Incentive Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company and the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Incentive Equity Put exercised pursuant to this Section 4(b)(ii) for up to 2 years from the date of such resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have the right to exercise an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, then the Company and the Investor Group shall have the right to repurchase the shares of the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity), in either case, at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(iv) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good

Reason, then the Executive Securityholder shall have an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have a right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost.

(c) Repurchase of Preferred Options.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options at a

price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have a right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase (a "Preferred Option Put") his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock; provided that after the closing of the Preferred Option Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investor Group or the Investment Company shall be permitted to postpone payment of the amount owed in connection with a Preferred Option Put exercised pursuant to this Section 4(c)(ii) for up to 2 years from the date of the Executive Securityholder's resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have a Preferred Option Put on his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(iv) If the Executive Securityholder's employment with the Company or any of its Subsidiaries terminates due to (A) termination by the Company without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Preferred Option Put for his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(d) Put Option Procedures.

(i) In the event that the Executive Securityholder becomes entitled to exercise a Put Option pursuant to this Section 4 (a "Put Event"), the Executive Securityholder (or his personal representative, if the Executive Securityholder is deceased or incompetent) may, at his or her discretion, exercise all (but not less than all) of the Put Options then exercisable for all (but not less than all) of the Executive Securities subject to the Put Options by delivering written notice (the "Put Notice") to the Company specifying the number of Executive Securities to be repurchased by the Company within 40 days following the occurrence of the Put Event (the "Put Option Exercise Period").

(ii) Upon the delivery of the Put Notice and subject to the provisions herein and in the Put Notice, the Company or the Investment Company (in the case of Executive Securities of the Investment Company), as the case may be, shall, in accordance with the terms hereof promptly determine the purchase price for the Executive Securities (the "Put Price"), and, within 20 days after the determination of the Put Price, shall purchase and the Executive Securityholder shall sell the number of the Executive Securities specified in the Put Notice at a mutually agreeable time and place.

(iii) Notwithstanding any provision herein to the contrary and subject to Section 4(f) hereof, the maximum amount that the Company or the Investment Company collectively shall be required to pay during each calendar year in connection with the Put Options held by the Executive Securityholders is $5,000,000 (the "Put Option Cap"). In the event that the aggregate purchase price for the Put Options exercised by the Executive Securityholders in any calendar year exceeds the Put Option Cap, the amount of such excess shall be applied to the Put Option Cap for the next calendar year or succeeding years.

(iv) The Company and the Investment Company will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(e) Repurchase Option Procedures.

(i) Repurchase Option Procedure for the Company. With respect to any repurchase option other than a Put Option (which shall be governed by the procedures set forth in Section 4(d)) and subject to the Executive Securityholder's prior right to exercise a Put Option upon the occurrence of a Put Event, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may elect to repurchase all or any portion of the Executive Securities subject to repurchase as provided herein (the "Available Securities") of an Executive Securityholder whose employment with the Company or any of its Subsidiaries has terminated (the "Termination") as described in Sections 4(a), 4(b) or 4(c) (the "Repurchase Option") by delivery of written notice (a "Repurchase Notice") to the holders of such Executive Securities within 120 days after the date of the Termination (the "Repurchase Notice Period") if a Put Event has not occurred, or if a Put Event has occurred, within 120 days following the expiration of the Put Option Exercise Period. The Repurchase Notice shall set forth the aggregate consideration to be paid for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction.

(ii) Repurchase Option Procedure for Investor Group. If for any reason the Company or the Investment Company (in the case of Executive Securities of the Investment Company) does not elect to purchase all of the Available Securities, the Investor Group shall be entitled to exercise the Repurchase Option for all or any portion of the Available Securities. As soon as practicable after the Company or the Investment Company (in the case of Executive Securities of the Investment Company) has determined that it will not purchase all of the Available Securities, but in any event within 80 days after the Termination if a Put Event has not occurred, or if a Put Event has occurred, within 80 days following the expiration of the Put Option Exercise Period, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall give written notice (the "Option Notice") to each member of the Investor Group setting forth the number of Available Securities and the purchase price for the Available Securities. The members of the Investor Group may elect to purchase all or any portion of the Available Securities by giving written notice to the Company or the Investment Company (in the case of Executive Securities of the Investment Company) within 30 days after the Option Notice has been delivered to such member of the Investor Group by the Company or the Investment Company (in the case of Executive Securities of the Investment Company). If the members of the Investor Group elect to purchase an aggregate amount of Available Securities in excess of the amount of Available Securities specified in the Option Notice, the Available Securities shall be allocated among the members of the Investor Group based on the amount of such type or types of Stockholder Shares (as defined in the Stockholders Agreement) owned by each member of the Investor Group on the date of the Option Notice and the type of Available Securities. Any member of the Investor Group may condition his, her or its election to purchase such Available Securities on the election of one or more other members of the Investor Group to purchase Available Securities. As soon as practicable, and in any event within ten days after the expiration of the 30-day period set forth above, the Company or the Investment Company (in the case of Executive Securities of the

Investment Company) shall deliver a notice to the holders of such Available Securities setting forth the aggregate consideration to be paid by the respective members of the Investor Group for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction. At the time the Company or the Investment Company (in the case of Executive Securities of the Investment Company) delivers such notice to the holders of such Available Securities, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall also deliver written notice to each member of the Investor Group setting forth the amount of securities such member is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction.

(iii) Representations and Warranties; Signatures. The Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group, as the case may be, will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be

guaranteed.

(iv) Revocation. Notwithstanding anything to the contrary contained in this Agreement, if in connection with a Repurchase Option the holder of Executive Securities delivers the notice of disagreement described in the definition of Fair Market Value, or if the Fair Market Value of the Executive Securities is determined to be an amount more than 10% greater than the repurchase price for Executive Securities originally determined by the Board, each of the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and each member of the Investor Group who has exercised its, their or his Repurchase Option shall have the right to revoke its, their or his exercise of the Repurchase Option, as the case may be, for all or any portion of the Executive Securities elected to be repurchased by it, them or him by delivering notice of such revocation in writing to the holder of the Executive Securities during (A) the thirty-day period beginning on the date the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group receive the Executive Securityholder's written notice of disagreement or (B) the thirty-day period beginning on the date the Company, the Executive Securityholder, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group are given written notice that the Fair Market Value of the Executive Securities was finally determined to be an amount more than 10% greater than the repurchase price for such Executive Securities originally determined by the Board. The closing of the transaction shall be postponed until the expiration of the thirty-day period described in the preceding sentence and shall in any event be postponed until the Fair Market Value of the Executive Securities is finally determined pursuant to the procedure described in the definition of Fair Market Value.

(f) Manner of Payment. The Company, the Investment Company and/or a member of the Investor Group, as applicable, shall pay for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by delivery of a cashier's check or wire

transfer of funds. Alternatively, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may pay the purchase price for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by offsetting against any indebtedness or obligations for advanced or borrowed funds owed by the applicable Executive Securityholder to the Company or the Investment Company. Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Executive Securities by the Company or the Investment Company shall be subject to applicable federal and state laws and to restrictions contained in the Company's and its Subsidiaries' debt financing arrangements. If any such laws or restrictions prohibit the repurchase of Executive Securities hereunder which the Company or the Investment Company is otherwise entitled to make, the time periods provided in this Section 4 shall be suspended, and the Company or the Investment Company may make such repurchases as soon as it is permitted to do so under such laws or restrictions. Alternatively, if and to the extent any such laws or restrictions prohibit the repurchase of Executive Securities hereunder for cash, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may, at its sole option, repurchase such Executive Securities, in which case the amount of the purchase price which is not able to be paid in cash shall be paid for by the issuance of a subordinated promissory note, which, subject to the approval of the senior and senior subordinated lender(s) of the Company and its Subsidiaries, shall be payable as soon as the Company or the Investment Company is permitted to pay such note under such laws or restrictions and shall bear interest (payable annually) at a floating rate per annum equal to the prime or base rate of interest (as established and publicly announced in The Wall Street Journal).

(g) Termination of Certain Repurchase Options. The Repurchase Options and Put Options set forth in this Section 4 shall terminate with respect to the Executive Securities (other than with respect to unvested Executive Securities) upon (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by Section 3 or (ii) consummation of a Sale of the Company.

(h) 2004 Stock Option Plan. To the extent that the Executive Securityholder is granted an option to purchase shares of Common Stock under the Company's 2004 Stock Option Plan, the written agreement pursuant to which such option is granted shall include repurchase rights for the Company and/or such other Persons as determined by the Company that are substantially similar to the repurchase rights set forth in this Agreement with respect to the Executive Securityholder's Incentive Equity.

5. Transfer. Prior to transferring any Executive Securities (other than in a Public Sale, a Sale of the Company, Section 4 hereof, Section 5 of the Stockholders Agreement and Section 3 of the Investment Company Stockholders Agreement) to any Person, the transferring Executive Securityholder will cause the prospective transferee to be bound by this Agreement and to execute and

deliver to the Company a counterpart to this Agreement. Any Transfer or attempted Transfer of any Executive Securities in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Executive Securities as the owner of such units for any purpose.

6. Definitions.

"Affiliate" means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Board" means the Board of Directors of the Company.

"Cause" has the meaning set forth in the Employment Agreement.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership and any Affiliate thereof.

"Class C Common Stock" means the Company's Class C Common Stock, par value $0.01 per share.

"Common Stock" means the Company's Class A Common Stock, Class B Common Stock and Class C Common Stock.

"Disability " has the meaning set forth in the Employment Agreement.

"Employment Agreement" means that certain Employment Agreement dated as of the date hereof by and between the Executive Securityholder and the Company or any of its Subsidiaries.

"Executive Securities" shall mean the Purchased Equity, Incentive Equity and Preferred Options collectively. Executive Securities will continue to be Executive Securities in the hands of any holder other than the Executive Securityholder (except for the Company, the Investment Company and other Stockholders, and except for transferees in a Sale of the Company), and except as otherwise provided herein, each such other holder of Executive Securities will succeed to all rights and obligations attributable to the Executive Securityholder as a holder of Executive Securities hereunder. Executive Securities will also include the Company's and the Investment Company's securities issued with respect to Executive Securities by way of a stock split or stock dividend and securities into which such shares of stock or rights to acquire stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the structure or capitalization of the Company, including but not limited to debt or shares of common stock and/or preferred stock and/or options of any corporate successor to the business of the Company or the Investment Company, whether issued in connection with a public offering of securities of such entity or otherwise.

"Exercise Price" with respect to (i) the Purchased Options, shall equal $153.09 per share of Purchased Option Underlying Stock and (ii) the Preferred Options, shall be $1,000 per share of Preferred Option Underlying Stock.

"Fair Market Value" of any Executive Securities means the composite closing price of the sales of such Executive Securities on the securities exchanges on which such Executive

Securities may at the time be listed (as reported in The Wall Street Journal), or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if such Executive Securities are not so listed, the closing price (or last price, if applicable) of sales of such Executive Securities on The Nasdaq Stock Market (as reported in The Wall Street Journal), or if such Executive Securities are not quoted in The Nasdaq Stock Market but are traded over-the-counter, the average of the highest bid and lowest asked prices on such day in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Executive Securities are not listed on any securities exchange, quoted in The Nasdaq Stock Market, or quoted in the over-the-counter market, the "Fair Market Value" of such Executive Securities shall mean the fair market value of such Executive Securities as determined by the Board reasonably and in good faith on an enterprise basis, taking into account all relevant factors determinative of value (including the lack of liquidity of such Executive Securities due to the Company's status as a privately held corporation, but without regard to any discounts for minority interests), using valuation techniques then prevailing in the securities industry (e.g., discounted cash flows and/or comparable companies) and assuming full disclosure of all relevant information and a reasonable period of time for effectuating such sale; provided that upon the Executive Securityholder's request the Board shall provide the

Executive Securityholder with reasonable supporting information regarding the Board's determination of the Fair Market Value; and further provided that if the Executive Securityholder disagrees with the Board's determination of the Fair Market Value, then the Executive Securityholder shall provide notice of his disagreement to the Company and the Investor Group within thirty days after the Board provides notice to the Executive Securityholder of its determination, in which case the "Fair Market Value" shall be determined by an investment banking firm agreed upon by the Company and the Executive Securityholder, which firm shall submit to the Company and the Executive Securityholder a report within 30 days of its engagement setting forth such determination. If the parties are unable to agree on an investment banking firm within 20 days after the Executive Securityholder provides notice to the Board of his disagreement, the Company and the Executive Securityholder shall each select an investment bank of recognized national standing and such two investment banking firms shall select a third investment banking firm. Such third investment banking firm shall render a determination within 30 days of its engagement. The determination of such firm will be final and binding upon all parties. If an investment banking firm is to make the Fair Market Value determination hereunder, the Executive Securityholder, on the one hand, and the Company, on the other hand, shall submit in writing their respective estimates of the Fair Market Value at the time the investment banking firm is requested to make such determination, and such investment banking firm's determination of the Fair Market Value shall not be higher than the highest estimate nor lower than the lowest estimate as submitted by the Company and the Executive Securityholder. The fees, costs and expenses of the investment banking firm shall be allocated between the Company, on the one hand, and the Executive Securityholder, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the investment banking differs from the Fair Market Value (as finally determined by the investment banking firm) bears to the amount of the

difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value. If the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group exercise their revocation rights under Section 4(e)(iv), then the expenses of the investment banking firm shall be borne by the Company in all cases. The Company may require that the investment banking firm keep confidential any non-public information received as a result of this paragraph pursuant to reasonable confidentiality arrangements. Regardless of when a transaction based on a Fair Market Value valuation is executed, the Fair Market Value shall be determined as of the date of the Termination of the Executive Securityholder's employment with the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Executive Securityholder shall not have any appraisal right hereunder if a similar appraisal right has been exercised by an employee of any the Company or its Subsidiaries within the six months preceding the day as of which Fair Market Value is being determined hereunder, and Fair Market Value has been determined pursuant to such exercise of such appraisal right.

"Family Group" means (i) a Person's spouse and descendants (whether natural or adopted), (ii) any trust solely for the benefit of the Person and/or any of the Person's spouse and/or descendants and (iii) any entity wholly owned by the Person.

"Good Reason" has the meaning set forth in the Employment Agreement.

"Investment Company Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among the Investment Company and certain stockholders of the Investment Company, as amended.

"Investor Common Stock" means any Common Stock issued to or held by the Investor Group.

"Investor Group" means those persons set forth on Schedule A to this Agreement.

"Options" means the Preferred Options and the Purchased Options.

"Original Cost" with respect to (i) shares of Class A Common Stock and Class B Common Stock shall be equal to $1,000 per share and (ii) Purchased Option Underlying Stock and Preferred Option Underlying Stock, shall be equal to $1,000 per share of Preferred Stock and $1,000 per share of Investment Company Preferred (in each case as adjusted for stock splits, stock dividends or other recapitalizations occurring after the date hereof).

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including, without limitation, any governmental entity or any department, agency or political subdivision thereof).

"Preferred Option Underlying Stock" means, with respect to the Preferred Options, the shares of Preferred Stock underlying the option (whether exercised

or exercisable) granted to the

Executive Securityholder pursuant to Section 1(c)(i) hereof and the shares of Investment Company Preferred underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(ii) hereof.

"Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

"Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of the Company's Common Stock.

"Public Sale" means any sale of Executive Securities (i) to the public pursuant to an offering registered under the Securities Act or (ii) to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in effect) adopted under the Securities Act (other than Rule 144(k) prior to a Public Offering).

"Purchased Option Underlying Stock" means, with respect to the Purchased Options, the shares of Preferred Stock underlying the Company Preferred Purchased Option (whether exercised or exercisable) and the shares of Investment Company Preferred underlying the Investment Company Preferred Purchased Option (whether exercised or exercisable).

"Put Option" means the Purchased Equity Put, Incentive Equity Put and Preferred Option Put.

"Registration Agreement" means the Registration Agreement dated as of the date hereof by and among the Company and certain Stockholders of the Company.

"Retire" or "Retirement" means the Executive Securityholder's retirement from employment with the Company or any of its Subsidiaries at any time after he reaches age 61.

"Sale of the Company" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investor Group and their Affiliates) in the aggregate acquire(s) (i) capital stock of the Company 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 (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Stockholder" means any Person, other than the Company, who is a party to the Stockholders Agreement as of the date hereof.

"Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among HCI and certain stockholders of HCI, as amended from time to time in accordance with its terms.

"Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association or other 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 such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the 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 such Person or entity 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 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 general partner of such limited liability company, partnership, association or other business entity.

"Unvested Incentive Equity" means any shares of the Incentive Equity that have not become vested pursuant to the terms of Section 2(b) of this Agreement.

"Unvested Preferred Options" means any Preferred Options that have not become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Incentive Equity" means any shares of the Incentive Equity that have become vested pursuant to the terms of Section 2(b) of this Agreement.

"Vested Preferred Options" means any Preferred Options that have become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Shares" means the shares of Vested Incentive Equity as of the applicable date of determination and shares of Common Stock issued to the Executive Securityholder pursuant to Section 1(a)(i).

7. Options.

(a) Procedure for Exercise of Options. The Executive Securityholder may exercise all (but not less than all) of his Options, to the extent they have vested and are exercisable, at any time and from time to time prior to the applicable Expiration Date, by delivering written notice to the Company or the Investment Company, as applicable, (to the attention of the Company's or Investment Company's Secretary, as applicable) and written acknowledgement by the Executive Securityholder that he has reviewed and has been afforded an opportunity to ask questions of management of the Company or the Investment Company, as applicable, with respect to all financial and other information provided to him regarding the Company or the Investment Company, as applicable, together with payment of the Exercise Price for the Options being exercised. Notwithstanding anything to the contrary contained in this Agreement, (i) the Preferred Options must be exercised in tandem such that any exercise of a Preferred Option to purchase shares of Preferred Stock or Investment Company Preferred, as the case may be, must

be accompanied by an exercise of Preferred Options to purchase an equal number shares of Investment Company Preferred and Preferred Stock, respectively and (ii) the Purchased Options must be exercised in tandem such that any exercise of the Company Preferred Purchased Option or the Investment Company Preferred Purchased Option, as the case may be, must be accompanied by an exercise of the Investment Company Preferred Purchased Option, in the case of an exercise of the Company Preferred Purchased Option, and the Company Preferred Purchased Option, in the case of an exercise of the Investment Company Preferred Purchased Option. Subject to vesting, the Executive Securityholder's Options may be exercised in whole or in part upon payment of an amount (the "Option Price") equal to the product of (i) the applicable Exercise Price multiplied by (ii) the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, underlying the Options being exercised. Payment shall be made in cash (including check, bank draft or money order). As a condition to any exercise of the Options, the Executive Securityholder shall permit the Company or the Investment Company, as applicable, to deliver to him all financial and other information regarding the Company or the Investment Company, as applicable, it believes necessary to enable him to make an informed investment decision, and the Executive Securityholder shall make all customary investment representations which the Company or the Investment Company, as applicable, requires.

(b) Sale of the Company. In the event of a Sale of the Company, the Board may (i) terminate any unvested Options without payment or notice of any kind, (ii) terminate any vested Options for a cash payment equal to the excess of the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, (measured as of the date of such Sale of the Company) over such Option's Exercise Price multiplied by the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, with respect to the Options to be terminated, or (iii) terminate any vested Options without payment or notice of any kind to the extent that the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable (measured as of the date of such Sale of the Company), is less than or equal to such Option's Exercise Price.

(c) Dividends. If either the Company or the Investment Company pays a dividend upon the Preferred Stock or Investment Company Preferred, respectively, then upon exercise of any Option which was outstanding at the time of the payment of such dividend (the "Applicable Option"), the Executive Securityholder shall be entitled to receive an amount equal to the dividend (and in the same form of consideration as was received by the other dividend recipients) which would have been paid to the Executive Securityholder had the Applicable Option been fully exercised immediately prior to the date on which a record was taken for such dividend or, if no record was taken, the date as of which the record holders of the Preferred Stock or Investment Company Preferred, respectively, entitled to such dividends were determined.

8. Miscellaneous.

(a) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the holders of a majority of the

Investor Common Stock then outstanding, the Executive Securityholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares and shares of Investment Company Preferred with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(b) Severability. Whenever possible, each provision of this Agreement will 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 will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Agreement. Except as otherwise expressly set forth herein, in the Merger Agreement, Stockholders Agreement or Registration Agreement, this Agreement, those documents expressly referred to herein (including the Stockholders Agreement) 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.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Investor Group and their respective successors and assigns, so long as they hold shares of Investor Common Stock.

(e) Third Party Beneficiaries. The members of the Investor Group are intended to be third-party beneficiaries of this entire Agreement and the rights and obligations of the parties hereto. It is understood and agreed by the parties hereto that this Agreement shall be enforceable by the holders of a majority of the Investor Common Stock then outstanding in accordance with this Agreement's terms as though such holders of Investor Common Stock were a party to every provision hereof. Except as expressly provided herein, no other third party beneficiaries are intended by the parties hereto to be beneficiaries hereof.

(f) Counterparts; Facsimile Signature. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

(g) Remedies. Each of Company, the Investor Group and the Executive Securityholder shall be entitled to enforce its rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may

not be an adequate remedy for any breach of the provisions of this Agreement and that each of the Company, the Investor Group (acting by a majority vote of the Investor Common Stock) and the Executive Securityholders may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(h) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent via facsimile, sent by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company and the Executive Securityholder at the addresses set forth below and to any member of the Investor Group at the address set forth on Schedule A attached hereto, or subsequent holder of Executive Securities subject to this Agreement, at such address as is indicated in the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, when confirmed if sent by facsimile, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

If to the Company:

HCI Acquisition Corp.
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with copies to:

Code Hennessy & Simmons IV LP
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Executive Securityholder:

Max W. Hillman, Jr.
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231

with a copy to:

Baker & Hostetler LLP
3200 National City Center
1900 East 9th Street
Cleveland, OH 44114-3485
Facsimile: (216) 696-0740
Attn: Elizabeth A. Dellinger

(i) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights and obligations of the Company and its Stockholders. All other issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits 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.

(j) 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.

(k) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

(l) Indemnification and Reimbursement of Payments on Behalf of Executive Securityholder. 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 Securityholder any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive Securityholder's compensation or other payments from the Company or any of its Subsidiaries or Executive Securityholder'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 Subsidiaries does not make such deductions or withholdings, Executive Securityholder 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.

(m) Adjustments of Numbers. All numbers set forth herein that refer to per share prices or amounts will be appropriately adjusted to reflect stock splits, stock dividends, combinations of stock and other recapitalizations affecting the subject class of equity.

(n) Deemed Transfer of Executive Securities. If the Company (and/or the Investor Group or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Executive Securities to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such Executive Securities are to be repurchased shall no longer have any rights as a holder of such Executive Securities (other than the right to receive payment of such consideration in accordance with this Agreement) and such Executive Securities shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investor Group and/or any other Person acquiring securities) shall be deemed the owner and holder of such Executive Securities, whether or not the certificates therefor have been delivered as required by this Agreement.

(o) No Pledge or Security Interest. The purpose of the Company's retention of Executive Securityholder's certificates is solely to facilitate the repurchase provisions set forth in Section 4 herein and Section 6 of the Stockholders Agreement and does not constitute a pledge by Executive Securityholder of, or the granting of a security interest in, the underlying equity.

(p) Rights Granted to Investors and their Affiliates. Any rights granted to an Investor and its Affiliates hereunder may also be exercised (in whole or in part) by their designees.

(q) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(r) Effect of Merger on this Agreement. Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, shall assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Executive Securities Agreement on the day and year first above written.

COMPANY: HCI ACQUISITION CORP.

By: /s/ PETER M. GOTSCH

Its:

EXECUTIVE SECURITYHOLDER: /s/ MAX W. HILLMAN

Max W. Hillman, Jr.

SCHEDULE A

Code Hennessy & Simmons IV LP
10 South Wacker Drive
Suite 3175
Chicago, IL 60606
Attention: Peter M. Gotsch

CHS Associates IV
10 South Wacker Drive
Suite 3175
Chicago, IL 60606

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M4H5
Attention: J. Mark MacDonald

EXHIBIT 10.13

EXECUTION

THE HILLMAN GROUP, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and Richard P. Hillman ("Executive"). This Agreement is being executed concurrently with the merger of HCI Acquisition Corp., a Delaware corporation, with and into The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman").

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 date hereof and ending as provided in Section 4(a) hereof (the "Employment Period").

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the President of the Company and shall have the normal duties, responsibilities, functions and authority of the President, 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 hereof, "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 $252,000 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 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 date of this Agreement and ending December 31, 2004, 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 $600 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 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 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 Subsidiaries 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 (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.

(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 (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.

(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 the provisions of Sections 5 and 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 Sections 4(d)(i)(A) for two years, and in the case of 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) If, after the third anniversary of the date hereof, 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 (i) the Executive's then applicable Base Salary, plus (ii) the greater of (A) 50% of the annual average of Executive's annual bonuses for the preceding three years, and (B) 50% of the amount of Executive's last annual bonus received prior to the date of termination of the Employment Period. In addition, Executive shall be entitled to receive his Base Salary through the date of such termination or resignation, accrued vacation, 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 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. 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. A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock.

(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, noncompete 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.

(j) 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 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 is not cured within 10 days following written notice from Executive. For purposes of this Agreement, the "HCI Stockholders Agreement" means the HCI Stockholders Agreement dated as of the date hereof by and among HCI Acquisition Corp., Code Hennessy & Simmons IV LP, Ontario Teachers' Pension Plan

Board, HarbourVest Partners, LLC and each of the other purchasers listed on

Schedule A attached thereto.

(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. 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 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 5(b) below), Work Product (as defined in Section 5(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 5(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.

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 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 (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 without Cause or by Executive with Good Reason within 90 days of a Change of Control which occurs after the third anniversary of the date hereof, one year following the date of such termination of the Employment Period, or

(iv) 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 (v) 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 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 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 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 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, 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 6 above are in consideration of (i) employment (as employee or consultant) with the Company, (ii) the issuance of certain securities of Hillman under the Executive Securities Agreement between Executive and Hillman and (iii) 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:

Richard P. Hillman
10590 Hamilton Avenue
Cincinnati, OH 45231
Telecopy: (513) 851-5531

Notices to the Company:

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

and

Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Telecopy: (312) 876-1840
Attn: Peter M. Gotsch

With copies, which shall not constitute notice, to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Telecopy: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

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 (including, without limitation, the Management Term Sheet dated February 14, 2004, which shall be terminated and of no further force or effect as of the date of the execution and delivery of this Agreement, but excluding any breaches thereof by either party prior to the date hereof).

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. 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.

16. 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.

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 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 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.

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 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.

21. 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.

22. 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 Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

By: /s/ MAX W. HILLMAN

Its:

/s/ RICHARD P. HILLMAN

Richard P. Hillman

EXHIBIT A

GENERAL RELEASE

I, Richard P. Hillman, 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 March 31, 2004, (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: ----------

/s/ RICHARD P. HILLMAN

Richard P. Hillman

EXHIBIT 10.14

HCI ACQUISITION CORP.

EXECUTIVE SECURITIES AGREEMENT

THIS EXECUTIVE SECURITIES AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between HCI Acquisition Corp., a Delaware corporation ("HCI"), and Richard P. Hillman (the "Executive Securityholder," and, together with the other executives who execute an agreement with HCI or the Company (as defined below) having terms substantially similar to those contained herein, the "Executive Securityholders"). Certain capitalized terms used herein are defined in Section 6 hereof.

HCI, The Hillman Companies, Inc., a Delaware corporation ("Hillman"), and the stockholders and optionholders of Hillman, including the Executive Securityholder, have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI will be merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger (the surviving corporation in the Merger being hereinafter referred to as the "Company").

Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

The Executive Securityholder owns (i) 6,938 shares (the "Rollover Stock") of Hillman's common stock, par value $0.01 per share (the "Hillman Common Stock"), and (ii) options to purchase 33,458 shares of Hillman Common Stock (the "Rollover Options" and together with the Rollover Stock, the "Rollover Securities").

Section 1.7(c)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Stock shall not be cancelled and converted into the right to receive the Per Share Closing Merger Consideration (as defined in the Merger Agreement), but instead such shares of Rollover Stock shall be cancelled and converted into a right to receive such number of shares of common stock and/or preferred stock of the Company as HCI and the Executive Securityholder may so agree.

Section 1.7(d)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Options shall not be cancelled and converted into the right to receive the Option Consideration (as defined in the Merger Agreement), but instead such Rollover Options shall be cancelled and converted into a right to receive such number of options to purchase shares of preferred stock of the Company and/or of Hillman Investment Company, a Delaware corporation

(the "Investment Company"), as HCI and the Executive Securityholder may so agree. None of the options granted hereunder are intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code (as defined below).

The parties hereto desire to enter into this Agreement for the purposes, among others, of (i) enabling the Executive Securityholder to cancel and exchange the Rollover Securities for the applicable Executive Securities (as defined below) in the manner provided herein and in the Merger Agreement, (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Executive Securities may be transferred.

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 to this Agreement hereby agree as follows:

1. Cancellation and Issuance of Rollover Securities for Executive Securities.

(a) Purchased Equity.

(i) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 1,901 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 54.576 shares of the Company's Class A Common Stock, par value $0.01 per share (the "Class A Common Stock").

(ii) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(d)(ii) and 1.8(a) of the Merger Agreement, Rollover Options to purchase 33,458 shares of Hillman Common Stock shall

be cancelled and exchanged for (A) an option (the "Company Preferred Purchased Option") to purchase 565.755 shares of the Preferred Stock and (B) an option (the "Investment Company Preferred Purchased Option") to purchase 394.713 shares of the Investment Company's Class A Preferred Stock, par value $0.01 per share (the "Investment Company Preferred"), in each case, at the applicable Exercise Price per share of underlying stock. The Company Preferred Purchased Option and the Investment Company Preferred Purchased Option issued to the Executive Securityholder pursuant to this Section 1(a)(ii) are hereafter collectively referred to as the "Purchased Options."

(iii) The shares of Class A Common Stock and the Purchased Options issued to the Executive Securityholder pursuant to this Section 1(a) are collectively referred to hereafter as the "Purchased Equity".

(b) Incentive Equity. Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 5,037 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 144.586 shares of the Company's Class B Common Stock, par value $0.01 per share (the "Class B Common Stock"). The shares of Class B Common Stock issued to the Executive

Securityholder pursuant to this Section 1(b) are hereafter collectively referred to as the "Incentive Equity."

(c) Preferred Options. Upon consummation of the Merger, (i) the Company shall grant to the Executive Securityholder an option to purchase 1,387.902 shares of the Preferred Stock and (ii) the Investment Company hereby shall grant to the Executive Securityholder an option to purchase 968.305 shares of the Investment Company Preferred, in each case, at the applicable Exercise Price per share of underlying Preferred Stock or Investment Company Preferred, as the case may be. The options granted to the Executive Securityholder pursuant to this Section 1(c) are hereinafter collectively referred to as the "Preferred Options".

(d) Closing. The closing of the transactions contemplated by Sections 1(a), 1(b) and 1(c) (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois at 10:00 a.m. on the date hereof, or at such other place or on such other date as may be mutually agreeable to the Company and the Executive Securityholder.

(e) Surrender and Exchange of Certificates. The Company shall deliver to the Executive Securityholder copies of the certificates representing the Executive Securityholder's Executive Securities (to the extent such Executive Securities are represented by certificates), and the Executive Securityholder shall deliver to the Company stock certificates evidencing the Executive Securityholder's Rollover Stock duly endorsed for transfer or accompanied by appropriate transfer documents pursuant to the Merger Agreement. Until the occurrence of a Sale of the Company, all certificates evidencing the Executive Securities shall be held by the Company for the benefit of the Executive Securityholder and the other holder(s) of Executive Securities. Upon the occurrence of a Sale of the Company, the Company will return the certificates for the Executive Securities to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof certificates representing the Executive Securities (other than with respect to any Executive Securities that remain unvested).

(f) Representations and Warranties. The Executive Securityholder represents and warrants that:

(i) the Executive Securities to be acquired by the Executive Securityholder pursuant to this Agreement and the Merger Agreement shall be acquired for the Executive Securityholder's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Executive Securities shall not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) the Executive Securityholder will be, upon consummation of the Merger, an executive officer of the Company or a Subsidiary thereof, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Executive Securities;

(iii) the Executive Securityholder is able to bear the economic risk of his or her investment in the Executive Securities for an indefinite period of time. The Executive Securityholder understands that the Executive Securities have not been registered under the Securities Act and, therefore, cannot be sold, and in certain circumstances, transferred, unless subsequently registered under the Securities Act or an exemption from such registration is available;

(iv) the Executive Securityholder has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Executive Securities and has had full access to such other information concerning the Company as he or she has requested;

(v) the Executive Securityholder is an "accredited investor" as such term is defined under the Securities Act and the rules and regulations promulgated thereunder; and

(vi) this Agreement constitutes the legal, valid and binding obligation of the Executive Securityholder, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Executive Securityholder does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which the Executive Securityholder is a party or any judgment, order or decree to which the Executive Securityholder is subject.

(g) No Employment Obligation. As an inducement to the Company to issue the Executive Securities to the Executive Securityholder hereunder, and as a condition thereto, the Executive Securityholder acknowledges and agrees that:

(i) neither the issuance of the Executive Securities to the Executive Securityholder hereunder nor any provision contained herein shall entitle the Executive Securityholder to remain in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Executive Securityholder's employment at any time; and

(ii) neither the Company nor its Subsidiaries shall have any duty or obligation to disclose to the Executive Securityholder, and the Executive Securityholder shall have no right to be advised of, any information regarding the Company or its Subsidiaries (except in connection with a determination of the Fair Market Value of the Executive Securities) at any time prior to, upon or in connection with the repurchase of the Executive Securities upon the termination of Executive Securityholder's employment with the Company or any of its Subsidiaries or as otherwise provided hereunder.

(h) 83(b) Election. Within 30 days after the date of hereof, the Executive Securityholder will make an effective election with respect to his Incentive Equity with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code of 1986, as amended

(the "Internal Revenue Code") and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(i) Stock Powers. At the Closing, (i) the Executive Securityholder shall execute in blank ten stock transfer powers in the form of Exhibit B attached hereto (the "Stock Powers") with respect to his Purchased Equity represented by certificates and Incentive Equity and shall deliver such Stock Powers to the Company. The Stock Powers shall authorize the Company to assign, transfer and deliver the shares of Purchased Equity represented by certificates and Incentive Equity to the appropriate acquirer thereof pursuant to Section 4 below or Section 6 of the Stockholders Agreement and under no other circumstances and (ii) the Executive Securityholder's spouse shall execute the consent in the form of Exhibit C attached hereto.

(j) Investment Company. Upon consummation of the Merger, the Company shall cause the Investment Company to execute a joinder to this Agreement in the form of Exhibit D attached hereto, and the parties hereto agree that upon execution of such joinder the Investment Company shall become a party hereto.

2. Vesting of Executive Securities.

(a) Vesting of Purchased Equity. All Purchased Equity shall be fully vested, and with respect to the Purchased Options, fully exercisable, upon issuance hereunder.

(b) Vesting of Incentive Equity. The Executive Securityholder's Incentive Equity shall be subject to vesting in the manner specified in this Section 2(b).

(i) Except as otherwise provided in this Section 2(b), the shares of Incentive Equity will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

<TABLE>
<CAPTION>

Date	Cumulative Percentage of Incentive Equity to be Vested
<S>	<C>
1st Anniversary of date hereof	20%

2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's shares of Incentive Equity which have not yet become vested shall become vested at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(c) Vesting of Preferred Options. The Preferred Options may be exercised only to the extent they have become vested. The Executive Securityholder's Preferred Options shall be subject to vesting in the manner specified in this Section 2(c).

(i) Except as otherwise provided in this Section 2(c), the Preferred Options will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Preferred Options to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's Preferred Options which have not yet become vested shall become vested and fully exercisable at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(d) Expiration of Preferred Options and Purchased Options. The Preferred Options shall expire at the close of business on March 31, 2014 and the Purchased Options shall expire at the close of business on March 31, 2028 (in either case, such date being hereinafter referred to as the "Expiration Date"), subject to earlier expiration as provided herein. In no event shall any part of the Executive Securityholder's Preferred Options and Purchased Options be exercisable after the applicable Expiration Date. Except as otherwise provided herein, any portion of the Executive Securityholder's Preferred Options that was not vested and exercisable as of the date his employment with the Company or any of its Subsidiaries terminated shall expire and be cancelled on such date.

3. Restrictions on Transfer of Executive Securities; Restriction on Conversion of Common Stock.

(a) Transfer of Executive Securities.

(i) The holders of Executive Securities shall not sell, transfer, assign, pledge or otherwise dispose of (a "Transfer") any interest in any Executive Securities (other than Purchased Options and Preferred Options that have not been exercised), except pursuant to (i) the provisions of Sections 5 and 6 of the Stockholders Agreement, (ii) the provisions of Section 3 of the Investment Company Stockholders Agreement, (iii) a Sale of the Company, (iv) the provisions of Section 3(b) hereof or (v) the provisions of Section 4 hereof.

(ii) The Purchased Options and the Preferred Options are personal to the Executive Securityholder, and any Purchased Options or Preferred Options that have not been exercised in accordance with the terms hereof are not transferable by the Executive Securityholder other than by (i) will or the laws of descent and distribution, (ii) the provisions of Section 4 hereof and (iii) the provisions of Section 7(b) hereof.

(b) Certain Permitted Transfers. The restrictions set forth in Section 3(a)(i) shall not apply with respect to any Transfer of Executive Securities made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investor Group sells Common Stock in a Public Sale, but in the case of this clause (ii) only an amount (the "Transfer Amount") equal to the number of Vested Shares owned by the Executive Securityholder multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of shares of Common Stock sold by the Investor Group in such Public Sale and the denominator of which is the total number of shares of Common Stock held by the Investor Group prior to the Public Sale; provided that, if at the time of a Public Sale by the Investor Group, the Executive Securityholder chooses not to Transfer the Transfer Amount, the Executive Securityholder shall retain the right to Transfer an amount of Vested Shares at a future date equal to the number of Vested Shares owned by the Executive Securityholder at such future date multiplied by the Transfer Fraction; provided further that, the restrictions contained in this Section 3 will continue to be applicable to the Executive Securities after any Transfer of the type referred to in clause (i) and the transferees of such Executive Securities will agree in writing to be bound by the provisions of this Agreement. Any transferee of Executive Securities pursuant to a transfer in accordance with the provisions of this Section 3(b) is herein referred to as a "Permitted Transferee." Upon the transfer of Executive Securities pursuant to this Section 3(b), the transferring Executive Securityholder will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in Sections 3(a)(i) and 3(b) above will continue with respect to each of the Executive Securities until the earlier of (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by this Section 3 or (ii) the consummation of a Sale of the Company. The restrictions set forth in Section 3(a)(ii) will not terminate.

(d) Legends. The certificates representing the Executive Securities will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF MARCH 31, 2004, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO

SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN AN EXECUTIVE SECURITIES AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF MARCH 31, 2004. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

4. Repurchase of Executive Securities.

(a) Repurchase of Purchased Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the lesser of the Fair Market Value and the Original Cost thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to (I) the lesser of the Fair Market Value and Original Cost less (II) the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason, the Executive Securityholder shall have the right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase his Purchased Equity (a "Purchased Equity Put"), or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity, in either case, (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value thereof less any Exercise Price payable with respect each such share of Purchased Option Underlying Stock; provided that after the closing of the Purchased Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the

Executive Securityholder), the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Purchased Equity Put exercised pursuant to this Section 4(a)(ii) for up to 2 years from the date of such resignation.

(iii) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good

Reason, then the Executive Securityholder shall have a Purchased Equity Put, or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Purchased Equity, in either case, (I) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value and (II) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value less the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(b) Repurchase of Incentive Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company and the Investor Group shall have the right to repurchase the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity) at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have the right to require the Company to repurchase his Incentive Equity (an "Incentive Equity Put"), or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have the right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost; provided that after the closing of the Incentive Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company and the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Incentive Equity Put exercised pursuant to this Section 4(b)(ii) for up to 2 years from the date of such resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have the right to exercise an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, then the Company and the Investor Group shall have the right to repurchase the shares of the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity), in either case, at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(iv) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good

Reason, then the Executive Securityholder shall have an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have a right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost.

(c) Repurchase of Preferred Options.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options at a price per share of Preferred Option Underlying Stock equal to the lesser

of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have a right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase (a "Preferred Option Put") his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock; provided that after the closing of the Preferred Option Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investor Group or the Investment Company shall be permitted to postpone payment of the amount owed in connection with a Preferred Option Put exercised pursuant to this Section 4(c)(ii) for up to 2 years from the date of the Executive Securityholder's resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have a Preferred Option Put on his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(iv) If the Executive Securityholder's employment with the Company or any of its Subsidiaries terminates due to (A) termination by the Company without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Preferred Option Put for his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(d) Put Option Procedures.

(i) In the event that the Executive Securityholder becomes entitled to exercise a Put Option pursuant to this Section 4 (a "Put Event"), the Executive Securityholder (or his personal representative, if the Executive Securityholder is deceased or incompetent) may, at his or her discretion, exercise all (but not less than all) of the Put Options then exercisable for all (but not less than all) of the Executive Securities subject to the Put Options by delivering written notice (the "Put Notice") to the Company specifying the number of Executive Securities to be repurchased by the Company within 40 days following the occurrence of the Put Event (the "Put Option Exercise Period").

(ii) Upon the delivery of the Put Notice and subject to the provisions herein and in the Put Notice, the Company or the Investment Company (in the case of Executive Securities of the Investment Company), as the case may be, shall, in accordance with the terms hereof promptly determine the purchase price for the Executive Securities (the "Put Price"), and, within 20 days after the determination of the Put Price, shall purchase and the Executive Securityholder shall sell the number of the Executive Securities specified in the Put Notice at a mutually agreeable time and place.

(iii) Notwithstanding any provision herein to the contrary and subject to Section 4(f) hereof, the maximum amount that the Company or the Investment Company collectively shall be required to pay during each calendar year in connection with the Put Options held by the Executive Securityholders is $5,000,000 (the "Put Option Cap"). In the event that the aggregate purchase price for the Put Options exercised by the Executive Securityholders in any calendar year exceeds the Put Option Cap, the amount of such excess shall be applied to the Put Option Cap for the next calendar year or succeeding years.

(iv) The Company and the Investment Company will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(e) Repurchase Option Procedures.

(i) Repurchase Option Procedure for the Company. With respect to any repurchase option other than a Put Option (which shall be governed by the procedures set forth in Section 4(d)) and subject to the Executive Securityholder's prior right to exercise a Put Option upon the occurrence of a Put Event, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may elect to repurchase all or any portion of the Executive Securities subject to repurchase as provided herein (the "Available Securities") of an Executive Securityholder whose employment with the Company or any of its Subsidiaries has terminated (the "Termination") as described in Sections 4(a), 4(b) or 4(c) (the "Repurchase Option") by delivery of written notice (a "Repurchase Notice") to the holders of such Executive Securities within 120 days after the date of the Termination (the "Repurchase Notice Period") if a Put Event has not occurred, or if a Put Event has occurred, within 120 days following the expiration of the Put Option Exercise Period. The Repurchase Notice shall set forth the aggregate consideration to be paid for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction.

(ii) Repurchase Option Procedure for Investor Group. If for any reason the Company or the Investment Company (in the case of Executive Securities of the Investment Company) does not elect to purchase all of the Available Securities, the Investor Group shall be entitled to exercise the Repurchase Option for all or any portion of the Available Securities. As soon as practicable after the Company or the Investment Company (in the case of Executive Securities of the Investment Company) has determined that it will not purchase all of the Available Securities, but in any event within 80 days after the Termination if a Put Event has not occurred, or if a Put Event has occurred, within 80 days following the expiration of the Put Option Exercise Period, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall give written notice (the "Option Notice") to each member of the Investor Group setting forth the number of Available Securities and the purchase price for the Available Securities. The members of the Investor Group may elect to purchase all or any portion of the Available Securities by giving written notice to the Company or the Investment Company (in the case of Executive Securities of the Investment Company) within 30 days after the Option Notice has been delivered to such member of the Investor Group by the Company or the Investment Company (in the case of Executive Securities of the Investment Company). If the members of the Investor Group elect to purchase an aggregate amount of Available Securities in excess of the amount of Available Securities specified in the Option Notice, the Available Securities shall be allocated among the members of the Investor Group based on the amount of such type or types of Stockholder Shares (as defined in the Stockholders Agreement) owned by each member of the Investor Group on the date of the Option Notice and the type of Available Securities. Any member of the Investor Group may condition his, her or its election to purchase such Available Securities on the election of one or more other members of the Investor Group to purchase Available Securities. As soon as practicable, and in any event within ten days after the expiration of the 30-day period set forth above, the Company or the Investment Company (in the case of Executive Securities of the

Investment Company) shall deliver a notice to the holders of such Available Securities setting forth the aggregate consideration to be paid by the respective members of the Investor Group for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction. At the time the Company or the Investment Company (in the case of Executive Securities of the Investment Company) delivers such notice to the holders of such Available Securities, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall also deliver written notice to each member of the Investor Group setting forth the amount of securities such member is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction.

(iii) Representations and Warranties; Signatures. The Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group, as the case may be, will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(iv) Revocation. Notwithstanding anything to the contrary contained in this Agreement, if in connection with a Repurchase Option the holder of Executive Securities delivers the notice of disagreement described in the definition of Fair Market Value, or if the Fair Market Value of the Executive Securities is determined to be an amount more than 10% greater than the repurchase price for Executive Securities originally determined by the Board, each of the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and each member of the Investor Group who has exercised its, their or his Repurchase Option shall have the right to revoke its, their or his exercise of the Repurchase Option, as the case may be, for all or any portion of the Executive Securities elected to be repurchased by it, them or him by delivering notice of such revocation in writing to the holder of the Executive Securities during (A) the thirty-day period beginning on the date the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group receive the Executive Securityholder's written notice of disagreement or (B) the thirty-day period beginning on the date the Company, the Executive Securityholder, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group are given written notice that the Fair Market Value of the Executive Securities was finally determined to be an amount more than 10% greater than the repurchase price for such Executive Securities originally determined by the Board. The closing of the transaction shall be postponed until the expiration of the thirty-day period described in the preceding sentence and shall in any event be postponed until the Fair Market Value of the Executive Securities is finally determined pursuant to the procedure described in the definition of Fair Market Value.

(f) Manner of Payment. The Company, the Investment Company and/or a member of the Investor Group, as applicable, shall pay for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by delivery of a cashier's check or wire

transfer of funds. Alternatively, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may pay the purchase price for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by offsetting against any indebtedness or obligations for advanced or borrowed funds owed by the applicable Executive Securityholder to the Company or the Investment Company. Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Executive Securities by the Company or the Investment Company shall be subject to applicable federal and state laws and to restrictions contained in the Company's and its Subsidiaries' debt financing arrangements. If any such laws or restrictions prohibit the repurchase of Executive Securities hereunder which the Company or the Investment Company is otherwise entitled to make, the time periods provided in this Section 4 shall be suspended, and the Company or the Investment Company may make such repurchases as soon as it is permitted to do so under such laws or restrictions. Alternatively, if and to the extent any such laws or restrictions prohibit the repurchase of Executive Securities hereunder for cash, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may, at its sole option, repurchase such Executive Securities, in which case the amount of the purchase price which is not able to be paid in cash shall be paid for by the issuance of a subordinated promissory note, which, subject to the approval of the senior and senior subordinated lender(s) of the Company and its Subsidiaries, shall be payable as soon as the Company or the Investment Company is permitted to pay such note under such laws or restrictions and shall bear interest (payable annually) at a floating rate per annum equal to the prime or base rate of interest (as established and publicly announced in The Wall Street Journal).

(g) Termination of Certain Repurchase Options. The Repurchase Options and Put Options set forth in this Section 4 shall terminate with respect to the Executive Securities (other than with respect to unvested Executive Securities) upon (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by Section 3 or (ii) consummation of a Sale of the Company.

(h) 2004 Stock Option Plan. To the extent that the Executive Securityholder is granted an option to purchase shares of Common Stock under the Company's 2004 Stock Option Plan, the written agreement pursuant to which such option is granted shall include repurchase rights for the Company and/or such other Persons as determined by the Company that are substantially similar to the repurchase rights set forth in this Agreement with respect to the Executive Securityholder's Incentive Equity.

5. Transfer. Prior to transferring any Executive Securities (other than in a Public Sale, a Sale of the Company, Section 4 hereof, Section 5 of the Stockholders Agreement and Section 3 of the Investment Company Stockholders Agreement) to any Person, the transferring Executive Securityholder will cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company a counterpart to this Agreement. Any Transfer or

attempted Transfer of any Executive Securities in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Executive Securities as the owner of such units for any purpose.

6. Definitions.

"Affiliate" means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Board" means the Board of Directors of the Company.

"Cause" has the meaning set forth in the Employment Agreement.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership and any Affiliate thereof.

"Class C Common Stock" means the Company's Class C Common Stock, par value $0.01 per share.

"Common Stock" means the Company's Class A Common Stock, Class B Common Stock and Class C Common Stock.

"Disability " has the meaning set forth in the Employment Agreement.

"Employment Agreement" means that certain Employment Agreement dated as of the date hereof by and between the Executive Securityholder and the Company or any of its Subsidiaries.

"Executive Securities" shall mean the Purchased Equity, Incentive Equity and Preferred Options collectively. Executive Securities will continue to be Executive Securities in the hands of any holder other than the Executive Securityholder (except for the Company, the Investment Company and other Stockholders, and except for transferees in a Sale of the Company), and except as otherwise provided herein, each such other holder of Executive Securities will succeed to all rights and obligations attributable to the Executive Securityholder as a holder of Executive Securities hereunder. Executive Securities will also include the Company's and the Investment Company's securities issued with respect to Executive Securities by way of a stock split or stock dividend and securities into which such shares of stock or rights to acquire stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the structure or capitalization of the Company, including but not limited to debt or shares of common stock and/or preferred stock and/or options of any corporate successor to the business of the Company or the Investment Company, whether issued in connection with a public offering of securities of such entity or otherwise.

"Exercise Price" with respect to (i) the Purchased Options, shall equal $178.03 per share of Purchased Option Underlying Stock and (ii) the Preferred Options, shall be $1,000 per share of Preferred Option Underlying Stock.

"Fair Market Value" of any Executive Securities means the composite closing price of the sales of such Executive Securities on the securities exchanges on which such Executive

Securities may at the time be listed (as reported in The Wall Street Journal), or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if such Executive Securities are not so listed, the closing price (or last price, if applicable) of sales of such Executive Securities on The Nasdaq Stock Market (as reported in The Wall Street Journal), or if such Executive Securities are not quoted in The Nasdaq Stock Market but are traded over-the-counter, the average of the highest bid and lowest asked prices on such day in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Executive Securities are not listed on any securities exchange, quoted in The Nasdaq Stock Market, or quoted in the over-the-counter market, the "Fair Market Value" of such Executive Securities shall mean the fair market value of such Executive Securities as determined by the Board reasonably and in good faith on an enterprise basis, taking into account all relevant factors determinative of value (including the lack of liquidity of such Executive Securities due to the Company's status as a privately held corporation, but without regard to any discounts for minority interests), using valuation techniques then prevailing in the securities industry (e.g., discounted cash flows and/or comparable companies) and assuming full disclosure of all relevant information and a reasonable period of time for effectuating such sale; provided that upon the Executive Securityholder's request the Board shall provide the Executive Securityholder with reasonable supporting information regarding the

Board's determination of the Fair Market Value; and further provided that if the Executive Securityholder disagrees with the Board's determination of the Fair Market Value, then the Executive Securityholder shall provide notice of his disagreement to the Company and the Investor Group within thirty days after the Board provides notice to the Executive Securityholder of its determination, in which case the "Fair Market Value" shall be determined by an investment banking firm agreed upon by the Company and the Executive Securityholder, which firm shall submit to the Company and the Executive Securityholder a report within 30 days of its engagement setting forth such determination. If the parties are unable to agree on an investment banking firm within 20 days after the Executive Securityholder provides notice to the Board of his disagreement, the Company and the Executive Securityholder shall each select an investment bank of recognized national standing and such two investment banking firms shall select a third investment banking firm. Such third investment banking firm shall render a determination within 30 days of its engagement. The determination of such firm will be final and binding upon all parties. If an investment banking firm is to make the Fair Market Value determination hereunder, the Executive Securityholder, on the one hand, and the Company, on the other hand, shall submit in writing their respective estimates of the Fair Market Value at the time the investment banking firm is requested to make such determination, and such investment banking firm's determination of the Fair Market Value shall not be higher than the highest estimate nor lower than the lowest estimate as submitted by the Company and the Executive Securityholder. The fees, costs and expenses of the investment banking firm shall be allocated between the Company, on the one hand, and the Executive Securityholder, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the investment banking differs from the Fair Market Value (as finally determined by the investment banking firm) bears to the amount of the

difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value. If the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group exercise their revocation rights under Section 4(e)(iv), then the expenses of the investment banking firm shall be borne by the Company in all cases. The Company may require that the investment banking firm keep confidential any non-public information received as a result of this paragraph pursuant to reasonable confidentiality arrangements. Regardless of when a transaction based on a Fair Market Value valuation is executed, the Fair Market Value shall be determined as of the date of the Termination of the Executive Securityholder's employment with the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Executive Securityholder shall not have any appraisal right hereunder if a similar appraisal right has been exercised by an employee of any the Company or its Subsidiaries within the six months preceding the day as of which Fair Market Value is being determined hereunder, and Fair Market Value has been determined pursuant to such exercise of such appraisal right.

"Family Group" means (i) a Person's spouse and descendants (whether natural or adopted), (ii) any trust solely for the benefit of the Person and/or any of the Person's spouse and/or descendants and (iii) any entity wholly owned by the Person.

"Good Reason" has the meaning set forth in the Employment Agreement.

"Investment Company Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among the Investment Company and certain stockholders of the Investment Company, as amended.

"Investor Common Stock" means any Common Stock issued to or held by the Investor Group.

"Investor Group" means those persons set forth on Schedule A to this Agreement.

"Options" means the Preferred Options and the Purchased Options.

"Original Cost" with respect to (i) shares of Class A Common Stock and Class B Common Stock shall be equal to $1,000 per share and (ii) Purchased Option Underlying Stock and Preferred Option Underlying Stock, shall be equal to $1,000 per share of Preferred Stock and $1,000 per share of Investment Company Preferred (in each case as adjusted for stock splits, stock dividends or other recapitalizations occurring after the date hereof).

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including, without limitation, any governmental entity or any department, agency or political subdivision thereof).

"Preferred Option Underlying Stock" means, with respect to the Preferred Options, the shares of Preferred Stock underlying the option (whether exercised or exercisable) granted to the

Executive Securityholder pursuant to Section 1(c)(i) hereof and the shares of Investment Company Preferred underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(ii) hereof.

"Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

"Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of the Company's Common Stock.

"Public Sale" means any sale of Executive Securities (i) to the public pursuant to an offering registered under the Securities Act or (ii) to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in effect) adopted under the Securities Act (other than Rule 144(k) prior to a Public Offering).

"Purchased Option Underlying Stock" means, with respect to the Purchased Options, the shares of Preferred Stock underlying the Company Preferred Purchased Option (whether exercised or exercisable) and the shares of Investment Company Preferred underlying the Investment Company Preferred Purchased Option (whether exercised or exercisable).

"Put Option" means the Purchased Equity Put, Incentive Equity Put and Preferred Option Put.

"Registration Agreement" means the Registration Agreement dated as of the date hereof by and among the Company and certain Stockholders of the Company.

"Retire" or "Retirement" means the Executive Securityholder's retirement from employment with the Company or any of its Subsidiaries at any time after he reaches age 61.

"Sale of the Company" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investor Group and their Affiliates) in the aggregate acquire(s) (i) capital stock of the Company 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 (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Stockholder" means any Person, other than the Company, who is a party to the Stockholders Agreement as of the date hereof.

"Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among HCI and certain stockholders of HCI, as amended from time to time in accordance with its terms.

"Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association or other 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 such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the 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 such Person or entity 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 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 general partner of such limited liability company, partnership, association or other business entity.

"Unvested Incentive Equity" means any shares of the Incentive Equity that have not become vested pursuant to the terms of Section 2(b) of this Agreement.

"Unvested Preferred Options" means any Preferred Options that have not become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Incentive Equity" means any shares of the Incentive Equity that

have become vested pursuant to the terms of Section 2(b) of this Agreement.

"Vested Preferred Options" means any Preferred Options that have become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Shares" means the shares of Vested Incentive Equity as of the applicable date of determination and shares of Common Stock issued to the Executive Securityholder pursuant to Section 1(a)(i).

7. Options.

(a) Procedure for Exercise of Options. The Executive Securityholder may exercise all (but not less than all) of his Options, to the extent they have vested and are exercisable, at any time and from time to time prior to the applicable Expiration Date, by delivering written notice to the Company or the Investment Company, as applicable, (to the attention of the Company's or Investment Company's Secretary, as applicable) and written acknowledgement by the Executive Securityholder that he has reviewed and has been afforded an opportunity to ask questions of management of the Company or the Investment Company, as applicable, with respect to all financial and other information provided to him regarding the Company or the Investment Company, as applicable, together with payment of the Exercise Price for the Options being exercised. Notwithstanding anything to the contrary contained in this Agreement, (i) the Preferred Options must be exercised in tandem such that any exercise of a Preferred Option to purchase shares of Preferred Stock or Investment Company Preferred, as the case may be, must

be accompanied by an exercise of Preferred Options to purchase an equal number shares of Investment Company Preferred and Preferred Stock, respectively and (ii) the Purchased Options must be exercised in tandem such that any exercise of the Company Preferred Purchased Option or the Investment Company Preferred Purchased Option, as the case may be, must be accompanied by an exercise of the Investment Company Preferred Purchased Option, in the case of an exercise of the Company Preferred Purchased Option, and the Company Preferred Purchased Option, in the case of an exercise of the Investment Company Preferred Purchased Option. Subject to vesting, the Executive Securityholder's Options may be exercised in whole or in part upon payment of an amount (the "Option Price") equal to the product of (i) the applicable Exercise Price multiplied by (ii) the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, underlying the Options being exercised. Payment shall be made in cash (including check, bank draft or money order). As a condition to any exercise of the Options, the Executive Securityholder shall permit the Company or the Investment Company, as applicable, to deliver to him all financial and other information regarding the Company or the Investment Company, as applicable, it believes necessary to enable him to make an informed investment decision, and the Executive Securityholder shall make all customary investment representations which the Company or the Investment Company, as applicable, requires.

(b) Sale of the Company. In the event of a Sale of the Company, the Board may (i) terminate any unvested Options without payment or notice of any kind, (ii) terminate any vested Options for a cash payment equal to the excess of the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, (measured as of the date of such Sale of the Company) over such Option's Exercise Price multiplied by the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, with respect to the Options to be terminated, or (iii) terminate any vested Options without payment or notice of any kind to the extent that the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable (measured as of the date of such Sale of the Company), is less than or equal to such Option's Exercise Price.

(c) Dividends. If either the Company or the Investment Company pays a dividend upon the Preferred Stock or Investment Company Preferred, respectively, then upon exercise of any Option which was outstanding at the time of the payment of such dividend (the "Applicable Option"), the Executive Securityholder shall be entitled to receive an amount equal to the dividend (and in the same form of consideration as was received by the other dividend recipients) which would have been paid to the Executive Securityholder had the Applicable Option been fully exercised immediately prior to the date on which a record was taken for such dividend or, if no record was taken, the date as of which the record holders of the Preferred Stock or Investment Company Preferred, respectively, entitled to such dividends were determined.

8. Miscellaneous.

(a) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the holders of a majority of the

Investor Common Stock then outstanding, the Executive Securityholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares and shares of Investment Company Preferred with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(b) Severability. Whenever possible, each provision of this Agreement will 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 will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Agreement. Except as otherwise expressly set forth herein, in the Merger Agreement, Stockholders Agreement or Registration Agreement, this Agreement, those documents expressly referred to herein (including the Stockholders Agreement) 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.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Investor Group and their respective successors and assigns, so long as they hold shares of Investor Common Stock.

(e) Third Party Beneficiaries. The members of the Investor Group are intended to be third-party beneficiaries of this entire Agreement and the rights and obligations of the parties hereto. It is understood and agreed by the parties hereto that this Agreement shall be enforceable by the holders of a majority of the Investor Common Stock then outstanding in accordance with this Agreement's terms as though such holders of Investor Common Stock were a party to every provision hereof. Except as expressly provided herein, no other third party beneficiaries are intended by the parties hereto to be beneficiaries hereof.

(f) Counterparts; Facsimile Signature. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

(g) Remedies. Each of Company, the Investor Group and the Executive Securityholder shall be entitled to enforce its rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may

not be an adequate remedy for any breach of the provisions of this Agreement and that each of the Company, the Investor Group (acting by a majority vote of the Investor Common Stock) and the Executive Securityholders may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(h) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent via facsimile, sent by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company and the Executive Securityholder at the addresses set forth below and to any member of the Investor Group at the address set forth on Schedule A attached hereto, or subsequent holder of Executive Securities subject to this Agreement, at such address as is indicated in the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, when confirmed if sent by facsimile, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

If to the Company:

HCI Acquisition Corp.
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with copies to:

Code Hennessy & Simmons IV LP
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Executive Securityholder:

Richard P. Hillman
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231

with a copy to:

Baker & Hostetler LLP
3200 National City Center
1900 East 9th Street
Cleveland, OH 44114-3485
Facsimile: (216) 696-0740
Attn: Elizabeth A. Dellinger

(i) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights and obligations of the Company and its Stockholders. All other issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits 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.

(j) 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.

(k) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

(l) Indemnification and Reimbursement of Payments on Behalf of Executive Securityholder. 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 Securityholder any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive Securityholder's compensation or other payments from the Company or any of its Subsidiaries or Executive Securityholder'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 Subsidiaries does not make such deductions or withholdings, Executive Securityholder 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.

(m) Adjustments of Numbers. All numbers set forth herein that refer to per share prices or amounts will be appropriately adjusted to reflect stock splits, stock dividends, combinations of stock and other recapitalizations affecting the subject class of equity.

(n) Deemed Transfer of Executive Securities. If the Company (and/or the Investor Group or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Executive Securities to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such Executive Securities are to be repurchased shall no longer have any rights as a holder of such Executive Securities (other than the right to receive payment of such consideration in accordance with this Agreement) and such Executive Securities shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investor Group and/or any other Person acquiring securities) shall be deemed the owner and holder of such Executive Securities, whether or not the certificates therefor have been delivered as required by this Agreement.

(o) No Pledge or Security Interest. The purpose of the Company's retention of Executive Securityholder's certificates is solely to facilitate the repurchase provisions set forth in Section 4 herein and Section 6 of the Stockholders Agreement and does not constitute a pledge by Executive Securityholder of, or the granting of a security interest in, the underlying equity.

(p) Rights Granted to Investors and their Affiliates. Any rights granted to an Investor and its Affiliates hereunder may also be exercised (in whole or in part) by their designees.

(q) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(r) Effect of Merger on this Agreement. Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, shall assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Executive Securities Agreement on the day and year first above written.

COMPANY: HCI ACQUISITION CORP.

By: /s/ PETER M. GOTSCH

Its:

EXECUTIVE SECURITYHOLDER: /s/ RICHARD P. HILLMAN

Richard P. Hillman

SCHEDULE A

Code Hennessy & Simmons IV LP
10 South Wacker Drive
Suite 3175
Chicago, IL 60606
Attention: Peter M. Gotsch

CHS Associates IV
10 South Wacker Drive
Suite 3175
Chicago, IL 60606

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M4H5
Attention: J. Mark MacDonald

EXHIBIT 10.15

EXECUTION

THE HILLMAN GROUP, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and James P. Waters ("Executive"). This Agreement is being executed concurrently with the merger of HCI Acquisition Corp., a Delaware corporation, with and into The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman").

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 date hereof and ending as provided in Section 4(a) hereof (the "Employment Period").

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Chief Financial Officer of the Company and shall have the normal duties, responsibilities, functions and authority of the Chief Financial Officer, 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 hereof, "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 $180,000 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 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 date of this Agreement and ending December 31, 2004, 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 $600 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 30% 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 60% 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 0.3% 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 0.3% 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 accordance with the Company's general payroll practices (in effect from time to time).

4. Term.

(a) The Employment Period shall be two 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 Subsidiaries 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 (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.

(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 (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.

(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 the provisions of Sections 5 and 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 Sections 4(d)(i)(A) for two years, and in the case of 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) If, after the third anniversary of the date hereof, 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 (i) the Executive's then applicable Base Salary, plus (ii) the greater of (A) 50% of the annual average of Executive's annual bonuses for the preceding three years, and (B) 50% of the amount of Executive's last annual bonus received prior to the date of termination of the Employment Period. In addition, Executive shall be entitled to receive his Base Salary through the date of such termination or resignation, accrued vacation, 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 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. 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. A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock.

(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, noncompete 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.

(j) 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 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 is not cured within 10 days following written notice from Executive. For purposes of this Agreement, the "HCI Stockholders Agreement" means the HCI Stockholders Agreement dated as of the date hereof by and among HCI Acquisition Corp., Code Hennessy & Simmons IV LP, Ontario Teachers' Pension Plan Board, HarbourVest Partners, LLC and each of the other purchasers listed on Schedule A attached thereto.

(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. 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 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 5(b) below), Work Product (as defined in Section 5(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 5(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.

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 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 (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 without Cause or by Executive with Good Reason within 90 days of a Change of Control which occurs after the third anniversary of the date hereof, one year following the date of such termination of the Employment Period, or (iv) 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 (v) 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 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 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 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 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, 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 6 above are in consideration of (i) employment (as employee or consultant) with the Company, (ii) the issuance of certain securities of Hillman under the Executive Securities Agreement between Executive and Hillman and (iii) 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:

James P. Waters
10590 Hamilton Avenue
Cincinnati, OH 45231
Telecopy: (513) 851-5531

Notices to the Company:

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

and

Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Telecopy: (312) 876-1840
Attn: Peter M. Gotsch

With copies, which shall not constitute notice, to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Telecopy: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

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 (including, without limitation, the Management Term Sheet dated February 14, 2004, which shall be terminated and of no further force or effect as of the date of the execution and delivery of this Agreement, but excluding any breaches thereof by either party prior to the date hereof).

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. 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.

16. 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.

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 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 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.

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 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.

21. 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.

22. 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 Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

/s/ MAX W. HILLMAN

By:

Its:

/s/ JAMES P. WATERS

James P. Waters

EXHIBIT A

GENERAL RELEASE

I, James P. Waters, 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 March 31, 2004, (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: ----------

/s/ JAMES P. WATERS

James P. Waters

EXHIBIT 10.16

HCI ACQUISITION CORP.

EXECUTIVE SECURITIES AGREEMENT

THIS EXECUTIVE SECURITIES AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between HCI Acquisition Corp., a Delaware corporation ("HCI"), and James P. Waters (the "Executive Securityholder," and, together with the other executives who execute an agreement with HCI or the Company (as defined below) having terms substantially similar to those contained herein, the "Executive Securityholders"). Certain capitalized terms used herein are defined in Section 6 hereof.

HCI, The Hillman Companies, Inc., a Delaware corporation ("Hillman"), and the stockholders and optionholders of Hillman, including the Executive Securityholder, have entered into the Agreement and Plan of Merger, dated as of February 14, 2004 (the "Merger Agreement"), pursuant to which HCI will be merged with and into Hillman on the date hereof (the "Merger") with Hillman being the surviving corporation in the Merger (the surviving corporation in the Merger being hereinafter referred to as the "Company").

Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, will assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

The Executive Securityholder owns (i) 2,410 shares (the "Rollover Stock") of Hillman's common stock, par value $0.01 per share (the "Hillman Common Stock"), and (ii) options to purchase 15,625 shares of Hillman Common Stock (the "Rollover Options" and together with the Rollover Stock, the "Rollover Securities").

Section 1.7(c)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Stock shall not be cancelled and converted into the right to receive the Per Share Closing Merger Consideration (as defined in the Merger Agreement), but instead such shares of Rollover Stock shall be cancelled and converted into a right to receive such number of shares of common stock and/or preferred stock of the Company as HCI and the Executive Securityholder may so agree.

Section 1.7(d)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Options shall not be cancelled and converted into the right to receive the Option Consideration (as defined in the Merger Agreement), but instead such Rollover Options shall be cancelled and converted into a right to receive such number of options to purchase shares of preferred stock of the Company and/or of Hillman Investment Company, a Delaware corporation

(the "Investment Company"), as HCI and the Executive Securityholder may so agree. None of the options granted hereunder are intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code (as defined below).

The parties hereto desire to enter into this Agreement for the purposes, among others, of (i) enabling the Executive Securityholder to cancel and exchange the Rollover Securities for the applicable Executive Securities (as defined below) in the manner provided herein and in the Merger Agreement, (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Executive Securities may be transferred.

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 to this Agreement hereby agree as follows:

1. Cancellation and Issuance of Rollover Securities for Executive Securities.

(a) Purchased Equity.

(i) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 831 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 23.858 shares of the Company's Class A Common Stock, par value $0.01 per share (the "Class A Common Stock").

(ii) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(d)(ii) and 1.8(a) of the Merger Agreement, Rollover Options to purchase 15,625 shares of Hillman Common Stock shall

be cancelled and exchanged for (A) an option (the "Company Preferred Purchased Option") to purchase 264.213 shares of the Preferred Stock and (B) an option (the "Investment Company Preferred Purchased Option") to purchase 184.335 shares of the Investment Company's Class A Preferred Stock, par value $0.01 per share (the "Investment Company Preferred"), in each case, at the applicable Exercise Price per share of underlying stock. The Company Preferred Purchased Option and the Investment Company Preferred Purchased Option issued to the Executive Securityholder pursuant to this Section 1(a)(ii) are hereafter collectively referred to as the "Purchased Options."

(iii) The shares of Class A Common Stock and the Purchased Options issued to the Executive Securityholder pursuant to this Section 1(a) are collectively referred to hereafter as the "Purchased Equity".

(b) Incentive Equity. Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, (i) 1,579 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 45.325 shares of the Company's Class B Common Stock, par value $0.01 per share (the "Class B Common Stock") and (ii) the Company shall sell to the Executive Securityholder, and the

Executive Securityholder shall purchase from the Company, 21.966 shares of the Class B Common Stock for an aggregate purchase price of $21,966 in cash, which will be paid at the Closing by wire transfer of immediately available funds to a bank account designated by the Company. The shares of Class B Common Stock issued to the Executive Securityholder pursuant to this Section 1(b) are hereafter collectively referred to as the "Incentive Equity."

(c) Preferred Options. Upon consummation of the Merger, (i) the Company shall grant to the Executive Securityholder an option to purchase 648.164 shares of the Preferred Stock and (ii) the Investment Company hereby shall grant to the Executive Securityholder an option to purchase 452.208 shares of the Investment Company Preferred, in each case, at the applicable Exercise Price per share of underlying Preferred Stock or Investment Company Preferred, as the case may be. The options granted to the Executive Securityholder pursuant to this Section 1(c) are hereinafter collectively referred to as the "Preferred Options".

(d) Closing. The closing of the transactions contemplated by Sections 1(a), 1(b) and 1(c) (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois at 10:00 a.m. on the date hereof, or at such other place or on such other date as may be mutually agreeable to the Company and the Executive Securityholder.

(e) Surrender and Exchange of Certificates. The Company shall deliver to the Executive Securityholder copies of the certificates representing the Executive Securityholder's Executive Securities (to the extent such Executive Securities are represented by certificates), and the Executive Securityholder shall deliver to the Company stock certificates evidencing the Executive Securityholder's Rollover Stock duly endorsed for transfer or accompanied by appropriate transfer documents pursuant to the Merger Agreement. Until the occurrence of a Sale of the Company, all certificates evidencing the Executive Securities shall be held by the Company for the benefit of the Executive Securityholder and the other holder(s) of Executive Securities. Upon the occurrence of a Sale of the Company, the Company will return the certificates for the Executive Securities to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof certificates representing the Executive Securities (other than with respect to any Executive Securities that remain unvested).

(f) Representations and Warranties. The Executive Securityholder represents and warrants that:

(i) the Executive Securities to be acquired by the Executive Securityholder pursuant to this Agreement and the Merger Agreement shall be acquired for the Executive Securityholder's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Executive Securities shall not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) the Executive Securityholder will be, upon consummation of the Merger, an executive officer of the Company or a Subsidiary thereof, is sophisticated in financial

matters and is able to evaluate the risks and benefits of the investment in the Executive Securities;

(iii) the Executive Securityholder is able to bear the economic risk of his or her investment in the Executive Securities for an indefinite period of time. The Executive Securityholder understands that the

Executive Securities have not been registered under the Securities Act and, therefore, cannot be sold, and in certain circumstances, transferred, unless subsequently registered under the Securities Act or an exemption from such registration is available;

(iv) the Executive Securityholder has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Executive Securities and has had full access to such other information concerning the Company as he or she has requested; and

(v) this Agreement constitutes the legal, valid and binding obligation of the Executive Securityholder, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Executive Securityholder does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which the Executive Securityholder is a party or any judgment, order or decree to which the Executive Securityholder is subject.

(g) No Employment Obligation. As an inducement to the Company to issue the Executive Securities to the Executive Securityholder hereunder, and as a condition thereto, the Executive Securityholder acknowledges and agrees that:

(i) neither the issuance of the Executive Securities to the Executive Securityholder hereunder nor any provision contained herein shall entitle the Executive Securityholder to remain in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Executive Securityholder's employment at any time; and

(ii) neither the Company nor its Subsidiaries shall have any duty or obligation to disclose to the Executive Securityholder, and the Executive Securityholder shall have no right to be advised of, any information regarding the Company or its Subsidiaries (except in connection with a determination of the Fair Market Value of the Executive Securities) at any time prior to, upon or in connection with the repurchase of the Executive Securities upon the termination of Executive Securityholder's employment with the Company or any of its Subsidiaries or as otherwise provided hereunder.

(h) 83(b) Election. Within 30 days after the date of hereof, the Executive Securityholder will make an effective election with respect to his Incentive Equity with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(i) Stock Powers. At the Closing, (i) the Executive Securityholder shall execute in blank ten stock transfer powers in the form of Exhibit B attached hereto (the "Stock Powers") with respect to his Purchased Equity represented by certificates and Incentive Equity and shall deliver such Stock Powers to the Company. The Stock Powers shall authorize the Company to assign, transfer and deliver the shares of Purchased Equity represented by certificates and Incentive Equity to the appropriate acquirer thereof pursuant to Section 4 below or Section 6 of the Stockholders Agreement and under no other circumstances and (ii) the Executive Securityholder's spouse shall execute the consent in the form of Exhibit C attached hereto.

(j) Investment Company. Upon consummation of the Merger, the Company shall cause the Investment Company to execute a joinder to this Agreement in the form of Exhibit D attached hereto, and the parties hereto agree that upon execution of such joinder the Investment Company shall become a party hereto.

(k) Executive Securities Purchase Plans. The shares of Class A Common Stock and Class B Common Stock and the options to purchase shares of the Preferred Stock are being granted to the Executive Securityholder pursuant to the HCI Acquisition Corp. Executive Securities Purchase Plan (the "Company Purchase Plan"). The options to purchase shares of the Investment Company Preferred are being granted to the Executive Securityholder pursuant to the Hillman Investment Company Executive Securities Purchase Plan (the "Investment Company Purchase Plan" and together with the Company Purchase Plan, the "Purchase Plans"). The Executive Securities being issued under the Purchase Plans are intended to qualify for an exemption from the registration requirements (i) under the Securities Act, pursuant to Rule 701 promulgated thereunder, and (ii) under applicable state securities laws.

2. Vesting of Executive Securities.

(a) Vesting of Purchased Equity. All Purchased Equity shall be fully vested, and with respect to the Purchased Options, fully exercisable, upon issuance hereunder.

(b) Vesting of Incentive Equity. The Executive Securityholder's Incentive Equity shall be subject to vesting in the manner specified in this Section 2(b).

(i) Except as otherwise provided in this Section 2(b), the shares of Incentive Equity will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

<TABLE>
<CAPTION>

Date	Cumulative Percentage of Incentive Equity to be Vested
<S>	<C>
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%

</TABLE>

<TABLE>
<CAPTION>

Date	Cumulative Percentage of Incentive Equity to be Vested
<S>	<C>
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

</TABLE>

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's shares of Incentive Equity which have not yet become vested shall become vested at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(c) Vesting of Preferred Options. The Preferred Options may be exercised only to the extent they have become vested. The Executive Securityholder's Preferred Options shall be subject to vesting in the manner specified in this Section 2(c).

(i) Except as otherwise provided in this Section 2(c), the Preferred Options will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

<TABLE>
<CAPTION>

Date	Cumulative Percentage of Preferred Options to be Vested
<S>	<C>
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

</TABLE>

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's Preferred Options which have not yet become vested shall become vested and fully exercisable at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(d) Expiration of Preferred Options and Purchased Options. The Preferred Options shall expire at the close of business on March 31, 2014 and the Purchased Options shall expire at the close of business on March 31, 2028 (in either case, such date being hereinafter referred to as the "Expiration Date"), subject to earlier expiration as provided herein. In no event shall any part of the Executive Securityholder's Preferred Options and Purchased Options be exercisable after the applicable Expiration Date. Except as otherwise provided herein, any portion of the Executive Securityholder's Preferred Options that was not vested and exercisable as of the date his employment with the Company or any of its Subsidiaries terminated shall expire and be cancelled on such date.

3. Restrictions on Transfer of Executive Securities; Restriction on Conversion of Common Stock.

(a) Transfer of Executive Securities.

(i) The holders of Executive Securities shall not sell, transfer, assign, pledge or otherwise dispose of (a "Transfer") any interest in any Executive Securities (other than Purchased Options and Preferred Options that have not been exercised), except pursuant to (i) the provisions of Sections 5 and 6 of the Stockholders Agreement, (ii) the provisions of Section 3 of the Investment Company Stockholders Agreement, (iii) a Sale of the Company, (iv) the provisions of Section 3(b) hereof or (v) the provisions of Section 4 hereof.

(ii) The Purchased Options and the Preferred Options are personal to the Executive Securityholder, and any Purchased Options or Preferred Options that have not been exercised in accordance with the terms hereof are not transferable by the Executive Securityholder other than by (i) will or the laws of descent and distribution, (ii) the provisions of Section 4 hereof and (iii) the provisions of Section 7(b) hereof.

(b) Certain Permitted Transfers. The restrictions set forth in Section 3(a)(i) shall not apply with respect to any Transfer of Executive Securities made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investor Group sells Common Stock in a Public Sale, but in the case of this clause (ii) only an amount (the "Transfer Amount") equal to the number of Vested Shares owned by the Executive Securityholder multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of shares of Common Stock sold by the Investor Group in such Public Sale and the denominator of which is the total number of shares of Common Stock held by the Investor Group prior to the Public Sale; provided that, if at the time of a Public Sale by the Investor Group, the Executive Securityholder chooses not to Transfer the Transfer Amount, the Executive Securityholder shall retain the right to Transfer an amount of Vested Shares at a future date equal to the number of Vested Shares owned by the Executive Securityholder at such future date multiplied by the Transfer Fraction; provided further that, the restrictions contained in this Section 3 will continue to be applicable to the Executive Securities after any Transfer of the type referred to in clause (i) and the transferees of such Executive Securities will agree in writing to be bound by the provisions of this Agreement. Any transferee of Executive Securities pursuant to a transfer in accordance with the provisions of this Section 3(b) is herein referred to as a "Permitted Transferee." Upon the transfer of Executive Securities pursuant to this Section 3(b), the transferring Executive Securityholder will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in Sections 3(a)(i) and 3(b) above will continue with respect to each of the Executive Securities until the earlier of (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by

this Section 3 or (ii) the consummation of a Sale of the Company. The restrictions set forth in Section 3(a)(ii) will not terminate.

(d) Legends. The certificates representing the Executive Securities will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF MARCH 31, 2004, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN AN EXECUTIVE SECURITIES AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF MARCH 31, 2004. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

4. Repurchase of Executive Securities.

(a) Repurchase of Purchased Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the lesser of the Fair Market Value and the Original Cost thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to (I) the lesser of the Fair Market Value and

Original Cost less (II) the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason, the Executive Securityholder shall have the right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase his Purchased Equity (a "Purchased Equity Put"), or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity, in either case, (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value thereof

and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value thereof less any Exercise Price payable with respect each such share of Purchased Option Underlying Stock; provided that after the closing of the Purchased Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Purchased Equity Put exercised pursuant to this Section 4(a)(ii) for up to 2 years from the date of such resignation.

(iii) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Purchased Equity Put, or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Purchased Equity, in either case, (I) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value and (II) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value less the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(b) Repurchase of Incentive Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company and the Investor Group shall have the right to repurchase the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity) at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have the right to require the Company to repurchase his Incentive Equity (an "Incentive Equity Put"), or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have the right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost; provided that after the closing of the Incentive Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company and the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Incentive Equity Put exercised pursuant to this Section 4(b)(ii) for up to 2 years from the date of such resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have the right to exercise an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, then the Company and the Investor Group shall have the right to repurchase the shares of the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity), in either case, at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(iv) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause,

(B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have a right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost.

(c) Repurchase of Preferred Options.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have a right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase (a "Preferred Option Put") his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock; provided that after the closing of the Preferred Option Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investor Group or the Investment Company shall be permitted to postpone payment of the amount owed in connection with a Preferred

Option Put exercised pursuant to this Section 4(c)(ii) for up to 2 years from the date of the Executive Securityholder's resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have a Preferred Option Put on his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(iv) If the Executive Securityholder's employment with the Company or any of its Subsidiaries terminates due to (A) termination by the Company without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Preferred Option Put for his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(d) Put Option Procedures.

(i) In the event that the Executive Securityholder becomes entitled to exercise a Put Option pursuant to this Section 4 (a "Put Event"), the Executive Securityholder (or his personal representative, if the Executive Securityholder is deceased or incompetent) may, at his or her discretion, exercise all (but not less than all) of the Put Options then exercisable for all (but not less than all) of the Executive Securities subject to the Put Options by delivering written notice (the "Put Notice") to the Company specifying the number of Executive Securities to be repurchased by the Company within 40 days following the occurrence of the Put Event (the "Put Option Exercise Period").

(ii) Upon the delivery of the Put Notice and subject to the provisions herein and in the Put Notice, the Company or the Investment Company (in the case of Executive Securities of the Investment Company), as the case may be, shall, in accordance with the terms hereof promptly determine the purchase price for the Executive Securities (the "Put Price"), and, within 20 days after the determination of the Put Price, shall purchase and the Executive Securityholder shall sell the number of the Executive Securities specified in the Put Notice at a mutually agreeable time and place.

(iii) Notwithstanding any provision herein to the contrary and subject to Section 4(f) hereof, the maximum amount that the Company or the Investment Company collectively shall be required to pay during each calendar year in connection with the Put Options held by the Executive Securityholders is $5,000,000 (the "Put Option Cap"). In the event that the aggregate purchase price for the Put Options exercised by the Executive Securityholders in any calendar year exceeds the Put Option Cap, the amount of such excess shall be applied to the Put Option Cap for the next calendar year or succeeding years.

(iv) The Company and the Investment Company will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(e) Repurchase Option Procedures.

(i) Repurchase Option Procedure for the Company. With respect to any repurchase option other than a Put Option (which shall be governed by the procedures set forth in Section 4(d)) and subject to the Executive Securityholder's prior right to exercise a Put Option upon the occurrence of a Put Event, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may elect to repurchase all or any portion of the Executive Securities subject to repurchase as provided herein (the "Available Securities") of an Executive Securityholder whose employment with the Company or any of its Subsidiaries has terminated (the "Termination") as described in Sections 4(a), 4(b) or 4(c) (the "Repurchase Option") by delivery of written notice (a "Repurchase Notice") to the holders of such Executive Securities within 120 days after the date of the Termination (the "Repurchase Notice Period") if a Put Event has not occurred, or if a Put Event has occurred, within 120 days following the expiration of the Put Option Exercise Period. The Repurchase Notice shall set forth the aggregate consideration to be paid for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction.

(ii) Repurchase Option Procedure for Investor Group. If for any reason the Company or the Investment Company (in the case of Executive Securities of the Investment Company) does not elect to purchase all of the Available Securities, the Investor Group shall be entitled to exercise the Repurchase Option for all or any portion of the Available Securities. As soon as practicable after the Company or the Investment Company (in the case of Executive Securities of the Investment Company) has determined that it will not purchase all of the Available Securities, but in any event within 80 days after the Termination if a Put Event has not occurred, or if a Put Event has occurred, within 80 days following the expiration of the Put Option Exercise Period, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall give written notice (the "Option Notice") to each member of the Investor Group setting forth the number of Available Securities and the purchase price for the Available Securities. The members of the Investor Group may elect to purchase all or any portion of the Available Securities by giving written notice to the

Company or the Investment Company (in the case of Executive Securities of the Investment Company) within 30 days after the Option Notice has been delivered to such member of the Investor Group by the Company or the Investment Company (in the case of Executive Securities of the Investment Company). If the members of the Investor Group elect to purchase an aggregate amount of Available Securities in excess of the amount of Available Securities specified in the Option Notice, the Available Securities shall be allocated among the members of the Investor Group based on the amount of such type or types of Stockholder Shares (as defined in the Stockholders Agreement) owned by each member of the Investor Group on the date of the Option Notice and the type of Available Securities. Any member of the Investor Group may condition his, her or its election to purchase such Available Securities on the election of one or more other members of the Investor Group to purchase Available Securities. As soon as practicable, and in any event within ten days after the expiration of the 30-day period set forth above, the Company or the

Investment Company (in the case of Executive Securities of the Investment Company) shall deliver a notice to the holders of such Available Securities setting forth the aggregate consideration to be paid by the respective members of the Investor Group for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction. At the time the Company or the Investment Company (in the case of Executive Securities of the Investment Company) delivers such notice to the holders of such Available Securities, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall also deliver written notice to each member of the Investor Group setting forth the amount of securities such member is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction.

(iii) Representations and Warranties; Signatures. The Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group, as the case may be, will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(iv) Revocation. Notwithstanding anything to the contrary contained in this Agreement, if in connection with a Repurchase Option the holder of Executive Securities delivers the notice of disagreement described in the definition of Fair Market Value, or if the Fair Market Value of the Executive Securities is determined to be an amount more than 10% greater than the repurchase price for Executive Securities originally determined by the Board, each of the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and each member of the Investor Group who has exercised its, their or his Repurchase Option shall have the right to revoke its, their or his exercise of the Repurchase Option, as the case may be, for all or any portion of the Executive Securities elected to be repurchased by it, them or him by delivering notice of such revocation in writing to the holder of the Executive Securities during (A) the thirty-day period beginning on the date the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the

Investor Group receive the Executive Securityholder's written notice of disagreement or (B) the thirty-day period beginning on the date the Company, the Executive Securityholder, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group are given written notice that the Fair Market Value of the Executive Securities was finally determined to be an amount more than 10% greater than the repurchase price for such Executive Securities originally determined by the Board. The closing of the transaction shall be postponed until the expiration of the thirty-day period described in the preceding sentence and shall in any event be postponed until the Fair Market Value of the Executive Securities is finally determined pursuant to the procedure described in the definition of Fair Market Value.

(f) Manner of Payment. The Company, the Investment Company and/or a member of the Investor Group, as applicable, shall pay for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by delivery of a cashier's check or wire transfer of funds. Alternatively, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may pay the purchase price for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by offsetting against any indebtedness or obligations for advanced or borrowed funds owed by the applicable Executive Securityholder to the Company or the Investment Company. Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Executive Securities by the Company or the Investment Company shall be subject to applicable federal and state laws and to restrictions contained in the Company's and its Subsidiaries' debt financing arrangements. If any such laws or restrictions prohibit the repurchase of Executive Securities hereunder which the Company or the Investment Company is otherwise entitled to make, the time periods provided in this Section 4 shall be suspended, and the Company or the Investment Company may make such repurchases as soon as it is permitted to do so under such laws or restrictions. Alternatively, if and to the extent any such laws or restrictions prohibit the repurchase of Executive Securities hereunder for cash, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may, at its sole option, repurchase such Executive Securities, in which case the amount of the purchase price which is not able to be paid in cash shall be paid for by the issuance of a subordinated promissory note, which, subject to the approval of the senior and senior subordinated lender(s) of the Company and its Subsidiaries, shall be payable as soon as the Company or the Investment Company is permitted to pay such note under such laws or restrictions and shall bear interest (payable annually) at a floating rate per annum equal to the prime or base rate of interest (as established and publicly announced in The Wall Street Journal).

(g) Termination of Certain Repurchase Options. The Repurchase Options and

Put Options set forth in this Section 4 shall terminate with respect to the Executive Securities (other than with respect to unvested Executive Securities) upon (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by Section 3 or (ii) consummation of a Sale of the Company.

(h) 2004 Stock Option Plan. To the extent that the Executive Securityholder is granted an option to purchase shares of Common Stock under the Company's 2004 Stock Option Plan, the written agreement pursuant to which such option is granted shall include repurchase rights for the Company and/or such other Persons as determined by the Company that are substantially similar to the repurchase rights set forth in this Agreement with respect to the Executive Securityholder's Incentive Equity.

5. Transfer. Prior to transferring any Executive Securities (other than in a Public Sale, a Sale of the Company, Section 4 hereof, Section 5 of the Stockholders Agreement and Section 3 of the Investment Company Stockholders Agreement) to any Person, the transferring Executive Securityholder will cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company a counterpart to this Agreement. Any Transfer or attempted Transfer of any Executive Securities in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Executive Securities as the owner of such units for any purpose.

6. Definitions.

"Affiliate" means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Board" means the Board of Directors of the Company.

"Cause" has the meaning set forth in the Employment Agreement.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership and any Affiliate thereof.

"Class C Common Stock" means the Company's Class C Common Stock, par value $0.01 per share.

"Common Stock" means the Company's Class A Common Stock, Class B Common Stock and Class C Common Stock.

"Disability " has the meaning set forth in the Employment Agreement.

"Employment Agreement" means that certain Employment Agreement dated as of the date hereof by and between the Executive Securityholder and the Company or any of its Subsidiaries.

"Executive Securities" shall mean the Purchased Equity, Incentive Equity and Preferred Options collectively. Executive Securities will continue to be Executive Securities in the hands of any holder other than the Executive Securityholder (except for the Company, the Investment Company and other Stockholders, and except for transferees in a Sale of the Company), and except as otherwise provided herein, each such other holder of Executive Securities will succeed

to all rights and obligations attributable to the Executive Securityholder as a holder of Executive Securities hereunder. Executive Securities will also include the Company's and the Investment Company's securities issued with respect to Executive Securities by way of a stock split or stock dividend and securities into which such shares of stock or rights to acquire stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the structure or capitalization of the Company, including but not limited to debt or shares of common stock and/or preferred stock and/or options of any corporate successor to the business of the Company or the Investment Company, whether issued in connection with a public offering of securities of such entity or otherwise.

"Exercise Price" with respect to (i) the Purchased Options, shall equal $179.10 per share of Purchased Option Underlying Stock and (ii) the Preferred Options, shall be $1,000 per share of Preferred Option Underlying Stock.

"Fair Market Value" of any Executive Securities means the composite closing price of the sales of such Executive Securities on the securities exchanges on which such Executive Securities may at the time be listed (as reported in The Wall Street Journal), or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if such Executive Securities are not so listed, the closing price (or last price, if applicable) of sales of

such Executive Securities on The Nasdaq Stock Market (as reported in The Wall Street Journal), or if such Executive Securities are not quoted in The Nasdaq Stock Market but are traded over-the-counter, the average of the highest bid and lowest asked prices on such day in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Executive Securities are not listed on any securities exchange, quoted in The Nasdaq Stock Market, or quoted in the over-the-counter market, the "Fair Market Value" of such Executive Securities shall mean the fair market value of such Executive Securities as determined by the Board reasonably and in good faith on an enterprise basis, taking into account all relevant factors determinative of value (including the lack of liquidity of such Executive Securities due to the Company's status as a privately held corporation, but without regard to any discounts for minority interests), using valuation techniques then prevailing in the securities industry (e.g., discounted cash flows and/or comparable companies) and assuming full disclosure of all relevant information and a reasonable period of time for effectuating such sale; provided that upon the Executive Securityholder's request the Board shall provide the Executive Securityholder with reasonable supporting information regarding the Board's determination of the Fair Market Value; and further provided that if the Executive Securityholder disagrees with the Board's determination of the Fair Market Value, then the Executive Securityholder shall provide notice of his disagreement to the Company and the Investor Group within thirty days after the Board provides notice to the Executive Securityholder of its determination, in which case the "Fair Market Value" shall be determined by an investment banking firm agreed upon by the Company and the Executive Securityholder, which firm shall submit to the Company and the Executive Securityholder a report within 30 days of its engagement setting forth such determination. If the

parties are unable to agree on an investment banking firm within 20 days after the Executive Securityholder provides notice to the Board of his disagreement, the Company and the Executive Securityholder shall each select an investment bank of recognized national standing and such two investment banking firms shall select a third investment banking firm. Such third investment banking firm shall render a determination within 30 days of its engagement. The determination of such firm will be final and binding upon all parties. If an investment banking firm is to make the Fair Market Value determination hereunder, the Executive Securityholder, on the one hand, and the Company, on the other hand, shall submit in writing their respective estimates of the Fair Market Value at the time the investment banking firm is requested to make such determination, and such investment banking firm's determination of the Fair Market Value shall not be higher than the highest estimate nor lower than the lowest estimate as submitted by the Company and the Executive Securityholder. The fees, costs and expenses of the investment banking firm shall be allocated between the Company, on the one hand, and the Executive Securityholder, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the investment banking differs from the Fair Market Value (as finally determined by the investment banking firm) bears to the amount of the difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value. If the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group exercise their revocation rights under Section 4(e)(iv), then the expenses of the investment banking firm shall be borne by the Company in all cases. The Company may require that the investment banking firm keep confidential any non-public information received as a result of this paragraph pursuant to reasonable confidentiality arrangements. Regardless of when a transaction based on a Fair Market Value valuation is executed, the Fair Market Value shall be determined as of the date of the Termination of the Executive Securityholder's employment with the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Executive Securityholder shall not have any appraisal right hereunder if a similar appraisal right has been exercised by an employee of any the Company or its Subsidiaries within the six months preceding the day as of which Fair Market Value is being determined hereunder, and Fair Market Value has been determined pursuant to such exercise of such appraisal right.

"Family Group" means (i) a Person's spouse and descendants (whether natural or adopted), (ii) any trust solely for the benefit of the Person and/or any of the Person's spouse and/or descendants and (iii) any entity wholly owned by the Person.

"Good Reason" has the meaning set forth in the Employment Agreement.

"Investment Company Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among the Investment Company and certain stockholders of the Investment Company, as amended.

"Investor Common Stock" means any Common Stock issued to or held by the Investor Group.

"Investor Group" means those persons set forth on Schedule A to this

Agreement.

"Options" means the Preferred Options and the Purchased Options.

"Original Cost" with respect to (i) shares of Class A Common Stock and Class B Common Stock shall be equal to $1,000 per share and (ii) Purchased Option Underlying Stock and Preferred Option Underlying Stock, shall be equal to $1,000 per share of Preferred Stock and $1,000 per share of Investment Company Preferred (in each case as adjusted for stock splits, stock dividends or other recapitalizations occurring after the date hereof).

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including, without limitation, any governmental entity or any department, agency or political subdivision thereof).

"Preferred Option Underlying Stock" means, with respect to the Preferred Options, the shares of Preferred Stock underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(i) hereof and the shares of Investment Company Preferred underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(ii) hereof.

"Preferred Stock" means the Company's Class A Preferred Stock, par value $0.01 per share.

"Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of the Company's Common Stock.

"Public Sale" means any sale of Executive Securities (i) to the public pursuant to an offering registered under the Securities Act or (ii) to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in effect) adopted under the Securities Act (other than Rule 144(k) prior to a Public Offering).

"Purchased Option Underlying Stock" means, with respect to the Purchased Options, the shares of Preferred Stock underlying the Company Preferred Purchased Option (whether exercised or exercisable) and the shares of Investment Company Preferred underlying the Investment Company Preferred Purchased Option (whether exercised or exercisable).

"Put Option" means the Purchased Equity Put, Incentive Equity Put and Preferred Option Put.

"Registration Agreement" means the Registration Agreement dated as of the date hereof by and among the Company and certain Stockholders of the Company.

"Retire" or "Retirement" means the Executive Securityholder's retirement from employment with the Company or any of its Subsidiaries at any time after he reaches age 61.

"Sale of the Company" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the Investor Group and their Affiliates) in

the aggregate acquire(s) (i) capital stock of the Company 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 (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company's assets determined on a consolidated basis; provided, that a Sale of the Company shall not include a Public Offering.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Stockholder" means any Person, other than the Company, who is a party to the Stockholders Agreement as of the date hereof.

"Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among HCI and certain stockholders of HCI, as amended from time to time in accordance with its terms.

"Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association or other 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 such Person or one or more of the other

Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the 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 such Person or entity 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 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 general partner of such limited liability company, partnership, association or other business entity.

"Unvested Incentive Equity" means any shares of the Incentive Equity that have not become vested pursuant to the terms of Section 2(b) of this Agreement.

"Unvested Preferred Options" means any Preferred Options that have not become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Incentive Equity" means any shares of the Incentive Equity that have become vested pursuant to the terms of Section 2(b) of this Agreement.

"Vested Preferred Options" means any Preferred Options that have become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Shares" means the shares of Vested Incentive Equity as of the applicable date of determination and shares of Common Stock issued to the Executive Securityholder pursuant to Section 1(a)(i).

7. Options.

(a) Procedure for Exercise of Options. The Executive Securityholder may exercise all (but not less than all) of his Options, to the extent they have vested and are exercisable, at any time and from time to time prior to the applicable Expiration Date, by delivering written notice to the Company or the Investment Company, as applicable, (to the attention of the Company's or Investment Company's Secretary, as applicable) and written acknowledgement by the Executive Securityholder that he has reviewed and has been afforded an opportunity to ask questions of management of the Company or the Investment Company, as applicable, with respect to all financial and other information provided to him regarding the Company or the Investment Company, as applicable, together with payment of the Exercise Price for the Options being exercised. Notwithstanding anything to the contrary contained in this Agreement, (i) the Preferred Options must be exercised in tandem such that any exercise of a Preferred Option to purchase shares of Preferred Stock or Investment Company Preferred, as the case may be, must be accompanied by an exercise of Preferred Options to purchase an equal number shares of Investment Company Preferred and Preferred Stock, respectively and (ii) the Purchased Options must be exercised in tandem such that any exercise of the Company Preferred Purchased Option or the Investment Company Preferred Purchased Option, as the case may be, must be accompanied by an exercise of the Investment Company Preferred Purchased Option, in the case of an exercise of the Company Preferred Purchased Option, and the Company Preferred Purchased Option, in the case of an exercise of the Investment Company Preferred Purchased Option. Subject to vesting, the Executive Securityholder's Options may be exercised in whole or in part upon payment of an amount (the "Option Price") equal to the product of (i) the applicable Exercise Price multiplied by (ii) the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, underlying the Options being exercised. Payment shall be made in cash (including check, bank draft or money order). As a condition to any exercise of the Options, the Executive Securityholder shall permit the Company or the Investment Company, as applicable, to deliver to him all financial and other information regarding the Company or the Investment Company, as applicable, it believes necessary to enable him to make an informed investment decision, and the Executive Securityholder shall make all customary investment representations which the Company or the Investment Company, as applicable, requires.

(b) Sale of the Company. In the event of a Sale of the Company, the Board may (i) terminate any unvested Options without payment or notice of any kind, (ii) terminate any vested Options for a cash payment equal to the excess of the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, (measured as of the date of such Sale of the Company) over such Option's Exercise Price multiplied by the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, with respect to the Options to be terminated, or (iii) terminate any vested Options without payment or notice of any kind to the extent that the Fair Market Value per share of

Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable (measured as of the date of such Sale of the Company), is less than or equal to such Option's Exercise Price.

(c) Dividends. If either the Company or the Investment Company pays a dividend upon the Preferred Stock or Investment Company Preferred, respectively, then upon exercise of any Option which was outstanding at the time of the payment of such dividend (the "Applicable Option"), the Executive Securityholder shall be entitled to receive an amount equal to the dividend (and in the same form of consideration as was received by the other dividend recipients) which would have been paid to the Executive Securityholder had the Applicable Option been fully exercised immediately prior to the date on which a record was taken for such dividend or, if no record was taken, the date as of which the record holders of the Preferred Stock or Investment Company Preferred, respectively, entitled to such dividends were determined.

8. Miscellaneous.

(a) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the holders of a majority of the Investor Common Stock then outstanding, the Executive Securityholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares and shares of Investment Company Preferred with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(b) Severability. Whenever possible, each provision of this Agreement will 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 will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Agreement. Except as otherwise expressly set forth herein, in the Merger Agreement, Stockholders Agreement or Registration Agreement, this Agreement, those documents expressly referred to herein (including the Stockholders Agreement) 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.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and

assigns and the Investor Group and their respective successors and assigns, so long as they hold shares of Investor Common Stock.

(e) Third Party Beneficiaries. The members of the Investor Group are intended to be third-party beneficiaries of this entire Agreement and the rights and obligations of the parties hereto. It is understood and agreed by the parties hereto that this Agreement shall be enforceable by the holders of a majority of the Investor Common Stock then outstanding in accordance with this Agreement's terms as though such holders of Investor Common Stock were a party to every provision hereof. Except as expressly provided herein, no other third party beneficiaries are intended by the parties hereto to be beneficiaries hereof.

(f) Counterparts; Facsimile Signature. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

(g) Remedies. Each of Company, the Investor Group and the Executive Securityholder shall be entitled to enforce its rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that each of the Company, the Investor Group (acting by a majority vote of the Investor Common Stock) and the Executive Securityholders may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(h) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent via facsimile, sent by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company and the Executive Securityholder at the addresses set forth below and to any member of the

Investor Group at the address set forth on Schedule A attached hereto, or subsequent holder of Executive Securities subject to this Agreement, at such address as is indicated in the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, when confirmed if sent by facsimile, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

If to the Company:

HCI Acquisition Corp.
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with copies to:

Code Hennessy & Simmons IV LP
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Executive Securityholder:

James P. Waters
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231

with a copy to:

Baker & Hostetler LLP
3200 National City Center
1900 East 9th Street
Cleveland, OH 44114-3485
Facsimile: (216) 696-0740
Attn: Elizabeth A. Dellinger

(i) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights and obligations of the Company and its Stockholders. All other issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits 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.

(j) 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.

(k) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

(l) Indemnification and Reimbursement of Payments on Behalf of Executive Securityholder. 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 Securityholder any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive Securityholder's compensation or other payments from the Company or any of its Subsidiaries or Executive Securityholder'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 Subsidiaries does not make such deductions or withholdings, Executive Securityholder 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.

(m) Adjustments of Numbers. All numbers set forth herein that refer to per share prices or amounts will be appropriately adjusted to reflect stock splits, stock dividends, combinations of stock and other recapitalizations affecting the subject class of equity.

(n) Deemed Transfer of Executive Securities. If the Company (and/or the Investor Group or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Executive Securities to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such Executive Securities are to be repurchased shall no longer have any rights as a holder of such Executive Securities (other than the right to receive payment of such consideration in accordance with this Agreement) and such Executive Securities shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investor Group and/or any other Person acquiring securities) shall be deemed the owner and holder of such Executive Securities, whether or not the certificates therefor have been delivered as required by this Agreement.

(o) No Pledge or Security Interest. The purpose of the Company's retention of Executive Securityholder's certificates is solely to facilitate the repurchase provisions set forth in Section 4 herein and Section 6 of the Stockholders Agreement and does not constitute a pledge by Executive Securityholder of, or the granting of a security interest in, the underlying equity.

(p) Rights Granted to Investors and their Affiliates. Any rights granted to an Investor and its Affiliates hereunder may also be exercised (in whole or in part) by their designees.

(q) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(r) Effect of Merger on this Agreement. Effective upon the consummation of the Merger and without any action by HCI, Hillman, the Company or the Executive Securityholder, the Company, as the surviving corporation in the Merger, shall assume all of HCI's obligations, and become entitled to all of HCI's rights, under this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Executive Securities Agreement on the day and year first above written.

COMPANY: HCI ACQUISITION CORP.

By: /s/ PETER M. GOTSCH

Its:

/s/ JAMES P. WATERS
EXECUTIVE SECURITYHOLDER: ---
James P. Waters

SCHEDULE A

Code Hennessy & Simmons IV LP
10 South Wacker Drive
Suite 3175
Chicago, IL 60606
Attention: Peter M. Gotsch

CHS Associates IV
10 South Wacker Drive

Suite 3175
Chicago, IL 60606

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M4H5
Attention: J. Mark MacDonald

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Max W. Hillman, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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-15e) for the registrant and we 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) 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

    c) 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: 5/17/04

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James P. Waters, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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-15e) for the registrant and we 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) 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

    c) 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: 5/17/04

/s/ James P. Waters
James P. Waters
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, (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 conditions and results of operations of the Registrant.

/s/ Max W. Hillman

Name: Max W. Hillman
Date: May 17, 2004

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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, James P. Waters, the Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Registrant.

/s/ James P. Waters

Name: James P. Waters
Date: May 17, 2004