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 September 30, 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	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 November 15, 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, 82,104.8 Class A Preferred Shares issued and outstanding by the Registrant and 57,282.4 Class A Preferred Shares issued and outstanding by the Hillman Investment Company 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
	September 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,784	$ 1,528
Restricted investments	22	1,145
Accounts receivable, net	49,257	35,383
Inventories, net	64,743	64,772
Deferred income taxes	5,673	5,283
Other current assets	3,049	5,770
Total current assets	142,528	113,881
Property and equipment, net	61,135	64,601
Goodwill	229,659	134,725
Other intangibles, net	153,630	9,631
Deferred income taxes, net	—	20,498
Restricted investments	4,000	5,932
Deferred financing fees, net	7,055	5,638
Other assets	519	927
Total assets	$ 598,526	$ 355,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 20,441	$ 16,836
Current portion of senior term loans	2,175	9,268
Current portion of capitalized lease obligations	42	54
Accrued expenses:		
Salaries and wages	4,003	4,467
Pricing allowances	8,606	8,242
Income and other taxes	2,497	1,966
Deferred compensation	22	1,145
Other accrued expenses	7,145	13,363
Total current liabilities	44,931	55,341
Long term senior term loans	214,237	51,290
Bank revolving credit	2,530	43,495
Long term capitalized lease obligations	110	140
Long term unsecured subordinated notes	47,815	—
Long term unsecured subordinated notes to related party	—	44,062
Junior subordinated debentures	114,527	—
Mandatorily redeemable preferred stock (Note 7)	60,476	—
Management purchased preferred options	3,458	—
Deferred compensation	4,000	5,932
Deferred income taxes, net	6,061	—
Other non-current liabilities	15,190	5,605
Total liabilities	513,335	205,865

Item 1.

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

	Successor	Predecessor
	September 30, 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 September 30, 2004	407	—
Class B Common stock, $.01 par, 2,500 shares authorized, 1,000 issued and outstanding at September 30, 2004	1,000	—
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	—	102,364
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock:		
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 September 30, 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, 5,805.3 issued and outstanding at September 30, 2004	—	—
Class C Common stock, $.01 par, 30,109 shares authorized, 2,787.1 issued and outstanding at September 30, 2004	—	—
Additional paid-in capital	83,971	52,310
Accumulated deficit	—	(4,647)
Accumulated other comprehensive loss	(188)	(130)
Total stockholders' equity	83,784	47,604
Total liabilities and stockholders' equity	$ 598,526	$ 355,833

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(dollars in thousands)

	Successor	Predecessor
	Three months ended September 30, 2004	Three months ended September 30, 2003
Net sales	$ 97,463	$ 86,055
Cost of sales	43,958	38,818
Gross profit	53,505	47,237
Operating expenses:		
Selling, general and administrative expenses	33,836	31,126
Depreciation	3,706	3,480
Amortization	2,676	373
Management fee to related party	291	450
Total operating expenses	40,509	35,429
Other income, net	531	459
Income from operations	13,527	12,267
Interest expense, net	4,464	4,101
Interest expense on manditorily redeemable preferred stock	1,826	—
Interest expense on junior subordinated notes	3,058	—
Distributions on guaranteed preferred beneficial interests	—	3,058
Write-down of note receivable	—	1,400
Income before income taxes	4,179	3,708
Income tax provision	2,489	1,988
Net income	$ 1,690	$ 1,720

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(dollars in thousands)

	Successor	Predecessor	
	Six months ended September 30, 2004	Three months ended March 31, 2004	Nine months ended September 30, 2003
Net sales	$ 190,099	$ 78,997	$ 240,307
Cost of sales	85,564	35,780	108,772
Gross profit	104,535	43,217	131,535
Operating expenses:			
Selling, general and administrative expenses	66,523	30,999	90,315
Non-recurring expense (Note 9)	—	30,707	—
Depreciation	7,610	3,799	10,443
Amortization	5,355	321	1,116
Management fee to related party	547	524	1,350
Total operating expenses	80,035	66,350	103,224
Other income (expense), net	397	(140)	643
Income (loss) from operations	24,897	(23,273)	28,954
Interest expense, net	9,055	3,841	11,656
Interest expense on manditorily redeemable preferred stock	3,583	—	—
Interest expense on junior subordinated notes	6,116	3,058	—
Distributions on guaranteed preferred beneficial interests	—	—	9,174
Write-down of note receivable	—	—	7,657
Income (loss) before income taxes	6,143	(30,172)	467
Income tax provision (benefit)	4,242	(10,856)	3,014
Net income (loss)	$ 1,901	$ (19,316)	$ (2,547)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Successor	Predecessor	
	Six months ended September 30, 2004	Three months ended March 31, 2004	Nine months ended September 30, 2003
Cash flows from operating activities:			
Net income (loss)	$ 1,901	$ (19,316)	$ (2,547)
Adjustments to reconcile net income (loss) to net cash (used for) operating activities:			
Depreciation and amortization	12,965	4,120	11,559
Deferred income tax	3,673	(10,287)	2,588
PIK interest on unsecured subordinated notes	315	506	1,453
Write-down of note receivable	—	—	7,657
Changes in operating items, net of effects of acquisitions:			
Increase in accounts receivable, net	(8,417)	(5,457)	(14,421)
Decrease (increase) in inventories, net	753	(724)	(5,432)
Decrease in other assets	1,665	1,464	939
(Decrease) increase in accounts payable	(2,227)	5,832	(610)
(Decrease) increase in other accrued liabilities	(28,419)	23,157	(4,633)
Other items, net	4,644	6	1,393
Net cash used for operating activities	(13,147)	(699)	(2,054)
Cash flows from investing activities:			
Capital expenditures	(5,510)	(2,586)	(8,537)
Other, net	47	(23)	491
Net cash used for investing activities	(5,463)	(2,609)	(8,046)
Cash flows from financing activities:			
Borrowings of senior term loans	217,500	—	—
Repayments of senior term loans	(61,646)	—	(6,952)
Borrowings of revolving credit loans	4,728	4,709	16,776
Repayments of revolving credit loans	(50,402)	—	—
Borrowings of unsecured subordinated notes	47,500	—	—
Repayments of unsecured subordinated notes	(44,569)	—	—
Principal payments under capitalized lease obligations	(28)	(14)	(40)
Financing fees, net	(7,592)	—	(1,437)
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	35,479	4,695	8,347
Net increase (decrease) in cash and cash equivalents	16,869	1,387	(1,753)
Cash and cash equivalents at beginning of period	2,915	1,528	2,768
Cash and cash equivalents at end of period	$ 19,784	$ 2,915	$ 1,015

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Predecessor Common Stock	Successor Common Stock		Additional Paid-in Capital	Class A Preferred Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
		Class A	Class C					
Beginning Balance at December 31, 2003- Predecessor	$ 71	$ —	$ —	$ 52,310	$ —	$ (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	71	—	—	52,310	—	(23,963)	(120)	28,298
Close Predecessor's stockholder's equity at merger date	(71)	—	—	(52,310)	—	23,963	120	(28,298)
Issuance of 5,805.3 shares of Class A Common Stock		—		5,443				5,443
Issuance of 2,787.1 shares of Class C Common Stock			—	2,787				2,787
Issuance of 82,104.8 shares of The Hillman Companies, Inc.								—
Class A Preferred Stock				78,642	1			78,643
Ending Balance at March 31, 2004 - Successor	—	—	—	86,872	1	—	—	86,873
Net Income						211		211
Dividends to shareholders				(2,143)		(211)		(2,354)
Change in cumulative foreign translation adjustment (1)							7	7
Change in derivative security value (1)							95	95
Ending Balance at June 30, 2004 - Successor	—	—	—	84,729	1	—	102	84,832
Net Income						1,690		1,690
Dividends to shareholders				(758)		(1,690)		(2,448)
Change in cumulative foreign translation adjustment (1)							(61)	(61)
Change in derivative security value (1)							(229)	(229)
Ending Balance at September 30, 2004 - Successor	$ —	$ —	$ —	$ 83,971	$ 1	$ —	$ (188)	$ 83,784

(1) The cumulative foreign translation adjustment and change in derivative security value represent the only items of other comprehensive income.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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 ($102.3 million at merger).

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 and its related Consolidated Statements of Operations, Cash Flows and Changes in Stockholders’ Equity for the periods presented prior to the March 31, 2004 Merger Transaction are referenced herein as the predecessor financial statements (the “Predecessor” or “Predecessor Financial Statements”). The Company’s Consolidated Balance Sheet as of September 30, 2004 and its related Consolidated Statements of Operations for the three month and six month periods ended September 30, 2004, and its Consolidated Statements of Cash Flows and Changes in Stockholders’ Equity for the six month period ended September 30, 2004 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 the fourth quarter of 2004. The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

1. Basis of Presentation (continued):

Accounts receivable	$ 40,840
Inventory	65,496
Property and equipment	63,270
Goodwill	229,659
Intangible assets	158,985
Other assets	11,611
Total assets acquired	569,861
Less:	
Liabilities assumed	45,885
Junior subordinated debentures	114,725
Total assumed liabilities	160,610
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 following table indicates the pro forma financial statements of the Company for the three months ended March 31, 2004 and the nine and three months ended September 30, 2003 (including non-recurring charges of $30,707 as discussed in Note 9). The pro forma financial statements give effect to the Merger Transaction as if it had occurred on January 1, 2004 and January 1, 2003, respectively.

	Three Months Ended March 31, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Net sales	$ 78,997	$ 86,055	$ 240,307
Net loss	(21,031)	(51)	(7,737)

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 nine months ended September 30, 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:

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 September 30, 2004 and 2003, shipping and handling costs included in SG&A were $4,304 for the Successor Company and $4,039 for the Predecessor Company, respectively. Shipping and handling costs included in SG&A were $3,628 for the Predecessor Company for the three months ended March 31, 2004, were $8,549 for the Successor Company for the six months ended September 30, 2004, and were $11,888 for the Predecessor Company for the nine months ended September 30, 2003.

Comprehensive Income (Loss):

The components of comprehensive income (loss) were as follows:

	Successor	Predecessor	Successor	Predecessor	Predecessor
	Three months ended September 30, 2004	Three months ended September 30, 2003	Six months ended September 30, 2004	Three months ended March 31, 2004	Nine months ended September 30, 2003
Net income (loss)	$ 1,690	$ 1,720	$ 1,901	$ (19,316)	$ (2,547)
Change in derivative security value	(229)	—	(134)	—	—
Foreign currency translation adjustment	(61)	1	(54)	10	(99)
Comprehensive income (loss)	$ 1,400	$ 1,721	$ 1,713	$ (19,306)	$ (2,646)

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 $229,659 was recorded in connection with the Merger Transaction. Other intangible assets are amortized over their useful lives and are 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 the independent appraisal. Intangible assets as of September 30, 2004 and December 31, 2003 consist of the following:

	Successor	Predecessor
	September 30, 2004	December 31, 2003
Customer Relationships	$ 101,995	$ —
Trademarks	43,658	6,500
Patents	7,432	6,700
Proprietary Software	—	1,000
Non Compete Agreements	5,900	1,250
Intangible assets, gross	158,985	15,450
Less: Accumulated amortization	5,355	5,819
Intangible assets, net	$ 153,630	$ 9,631

The Predecessor Company’s amortization expense for amortizable assets for the three months ended March 31, 2004 was $321. The Successor Company’s amortization expense for amortizable assets for the nine months ended December 31, 2004 is estimated to be $8,034 and for the years ending December 31, 2005, 2006, 2007 and 2008 are estimated to be $10,710, $10,710, $9,985 and $8,350, 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 September 30, 2004, the Company has provided insurers letters of credit aggregating $5,231 related to certain insurance programs.

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

5. Related Party Transactions (continued):

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 Predecessor Company has recorded a management fee charge of $524 and $450 for the three months ended March 31, 2004 and 2003, respectively and a management fee of $1,350 for the nine months ended September 30, 2003. 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 has recorded management fee charges from CHS and OTPP of $291 and $547 for the three and six month periods ended September 30, 2004, respectively.

The Predecessor 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.

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.

6. Long Term Debt (continued):

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 are being 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

7. Common and Preferred Stock (continued):

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 of the sum of the Liquidation Value (as defined in the Certificate of Incorporation) thereof plus all accumulated and unpaid dividends thereon.

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 September 30, 2004 Balance Sheet.

Dividends on the mandatorily redeemable Class A Preferred Stock for the three and six months ended September 30, 2004 are included in interest expense on the accompanying consolidated statements of operations.

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, 2028 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's adopted The Hillman Companies, Inc. 2004 Stock Option Plan ("Common Option Plan") following Board and shareholder approval. Grants under the

7. Common and Preferred Stock (continued):

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.

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 September 30, 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 Grantor 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 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 September 30, 2004.

Non-current assets- junior subordinated debentures	$114,527
Non-current liabilities - Trust Preferred Securities	$114,527

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.

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

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.

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 Company is amortizing the premium on the Junior Subordinated Debentures of $9,279 over their remaining life in the amount of $99 per quarter. At September 30, 2004, the value of the Junior Subordinated Debentures, net of premium amortization, was $114,527.

9. Non-Recurring Expense:

In the quarter ended March 31, 2004, the Company incurred $30,707 of non-recurring, one-time charges. The charges included a $24,353 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 was 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 was subject to certain restrictions under the terms of the subordinated note agreement. If such restrictions did not permit the current payment of interest in cash when due, accrued interest was 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 $600 in the second quarter of 2003, $1,400 in the third quarter of 2003, and $3,600 in the fourth quarter 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. Derivatives and Hedging:

The Company uses derivative financial instruments to manage its exposures to interest rate fluctuations on its floating rate senior debt. The derivative instruments are accounted for pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." As amended, SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet, measure those instruments at fair value and recognize changes in the fair value of derivatives in earnings in the period of change unless the derivative qualifies as an effective hedge that offsets certain exposures.

On 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.

The Swap has been designated as a cash flow hedge and the fair value at September 30, 2004 was ($229), net of $95 in tax benefit. The Swap is reported on the consolidated balance sheet in other non-current liabilities. The related deferred loss on our swap agreements of $229 has been deferred in shareholders' equity as a component of other comprehensive loss. This deferred loss is then recognized as an adjustment to interest expense over the same period in which the related interest payments being hedged are recorded in interest expense.

12. 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 its stock based employee compensation plans. On March 31, 2004, the Company recognized compensation expense for certain options granted under the stock option plan of the Predecessor 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).

In connection with the Merger Transaction, the Company granted options to purchase shares of Preferred Stock to certain members of management. The exercise price of the options was equal to the market price of the underlying stock on the date of grant and accordingly no compensation expense was recorded. The Company is subject to the disclosure rules of SFAS 123, Accounting for Stock Based Compensation. Management has determined that SFAS 123 has no impact on net income and stockholders' equity of the Company as of and for the three and six month periods ended September 30, 2004.

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 ($102.3 million at merger).

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.

On April 28, 2004, the Company entered into an Interest Rate Swap Agreement ("Swap") with a two-year term for a notional amount of $50.0 million. The Swap fixes the interest rate on $50.0 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.

Results of Operations

Three Months Ended September 30, 2004 and 2003

Net sales increased $11.4 million or 13.2% in the third quarter of 2004 to $97.5 million from $86.1 million in 2003. Sales to national accounts represented $6.3 million of the $11.4 million total sales increase in the third quarter primarily as a result of increased fastener sales to Lowe's and Tractor Supply and increased keys and letters, numbers, and signs ("LNS") sales to Home Depot. Sales to franchise and independent ("F&I") accounts increased $3.0 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 and Canadian accounts and engraving products, were up $2.1 million compared to the third quarter of 2003.

The Company's gross profit was 54.9% in the third quarter of 2004 and the third quarter of 2003. The margin rate remained the same as in the prior year as a result of favorable production efficiencies following the December 2003 consolidation of the Rockford packaging and distribution facility into the Company's Cincinnati facility. In addition, price increases implemented in 2004 offset the unfavorable increases in product costs experienced this year.

The Company's consolidated selling, general and administrative expenses ("S, G&A") increased $2.7 million or 8.7% from $31.1 million in the third quarter of 2003 to $33.8 million in the third quarter of 2004. Selling expenses increased $2.7 million or 18.1% primarily as a result of an increase in service labor and outside service cost for newly opened national account locations and an increase in the use of pricing labels for the conversion of merchant displays to reflect the recent fastener price increase. Warehouse and delivery expenses increased $1.1 million or 10.6% primarily as a result of increased freight and labor on the increased sales volume. General and administrative expenses decreased by $1.1 million in the third quarter of 2004 compared to the third quarter of 2003. This decrease was primarily the result of the reduced medical claims experienced in the 2004 period compared to the 2003 period which included $0.3 million in claims by an employee for medical services.

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

	Three Months ended September 30,	
As a % of Sales	**2004**	**2003**
Selling Expenses	18.0%	17.3%
Warehouse and Delivery Expenses	11.8%	12.1%
General and Administrative Expenses	4.8%	6.8%
Total S, G&A Expenses	34.6%	36.2%

Income from operations for the third quarter of 2004 was $13.5 million compared with income of $12.3 million for the same prior-year period, representing an increase of $1.2 million. The increase in income from operations in the third quarter of 2004 was the result of the 13.2% higher sales and the resulting 13.3% increase in gross profit.

The Company's consolidated operating profit margin (income from operations as a percentage of sales) decreased from 14.3% in the third quarter of 2003 to 13.9% in 2004. The operating profit margin decrease was the result of an increase in amortization expense related to intangible assets recorded in connection with the March 31, 2004 Merger Transaction.

Depreciation expense increased $0.2 million to $3.7 million in the third quarter of 2004 from $3.5 million in the same quarter of 2003.

Amortization expense of $2.7 million in the third quarter of 2004 increased from $0.4 million in the same quarter of 2003 as a result of the increase in amortizable intangible assets related to the Merger Transaction.

The Company has recorded a management fee charge of $0.29 million for the third quarter of 2004 and $0.45 million for the third quarter of 2003. The Company is obligated to pay management fees to a subsidiary of CHS for management services rendered in the amount of fifty-eight thousand dollars per month, plus out of pocket expenses, and to pay management fees to a subsidiary of Ontario Teacher's Pension Plan for management services rendered in the amount of twenty-six thousand dollars per month, plus out of pocket expenses, for each month commencing with the closing date of the Merger Transaction. 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. 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, a $0.6 million charge to income in the second quarter of 2003, and a $1.4 million charge to income in the third 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 an additional charge to income of $3.6 million in the fourth quarter of 2003 for a change in the assessment of the estimated amount recoverable under the note.

Interest expense from credit facilities, net of interest income, increased $0.4 million to $4.5 million in the third quarter of 2004 from $4.1 million in the same period of 2003. The interest expense increase was the result of increased Company debt related to the Merger Transaction.

Interest expense on mandatorily redeemable preferred stock was $1.8 million in the third quarter of 2004. Because this interest expense related to the Merger Transaction, there was no such expense incurred in the same period of 2003.

For the three months ended September 30, 2004, the Company paid $3.1 million in interest on the Junior Subordinated Debentures and for the three months ended September 30, 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 provision for income taxes of $2.5 million on pre-tax income of $4.2 million in the third quarter of 2004. The effective tax rate in the third quarter of 2004 was 59.6% compared to 53.6% in the third quarter of 2003. The increase in the effective tax rate is primarily the result of the $1.8 million of interest expense on the mandatorily redeemable preferred stock recorded in the third quarter of 2004 which is not deductible for tax purposes. The effective tax rate for the third quarter of 2003 was negatively impacted by the $1.4 million write-down of the G-C Note which was not deductible for tax purposes.

Nine Months Ended September 30, 2004 and 2003

Net sales increased $28.8 million or 12.0% in the first nine months of 2004 to $269.1 million from $240.3 million in the same period of 2003. Sales to national accounts represented $15.0 million of the $28.8 million total sales increase in the first nine months primarily as a result of increased fastener, keys, and LNS sales to Lowe's, increased keys and LNS sales to Home Depot, and increased keys sales to Wal-Mart. Franchise and independent accounts increased $9.0 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 $4.8 million compared to the first nine months of 2003.

The Company's gross profit was 54.9% in the first nine months of 2004 compared to 54.7% in the first nine months of 2003. The margin rate increase from the prior year was the result of price increases together with production efficiencies following the December 2003 consolidation of the Rockford packaging and distribution facility into the Company's Cincinnati facility.

The Company's consolidated selling, general and administrative expenses ("S, G&A") increased $7.2 million or 8.0% from $90.3 million in the first nine months of 2003 to $97.5 million in the first nine months of 2004. Selling expenses increased $7.5 million or 17.5% 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 $2.9 million or 9.6% primarily as a result of increased freight and labor of $2.1 million on increased sales volume. General and administrative expenses decreased by $3.2 million in the first nine months of 2004 compared to the same prior year period as a result of a substantial decrease in medical claims experienced in the 2004 period compared to the 2003 period which included $1.5 million in claims by an employee for medical services. In addition, 2004 expense declined further from 2003 as a result of the elimination of several positions from our Corporate office and Tempe facility together with the December 2003 shutdown of the Rockford facility.

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

	Nine Months ended September 30,	
As a % of Sales	2004	2003
Selling Expenses	18.7%	17.8%
Warehouse and Delivery Expenses	12.3%	12.6%
General and Administrative Expenses	5.2%	7.2%
Total S, G&A Expenses	36.2%	37.6%

Income from operations for the first nine months of 2004 was $1.6 million compared with $29.0 million for the same prior-year period, representing a decrease of $27.4 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 12.0% in the first nine months of 2003 to 0.6% in 2004. The operating profit margin decrease was principally the result of non-recurring expenses related to the Merger Transaction 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. The consolidated operating profit margin, net

of non-recurring Merger Transaction costs of $30.7 million, was $32.3 million or 12.0% expressed as a percentage of sales.

Depreciation expense increased $1.0 million to $11.4 million in the first nine months of 2004 from $10.4 million in the same period of 2003.

Amortization expense of $5.7 million in the first nine months of 2004 increased from $1.1 million in the same period of 2003 as a result of the increase in amortizable intangible assets related to the Merger Transaction.

The Company has recorded a management fee charge of $1.1 million for the first nine months of 2004 and $1.4 million for the first nine months of 2003. The Company is obligated to pay management fees to a subsidiary of CHS for management services rendered in the amount of fifty-eight thousand dollars per month, plus out of pocket expenses, and to pay management fees to a subsidiary of Ontario Teacher's Pension Plan for management services rendered in the amount of twenty-six thousand dollars per month, plus out of pocket expenses, for each month commencing with the closing date of the Merger Transaction. 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. 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, a $0.6 million charge to income in the second quarter of 2003, and a $1.4 million charge to income in the third 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 an additional charge to income of $3.6 million in the fourth quarter of 2003 for a change in the assessment of the estimated amount recoverable under the note.

Interest expense from credit facilities, net of interest income, increased $1.2 million to $12.9 million in the first nine months of 2004 from $11.7 million in the same period of 2003. The interest expense increase was primarily the result of increased Company debt related to the Merger Transaction and the amortization of additional deferred financing costs.

Interest expense on mandatorily redeemable preferred stock was $3.6 million in the first nine months of 2004. There was no such expense incurred in the same period of 2003 because this interest expense related to the Merger Transaction.

For the nine months ended September 30, 2004 the Company paid $9.2 million in interest on the Junior Subordinated Debentures and for the nine months ended September 30, 2003 the Company paid $9.2 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 $6.6 million on

pre-tax losses of $24.0 million in the first nine months of 2004. The effective tax rate in the first nine months of 2004 was 27.5% compared to 645.4% in the first nine months 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 three months of 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 six months ended September 30, 2004 (Successor), the three months ended March 31, 2004 (Predecessor), and the nine months ended September 30, 2003 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities. The 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 was 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.

Excluding $26.1 million in cash used for the Merger Transaction discussed above, cash provided by operating activities for the first nine months of 2004 was $12.3 million compared to cash used of $2.1 million in the same prior year period. Operating cash inflows were strong in the third quarter of 2004 as collections were made on the sales generated during our highest seasonal selling season. The historically high seasonal working capital impact of the first two quarters was less pronounced in 2004 compared to 2003 as the Company maintained lower receivable days and higher inventory turns ratios. The results of these operating activities were favorable in that the net operating assets including inventory, receivables, other assets and payables increased only $7.1 million in the first nine months of 2004 compared to $19.5 million in 2003.

Investing Activities

The principal recurring investing activities are property additions primarily for key duplicating machines. Net property additions for the first nine months of 2004 were $8.1 million compared to $8.5 million in the comparable prior year period. The decrease in capital expenditures in the first nine months of 2004 compared to the prior year period results from a decrease in the amount of expenditures for key duplicating machines of $0.5 million and an increase in plant and equipment expenditures of $0.1 million.

Financing Activities

Excluding $36.3 million in cash provided by borrowings related to the Merger Transaction, net cash provided by financing activities for the nine months ended September 30, 2004 was $3.9 million compared to $8.3 million for the comparable period 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 nine months of 2004 compared to the same period of 2003.

Liquidity and Capital Resources

The Company's working capital position (defined as current assets less current liabilities) of $97.6 million at September 30, 2004 represents an increase of $39.1 million from the December 31, 2003 level of $58.5 million primarily as a result of the seasonal increase in cash of $18.3 million and accounts receivable of $13.9 million together with the reduction in the current portion of long-term debt of $7.1 million. The Company's current ratio (defined as current assets divided by current liabilities) increased to 3.17x at September 30, 2004 from 2.06x at December 31, 2003.

The Company's contractual obligations in thousands of dollars as of September 30, 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	$114,527	$ —	$ —	$ —	$ 114,527
Long Term Senior Term Loans	214,237	2,175	4,350	4,350	203,362
Bank Revolving Credit Facility	2,530	—	—	—	2,530
Long Term Unsecured Subordinated Notes	47,815	—	—	—	47,815
Operating Leases	27,794	6,629	8,379	3,621	9,165
Deferred Compensation Obligations	4,022	22	44	44	3,912
Management Purchased Preferred Options	3,458	—	—	—	3,458
Capital Lease Obligations	152	42	83	27	—
Other Long Term Obligations	7,422	1,039	1,855	633	3,895
Total Contractual Cash Obligations	$421,957	$ 9,907	$14,711	$8,675	$ 388,664

All of the obligations noted above are reflected on the Company's Consolidated Balance Sheet as of September 30, 2004 except for the Operating Leases.

As of September 30, 2004, the Company had $32.2 million available under its secured credit facilities. The Company had approximately $216.6 million of outstanding debt under its secured credit facilities at September 30, 2004, consisting of $216.4 million in a term loan and $0.2 million in capitalized lease obligations. The term loan consisted of a $216.4 million Term B Loan (the "Term Loan B") currently at a six (6) month LIBOR rate of 4.625%. The capitalized lease obligations were at various interest rates.

As of September 30, 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 September 30, 2004, the outstanding Subordinated Debt Issuance including the PIK Amounts was $47.8 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 September 30, 2004.

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:

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 the Merger Transaction 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.

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 September 30, 2004 and 2003, shipping and handling costs included in SG&A were $4,304 for the Successor Company and $4,039 for the Predecessor Company, respectively. Shipping and handling costs included in SG&A were $3,628 for the Predecessor Company for the three months ended March 31, 2004, were $8,549 for the Successor Company for the six months ended September 30, 2004, and were $11,888 for the Predecessor Company for the nine months ended September 30, 2003.

Comprehensive Income (Loss):

The components of comprehensive income (loss) were as follows:

	Successor	Predecessor	Successor	Predecessor	Predecessor
	Three months ended September 30, 2004	Three months ended September 30, 2003	Six months ended September 30, 2004	Three months ended March 31, 2004	Nine months ended September 30, 2003
Net income (loss)	$ 1,690	$ 1,720	$ 1,901	$ (19,316)	$ (2,547)
Change in derivative security value	(229)	—	(134)	—	—
Foreign currency translation adjustment	(61)	1	(54)	10	(99)
Comprehensive income (loss)	$ 1,400	$ 1,721	$ 1,713	$ (19,306)	$ (2,646)

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 the Company's policy to enter into interest rate transactions only to the extent considered necessary to meet objectives. On 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. Based on Hillman's exposure to variable rate borrowings at September 30, 2004, a one percent (1%) change in the weighted average interest rate would change the annual interest expense by approximately $1.7 million.

The Company is exposed to foreign exchange rate changes of the Canadian currency as it impacts the $1.4 million net asset value of its Canadian subsidiary, The Hillman Group Canada, Ltd., as of September 30, 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 September 30, 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, 2, 3, 4 & 5 — None

Item 6 – Exhibits

a)		Exhibits, Including Those Incorporated by Reference.
10.1	*	The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan (amended and restated).
10.2	*	First Amendment to The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan.
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.

* 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

James P. Waters
Vice President — Finance
(Chief Financial Officer)

/s/ Harold J. Wilder

Harold J. Wilder
Controller
(Chief Accounting Officer)

DATE: November 15, 2004

Exhibit 10.1

THE HILLMAN COMPANIES INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

THE HILLMAN COMPANIES INC NONQUALIFIED DEFERRED COMPENSATION PLAN

Amended and Restated effective as of January 1, 2003

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THE HILLMAN COMPANIES INC. NONQUALIFIED DEFERRED COMPENSATION PLAN

Amended and Restated effective as of January 1, 2003

RECITALS

The SunSource, Inc. Nonqualified Deferred Compensation Plan effective as of August 1, 2000 is hereby amended and restated as The Hillman Companies Inc. Nonqualified Deferred Compensation Plan ("Plan") and hereby adopted by The Hillman Companies Inc. ("Employer"). The purpose of the Plan is to offer those employees an opportunity to elect to defer the receipt of compensation in order to provide termination of employment and related benefits taxable pursuant to section 451 of the Internal Revenue Code of 1986, as amended (the "Code"). The Plan is intended to be a "top-hat" plan (i.e., an unfunded deferred compensation plan maintained for a select group of management or highly-compensated employees) under sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

Accordingly, the following Plan is amended and restated.

ARTICLE 1
DEFINITIONS

1.1 ACCOUNT means the balance credited to a Participant's or Beneficiary's Plan account, including amounts credited under the Compensation Deferral Account and, if applicable, the vested and/or unvested portion(s) of the Employer Contribution Account. A Participant's or Beneficiary's Account shall be determined as of the date of reference.

1.2 BENEFICIAL OWNER and the correlative term "Beneficially Own" are used herein within the meaning of Rule 13d-3 under the Exchange Act.

1.3 BENEFICIARY means any person or person so designated in accordance with the provisions of Article 7.

1.4 BOARD means the Board of Directors of the Employer.

1.5 CHANGE OF CONTROL means the occurrence of any of the following events:

(a) Any "person" (as such term is used in Sections 3(a)(9) and 13(d)(3) of he Exchange Act) other than the management group of Maurice Andrien, Joseph M. Corvino, and Max W. Hillman, becomes a Beneficial Owner, directly or indirectly, of securities of the Employer representing 20% or more of the then outstanding securities of the Employer.

(b) (1) A transaction is approved in which the stockholders of the Employer immediately before the transaction will not Beneficially Own, immediately after the transaction, shares entitling such stockholders to 75% or more of all votes to which all stockholders of the surviving entity would be entitled in the election of directors or other governing persons (excluding any election of directors by a separate class vote), or where the members of the Board, immediately prior to the transaction, would not, immediately after the transaction, constitute a majority of the board of directors of the surviving entity, (2) the sale or other disposition of all or substantially all of the assets of the Employer or it's respective successors in interest or (3) a liquidation or dissolution of the Employer, or it's respective successors in interest; provided, however, that any such

action shall not constitute a change of control so long as the Employer continues to own directly or indirectly, substantially all of the assets thereof.

(c) Any person has commenced a tender offer or exchange offer for 20% or more of the voting power of the then outstanding shares of the Employer; or

(d) A majority of the Board shall cease for any reason to consist of (1) individuals who on the effective date hereof are serving as directors of the Employer, or (2) individuals who subsequently become members of the Board and whose nomination for election or election to the Board is recommended or approved by a majority of the Board.

1.6 CODE means the Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time.

1.7 COMPENSATION means the total current cash remuneration, including regular salary, bonus awards and commission paid by the Employer to an Eligible Employee with respect to his or her service for the Employer (as determined by the Employer, in its discretion), including any Compensation Deferrals in this Plan or any 401(k) plan or section 125 plan maintained by the Employer.

1.8 COMPENSATION DEFERRALS is defined in Section 3.1(a).

1.9 DESIGNATION DATE means the date or dates as of which a designation of deemed investment directions by an individual pursuant to Section 4.5, or any change in a prior designation of deemed investment directions by an individual pursuant to Section 4.5, shall become effective. The Designation Dates in any Plan Year shall be designated by the Employer.

1.10 EFFECTIVE DATE means the effective date of the amended and restated Plan, which shall be January 1, 2003.

1.11 ELIGIBLE EMPLOYEE and the correlative term “Employee” means, for any Plan Year (or applicable portion thereof), a person employed by the Employer, who is determined by the Employer to be a member of a select group of management or highly compensated employees of the Employer and who is designated by the Employer’s Board of Directors to be an Eligible Employee under the Plan. By each November 1, the Employer shall notify those individuals, if any, who will be Eligible Employees for the next Plan Year. If the Employer determines that an individual first becomes an Eligible Employee during a Plan Year, the Employer shall notify such individual of its determination and of the date during the Plan Year on which the individual shall first become an Eligible Employee.

1.12 EMPLOYER means The Hillman Companies Inc. and its successors and assigns unless otherwise herein provided, or any other corporation or business organization which, with the consent of The Hillman Companies Inc., or its successors or assigns, assumes the Employer’s obligations hereunder, or any other corporation or business organization which agrees, with the consent of The Hillman Companies Inc., to become a party to the Plan.

1.13 ENTRY DATE with respect to an individual means the first day of the pay period following the date on which the individual first becomes an Eligible Employee.

1.14 EXCHANGE ACT means Securities Exchange Act of 1934, as amended.

1.15 PARTICIPANT means any person so designated in accordance with the provisions of Article 2, including, where appropriate according to the context of the Plan, any

former employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.16 PARTICIPANT ENROLLMENT AND ELECTION FORM means the form or forms on which a Participant elects to defer Compensation hereunder and on which the Participant makes certain other designations as required thereon.

1.17 PLAN means The Hillman Companies Inc. Nonqualified Deferred Compensation Plan, as amended from time to time.

1.18 PLAN YEAR means the twelve (12) month period ending on the December 31 of each year during which the Plan is in effect.

1.19 TOTAL AND PERMANENT DISABILITY means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that may be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence. Disability will be determined to exist if the Participant is receiving disability benefits under the Social Security Act or Railroad Retirement Act.

1.20 TRUST means the Trust described in Article 11.

1.21 TRUSTEE means the trustee of the Trust described in Article 11.

1.22 VALUATION DATE means the last day of each Plan Year and any other date that the Employer, in its sole discretion, designates as a Valuation Date.

1.23 YEAR OF SERVICE means the 12 consecutive month period measured by an Eligible Employee's date of hire and anniversaries each thereof during which the Eligible Employee is a full-time employee of the Employer and at least twenty-one (21) years of age.

ARTICLE 2
ELIGIBILITY AND PARTICIPATION

2.1 REQUIREMENTS. Every Eligible Employee on the Effective Date shall be eligible to become a Participant on the Effective Date. Every other Eligible Employee shall be eligible to become a Participant on the first Entry Date occurring on or after the date on which he or she becomes an Eligible Employee. No individual shall become a Participant, however, if he or she is not an Eligible Employee on the date his or her participation is to begin.

Participation in the Plan is voluntary. In order to participate in the Plan, an otherwise Eligible Employee must make written application in such manner as may be required by Section 3.1 and by the Employer and must agree to make Compensation Deferrals as provided in Article 3.

2.2 RE-EMPLOYMENT. If a Participant whose employment with the Employer is terminated is subsequently re-employed, he or she shall become a Participant in accordance with the provisions of Section 2.1.

2.3 CHANGE OF EMPLOYMENT CATEGORY. During any period in which a Participant remains in the employ of the Employer, but ceases to be an Eligible Employee, he or she shall not be eligible to make Compensation Deferrals hereunder.

ARTICLE 3
CONTRIBUTIONS AND CREDITS

3.1 PARTICIPANT CONTRIBUTIONS AND CREDITS.

(a) Compensation Deferrals. In accordance with rules established by the Employer, a Participant may elect to defer Compensation of up to 25% of his or her base salary, up to 25% of commissions and up to 100% of bonuses which are due to be earned and which would otherwise be paid to the Participant, in a lump sum or in any fixed periodic dollar amounts designated by the Participant. Amounts so deferred will be considered a Participant's "Compensation Deferrals." Ordinarily, a Participant shall make such an election with respect to the coming twelve (12) month Plan Year during the period beginning on the November 1 and ending on the December 15 of the prior calendar year, or during such other period as might be established by the Employer. In the event that an employee becomes eligible to participate in the Plan during the Plan Year, the maximum amount of Compensation that may be deferred shall be prorated according to the number of days remaining in the Plan Year.

Compensation Deferrals shall be made through regular payroll deductions or through an election by the Participant to defer commission or bonus not yet payable to him or her at the time of the election. Once made, a Compensation Deferral election shall continue in force only for the Plan Year for which the election is first effective and may not be increased or decreased. Compensation Deferrals shall be deducted by the Employer from the pay of a deferring Participant and shall be credited to the Account of the deferring Participant.

(b) Compensation Deferral Account. There shall be established and maintained by the Employer a separate Account in the name of each Participant to which shall be credited or debited: (a) amounts equal to the Participant's Compensation Deferrals and (b) amounts equal to any deemed earnings or losses (to the extent realized, based upon deemed fair market value of the Account's deemed assets, as determined by the Employer, in its discretion) attributable or allocable thereto.

A Participant shall at all times be 100% vested in amounts credited to his or her Deferred Compensation Account.

3.2 EMPLOYER CONTRIBUTIONS.

(a) Employer Matching Contributions. Apart from Compensation deferrals, the Employer shall make a 25% matching contributions up to $10,000 of a Compensation Deferral according to the following schedule for each Participant under this Plan.

Deferral Amount Per Plan Year	**Employer Matching Contribution % Per Plan Year**
Up to $10,000	25%
Above $10,000	0%

(b) Employer Contribution Account. There shall be established and maintained by the Employer a separate Account in the name of each Participant to which shall be credited or debited: (a) amounts equal to the Participant's Employer Matching Contributions and (b) amounts equal to any deemed earnings or losses (to the extent realized, based upon deemed fair market value of the Account's deemed assets, as determined by the Employer, in its discretion) attributable or allocable thereto.

(c) Vesting in Employer Contributions. An Employee shall vest in amounts allocated to his or her Account in accordance with the vesting schedule provided below. Additionally, an Employee shall be 100% vested in his or her Account, if on or before his or her

termination of employment, the Participant dies, experiences a Total and Permanent Disability, or due to a Change in Control. Upon termination of employment, the Participant shall irrevocably forfeit any unvested portion(s) of his or her Employer Contribution Account.

Years of Service	**Vested Percentage**
Less than 1	0%
1, but less than 2	20%
2, but less than 3	40%
3, but less than 4	60%
4, but less than 5	80%
5 or more	100%

(d) Forfeitures for Misconduct If an employee terminates employment with the Employer as a result of the employee's gross misconduct, within the meaning of Part 6 of Title I of ERISA, regarding group health continuation coverage, or if the employee engages in unlawful business competition with the Employer, the employee shall forfeit all amounts allocated to his or her Employer Contribution Account(s) under Section 3.2(a), 3.2 (b), and 3.2(c) above. Such forfeitures shall be retained by the Employer.

3.3 CONTRIBUTIONS TO THE TRUST. An amount shall be contributed by the Employer to the Trust maintained under Section 11.1 equal to the amount(s) required to be credited to the Participant's Account under Sections 3.1 and 3.2. The Employer shall make a good faith effort to contribute these amounts to the Trust as soon as practicable following the date on which the contribution credit amount(s) are determined.

ARTICLE 4
ALLOCATION OF FUNDS

4.1 ALLOCATION OF DEEMED EARNINGS OR LOSSES ON ACCOUNTS. Subject to Section 4.5, each Participant shall have the right to direct the Employer as to how amounts in his or her Plan Account shall be deemed to be invested. Subject to such limitations as may from time to time be required by law, imposed by the Employer or the Trustee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed from time to time by the Employer, prior to the date on which a direction will become effective, the Participant shall have the right to direct the Employer as to how amounts in his or her Account shall be deemed to be invested. The Employer shall direct the Trustee to invest the account maintained in the Trust on behalf of the Participant pursuant to the deemed investment directions the Employer properly has received from the Participant.

The value of the Participant's Account shall be equal to the value of the account maintained under the Trust on behalf of the Participant. As of each Valuation Date of the Trust, the Participant's Account will be credited or debited to reflect the Participant's deemed investments of the Trust. The Participant's Plan Account will be credited or debited with the increase or decrease in the realizable net asset value or credited interest, as applicable, of the designated deemed investments, as follows. As of each Valuation Date, an amount equal to the net increase or decrease in realizable net asset value or credited interest, as applicable (as determined by the Trustee), of each deemed investment option within the Account since the preceding Valuation Date shall be allocated among all Participants' Accounts deemed to be invested in that investment option in accordance with the ratio which the portion of the Account of each Participant which is deemed to be invested within that investment option, determined as provided herein, bears to the aggregate of all amounts deemed to be invested within that investment option.

4.2 ACCOUNTING FOR DISTRIBUTIONS. As of the date of any distribution hereunder, the distribution made hereunder to the Participant or his or her Beneficiary or Beneficiaries shall be charged to such Participant's Account. Such amounts shall be charged on

a pro rata basis against the investments of the Trust in which the Participant's Account is deemed to be invested.

4.3 SEPARATE ACCOUNTS. A separate account under the Plan shall be established and maintained by the Employer to reflect the Account for each Participant with sub-accounts to show separately the deemed earnings and losses credited or debited to such Account, and the applicable deemed investments of the Account.

4.4 INTERIM VALUATIONS. If it is determined by the Employer that the value of a Participant's Account as of any date on which distributions are to be made differs materially from the value of the Participant's Account on the prior Valuation Date upon which the distribution is to be based, the Employer, in its discretion, shall have the right to designate any date in the interim as a Valuation Date for the purpose of revaluing the Participant's Account so that the Account will, prior to the distribution, reflect its share of such material difference in value.

4.5 DEEMED INVESTMENT DIRECTIONS OF PARTICIPANTS. Subject to such limitations as may from time to time be required by law, imposed by the Employer or the Trustee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed from time to time by the Employer, prior to and effective for each Designation Date, each Participant may communicate to the Employer a direction (in accordance with (a), below) as to how his or her Plan Account(s) should be deemed to be invested among such categories of deemed investments as may be made available by the Employer hereunder. Such direction shall designate the percentage (in any whole percent multiples) of each portion of the Participant's Plan Account(s) which is requested to be deemed to be invested in such categories of deemed investments, and shall be subject to the following rules:

(a) Any initial or subsequent deemed investment direction shall be in writing, on a form supplied by and filed with the Employer, and/or, as required or permitted by the Employer, shall be by oral designation and/or electronic transmission designation. A designation shall be effective as of the Designation Date next following the date the direction is received and accepted by the Employer on which it would be reasonably practicable for the Employer to effect the designation.

(b) All amounts credited to the Participant's Account shall be deemed to be invested in accordance with the then effective deemed investment direction, and as of the Designation Date with respect to any new deemed investment direction, all or a portion of the Participant's Account at that date shall be reallocated among the designated deemed investment funds according to the percentages specified in the new deemed investment direction unless and until a subsequent deemed investment direction shall be filed and become effective. An election concerning deemed investment choices shall continue indefinitely as provided in the Participant's most recent Participant Enrollment and Election Form, or other form specified by the Employer.

(c) If the Employer receives an initial or revised deemed investment direction which it deems to be incomplete, unclear or improper, the Participant's investment direction then in effect shall remain in effect (or, in the case of a deficiency in an initial deemed investment direction, the Participant shall be deemed to have filed no deemed investment direction) until the next Designation Date, unless the Employer provides for, and permits the application of, corrective action prior thereto.

(d) If the Employer possesses (or is deemed to possess as provided in (c), above) at any time directions as to the deemed investment of less than all of a Participant's Account, the Participant shall be deemed to have directed that the undesignated portion of the Account be deemed to be invested in a money market, fixed income or similar fund made available under the Plan as determined by the Employer in its discretion.

(e) Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Employer and its agents and representatives from any losses or damages of any kind relating to the deemed investment of the Participant’s Account hereunder.

(f) Each reference in this Section to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

4.6 EXPENSES AND TAXES. Expenses, including Trustee fees, associated with the administration or operation of the Plan shall be debited from the Trust account. Any taxes allocable to an Account (or portion thereof) maintained under the Plan which are payable prior to the distribution of the Account (or portion thereof), as determined by the Employer, shall be paid by the Employer.

ARTICLE 5
ENTITLEMENT TO BENEFITS

5.1 FIXED PAYMENT DATES; TERMINATION OF EMPLOYMENT. On his or her Participant Enrollment and Election Form, a Participant may select a fixed payment date for the payment of his or her Account, which will be valued and payable according to the provisions of Article 6. Such payment dates may be extended to later dates so long as elections to so extend the dates are made by the Participant at least twelve (12) months prior to the date on which the distribution is to be made or commence. Such payment dates may not be accelerated.

A Participant who selects payment of his or her Account on a fixed date shall receive payment of his or her Account at the earlier of such fixed payment date or dates (as extended, if applicable) or his or her termination of employment with the Employer.

Any fixed payment date elected by a Participant as provided above must be a date no earlier than the latter of (a) January 1 of the calendar year after the calendar year for which the election is effective, or (b) a date at least twelve (12) months after the election date.

If a Participant does not make an election as provided above for any particular amounts hereunder, and the Participant terminates employment with the Employer for any reason, the Participant’s vested Account at the date of such termination shall be valued and payable at or commencing at such termination according to the provisions of Article 6.

5.2 HARDSHIP DISTRIBUTIONS. In the event of financial hardship of the Participant, as hereinafter defined, the Participant may apply to the Employer for the distribution of all or any part of his or her vested Account. The Employer shall consider the circumstances of each such case, and the best interests of the Participant and his or her family, and shall have the right, in its sole discretion, if applicable, to allow such distribution, or, if applicable, to direct a distribution of part of the amount requested, or to refuse to allow any distribution. Upon a finding of financial hardship, the Employer shall make the appropriate distribution to the Participant from amounts held by the Employer in respect of the Participant’s vested Account. In no event shall the aggregate amount of the distribution exceed either the full value of the Participant’s vested Account or the amount determined by the Employer to be necessary to alleviate the Participant’s financial hardship (which financial hardship may be considered to include any taxes due because of the distribution occurring because of this Section), and which is not reasonably available from other resources of the Participant. For purposes of this Section, the value of the Participant’s vested Account shall be determined as of the date of the distribution. “Financial hardship” means (a) a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code section 152(a)) of the Participant, (b) loss of the Participant’s property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the

Participant, each as determined to exist by the Employer. A distribution may be made under this Section only with the consent of the Employer.

5.3 IMMEDIATE DISTRIBUTION ELECTION; TEN PERCENT PENALTY. In addition to a Participant's option to have payment or commencement of payment of his or her vested account occur on the fixed payment date described in Section 5.1 or on the Participant's termination of employment as described in Section 5.1, a Participant may elect to have his or her vested Account (or a portion thereof) paid or commence to be paid as soon as possible upon his or her election. For purposes of this Section, the value of the Participant's vested Account shall be determined as of the date of the distribution. Any amount paid pursuant to this Section shall be subject to a ten percent (10%) penalty, with the amount of the penalty being returned to the Employer (which may be used to offset or reduce Employer Contributions and Plan expenses). In the event of an immediate distribution elected under this Section, the ten percent (10%) penalty on the entire vested portion of the account to be distributed under this Section shall be returned to the Employer on or about the date of the distribution.

5.4 RE-EMPLOYMENT OF RECIPIENT. If a Participant receiving installment distributions pursuant to Section 6.2 is re-employed by the Employer, the remaining distributions due to the Participant shall be suspended until such time as the Participant (or his or her Beneficiary) once again becomes eligible for benefits under Section 5.1 or 5.2, at which time such distribution shall commence, subject to the limitations and conditions contained in this Plan.

ARTICLE 6
DISTRIBUTION OF BENEFITS

6.1 AMOUNT. A Participant (or his or her Beneficiary) shall become entitled to receive, on or about earlier of the Participant's termination of employment with the Employer or the date or dates selected by the Participant on his or her Participant Enrollment and Election Form (or, if no such selection is made, on or about the date of the Participant's termination of employment with the Employer) (or earlier as provided in Article 5), a distribution in an aggregate amount equal to the Participant's vested Account. Any payment due hereunder from the Trust which is not paid by the Trust for any reason will be paid by the Employer from its general assets.

6.2 METHOD OF PAYMENT.

(a) Cash Or In-Kind Payments. Payments under the Plan shall be made in cash or in-kind, as elected by the Participant, as permitted by the Employer in its sole and absolute discretion and subject to applicable restrictions on transfer as may be applicable legally or contractually.

(b) Timing and Manner of Payment. In the case of distributions to a Participant by virtue of an entitlement due to termination of employment, an aggregate amount equal to the Participant's vested Account will be paid by the Trust or the Employer, as provided in Section 6.1, in a lump sum or in five (5), ten (10), or fifteen (15) substantially equal annual installments (adjusted for gains and losses), as selected by the Participant as provided in Article 5. If a Participant fails to designate properly the manner of payment of the Participant's benefit under the Plan, such payment will be in a lump sum. At any time no less than twelve (12) months prior to his or her termination of employment, the Participant may, by delivering written designation (on a form provided by the Employer) to the Employer, change the manner of payment for such amounts he or she would become entitled to upon termination of employment.

In the case of distributions to the Participant by virtue of an entitlement due to the election of a Fixed Payment Date, the applicable vested portion of the Participant's Account shall be paid in a lump sum as soon as administratively practicable after such date. Fixed Payments shall be valued paid in on the first day of each Plan Year, or as soon as administratively practicable thereafter.

If the whole or any part of a payment hereunder is to be in installments, the total to be so paid shall continue to be deemed to be invested pursuant to Sections 4.1 and 4.5 under such procedures as the Employer may establish, in which case any deemed income, gain, loss or expense or tax allocable thereto (as determined by the Trustee, in its discretion) shall be reflected in the installment payments, in such equitable manner as the Trustee shall determine.

6.3 DEATH OR DISABILITY BENEFITS. If a Participant dies or experiences a Total and Permanent Disability before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's Account shall be paid, at the time(s) selected by the Participant under Article 5 and in the manner provided in Section 6.2, to the person or persons designated in accordance with Section 7.1.

Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the person or persons designated in accordance with Section 7.1, in the manner in which such benefits were payable to the Participant.

ARTICLE 7
BENEFICIARIES; PARTICIPANT DATA

7.1 DESIGNATION OF BENEFICIARIES. Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after the Participant's death, and such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Employer, and will be effective only when filed in writing with the Employer during the Participant's lifetime.

In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Employer shall pay any such benefit payment to the Participant's spouse, if then living, but otherwise to the Participant's then living descendants, if any, per stirpes, but, if none, to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Employer may rely conclusively upon information supplied by the Participant's personal representative, executor or administrator. If a question arises as to the existence or identity of anyone entitled to receive a benefit payment as aforesaid, or if a dispute arises with respect to any such payment, then, notwithstanding the foregoing, the Employer, in its sole discretion, may distribute such payment to the Participant's estate without liability for any tax or other consequences which might flow there from, or may take such other action as the Employer deems to be appropriate.

7.2 INFORMATION TO BE FURNISHED BY PARTICIPANTS AND BENEFICIARIES; INABILITY TO LOCATE PARTICIPANTS OR BENEFICIARIES. Any communication, statement or notice addressed to a Participant or to a Beneficiary at his or her last post office address as shown on the Employer's records shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Employer shall not be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address. If the Employer notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Employer within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the Employer, the Employer may direct distribution of such amount to any one or more or all of such next of kin, and in such proportions as the Employer determines. If the location of none of the foregoing persons can be determined, the Employer shall have the right to direct that the amount payable shall be deemed to be a forfeiture, except that the dollar amount of the forfeiture, unadjusted for

deemed gains or losses in the interim, shall be paid by the Employer if a claim for the benefit subsequently is made by the Participant or the Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, the Employer shall not be liable to any person for any payment made in accordance with such law.

ARTICLE 8
ADMINISTRATION

8.1 ADMINISTRATIVE AUTHORITY. Except as otherwise specifically provided herein, the Employer shall have the sole responsibility for and the sole control of the operation and administration of the Plan, and shall have the power and authority to take all action and to make all decisions and interpretations which may be necessary or appropriate in order to administer and operate the Plan, including, without limiting the generality of the foregoing, the power, duty and responsibility to:

(a) Resolve and determine all disputes or questions arising under the Plan, and to remedy any ambiguities, inconsistencies or omissions in the Plan.

(b) Adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan.

(c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above.

(d) Make determinations with respect to the eligibility of any Eligible Employee as a Participant and make determinations concerning the crediting of Plan Accounts.

(e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the administration and operation of the Plan, and the Employer shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of such firms or persons. The Employer shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or committee, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person or committee in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Employer. Further, the Employer may authorize one or more persons to execute any certificate or document on behalf of the Employer, in which event any person notified by the Employer of such authorization shall be entitled to accept and conclusively rely upon any such certificate or document executed by such person as representing action by the Employer until such notified person shall have been notified of the revocation of such authority.

8.2 UNIFORMITY OF DISCRETIONARY ACTS. Whenever in the administration or operation of the Plan discretionary actions by the Employer are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

8.3 LITIGATION. Except as may be otherwise required by law, in any action or judicial proceeding affecting the Plan, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

8.4 CLAIMS PROCEDURE. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Employer, and the Employer shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Employer's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Employer to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Employer expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied, or deemed to have been denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Employer. Upon such a request for review, the claim shall be reviewed by the Employer (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Employer's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Employer, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

ARTICLE 9
AMENDMENT

9.1 RIGHT TO AMEND. The Employer, by action of its Board of Directors, shall have the right to amend the Plan, at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall deprive a Participant or a Beneficiary of a right accrued hereunder prior to the date of the amendment.

9.2 AMENDMENTS TO ENSURE PROPER CHARACTERIZATION OF PLAN. Notwithstanding the provisions of Section 9.1, the Plan may be amended by the Employer, by action of its Board of Directors, at any time, retroactively if required, if found necessary, in the opinion of the Employer, in order to ensure that the Plan is characterized as "top-hat" plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA sections 201(2), 301(a)(3), and 401(a)(1), and to conform the Plan to the provisions and requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or a Beneficiary hereunder.

ARTICLE 10
TERMINATION

10.1 EMPLOYER'S RIGHT TO TERMINATE OR SUSPEND PLAN. The Employer reserves the right to terminate the Plan and/or its obligation to make further credits to Plan Accounts, by action of its Board of Directors. The Employer also reserves the right to suspend the operation of the Plan for a fixed or indeterminate period of time, by action of its Board of Directors.

10.2 AUTOMATIC TERMINATION OF PLAN. The Plan automatically shall terminate upon the dissolution of the Employer, or upon its merger into or consolidation with any other corporation or business organization if there is a failure by the surviving corporation or business organization to adopt specifically and agree to continue the Plan.

10.3 SUSPENSION OF DEFERRALS. In the event of a suspension of the Plan, the Employer shall continue all aspects of the Plan, other than Compensation Deferrals, during the period of the suspension, in which event payments hereunder will continue to be made during the period of the suspension in accordance with Articles 5 and 6.

10.4 ALLOCATION AND DISTRIBUTION. This Section shall become operative on a complete termination of the Plan. The provisions of this Section also shall become operative in the event of a partial termination of the Plan, as determined by the Employer, but only with respect to that portion of the Plan attributable to the Participants to whom the partial termination is applicable. Upon the effective date of any such event, notwithstanding any other provisions of the Plan, no persons who were not theretofore Participants shall be eligible to become Participants, the value of the interest of all Participants and Beneficiaries shall be determined and, after deduction of estimated expenses in liquidating and, if applicable, paying Plan benefits, paid to them as soon as is practicable after such termination.

10.5 SUCCESSOR TO EMPLOYER. Any corporation or other business organization which is a successor to the Employer by reason of a consolidation, merger or purchase of substantially all of the assets of the Employer shall have the right to become a party to the Plan by adopting the same by resolution of the entity's board of directors or other appropriate governing body. If, within ninety (90) days from the effective date of such consolidation, merger or sale of assets, such new entity does not become a party hereto, as above provided, the Plan automatically shall be terminated, and the provisions of Section 10.4 shall become operative.

ARTICLE 11
THE TRUST

11.1 ESTABLISHMENT OF TRUST. The Employer shall establish the Trust with the Trustee pursuant to such terms and conditions as are set forth in the Trust agreement to be entered into between the Employer and the Trustee or the Employer shall cause to be maintained one or more separate subaccounts in an existing Trust maintained with the Trustee with respect to one or more other plans of the Employer, which subaccount or subaccounts represent Participants' interests in the Plan. Any such Trust shall be intended to be treated as a "grantor trust" under the Code and the establishment of the Trust or the utilization of any existing Trust for Plan benefits, as applicable, shall not be intended to cause any Participant to realize current income on amounts contributed thereto, and the Trust shall be so interpreted.

ARTICLE 12
MISCELLANEOUS

12.1 LIMITATIONS ON LIABILITY OF EMPLOYER. Neither the establishment of the Plan nor any modification thereof, nor the creation of any account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Employer, or any officer or employer thereof except as provided by law or by any Plan provision. The Employer does not in any way guarantee any Participant's Account from loss or depreciation, whether caused by poor investment performance of a deemed investment or the inability to realize upon an investment due to an insolvency affecting an investment vehicle or any other reason. In no event shall the Employer, or any successor, employee, officer, director or stockholder of the Employer, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

12.2 CONSTRUCTION. If any provision of the Plan is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein. For all purposes of the Plan, where the context admits, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of Delaware shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of the Employer nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Employer which right is greater than the rights of a general unsecured creditor of the Employer.

12.3 SPENDTHRIFT PROVISION. No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto. Further, (i) the withholding of taxes from Plan benefit payments, (ii) the recovery under the Plan of overpayments of benefits previously made to a Participant or Beneficiary, (iii) if applicable, the

transfer of benefit rights from the Plan to another plan, or (iv) the direct deposit of benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation.

In the event that any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Employer or Trustee may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's Account or, if the Employer or Trustee prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

IN WITNESS WHEREOF, the Employer has caused the Plan to be amended and restated and its seal to be affixed hereto, effective as of the ___ day of ___________.

ATTEST/WITNESS:

By: ____________________

Print: ____________________

Date: ____________________

THE HILLMAN COMPANIES INC.

By: ____________________

Print: ____________________

Title: ____________________

Date: ____________________

EXHIBIT 10.2

FIRST AMENDMENT TO THE HILLMAN COMPANIES INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

THIS FIRST AMENDMENT, made and executed this 30 day of March, 2004, by The Hillman Companies, Inc. (the “Company”).

W I T N E S S E T H:

WHEREAS, the Company maintains a nonqualified deferred compensation plan known as The Hillman Companies Inc. Nonqualified Deferred Compensation Plan as amended and restated effective as of January 1, 2003 (the “Plan”); and

WHEREAS, Section 9.1 of the Plan allows the Company to amend the Plan; and

WHEREAS, pursuant to Section 9.1 of the Plan, the Company desires to amend the Plan in order to modify the rights of a retired or terminated participant of the Plan with respect to receipt of benefits from the Plan;

NOW THEREFORE, the Plan is amended effective March 30, 2004 as follows:

1. Section 5.1 shall be amended such that the first paragraph is deleted in its entirety and replaced with the following:

“On his or her Participant and Enrollment Election Form, a Participant may select a fixed payment date for the payment of his or her Account, which will be valued and payable according to the provisions of Article 6. Such payment dates may be amended so long as such amendments are made by the Participant no less than twelve (12) months prior to the date on which the distribution is to be made or commence.”

2. Section 6.4 shall be added to the Plan effective March 30, 2004 to read as follows :

“6.4 CHANGE OF CONTROL PAYMENTS. The provisions of Article 5 and this Article 6 notwithstanding, in the event of a Change of Control, all Accounts held by Participants who terminated employment with the Company prior to or in connection with a Change of Control shall be paid out in a lump sum as soon as administratively practicable regardless of any prior elections made by the Participant as to the payment of his Account.”

3. In all other respects the Plan shall remain unchanged.

IN WITNESS WHEREOF and as evidence of the adoption of this FIRST AMENDMENT, the Company has caused the same to be executed as of the day and year first above written.

WITNESSES:	THE HILLMAN COMPANIES INC.
______________________________	______________________________
______________________________	

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: 11/15/04

/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: 11/15/04

/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 September 30, 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: November 15, 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 September 30, 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: November 15, 2004