UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 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 ☑ NO ☐

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

YES ☐ NO ☑

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

On March 25, 2005, 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 aggregate market value of the Trust Preferred Shares held by non-affiliates at June 30, 2004 was $113,878,548.

PART I

Item I – Business.

General

The Hillman Companies, Inc. ("Hillman" or the "Company") is one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. The Company's principal business is operated through its wholly-owned subsidiary, The Hillman Group, Inc. (the "Hillman Group") which had sales of approximately $352 million in 2004. The Hillman Group sells its products to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico and South America. Product lines include thousands of small parts such as fasteners and related hardware items; keys, key duplication systems and accessories; and identification items, such as, tags and letters, numbers, and signs. The Company supports its product sales with value added services including design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

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

Background

On March 18, 2002, SunSource Inc., a Delaware corporation ("SunSource"), as a result of the acquisition of a majority of SunSource common stock by Allied Capital Corporation in September 2001 as discussed below, changed its name to The Hillman Companies, Inc., which reflects its predominant business as one of the largest providers of hardware-related products and related merchandising services to the retail markets in North America. In connection with the SunSource name change, SunSource Capital Trust, which has 4.2 million Trust Preferred Securities outstanding and trading on the American Stock Exchange under the symbol "HLM.Pr", changed its name to the Hillman Group Capital Trust.

On September 26, 2001, SunSource Inc. was acquired by Allied Capital Corporation ("Allied Capital") pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of June 18, 2001, by and among Allied Capital, Allied Capital Lock Acquisition Corporation and SunSource. Allied Capital acquired approximately 96.8% of the Company and certain members of management and other stockholders continued as stockholders of the Company after the merger. The total transaction value was $74.0 million or $10.375 per SunSource common share, consisting of the cash purchase price paid for the outstanding common stock of the Company aggregating approximately $71.5 million and management and other stockholders' common shares valued at approximately $2.5 million. SunSource was the surviving entity in the merger and organized as an independently managed portfolio company of Allied Capital.

In connection with the transaction, on September 28, 2001, the Company completed the sale of substantially all of the assets of its SunSource Technology Services business (the "STS Business") to STS Operating, Inc. ("STS OP"), an entity formed by certain officers and managers of the STS Business, Allied Capital and Easton Hunt Capital Partners, L.P. for the purpose of acquiring the STS Business. STS OP purchased the assets of the STS Business including the rights to the name SunSource from SunSource Technology Services, LLC, a wholly-owned subsidiary of SunSource, pursuant to an Asset Purchase Agreement, dated September 28, 2001, by and between SunSource Technology Services, LLC and STS OP. The purchase price aggregated approximately $25.5 million in cash and preferred stock of STS OP, subject to post-closing adjustments, plus the assumption of certain liabilities. On October 16, 2002, Hillman's equity investment in STS OP preferred stock and $0.2 million of cash was distributed to the Company's common stockholders.

On March 2, 2000, the Company contributed its Kar Products operations to a newly formed partnership affiliated with Glencoe Capital LLC ("Glencoe"). Glencoe contributed cash equity to the new partnership in exchange for a 51% controlling interest with the remaining

minority interest retained by SunSource. The Company received $105 million in cash proceeds from the transaction through repayment of assumed debt by the new partnership, GC-Sun Holdings, L.P. ("G-C"). On October 4, 2000, G-C acquired all of the outstanding stock of Brampton Fastener Co. Limited (d/b/a Brafasco). On January 4, 2002, G-C provided the Company notice that it intended to exercise its call right to purchase the Company's partnership interest as a result of the merger transaction with Allied Capital. On April 13, 2002, the Company entered into a Unit Repurchase Agreement with G-C, pursuant to which G-C exercised its call right. In exchange for its interest in G-C, the Company received a $10 million subordinated note from G-C. The G-C note was distributed to the Company's common stockholders on March 31, 2004.

On May 1, 2002, the Company purchased certain assets of the Lowe's specialty fastener business from R&B, Inc. for cash consideration of $6.2 million. In connection with this transaction, the Company settled litigation filed by R&B, Inc. in February 1996 related to the Company's sale of the Dorman Products division.

On October 3, 2002, the Company, through its Hillman Group subsidiary, purchased the net assets of the DIY division ("DIY") of the Fastenal Company of Winona, MN ("Fastenal"). DIY distributed fasteners, anchors, picture hanging wire, hooks, tacks, and brads to national hardware cooperatives and home centers. The Company paid $15.3 million in cash to Fastenal for the net assets of DIY.

On March 31, 2004, Hillman was acquired by an affiliate of Code Hennessy & Simmons LLC ("CHS"). Pursuant to the terms and conditions of the related 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 the repayment of outstanding debt and the value of the Company's outstanding Trust Preferred Securities.

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 HarbourVest 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. For a discussion of the Company's capital stock, see Note 13, Common and Preferred Stock, of Notes to Consolidated Financial Statements.

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

Industry Overview

Hillman operates in multiple channels of the retail marketplace such as hardware stores, national and regional home centers and mass merchants. Hillman focuses on delivering merchandising systems, point-of-sale displays, product support and sales installation services through its nationwide field sales and service force to the retail sector.

These retail channels have experienced significant change as a result of the growth of the large national big box ("Big Box") chains (defined as mass merchants, home centers and large-format grocery/drug centers), which have taken market share from the regional home centers and independent hardware dealers and cooperatives. Hillman has developed sales, marketing, merchandising and service specifically to meet the needs of the Big Box chains. Hillman believes that its market knowledge, merchandising skills, breadth of inventory, and value-added services, including superior support and fulfillment capabilities, will enable the Company to prosper with the Big Box chains.

The Hillman Group

The Company is organized as a single business segment, the Hillman Group. With annualized sales of approximately $352 million, the Hillman Group believes it is the leading provider

of fasteners and related small hardware items; keys, key duplication systems and related accessories, and identification items, such as tags and letters, numbers and signs ("LNS") to retail outlets in North America. Retail outlets served by Hillman include hardware stores, home centers, mass merchants, pet supply stores, grocery stores and drug stores. Through its field sales and service organization, Hillman complements its extensive product selection with value-added services for the retailer.

Sales and service representatives regularly visit retail outlets to review stock levels, reorder items in need of replacement, and interact with the store management to offer new product and merchandising ideas. Thousands of items can be actively managed with the retailer experiencing a substantial reduction in paperwork and labor costs. Service representatives also assist in organizing the products in a consumer-friendly manner. Hillman complements its broad range of products with value-added merchandising services such as displays, product identification stickers, retail price stickers, store rack and drawer systems, assistance in rack positioning and store layout, and inventory restocking services. Hillman regularly introduces new products and package designs with color-coding for ease of shopping by consumers and modifies rack designs to improve the attractiveness of individual store displays. In effect, Hillman functions as a merchandising manager for retailers, supporting these services with high order fill rates and rapid delivery from its twelve distribution centers across the United States and Canada. Currently, orders are shipped within 48 hours with a 97% order fill rate.

The Company ships its products from twelve strategically located distribution centers in the U.S and Canada (See Item 2 - Properties). In 2002, Hillman invested $9.8 million in a state of the art distribution facility in Cincinnati, Ohio. In addition to improving order turnaround time and reducing labor costs, the new facility provides additional capacity to accommodate future sales growth. In 2004, the Company moved into a new facility in Lewisville, Texas and the implementation of warehouse management technology was completed in December. A similar undertaking was started on the Shafter, California facility with an expected completion date of April 2005.

Hillman also manufactures and markets a value-added mix of high-tech and conventional products in two core product categories: key duplication systems and identification systems. The patent-protected Axxess Precision Key Duplication System™ has proven to be a profitable revenue source within Big Box retailers. The technology developed for this system revolutionized the key duplicating process utilizing computer aided alignment, indexing and duplication of keys. This system has been placed in over 13,900 retail locations to date and is supported by Hillman sales and service representatives.

In addition, Hillman offers a commercialized, innovative, consumer-operated vending system, Quick-Tag™, which provides custom engraved specialty items, such as pet identification tags, luggage tags and other engraved identification tags. To date, more than 3,250 Quick-Tag™ machines have been placed in retail locations which are being supported by Hillman's sales and service representatives.

Products and Suppliers

Currently, Hillman purchases its products from approximately 650 vendors, the largest of which accounted for approximately 10% of the Group's annual purchases and the top five of which accounted for 34% of its purchases. About half of its purchases are from overseas suppliers, with the balance from domestic manufacturers and master distributors. Hillman's vendor quality control procedures include on-site evaluations and frequent product testing. Vendors are also evaluated based on delivery performance and the accuracy of their shipments.

Fasteners

Hillman's fastener product line encompasses standard and specialty nuts, bolts, washers, screws, anchors and picture hanging items. The line also includes brass, nylon, stainless steel, chrome and galvanized and other miscellaneous fasteners. The depth of the line, over 37,500 products, is believed to be the largest among suppliers servicing the hardware retail segment. Fasteners generated 56.7% of total revenue in 2004.

Keys and Key Accessories

Hillman provides a competitive line of metal key products for major retailers and the automotive sector. Hillman manufactures two metal key duplication systems that are niche-marketed to retail outlets, primarily mass merchants and home centers, and a code cutting system for use in automotive dealerships and in vehicle fleet environments.

The Axxess Precision Key Duplication System™ creates high quality duplicate keys with the precision of a locksmith while minimizing the technical skill required by operators. The system was developed in response to retailers needs for reducing the miscut rate on keys. Axxess keys provide retailers with nearly ten times more gross profit per square foot than the average of all products sold in grocery and mass merchant channels.

Hillman also markets a conventional key cutting system. The styles of keys marketed include standard brass keys, Wackeys™, NFL, MLB, NCAA logo keys, Color Plus™ keys, rubber head keys, and high security vehicle anti-theft key blanks. The conventional system is marketed to retailers who do not experience high employee turnover and therefore do not have the same labor constraints as mass merchants, home centers or grocery and drug retailers.

The key cutting system developed for the automotive industry, PC+ Code Cutter, produces automobile keys using alphanumeric codes based on a vehicle's identification number. Utilizing a proprietary computer program, the PC+ Code Cutter identifies and then cuts keys based on the automobile's original key pattern. The PC+ Code Cutter is distributed through Barnes Distribution, a distribution company serving vehicular and industrial markets. Since its introduction in February 1996, more than 7,900 PC+ Code Cutter and 2,800 of the new Flash Code Cutter systems have been sold.

Hillman also markets key accessories in conjunction with its key duplication systems. Popular accessories include the Key Light™, Valet KeyChain™, Fanatix™ key identifiers, key coils and key clips. The Key Mates™ line of key accessories includes a broad range of products such as key chains, tags, lights, floats, holders, whistles, and a host of other miscellaneous complementary items. Revenues for keys, key accessories, and the PC+ Code Cutter represented 26.3% of total revenues in 2004.

Engraving

Quick-Tag™ is a patented, state-of-the-art consumer-operated vending system that custom engraves specialty products such as pet identification tags, military-style I.D. tags, holiday ornaments and luggage tags. Hillman initially targeted the pet identification market with its Quick-Tag™ system, and has facilitated the process of obtaining a pet tag by providing pet owners with a quick and highly convenient means to custom engrave tags while shopping at large format retail stores such as Wal-Mart and PETsMART. Hillman has developed other high impact applications for its Quick-Tag™ interactive engraving technology, including luggage tags, key chains and military-style identification tags. The Company has placed over 3,250 Quick-Tag machines in retail outlets throughout the United States and Canada. Using an interactive touch screen, customers input information such as a pet name and telephone number, and the system's proprietary technology engraves the tag in less than two minutes. The Quick-Tag system does not require incremental labor and generates high levels of customer satisfaction and attractive margins for the retailer. The Quick-Tag custom engraving systems generate retail profit per square foot over seven times the typical retail average. Revenues for engraving products represented 8.4% of total revenues in 2004.

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

Letters, Numbers and Signs ("LNS")

The LNS program offers an extensive collection of items for both domestic and commercial use such as packaged self-adhesive letters and numbers, mailbox numbers and accessories, house numbers and letters, contractor safety program signs, and driveway markers and reflectors. Typical retailers dedicate eight linear feet of retail space for this product and view it as a significant contributor to their retail offerings. Hillman also offers a variety of merchandisers and program configurations for this line. LNS sales accounted for 8.6% of 2004 revenues.

Markets and Customers

Hillman sells its products to national accounts such as Wal-Mart, Home Depot, Lowe's, Sears, Tractor Supply, PETsMART, and PetCo. Hillman's status as a national supplier of unique, proprietary products to Big Box retailers allows it to develop a formidable market position and high barriers to entry within its product categories. Management believes that the dynamics, which make its services attractive to hardware retailers, are present with these larger customers as well.

Hillman services approximately 15,000 franchise and independent ("F&I") retail outlets. These individual dealers are typically members of the larger cooperatives, such as Tru-Serv, Ace and Do-it-Best. The Company sells directly to the cooperative's retail locations and also supplies many fastener items to the cooperative's central warehouses. These central warehouses distribute to their members that do not have a requirement for Hillman's in-store service. These arrangements reduce credit risk and logistic expense for Hillman and reduce central warehouse inventory and delivery costs for the cooperatives.

A typical hardware store maintains in inventory thousands of different items, many of which generate small dollar sales but large profits. It is difficult for a retailer to economically monitor all stock levels and to reorder the products from multiple vendors. The problem is compounded by the necessity of receiving small shipments of inventory at different times and having to stock the goods. However, failure to have these small items available will have an adverse effect on store traffic, thereby denying the retailer the opportunity to sell items that generate higher dollar sales.

Hillman sells its products to approximately 20,000 customers, the top five of which accounted for 44.0% of its annualized sales. Lowe's is the single largest customer, representing 17.7% of total sales, Home Depot is the second largest at 10.4% and Wal-Mart is the third largest at 10.2%. No other customer accounted for more than 10% of the Company's total sales in 2004.

Hillman's telemarketing activity sells to approximately 6,700 smaller hardware outlets and over 6,000 non-hardware accounts. New business is also being pursued internationally in such places as Canada, Mexico, South and Central America, and the Caribbean.

Sales and Marketing

Management believes that Hillman provides unmatched product support, customer service and profit opportunities for its retail distribution partners. It also believes that a significant source of its competitive advantage rests in its ability to provide a greater level of customer service than its competitors. Hillman products are covered directly by the combined field service organization, which provides service support through field visits. These field visits provide Hillman with critical information relating to consumer buying patterns and retailing trends, and complements their new product development efforts. Field service representatives also help retail customers to improve the efficiency and profitability of Hillman's on-site merchandising systems by consulting with customers in the areas of EDI, product planning, inventory control, systems interface and store operations.

The national accounts field service organization consists of over 395 service people and 23 field managers focusing on Big Box retailers, pet super stores, large national discount chains and grocery stores. This organization reorders products, details store shelves and sets up in-store promotions.

Management believes the Company consistently is able to be responsive to the needs of the F&I retailers because it employs the largest direct sales organization in the retail home industry. This organization consists of 226 people, managed by 17 field managers. Each sales representative is responsible for approximately 50 full service accounts that they call on approximately every two weeks. Coupled with the efforts of the Marketing Department, the sales force not only sells products, but can sell merchandising and technological support capabilities as well. The Marketing Department provides support through the development of new products, sales collateral, promotional items, merchandising aids and marketing services such as advertising and trade show management. Its electronic data interchange ("EDI") system is used by a number of its large customers for handling of orders and invoices.

Competition

The primary competitors in the national accounts marketplace for fasteners are Crown-Bolt, R&B, Inc. and the Newell Group. Competition is based primarily on in-store service and price. Other competitors are local and regional distributors.

The principal competitors for Hillman's F&I business are Midwest Fasteners, Serv-A-Lite and Hyko in the hardware store marketplace. The first two carry mainly fastener products, while the latter is the major competitor in LNS products. Hillman competes primarily on field service, merchandising, as well as product availability, price and breadth of product line.

Management estimates that Hillman sells to approximately 65% of the full service hardware stores in the F&I marketplace. The hardware outlets that purchase products but not services from Hillman also purchase products from local and regional distributors and cooperatives. Competition in the F&I marketplace is primarily on the basis of price and availability.

Hillman competes with Hyko for LNS sales in hardware stores, home centers and mass merchants. Competitors in the pet tag market are specialty retailers, direct mail order and retailers with in-store mail order capability. The Quick-Tag system has patent protected proprietary technology that is a major barrier to entry and preserves this market segment.

Risk Factors

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

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

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

The Company's business, financial condition and results of operations may be materially adversely affected by seasonality and general economic conditions affecting its sales.

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

The Company's profitability may be materially adversely affected as a result of consolidation in the retail trade industry.

With the trend toward retail trade consolidation, the Company is increasingly dependent upon key retailers whose bargaining strength is growing. Accordingly, the Company faces greater pressure from its retail trade customers to provide more favorable trade terms. The Company's profitability may be negatively affected by changes in the policies of its retail trade customers.

Changes in general economic conditions could also have a material adverse effect on the Company's sales.

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

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

These factors could have a material adverse affect the Company's business, financial condition and results of operations.

The inability to make timely and cost effective acquisitions may adversely affect the Company's business.

An element of Hillman's future growth strategy is to pursue selected acquisitions that either expand or complement its businesses in new or existing markets. However, there can be no assurance that the Company will be able to identify or acquire acceptable acquisition candidates on terms favorable to the Company and in a timely manner, if at all, to the extent necessary to fulfill Hillman's growth strategy. Furthermore, there can be no assurance that competition for acquisition candidates will not escalate, thereby increasing the costs of acquisitions. The process of integrating acquired businesses into the Company's operations may result in unforeseen difficulties and may require a disproportionate amount of resources and management's attention, and there can be no assurance that Hillman will be able to successfully integrate acquired businesses into its operations.

Insurance Arrangements

Under the Company's current insurance programs, commercial umbrella coverage is obtained for catastrophic exposure and aggregate losses in excess of expected claims. Since October 1991, the Company has retained the exposure on certain expected losses related to worker's compensation, general liability and automobile. The Company also retains the exposure on expected losses related to health benefits of certain employees. The Company believes that its present insurance is adequate for its businesses. See Note 18, Commitments and Contingencies, of Notes to Consolidated Financial Statements of the Company as of and for the three years ended December 31, 2004.

Employees

As of December 31, 2004, the Company had 1,794 full time and part time employees. In the opinion of management, employee relations are good.

Backlog

The Company's sales backlog from ongoing operations was $3.1 million as of December 31, 2004, and $2.6 million as of December 31, 2003.

Where You Can Find More Information

The Company files quarterly reports on Form 10-Q, annual reports on Form 10-K and special reports on Form 8-K, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any reports, statements, or other information filed by the Company at the Commission's public reference rooms at 450 5th Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for more information on the public reference rooms. The Commission also maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, like Hillman, that file electronically with the Commission. Copies may also be obtained, after paying a duplicating fee, by electronic request to publicinfo@sec.gov or by written request to Public Reference Section, Washington, D.C. 20549-0102.

You can inspect reports, proxy statements, and other information about the Company at the offices of The American Stock Exchange, 86 Trinity Place, New York, NY 10006.

Item 2 – Properties.

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

Location	Approximate Square Footage	Description
Cincinnati, Ohio	240,000	Office, Distribution
Forest Park, Ohio	260,000	Distribution
Tempe, Arizona	161,000	Mfg., Distribution
Tempe, Arizona	47,000	Office
Shafter, California	84,000	Distribution
Lewisville, Texas	72,000	Distribution
Wilsonville, Oregon	29,000	Distribution
Charlotte, North Carolina	40,000	Distribution
Green Island, New York	56,000	Distribution
LaCrosse, Wisconsin	48,000	Distribution
Riviera Beach, Florida	37,000	Distribution
Goodlettsville, Tennessee	72,000	Mfg., Distribution
Mississauga, Ontario	11,000	Distribution

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

Item 3 – Legal Proceedings.

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

Item 4 – Submission of Matters to a Vote of Security Holders.

The Company did not submit any matters to a vote of Trust Preferred holders during the quarter ended December 31, 2004.

Part II

Item 5 – Market for Registrant's Common Shares and Related Stockholder Matters.

Stock Exchange Listing

The Company's common stock does not trade and is not listed on or quoted in an exchange or other market. However, the Trust Preferred Securities trade under the ticker symbol HLM.Pr on the American Stock Exchange. The following table sets forth the high and low closing sale prices on the American Stock Exchange composite tape for the Trust Preferred Securities.

2004	High	Low
First Quarter	$ 27.50	$ 26.15
Second Quarter	27.55	26.50
Third Quarter	27.70	26.80
Fourth Quarter	29.45	27.40

2003	High	Low
First Quarter	$ 25.85	$ 25.00
Second Quarter	27.00	25.14
Third Quarter	26.95	26.00
Fourth Quarter	27.04	26.20

The Trust Preferred Securities have a liquidation value of $25.00 per security. As of March 22, 2005, there were 731 holders of Trust Preferred Securities and fifteen (15) common stockholders. The total number of Trust Preferred Securities outstanding as of March 25, 2005, was 4,217,724. The total number of shares of Common Stock outstanding as of March 25, 2005, was 10,000.

Distributions

The Company pays interest to the Hillman Group Capital Trust ("the Trust") on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the years ended December 31, 2004 and 2003, the Company paid $12.2 million per year in interest on the Junior Subordinated Debentures, which was equivalent to the amounts distributed on the Trust for the same periods.

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

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

Issuer Purchases of Equity Securities

The Company made no repurchases of its equity securities during 2004.

Item 6 – Selected Financial Data.

As a result of the Merger Transaction, the Company's operations for the periods presented subsequent to the September 30, 2001 acquisition by Allied Capital but prior to March 31, 2004 are referenced herein as the predecessor operations (the "Predecessor" or "Predecessor Operations"). The Company's operations for the periods presented since the merger are referenced herein as the successor operations (the "Successor" or "Successor Operations") and include the effects of the Company's debt refinancing. Periods prior to the acquisition by Allied Capital are referred to below as the pre-predecessor operations (the "Pre-predecessor" or "Pre-predecessor Operations").

The following table sets forth selected consolidated financial data of the Pre-predecessor as of and for the year ended December 31, 2000 and the nine months ended September 30, 2001; and consolidated financial data of the Predecessor as of and for the three months ended March 31, 2004, the two years ended December 31, 2003 and the three months ended December 31, 2001; and consolidated financial data of the Successor as of and for the nine months ended December 31, 2004. See the accompanying Notes to Consolidated Financial Statements and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" for information regarding the acquisition of the Company by CHS and the Company's debt refinancing as well as other acquisitions that affect comparability.

(dollars in thousands)

	Successor	Predecessor				Pre-predecessor (3)	
	Nine Months Ended 12/31/04	Three Months Ended 03/31/04	Year Ended 12/31/03	Year Ended 12/31/02	Three Months Ended 12/31/01	Nine Months Ended 09/30/01	Year Ended 12/31/00
Income Statement Data:							
Continuing Operations							
Net sales	$ 272,640	$ 78,997	$ 318,441	$ 286,788	$ 60,040	$ 341,307	$ 462,839
Gross profit	149,922	43,217	174,671	160,614	34,442	143,564	184,660
Non-recurring expense (2)	—	30,707	—	—	—	—	—
Gain on contribution of subsidiaries (4)	—	—	—	—	—	—	49,115
Income (loss) before discontinued operations (4)	627	(19,316)	(4,647)	6,103	(2,909)	(1,327)	27,290
(Loss) income from discontinued operations (4)	—	—	—	—	—	—	(2,610)
Net income (loss)	$ 627	$ (19,316)	$ (4,647)	$ 6,103	$ (2,909)	$ (1,327)	$ 24,680
Balance Sheet Data at December 31:							
Total assets	$ 606,542	N/A	$ 355,833	$ 363,194	$ 339,961	N/A	$ 320,960
Long-term debt and capitalized lease obligations (1)	$ 264,101	N/A	$ 148,309	$ 146,716	$ 128,739	N/A	$ 102,790

(1) Includes current portion of long-term debt and capitalized lease obligations.

(2) Non-recurring expenses incurred in connection with CHS merger including $24,353 for stock options granted at an exercise price below fair market value, $4,035 in investment banking and legal fees, $1,922 in management bonuses and $397 in payroll taxes. See the Notes to the Consolidated Financial Statements for further details.

(3) Financial data for the nine months ended September 30, 2001 and the year ended December 31, 2000 include the operating results of the SunSource Technology Services business, the assets of which were sold pursuant to an Asset Purchase Agreement on September 28, 2001.

(4) This information is not included in the current Consolidated Statements of Operations for the three years ended December 31, 2004, however, it was included in prior years when applicable.

Item 7 – 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 related notes and schedules thereto appearing elsewhere herein.

General

The Hillman Companies, Inc. ("Hillman" or the "Company") is one of the largest providers of hardware-related products and related merchandising services to the retail markets in North America.

The Company's principal business is operated through its wholly-owned subsidiary, The Hillman Group, which had sales of approximately $352 million in 2004. The Hillman Group sells its product lines and provides its services to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico and South America. Product lines include thousands of small parts such as fasteners and related hardware items; keys, key duplication systems and accessories; and identification items, such as, tags and letters, numbers, and signs. Services offered include design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

Merger Transaction

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 ($102.4 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 HarbourVest 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 operations 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 December 31, 2004 and its related Consolidated Statements of Operations for the nine months ended December 31, 2004, and its Consolidated Statements of Cash Flows and Changes in Stockholders' Equity for the nine months ended December 31, 2004 are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements").

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 (the "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 as of the last day 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"). 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.

In addition, on March 31, 2004, the Company, through The Hillman Group, 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 effectively fixes the interest rate on $50.0 million of the 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.

Acquisitions and Divestitures

On October 3, 2002, the Company, through The Hillman Group, purchased the net assets of the DIY division ("DIY") of the Fastenal Company of Winona, MN ("Fastenal"). DIY, with annual sales of approximately $22 million, distributes fasteners, anchors, picture hanging wire, hooks, tacks, and brads to national hardware cooperatives and home centers. The Company paid $15.3 million in cash to Fastenal for the net assets of DIY. The transaction was financed from the Company's existing credit lines.

In connection with the DIY acquisition, the Company developed an overall plan that included the elimination of redundant headcount and facilities. In accordance with ETIF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," the Company accrued $3.4 million of estimated costs related to the plan in the fourth quarter of 2002. The estimated costs consisted of approximately $1.5 million of fixed asset disposals, $0.9 million of facilities lease costs, $0.5 million of inventory conversion and relocation expense and $0.5 million for planned workforce reductions. The plan was substantially completed by December 31, 2003.

Additional reserves were established in 2003 for costs associated with the integration of the DIY acquisition. Additional costs include severance of $0.3 million, facility lease of $1.2 million, inventory adjustments of $0.8 million, and customer conversion costs which include product buybacks of $1.6 million. The actual cost of fixed asset disposals was $0.4 million less than the original estimate.

On May 1, 2002, the Company's Hillman Group purchased certain assets of the Lowe's specialty fastener business from R&B, Inc. for cash consideration of $6.2 million. The purchase of the specialty fastener business has expanded the breadth of the Company's product offering to Lowe's. In connection with this transaction, the Company settled litigation filed by R&B, Inc. in February 1996 related to the Company's sale of the Dorman Products division.

The litigation settlement in the amount of $1.25 million was fully reserved on the Company's balance sheet, and accordingly, there was no charge to income in 2002.

On March 2, 2000, the Company contributed the interests in its Kar Products, Inc. and A & H Bolt & Nut Company Limited operations (collectively, the "Kar business"), to a newly-formed partnership affiliated with Glencoe Capital, L.L.C. ("Glencoe"). Glencoe contributed cash equity to the new partnership, GC-Sun Holdings L.P. ("G-C"). The Company received $105 million in cash proceeds from the transaction through repayment of assumed debt by G-C and retained minority ownership in G-C. Affiliates of Glencoe held the controlling interest in G-C. The Company recorded a pre-tax gain on the transaction of approximately $49.1 million in the first quarter of 2000. On January 4, 2002, G-C provided the Company notice that it intended to exercise its call right to purchase the Company's partnership interest as a result of the merger transaction with Allied Capital. On April 13, 2002, the Company entered into a Unit Repurchase Agreement with G-C, pursuant to which G-C exercised its call right. In exchange for its interest in G-C, the Company received a $10 million subordinated note from G-C.

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 thereon. Accordingly, the Company recorded a $11.3 million charge to income during the year ended December 31, 2003 to write-down the face value of the note and accrued interest thereon to zero.

The G-C note was distributed to the Company's common stockholders on March 31, 2004.

Results of Operations

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

	(dollars in thousands)					
	2004 (a)		2003		2002	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$ 351,637	100.0%	$ 318,441	100.0%	$ 286,788	100.0%
Cost of sales	158,498	45.1%	143,770	45.1%	126,174	44.0%
Gross profit	193,139	54.9%	174,671	54.9%	160,614	56.0%
Operating expenses:						
Selling	67,796	19.3%	57,939	18.2%	54,872	19.1%
Warehouse & delivery	44,245	12.6%	40,590	12.7%	33,048	11.5%
General & Administrative	18,054	5.1%	21,922	6.9%	23,516	8.2%
Stock compensation expense	272	0.1%	—	0.0%	—	0.0%
Total SG&A	130,367	37.1%	120,451	37.8%	111,436	38.9%
Non-recurring expense (b)	30,707	8.7%	—	0.0%	—	0.0%
Depreciation	15,187	4.3%	14,399	4.5%	12,004	4.2%
Amortization	5,748	1.6%	1,437	0.5%	1,485	0.5%
Management fees	1,329	0.4%	1,800	0.6%	1,800	0.6%
Total operating expenses	183,338	52.1%	138,087	43.4%	126,725	44.2%
Gain on termination of defined benefit pension plan (c)	—	0.0%	—	0.0%	1,231	0.4%
Other income (expense)	277	0.1%	681	0.2%	320	0.1%
Income from operations	10,078	2.9%	37,265	11.7%	35,440	12.4%
Interest expense	17,539	5.0%	15,405	4.8%	13,227	4.6%
Interest expense on mandatorily redeemable preferred stock & management purchased preferred options	5,458	1.6%	—	0.0%	—	0.0%
Interest expense on junior subordinated notes	12,231	3.5%	—	0.0%	—	0.0%
Distributions on guaranteed preferred beneficial interest	—	0.0%	12,231	3.8%	12,231	4.3%
Write-down of note receivable	—	0.0%	11,258	3.5%	—	0.0%
Income (loss) before taxes	(25,150)	-7.2%	(1,629)	-0.5%	9,982	3.5%

(a) For the purpose of comparing the Company's results of operations for each of the three years ended December 31, 2004, the results of the Predecessor Operations for the three months ended March 31, 2004 have been combined with the results of the Successor Operations for the nine months ended December 31, 2004.

(b) Represents one-time charges for stock options, management bonuses, investment banking, and legal fees incurred in connection with the March 31, 2004 Merger Transaction.

(c) Represents income as a result of the final settlement of the Company's defined benefit plans in 2002.

Years Ended December 31, 2004 and 2003

Net sales increased $33.2 million or 10.4% in 2004 to $351.6 million from $318.4 million in 2003. Sales to national accounts represented $19.2 million of the $33.2 million total sales increase. The new store growth of our national accounts customers was primarily responsible for the increased fastener, keys, and LNS sales to Lowe's, increased keys and LNS sales to Home Depot, and increased keys sales to Wal-Mart. Sales to Franchise and Independent ("F&I") accounts increased $9.1 million from 2003 primarily due to 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 Tru-Serv, Ace, and Do-It-Best. In addition, the regional and engraving accounts increased $3.2 million over the comparable period in 2003. The regional accounts represent mid-sized hardware and lumber chains. Sales by our Canadian division increased $1.3 million, export sales increased $0.8 million, and other sales were $0.4 million less than the prior year.

The Company's sales backlog, based upon cancelable purchase orders, was $3.1 million as of December 31, 2004 and $2.6 million as of December 31, 2003.

The Hillman Group's gross margin of 54.9% in 2004 was unchanged from 2003. Price increases together with production efficiencies following the December 2003 consolidation of the Rockford packaging and distribution facility into the Company's Cincinnati facility offset the rising cost of the Company's products.

The Company's consolidated Selling, General and Administrative ("S,G&A") expenses increased $9.9 million or 8.2% from $120.5 million in 2003 to $130.4 million in 2004. Selling expenses increased $9.9 million or 17.1% primarily as a result of increased servicing and display costs at new national account stores. Warehouse and delivery expenses increased $3.6 million or 8.9% as a result of increased freight and labor costs of $2.8 million to process and ship the additional sales volume. General and administrative expenses decreased by $3.9 million or 17.8% as a result of a substantial decrease in medical claims experienced in 2004 compared to 2003 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. Stock compensation expenses from stock options related to the Merger Transaction were $0.3 million in 2004. There was no stock compensation expense in 2003.

Depreciation expense increased $0.8 million to $15.2 million in 2004 from $14.4 million in 2003 primarily as a result of an increase in the depreciable fixed asset base in connection with the placement of key duplication machines used in new national accounts.

Amortization expense increased $4.3 million to $5.7 million in 2004 from $1.4 million in 2003. The increase in amortization was the result of an increase in the valuation of certain intangible assets in connection with the Merger Transaction.

The Company has recorded a management fee charge of $1.3 million for 2004 and $1.8 million for 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 OTPP 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.

Income from operations for the year ended December 31, 2004 was $40.8 million after excluding $30.7 million in non-recurring costs recorded in connection with the Merger Transaction. This represents an increase of $3.5 million or 9.4% from the $37.3 million for the year ended December 31, 2003.

The Company's consolidated operating profit margin from operations (income from operations as a percentage of net sales) decreased from 11.7% in 2003 to 11.6% in 2004 after excluding non-recurring costs recorded in connection with the Merger Transaction. The operating profit margin benefited from the reduction of S,G&A expenses and management fees as a percentage of sales, but these benefits were offset by the increase in amortization costs as a percentage of sales which resulted from the Merger Transaction.

Interest expense, net, increased $2.1 million to $17.5 million in 2004 from $15.4 million in 2003. The increase in interest expense, net, was primarily the result of increased Company debt related to the Merger Transaction and the amortization of additional deferred financing costs.

Interest expense was $5.5 million in 2004 on the mandatorily redeemable preferred stock and management purchased preferred options related to the Merger Transaction. No such interest expense was recorded in 2003.

The Company also 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. For the years ended December 31, 2004 and 2003, the Company paid $12.2 million interest on the Junior Subordinated Debentures, which is equivalent to the amounts distributed by the Trust on the Trust Preferred Securities.

See Note 6, Income Taxes, of Notes to Consolidated Financial Statements of the Company for the three years ended December 31, 2004, for income taxes and disclosures related to 2004 and 2003 income tax events.

Years Ended December 31, 2003 and 2002

Net sales from the Hillman Group operations increased $31.6 million or 11.0% in 2003 to $318.4 million from $286.8 million in 2002. DIY was acquired from the Fastenal Company in October 2002 and it contributed $12.8 million of the 2003 sales increase. Increased fastener sales to Lowe's represented $4.7 million of the $31.6 million total sales increase in 2003 over 2002. In May 2002, Hillman began supplying all Lowe's locations following the acquisition of the specialty fastener business from R&B, Inc. Sales to other national accounts, including Home Depot and Wal-Mart, increased by an aggregate $7.2 million in 2003 compared to 2002, primarily as a result of new store growth. In addition, the regional and engraving accounts together with F&I accounts increased $5.3 million over the comparable period in 2002. The regional accounts represent mid-sized hardware and lumber chains. The F&I accounts are typically individual dealers who are members of larger cooperatives, such as Tru-Serv, Ace, and Do-It-Best. Sales by our Canadian division increased $0.5 million, Export sales increased $0.6 million, and other sales accounted for the remaining $0.5 million in increased sales over 2002.

The Company's sales backlog, based upon cancelable purchase orders, was $2.6 million as of December 31, 2003 and $1.3 million as of December 31, 2002.

The Hillman Group's gross margin was 54.9% in 2003 compared with 56.0% in 2002. The increase in sales volume generated from the newly acquired DIY division was made primarily to warehouse accounts at lower margin rates than other typical Hillman accounts. The resultant shift in sales mix contributed to the 1.1% decrease in gross margin in the comparison period.

The Company's consolidated Selling, General and Administrative expenses increased $9.1 million or 8.2% from $111.4 million in 2002 to $120.5 million in 2003. Selling expenses increased $3.1 million or 5.5% primarily as a result of servicing costs at new national account stores. Warehouse and delivery expenses increased $7.6 million or 23.0% as a result

of increased freight and labor costs to process and ship the additional sales volume. General and administrative expenses decreased by $1.6 million or 6.8% primarily as a result of the closing of the Philadelphia corporate office in May 2002 and moving the corporate operations to Cincinnati.

Depreciation expense from operations increased $2.4 million to $14.4 million in 2003 from $12.0 million in 2002 primarily as a result of an increase in the depreciable fixed asset base in connection with the purchase of automation equipment for the Cincinnati distribution center.

Amortization expense from operations decreased $0.1 million to $1.4 million in 2003 from $1.5 million in 2002. The decrease in amortization was the result of certain intangible assets becoming fully amortized during 2003.

The Company has recorded a management fee charge of $1.8 million in both the years 2003 and 2002. In connection with the merger transaction with Allied Capital, 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 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.

Income from operations for the year ended December 31, 2003 was $37.3 million. This represents an increase of $3.1 million or 9.1% from the $34.2 million for the year ended December 31, 2002 after excluding a one-time gain of $1.2 million on termination of the pension plan.

The Company's consolidated operating profit margin from operations (income from operations as a percentage of net sales) decreased to 11.7% in 2003 from 12.0% after excluding a one-time gain on termination of the pension plan in 2002. The operating profit margin decreased as a result of lower gross profit on the change in sales mix discussed above and the increase in depreciation expense which resulted from the larger depreciable fixed asset base. The operating profit margin benefited from the reduction of S,G&A expenses as a percentage of sales.

Interest expense, net, increased $2.2 million to $15.4 million in 2003 from $13.2 million in 2002. The increase in interest expense, net of interest income, was primarily the result of a decrease in interest income recorded on the $10.0 million note received from Glencoe from sale of the Company's interest in GC-Sun Holdings L.P. The Company recorded no interest income in 2003 as compared to $1.3 million in 2002. The remaining increase in interest expense was primarily the result of additional borrowings to finance the expansion and automation of the Company's distribution facility, to purchase the Lowe's specialty fastener business from R&B, Inc., and to purchase the DIY division of Fastenal Company.

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. For the years ended December 31, 2003 and 2002, the Company paid $12.2 million interest on the Junior Subordinated Debentures, equivalent to the amounts distributed by the Trust on the Trust Preferred Securities.

See Note 6, Income Taxes, of Notes to Consolidated Financial Statements of the Company for the three years ended December 31, 2004, for income taxes and disclosures related to 2003 and 2002 income tax events.

Liquidity and Capital Resources

Net cash provided by operating activities for the year ended December 31, 2004 was $5.3 million, primarily due to cash related adjustments of $5.9 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, and other assets plus the net income adjusted for non-cash charges for depreciation, amortization, dispositions of equipment, deferred taxes, PIK interest, and interest on mandatorily redeemable preferred stock of $0.5 million less prepayment penalty of $1.1 million.

Net cash used for investing activities was $12.0 million for the year ended December 31, 2004. Capital expenditures for the year totaled $12.0 million, consisting of $5.7 million for key duplicating machines, $2.0 million for engraving machines and $4.3 million for equipment purchases.

Net cash provided by financing activities for the year ended December 31, 2004 was $38.2 million, primarily related to the assumption of additional debt in connection with the Merger Transaction.

The Company's working capital (current assets minus current liabilities) position of $88.7 million as of December 31, 2004, represents an increase of $33.1 million from the December 31, 2003 level of $55.6 million as follows:

(dollars in thousands)

	Amount
Increase in cash and cash equivalents	$ 31,504
Increase in accounts receivable, net	4,520
Decrease in inventories, net	(145)
Decrease in other current assets	(2,950)
Increase in deferred taxes	1,237
Increase in accounts payable	(7,531)
Decrease in current portion of senior term loam	7,093
Increase in accrued interest	(2,105)
Decrease in other accrued liabilities	2,940
Other items, net	(1,453)
Net increase in working capital for the year ended December 31, 2004	$ 33,110

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

		Payments Due			
Contractual Obligations	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	More Than Five Years
Junior Subordinated Debentures (1)	$ 114,429	—	—	—	$ 114,429
Long Term Senior Term Loans	213,694	$ 2,175	$ 4,350	$ 4,350	202,819
Long Term Unsecured Subordinated Notes	48,090	—	—	—	48,090
Operating Leases	31,670	6,793	8,021	5,017	11,839
Mandatorily Redeemable Preferred Stock	62,232	—	—	—	62,232
Management Purchased Preferred Options	3,577	—	—	—	3,577
Deferred Compensation Obligations	4,223	75	150	150	3,848
Capital Lease Obligations	142	43	82	17	—
Other Long Term Obligations	5,547	1,485	950	793	2,319
Total Contractual Cash Obligations	$ 483,604	$ 10,571	$ 13,553	$ 10,327	$ 449,153

(1) The junior subordinated debentures liquidation value is approximately $105,446.

All of the obligations noted above are reflected on the Company's Consolidated Balance Sheet as of December 31, 2004, except for the Operating Leases. See Notes To Consolidated Financial Statements as of and for the three years ended December 31, 2004 for additional information.

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

As of December 31, 2004, the Company had $34.5 million available under its secured credit facilities. The Company had approximately $216.0 million of outstanding debt under its secured credit facilities at December 31, 2004, consisting of $215.9 million in a term loan and $0.1 million in capitalized lease obligations. The term loan consisted of a $215.3 million Term B Loan currently at a six (6) month LIBOR rate of 5.50% and a $0.6 million Term B Loan currently at a three (3) month LIBOR rate of 5.8125%. The capitalized lease obligations were at various interest rates.

As of December 31, 2004, the Company had purchase commitments which totaled $1.25 million for the expansions of the Cincinnati and Tempe office locations. The Company had no other 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 by the remaining 2.25% PIK Amount. All of the PIK Amounts are due on the maturity date of the Subordinated Debt Issuance. As of December 31, 2004, the outstanding Subordinated Debt Issuance including the PIK Amounts was $48.1 million.

In accordance with the Company's Senior Credit Agreement, Hillman must maintain its fixed charge coverage at all times in excess of 1.10x through December 31, 2004, 1.05x from January 1, 2005 through December 31, 2005 and 1.15x thereafter to continue monthly distributions on its Trust Preferred Securities ($1.0 million per month). Hillman's fixed charge coverage was 1.44x for the twelve-month period ended December 31, 2004 as calculated in accordance with the Senior Credit Agreement.

The Company had deferred tax assets aggregating $47.4 million, net of valuation allowance of $14.0 million, and deferred tax liabilities of $51.6 million as of December 31, 2004, as determined in accordance with SFAS 109. Management believes that the Company's deferred tax assets will be realized through the reversal of existing temporary differences between the financial statement and tax basis, as well as through future taxable income.

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.

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 this Agreement and Plan of Merger, 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 per year, plus out of pocket expenses, for calendar years subsequent to 2001. The Company has recorded a management fee charge of $0.5 million, $1.8 million and $1.8 million on the Predecessor's Statement of Operations for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. Payment of management fees was due annually after delivery of the Company's annual audited financial statements to the Board of Directors of the Company. The management fee for the year ended December 31, 2002 was paid in March 2003 and the management fee for the three months ended December 31, 2001 was paid in March 2002. 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.

On March 31, 2004, the Company was acquired by an affiliate of CHS. In connection with the CHS acquisition, the Company is obligated to pay management fees to a subsidiary of CHS in the amount of $58 thousand per month and to pay management fees to a subsidiary of OTPP in the amount of $26 thousand 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 and expenses from CHS and OTPP of $0.8 million for the nine month period ended December 31, 2004.

The Predecessor Company incurred interest expense to Allied Capital on the unsecured subordinated note 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. See discussion above and in Note 9, Long-Term Debt, of Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

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 Company's consolidated financial statements and results of operations.

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. The Company's purchase price allocation methodology requires estimates of the fair value of assets acquired and liabilities assumed. 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 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; purchase price allocation adjustments are based on changes in settlements of liabilities and assets realized; litigation is based on projections provided by legal counsel; deferred taxes 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.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical information. The allowance for doubtful accounts was $526 and $524 as of December 31, 2004 and 2003, respectively.

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 in an inventory reserve for inventory with no usage in the preceding twenty-four month period or with on hand quantities in excess of twenty-four months average usage. The inventory reserve amounts were $3,558 and $3,189 at December 31, 2004 and 2003, respectively.

Property and Equipment:

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

Depreciation:

For financial accounting purposes, depreciation, including that related to plant and equipment acquired under capital leases, is computed on the straight-lined method over the estimated useful lives of the assets, generally three to ten years, or 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 annually for impairment. Other intangible assets arising principally from the Merger Transaction are amortized on a straight-line basis over periods ranging from four to twenty-three years except the trademarks which are not amortized due to their indefinite useful lives.

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 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 $250 thousand up to $35 million.

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

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

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan ("defined contribution plan"). See Note 15, Retirement Benefits, of Notes to Consolidated Financial Statements for additional information.

Shipping and Handling:

The costs incurred to ship product to customers, including freight and handling expenses, are included in selling, general and administrative expenses on the Company's Statements of Operations. The Predecessor Company's shipping and handling costs were $3,629, $15,916, and $13,913 for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. The Successor Company's shipping and handling costs were $12,790 for the nine months ended December 31, 2004.

Research and Development:

The Company incurs research and development costs consisting primarily of internal wages and benefits in connection with improvements to the key duplicating and engraving machines. The Predecessor Company's research and development costs were $277, $1,381, and $1,510 for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. The Successor Company's research and development costs were $796 for the nine months ended December 31, 2004.

Stock Based Compensation:

The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations in accounting for its stock based employee compensation plans. The Company is also subject to disclosure requirements of SFAS 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Stock compensation expense as recorded under the APB 25 intrinsic value method approximates the fair value model prescribed by SFAS 123; accordingly no pro forma disclosures are necessary under SFAS 123. See Note 14, Stock Based Compensation, of Notes to Consolidated Financial Statements for additional information.

Fair Value of Financial Instruments:

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

Translation of Foreign Currencies:

The translation of the Company's Canadian foreign currency based financial statements into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The exchange rates represent the noon buying rates reported by the Federal Reserve Bank of New York.

Comprehensive Income (Loss):

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

	Successor Nine months ended December 31, 2004	Predecessor Three months ended March 31, 2004	Predecessor Year ended December 31, 2003	Predecessor Year ended December 31, 2002
Net income (loss)	$ 627	$ (19,316)	$ (4,647)	$ 6,103
Change in derivative security value, net	(18)	—	—	—
Foreign currency translation adjustment, net	(110)	10	(135)	5
Comprehensive income (loss)	$ 499	$ (19,306)	$ (4,782)	$ 6,108

Use of Estimate 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 information.

Recent Accounting Pronouncements:

In November 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 151, "Inventory Costs" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. This statement requires that these items be expensed as incurred and not included in overhead. In addition, SFAS 151 requires that allocation of fixed production overhead to conversion costs should be based on normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact from this standard on its results of operations and financial position.

In December 2003, the Financial Accounting Standards Board issued Statement No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). This statement replaced Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements (with limited exceptions). The amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Company is currently evaluating the impact from this standard on its results of operations and financial position.

Forward Looking Statements

Certain disclosures related to acquisitions and divestitures, refinancing, capital expenditures, resolution of pending litigation and realization of deferred tax assets contained in this annual report involve substantial risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, 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.

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

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

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

The Company is exposed to the impact of interest rate changes as borrowings under the Senior Credit Agreement bear interest at variable interest rates. It is the Company's policy to enter into interest rate 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 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 December 31, 2004, a one percent (1%) change in the weighted average interest rate for a period of one year would change the annual interest expense by approximately $1.7 million.

The Company is exposed to foreign exchange rate changes of the Canadian currency as it impacts the $1.6 million net asset value of its Canadian subsidiary, The Hillman Group Canada, Ltd., as of December 31, 2004. Management considers the Company's exposure to foreign currency translation gains or losses to be minimal.

Item 8 – Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
The Hillman Companies, Inc. and Subsidiaries

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Hillman Companies, Inc. and its subsidiaries at December 31, 2004 and 2003 and the results of their operations and their cash flows for the nine months ended December 31, 2004, the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 12, effective January 1, 2004, the Company adopted the provisions of Statement of Financial Accounting Standards No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity" and FASB Interpretation
No. 46(R), "Consolidation of Variable interest Entities – an interpretation of ARB No. 51 (revised December 2003)."

PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 10, 2005

Item 1.

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

	Successor December 31, 2004	Predecessor December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,032	$ 1,528
Restricted investments	75	1,145
Accounts receivable, net	39,903	35,383
Inventories, net	64,627	64,772
Deferred income taxes, net	6,520	5,283
Other current assets	2,820	5,770
Total current assets	146,977	113,881
Property and equipment, net	61,111	64,601
Goodwill	219,051	134,725
Other intangibles, net	167,842	9,631
Deferred income taxes, net	—	20,498
Restricted investments	4,148	5,932
Deferred financing fees, net	6,786	5,638
Other assets	627	927
Total assets	$ 606,542	$ 355,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 24,367	$ 16,836
Current portion of senior term loans	2,175	9,268
Current portion of capitalized lease obligations	43	54
Accrued expenses:		
Salaries and wages	4,523	4,897
Pricing allowances	9,909	8,242
Income and other taxes	2,137	1,966
Interest	3,362	1,257
Deferred compensation	75	1,145
Other accrued expenses	11,724	14,664
Total current liabilities	58,315	58,329
Long term senior term loans	213,694	51,290
Bank revolving credit	—	43,495
Long term capitalized lease obligations	99	140
Long term unsecured subordinated notes	48,090	—
Long term unsecured subordinated notes to related party	—	44,062
Junior subordinated debentures	114,429	—
Mandatorily redeemable preferred stock (Note 13)	62,232	—
Management purchased preferred options	3,577	—
Deferred compensation	4,148	5,932
Deferred income taxes, net	10,730	—
Other non-current liabilities	9,770	2,617
Total liabilities	525,084	205,865

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

	Successor December 31, 2004	Predecessor 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 December 31, 2004	407	—
Class B Common stock, $.01 par, 2,500 shares authorized, 1,000 issued and outstanding at December 31, 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 December 31, 2004	1	—
Common Stock:		
Common stock, $.01 par, 20,000,000 shares authorized, 7,118,484 issued and outstanding at December 31, 2003	—	71
Class A Common stock, $.01 par, 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2004	—	—
Class C Common stock, $.01 par, 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2004	—	—
Additional paid-in capital	81,452	52,310
Accumulated deficit	(1,274)	(4,647)
Accumulated other comprehensive loss	(128)	(130)
Total stockholders' equity	80,051	47,604
Total liabilities and stockholders' equity	$ 606,542	$ 355,833

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

	Successor	Predecessor		
	Nine months ended December 31, 2004	Three months ended March 31 2004	Year ended December 31, 2003	Year ended December 31, 2002
Net sales	$ 272,640	$ 78,997	$ 318,441	$ 286,788
Cost of sales	122,718	35,780	143,770	126,174
Gross profit	149,922	43,217	174,671	160,614
Operating expenses:				
Selling, general and administrative expenses	99,096	30,999	120,451	111,436
Non-recurring expense (Note 16)	—	30,707	—	—
Stock compensation expense	272	—	—	—
Depreciation	11,388	3,799	14,399	12,004
Amortization	5,427	321	1,437	1,485
Management fee to related party	805	524	1,800	1,800
Total operating expenses	116,988	66,350	138,087	126,725
Gain on termination of defined benefit pension plan (Note 15)	—	—	—	1,231
Other income (expense), net	417	(140)	681	320
Income (loss) from operations	33,351	(23,273)	37,265	35,440
Interest expense, net	13,698	3,841	15,405	13,227
Interest expense on mandatorily redeemable preferred stock and management purchased preferred options	5,458	—	—	—
Interest expense on junior subordinated notes	9,173	3,058	—	—
Distributions on guaranteed preferred beneficial interests	—	—	12,231	12,231
Write-down of note receivable (Note 4)	—	—	11,258	—
Income (loss) before income taxes	5,022	(30,172)	(1,629)	9,982
Income tax provision (benefit)	4,395	(10,856)	3,018	3,879
Net income (loss)	$ 627	$ (19,316)	$ (4,647)	$ 6,103

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Successor	Predecessor		
	Nine months ended December 31, 2004	Three months ended March 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Cash flows from operating activities:				
Net income (loss)	$ 627	$ (19,316)	$ (4,647)	$ 6,103
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	16,815	4,120	15,836	13,489
Dispositions of property and equipment	75	—	—	1,269
Deferred income tax (benefit)	4,156	(12,475)	1,108	5,081
PIK interest on unsecured subordinated notes	590	506	1,954	1,868
Interest on mandatorily redeemable preferred stock	5,458	—	—	—
Write-down of note receivable	—	—	11,258	—
Prepayment penalty	(1,097)	—	—	—
Changes in operating items, net of effects of acquisitions:				
Decrease (increase) in accounts receivable, net	937	(5,457)	(3,528)	892
Decrease (increase) in inventories, net	869	(724)	(4,989)	(1,184)
Decrease (increase) in other assets	1,786	1,464	(1,236)	2,484
Increase (decrease) in accounts payable	1,699	5,832	(3,537)	1,302
(Decrease) increase in other accrued liabilities	(26,842)	25,345	(1,974)	(383)
Other items, net	955	6	1,925	(1,114)
Net cash provided by (used for) operating activities	6,028	(699)	12,170	29,807
Cash flows from investing activities:				
Proceeds from sale of property and equipment	—	—	20	104
Payment for acquired businesses, net of cash	—	—	—	(21,592)
Capital expenditures	(9,404)	(2,586)	(11,479)	(22,989)
Repurchase of common stock	—	—	—	(231)
Other, net	—	(23)	(143)	1,062
Net cash used for investing activities	(9,404)	(2,609)	(11,602)	(43,646)
Cash flows from financing activities:				
Borrowings of senior term loans	217,500	—	—	20,220
Repayments of senior term loans	(62,189)	—	(9,269)	(4,518)
Borrowings of revolving credit loans	4,728	4,709	8,963	480
Repayments of revolving credit loans	(52,932)	—		
Borrowings of unsecured subordinated notes	47,500	—	—	—
Repayments of unsecured subordinated notes	(44,569)	—	—	—
Principal payments under capitalized lease obligations	(38)	(14)	(55)	(73)
Payment on STS preferred stock	—	—	—	(174)
Financing fees, net	(7,592)	—	(1,447)	(1,387)
Purchase of predecessor common stock	(214,724)	—	—	—
Receipt of successor equity proceeds	147,980	—	—	—
Merger transaction expenses	(2,171)	—	—	—
Net cash provided by (used for) financing activities	33,493	4,695	(1,808)	14,548
Net increase (decrease) in cash and cash equivalents	30,117	1,387	(1,240)	709
Cash and cash equivalents at beginning of period	2,915	1,528	2,768	2,059
Cash and cash equivalents at end of period	$ 33,032	$ 2,915	$ 1,528	$ 2,768

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands)

	Predecessor Common Stock	Successor Common Stock		Additional Paid-in Capital	Class A Preferred Stock	Accumulated Deficit	Accumulated Other Comprensive Income	Total Stockholders' Equity
		Class A	Class C					
Beginning Balance at December 31, 2001- Predecessor	$ 71	$ —	$ —	$ 56,252	$ —	$ (2,909)	$ —	$ 53,414
Net Income	—	—	—	—	—	6,103	—	6,103
Purchase and retirement of 20,000 shares of common stock	—	—	—	(231)	—	—	—	(231)
Dividends to stockholders	—	—	—	(3,711)	—	(3,194)	—	(6,905)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	5	5
Ending Balance at December 31, 2002- Predecessor	71	—	—	52,310	—	—	5	52,386
Net Loss	—	—	—	—	—	(4,647)	—	(4,647)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	(135)	(135)
Ending 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	—	—	—	—	—	627	—	627
Dividends to shareholders	—	—	—	(5,420)	—	(1,901)	—	(7,321)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	(110)	(110)
Change in derivative security value (1)	—	—	—	—	—	—	(18)	(18)
Ending Balance at December 31, 2004 - Successor	$ —	$ —	$ —	$ 81,452	$ 1	$ (1,274)	$ (128)	$ 80,051

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

SEE ACCOMPANYING 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 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 $511,646 including repayment of outstanding debt and including the value of the Company's outstanding Trust Preferred Securities ($102,395 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 HarbourVest 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 December 31, 2004 and its related Consolidated Statements of Operations, Cash Flows and Changes in Stockholders' Equity for the nine months ended December 31, 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 $511,646, 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 following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

Accounts receivable	$ 40,840
Inventory	65,496
Property and equipment	63,264
Goodwill	219,051
Intangible assets	173,269
Other assets	3,246
Total assets acquired	565,166
Less:	
Liabilities assumed	41,190
Junior subordinated debentures	114,725
Total assumed liabilities	155,915
Total purchase price	$ 409,251

(dollars in thousands)

1. Basis of Presentation (continued):

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 years ended December 31, 2004 (including non-recurring charges of $30,707 as discussed in Note 16, Non-Recurring Expense), 2003 and 2002. The pro forma financial statements give effect to the Merger Transaction and subsequent refinancing and the acquisitions described in Note 4, Acquisitions and Divestitures, as if they had occurred on January 1, 2002:

	2004	2003	2002
Net sales	$ 351,637	$ 318,441	$ 304,107
Net loss	21,379	14,960	3,873

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, 2002, 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.

Nature of Operations:

The Company is one of the largest providers of value-added merchandising services and hardware-related products to retail markets in North America through its wholly-owned subsidiary, The Hillman Group, Inc. (the "Hillman Group"). A subsidiary of the Hillman Group operates in Canada under the name The Hillman Group Canada, Ltd. The Hillman Group provides merchandising services and products such as fasteners and related hardware items, key duplication equipment, keys and related accessories, and identification equipment and items to retail outlets, primarily hardware stores, home centers and mass merchants. The Company has approximately 20,000 customers, the largest three of which accounted for 38.3% of net sales in 2004. The average single sale in 2004 was less than six hundred dollars.

2. Summary of Significant Accounting Policies:

Cash Equivalents:

Cash equivalents consist of commercial paper, U.S. Treasury obligations and other liquid securities purchased with initial maturities less than 90 days and are stated at cost which approximates market value.

Restricted Investments:

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

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical information. The allowance for doubtful accounts was $526 and $524 as of December 31, 2004 and 2003, respectively.

Inventories:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the first-in, first-out method. Excess and obsolete inventories are carried at net realizable value. The historical usage rate is the primary factor used by the Company in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to market is recorded in an inventory reserve for inventory with no usage in the preceding twenty-four month period or with on hand quantities in excess of twenty-four months average usage. The inventory reserve amounts were $3,558 and $3,189 at December 31, 2004 and 2003, respectively.

Property and Equipment:

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

Depreciation:

For financial accounting purposes, depreciation, including that related to plant and equipment acquired under capital leases, is computed on the straight-line method over the estimated useful lives of the assets, generally three to ten years or 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 annually for impairment. Other intangible assets arising principally from the Merger Transaction are amortized on a straight-line basis over periods ranging from four to twenty-three years except the trademarks which are not amortized due to their indefinite useful lives.

2. Summary of Significant Accounting Policies (continued):

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 tax benefits will not be realized. Adjustments to valuation allowances are recorded from changes in utilization of the tax related item. See Note 6, Income Taxes.

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan ("defined contribution plan"). See Note 15, Retirement Benefits.

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 and rebates. Discounts are recognized in the financial statements at the date of the related sale. Rebates are estimated based on the anticipated rebate to be paid and a portion of the estimated cost of the rebate is allocated to each underlying sales transaction. Rebates and discounts are included in the determination of net sales.

The Company also establishes reserves for customer returns and allowances. The reserve is established based on historical rates of returns and allowances. The reserve is adjusted quarterly based on actual experience.

Shipping and Handling:

The costs incurred to ship product to customers, including freight and handling expenses, are included in selling, general and administrative expenses on the Company's Statements of Operations. The Predecessor Company's shipping and handling costs were $3,629, $15,916, and $13,913 for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. The Successor Company's shipping and handling costs were $12,790 for the nine months ended December 31, 2004.

Research and Development:

The Company incurs research and development costs consisting primarily of internal wages and benefits in connection with improvements to the key duplicating and engraving machines. The Predecessor Company's research and development costs were $277, $1,381, and $1,510 for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. The Successor Company's research and development costs were $796 for the nine months ended December 31, 2004.

(dollars in thousands)

2. Summary of Significant Accounting Policies (continued):

Stock Based Compensation:

The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations in accounting for its stock based employee compensation plans. The Company is also subject to disclosure requirements of SFAS 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Stock compensation expense as recorded under the APB 25 intrinsic value method approximates the fair value model prescribed by SFAS 123; accordingly no pro forma disclosures are necessary under SFAS 123. See Note 14, Stock Based Compensation.

Fair Value of Financial Instruments:

Cash, accounts receivable, short-term borrowings, accounts payable, accrued liabilities and bank revolving credit are reflected in the consolidated financial statements at fair value due to the short-term maturity or revolving nature of these instruments. The fair values of the Company's debt instruments are disclosed in Note 9, Long-Term Debt. The fair value of the Trust Preferred Securities is disclosed in Note 12, Guaranteed Preferred Beneficial Interest in the Company's Junior Subordinated Debentures.

Translation of Foreign Currencies:

The translation of the Company's Canadian foreign currency based financial statements into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The exchange rates represent the noon buying rates reported by the Federal Reserve Bank of New York.

Comprehensive Income (Loss):

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

	Successor	Predecessor	Predecessor	Predecessor
	Nine months ended December 31, 2004	Three months ended March 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Net income (loss)	$ 627	$ (19,316)	$ (4,647)	$ 6,103
Change in derivative security value, net	(18)	—	—	—
Foreign currency translation adjustment, net	(110)	10	(135)	5
Comprehensive income (loss)	$ 499	$ (19,306)	$ (4,782)	$ 6,108

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 for the reporting period. Actual results may differ from estimates.

Reclassifications:

Certain amounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform to the 2004 presentation.

(dollars in thousands)

3. Recent Accounting Pronouncements:

In November 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 151, "Inventory Costs" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. This statement requires that these items be expensed as incurred and not included in overhead. In addition, SFAS 151 requires that allocation of fixed production overhead to conversion costs should be based on normal capacity of the production facilities. This Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact from this standard on its results of operations and financial position.

In December 2003, the Financial Accounting Standards Board issued Statement No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). This statement replaced Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements (with limited exceptions). The amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Company is currently evaluating the impact from this standard on its results of operations and financial position.

4. Acquisitions and Divestitures:

On October 3, 2002, the Company, through its Hillman Group subsidiary, purchased the net assets of the DIY division ("DIY") of the Fastenal Company of Winona, MN. DIY distributes fasteners, anchors, picture hanging wire, hooks, tacks, and brads to national hardware cooperatives and home centers. The Company's management believes that the purchase of the DIY business will further strengthen the Company's position in its core market segments, particularly with the national hardware cooperatives.

The accompanying financial statements reflect the allocation of the aggregate purchase price of $15,218 to the assets and liabilities of the Company based on fair values at the date of the transaction in accordance with SFAS No. 141, "Business Combinations." The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price:

Accounts Receivable	$ 3,658
Inventory	7,323
Property and equipment	2,490
Other Assets	3,523
Goodwill	5,976
Total assets acquired	22,970
Less assumed liabilities	7,752
Total purchase price	$ 15,218

(dollars in thousands)

4. Acquisitions and Divestitures (continued):

In connection with the DIY acquisition, the Company developed an overall plan that included the elimination of redundant headcount and facilities. In accordance with EITF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," the Company accrued $3,395 of estimated costs related to the DIY acquisition plan in the fourth quarter of 2002. The estimated costs consisted of approximately $1,500 of fixed asset disposals, $900 of facilities lease costs, $500 of inventory conversion and relocation expense and $495 for planned workforce reductions. The integration was substantially completed by December 31, 2003.

Additional reserves of $3,470, before tax adjustments of $1,422, have been established in 2003 for acquisition related costs associated with the purchase of DIY and recorded to goodwill. Additional costs include severance of $256, facility lease of $1,230, inventory adjustments of $832, and customer conversion costs which include product buybacks of $1,581. The actual cost of fixed asset disposals was $429 less than the original estimate.

The following table provides a rollforward from December 31, 2002 to December 31, 2004 of the remaining liabilities and acquisition related charges recorded by the Company:

	Severence & Related Costs	Facility Lease	Inventory Adjustments	Fixed Asset Disposal	Customer Conversions	**Total**
As of December 31, 2002	$ 495	$ 900	$ 500	$ 1,500	$ —	$ 3,395
Additions (Reductions)	256	1,230	832	(429)	1,581	3,470
Payments	(217)	—	(952)	(1,071)	(399)	(2,639)
As of December 31, 2003	$ 534	$ 2,130	$ 380	$ —	$ 1,182	$ 4,226
Additions (Reductions)	(22)	93	(35)		(36)	—
Payments	(512)	(602)	(345)		(1,042)	(2,501)
As of December 31, 2004	$ —	$ 1,621	$ —	$ —	$ 104	$ 1,725

On May 1, 2002, the Hillman Group purchased certain assets of the Lowe's specialty fastener business from R&B, Inc. for cash consideration of $6,207. The purchase price has been allocated as follows: $690 to accounts receivable, $1,338 to inventory, $138 to fixed assets, $51 to accrued liabilities and $4,092 to goodwill. The purchase of the specialty fastener business will expand the breadth of the Company's product offering to Lowe's. In connection with this transaction, the Company settled litigation filed by R&B, Inc. in February 1996 related to the Company's sale of the Dorman Products division. The litigation settlement in the amount of $1,250 was fully reserved on the Company's balance sheet, and accordingly, there was no charge to income in 2002.

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

4. Acquisitions and Divestitures (continued):

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 was determined to be insufficient to support the value of the G-C note and accrued interest. Accordingly, the Company recorded an $11,258 charge to income during the year ended December 31, 2003 to write-down the face value of the note and accrued interest thereon to zero.

The G-C note was distributed to the Company's common stockholders on March 31, 2004.

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 Agreement and Plan of Merger, the Company is obligated to pay management fees to a subsidiary of Allied Capital for management services rendered in the amount of $1,800 per year, plus out of pocket expenses, for calendar years subsequent to 2001. The Company has recorded a management fee charge of $524, $1,800 and $1,800 on the Predecessor's Statement of Operations for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. Payment of management fees was due annually after delivery of the Company's annual audited financial statements to the Board of Directors of the Company. The management fee for the year ended December 31, 2002 was paid in March 2003 and the management fee for the three months ended December 31, 2001 was paid in March 2002. 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 CHS. 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 and expenses from CHS and OTPP of $805 for the nine month period ended December 31, 2004.

The Predecessor Company incurred interest expense to Allied Capital on the unsecured 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. See discussion above and Note 9, Long-Term Debt, for additional details.

(dollars in thousands)

6. Income Taxes

The components of the Company's income tax provision (benefit) for the three years ended December 31, 2004 were as follows:

	Successor	Predecessor		
	Nine Months ended December 31, 2004	Three Months ended March 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Current:				
Federal & State	$ 78	$ 60	$ 397	$ 232
Foreign	—	—	—	—
Total current	78	60	397	232
Deferred:				
Federal & State	4,156	(12,475)	2,748	3,872
Foreign	—	—	—	—
Total deferred	4,156	(12,475)	2,748	3,872
Valuation allowance	161	1,559	(127)	(225)
Provision (benefit) for income taxes	$ 4,395	$ (10,856)	$ 3,018	$ 3,879

The Company has U.S. federal net operating loss ("NOL") carryforwards for tax purposes, totaling $84,004 as of December 31, 2004, that are available to offset future taxable income. These carryforwards expire from 2019 to 2024. Limitations on utilization may apply to approximately $61,621 of these loss carryforwards. Management believes that these losses will be fully utilized prior to the expiration date. No valuation allowance has been provided against the federal NOL.

The Company has state net operating loss carryforwards with an aggregate tax benefit of $6,525 which expire from 2005 to 2024. A valuation allowance of $1,224 has been established for these deferred tax assets.

The Company has federal unused capital losses totaling $36,706 as of December 31, 2004 that are available to offset future capital gains. These carryforwards expire in 2006. A valuation allowance of $12,480 has been established for these deferred tax assets. The Company also has $283 of general business tax credits which expire from 2009 to 2021. A valuation allowance of $283 has been established for these tax credits. In 2004, the change in the valuation reserve is due the Merger Transaction with CHS and an adjustment and utilization of capital loss and state net operating loss carryforwards.

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

(dollars in thousands)

6. Income Taxes (continued):

The table below reflects the significant components of the Company's net deferred tax assets and liabilities at December 31, 2004 and 2003:

	Successor		Predecessor	
	As of December 31, 2004		As of December 31, 2003	
	Current	Non-current	Current	Non-current
Deferred Tax Asset:				
Inventory	$ 4,087	$ —	$ 5,060	$ —
Acquisition related/severance reserve	1,009	581	2,125	—
Bad debt reserve	834	—	797	—
Casualty loss reserve	546	745	960	1,032
Deferred compensation	31	1,701	468	2,428
Medical insurance reserve	467		574	—
Federal net operating loss	—	28,561	—	17,584
State net operating loss	—	6,525	—	4,289
Equity issued, not exercised	—	746	—	—
Original issue discount amortization		467		420
Transaction costs	—	608	—	635
Federal capital loss carryforwards	—	12,480	—	12,480
All other items	1,471	500	1,175	809
Gross deferred tax assets	8,445	52,914	11,159	39,677
Valuation allowance for deferred tax assets	(1,925)	(12,062)	(5,876)	(11,407)
Net deferred tax assets	$ 6,520	$ 40,852	$ 5,283	$ 28,270
Deferred Tax Liability:				
Intangible asset amortization	$ —	$ 46,147	$ —	$ 1,992
Property and equipment	—	5,435	—	5,800
All other items	—	—	—	(20)
Gross deferred tax liabilities	$ —	$ 51,582	$ —	$ 7,772

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

(dollars in thousands)

6. Income Taxes (continued):

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

	Successor	Predecessor		
	Nine Months ended December 31, 2004	Three Months ended March 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Statuatory federal income tax rate	34.0%	34.0%	34.0%	34.0%
Impact of foreign losses for which a current tax benefit is not available	0.0%	-0.4%	-7.3%	0.0%
State and local income taxes, net of U.S. federal income tax benefit	16.2%	7.9%	-3.5%	6.7%
Increase in valuation allowance	0.0%	0.0%	-208.7%	0.0%
Other permanent differences, principally interest expense on manditorily redeemable preferred stock and amortization expense	34.2%	-0.4%	-19.9%	-1.8%
Effect of change in valuation allowances	3.2%	-5.2%	20.1%	0.0%
Effective income tax rate	87.6%	35.9%	-185.3%	38.9%

7. Property and Equipment, net:

Property and equipment, net, consists of the following at December 31, 2004 and 2003:

	Estimated Useful Life (Years)	Successor 2004	Predecessor 2003
Land		$ 131	$ 131
Buildings	27	781	884
Leasehold improvements	3-10	2,095	4,029
Machinery and equipment	3-10	66,823	74,859
Furniture and fixtures	3-5	1,080	1,511
Construction in process		445	—
Property and equipment, gross		71,355	81,414
Less: Accumulated depreciation		10,244	16,813
Property and equipment, net		$ 61,111	$ 64,601

(dollars in thousands)

8. Other Intangibles, net:

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 an independent appraisal. Other Intangibles, net as of December 31, 2004 and 2003 consist of the following:

	Successor		Predecessor	
	2004 Amount	Estimated Useful Life (Years)	2003 Amount	Estimated Useful Life (Years)
Customer Relationships	$ 114,897	23	$ —	—
Trademarks	44,670	Indefinite	6,500	25
Patents	7,960	9	6,700	8
Proprietary Software	—	—	1,000	8
Non Compete Agreements	5,742	4	1,250	4-5
Intangible assets, gross	173,269		15,450	
Less: Accumulated amortization	5,427		5,819	
Other Intangibles, net	$ 167,842		$ 9,631	

The Predecessor Company's amortization expense for amortizable assets was $321, $1,437, and $1,485 for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. The Successor Company's amortization expense for amortizable assets for the nine months ended December 31, 2004 was $5,427 and for the years ending December 31, 2005, 2006, 2007, 2008, and 2009 are estimated to be $7,236, $7,236, $6,762, $6,525, and $6,364, respectively.

9. 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 (the "Senior Credit Agreement") consisting of a $40,000 revolving credit (the "Revolver") and a $217,500 Term B Loan (the "Term Loan") collateralized by the Company's cash, accounts receivable, inventories, and fixed assets. 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".) 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. In addition, the Senior Credit Agreement prohibits the payment of dividends on any of the Company's equity securities. The Company was in compliance with all provisions of the Senior Credit Agreement as of December 31, 2004.

(dollars in thousands)

9. Long-Term Debt (continued):

In addition, on March 31, 2004, the Company, through The Hillman Group, Inc., 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.

As of December 31, 2004 and 2003, long-term debt is summarized as follows:

	Successor 2004	Predecessor 2003
Revolving Credit Agreement	$ —	$ 43,495
Term Loan A	—	24,003
Term Loan B	215,869	36,555
Subordinated Debt Issuance	48,090	44,062
Capital Leases	142	194
	264,101	148,309
Less: amounts due in one year	2,218	9,322
Long-term debt	$ 261,883	$ 138,987

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years following December 31, 2004, are as follows:

2005	$ 2,218
2006	2,219
2007	2,213
2008	2,192
2009	2,175
2010 and thereafter	253,084

As of December 31, 2004, the Company had $34,452 available under its revolving credit agreement and letter of credit commitments outstanding of $5,548. The Company had outstanding debt of $216,011 under its secured credit facilities at December 31, 2004, consisting of $215,869 in term loans and $142 in capitalized lease obligations. The term loans consisted of a $215,325 Term B Loan currently at a six (6) month LIBOR rate of 5.50% and a $544 Term B Loan currently at a three (3) month LIBOR rate of 5.8125%. The capitalized lease obligations were at various interest rates.

As of December 31, 2004, the estimated fair value of the Company's Term Loans approximates the recorded value as determined in accordance with SFAS No. 107, "Disclosure about Fair Value of Financial Instruments". The Company discounted the future cash flows of its Term Loans based on borrowing rates for debt with similar terms and remaining maturities. The fair value estimate is made at a specific point in time, is subjective in nature, and involves uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

(dollars in thousands)

10. Leases:

Certain warehouse and office space and equipment are leased under capital and operating leases with terms in excess of one year. Future minimum lease payments under noncancellable leases consisted of the following at December 31, 2004:

	Capital Leases	Operating Leases
2005	$ 53	$ 6,793
2006	50	4,934
2007	41	3,087
2008	18	2,690
2009	0	2,327
Later years	0	11,839
Total minimum lease payments	162	$ 31,670
Less amounts representing interest	(20)	
Present value of net minimum lease payments (including $43 currently payable)	$ 142	

The Successor's rental expense for all operating leases was $6,251 for the nine months ended December 31, 2004 and the Predecessor's rental expense for all operating leases was $2,055 for the three months ended March 31, 2004 and $8,913 and $7,560 for the years ended December 31, 2003 and 2002, respectively. Certain leases are subject to terms of renewal and escalation clauses.

11. Deferred Compensation Plans:

The Company maintains a deferred compensation plan for key employees (the "Nonqualified Deferred Compensation Plan") which allows for deferral of cash compensation from salary and annual bonuses. Executive deferrals can grow at mutual fund investment rates.

As of December 31, 2004 and 2003, the Company's consolidated balance sheet included $4,223 and $7,077, respectively, in restricted investments representing the assets held in mutual funds to fund deferred compensation liabilities due to the Company's current and former employees. The current portion of the restricted investments was $75 and $1,145 as of December 31, 2004 and 2003, respectively.

During the three years ended December 31, 2004, distributions from the deferred compensation plans aggregated $4,080 in 2004, $948 in 2003, and $1,142 in 2002.

12. 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 $105,446 underwritten public offering of 4,217,724 11.6% Trust Preferred Securities ("TOPrS"). The Trust invested the proceeds from the sale of the preferred securities 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.

(dollars in thousands)

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

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 December 31, 2004.

Non-current assets — junior subordinated debentures	$ 114,429
Non-current liabilities — Trust Preferred Securities	$ 114,429

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

In accordance with Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("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 $395 per year. At December 31, 2004, the recorded value of the Junior Subordinated Debentures, net of premium amortization, was $114,429. The fair value of the Junior Subordinated Debentures on December 31, 2004 was $123,158 based on the $29.20 per share closing price of the underlying Trust Preferred Securities as quoted on the American Stock Exchange.

13. 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.

13. Common and Preferred Stock (continued):

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 Stock 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. The SEC's Accounting Series Release No. 268, "Presentation in Financial Statements of Redeemable Preferred Stock," 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 allows 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.

The repurchase feature of the Class B Common Stock triggers variable accounting treatment under FASB Interpretation No. 44, "Accounting For Certain Transactions involving Stock Compensation – an interpretation of APB Opinion No. 25" ("FIN 44"). At December 31, 2004, the fair value of the Class B Common Stock was equivalent to the share price and accordingly no compensation charge was recorded for the nine months ended December 31, 2004.

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

Preferred Stock issued in connection with the Merger Transaction:

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

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

13. Common and Preferred Stock (continued):

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 December 31, 2004 Balance Sheet. Dividends on the mandatorily redeemable Class A Preferred Stock for the nine months ended December 31, 2004 are included in interest expense on the accompanying Consolidated Statements of Operations.

14. Stock Based Compensation:

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 per share. 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. 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. Dividends on the Purchased Options are recorded as interest expense in the accompanying Consolidated Statement of Operations. Additionally, under the terms of the ESA, the Purchased Options can be put back to the Company at fair market value if employment is terminated.

SFAS 150 requires the initial and subsequent valuations of the Purchased Options be measured at fair value with the change in fair value recognized as interest expense.

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

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

14. Stock Based Compensation (continued):

The Common Option Plan is administered by a Committee of the Board. The Committee determines the term of each option, provided that the exercise period may not exceed ten years from date of grant. On December 14, 2004, options to purchase 10 shares of Class B Common Shares were granted at a strike price of $1,000 per share to certain members of the Company's Board of Directors. Management has determined that SFAS 123 has no impact on net income and stockholders' equity of the Company as of and for the nine month period ended December 31, 2004.

On March 31, 2004, certain members of the Company's management were granted options to purchase 9,555.5 shares of Class A Preferred Stock and 6,666.7 shares of Hillman Investment Company Class A Preferred Stock (collectively the "Preferred Options"). The Preferred Options were granted with an exercise price of $1,000 per share which was equal to the value of the underlying Preferred Stock. The Preferred Options vest over five years with 20% vesting on each anniversary of the Merger Transaction. Holders of the Preferred Options are entitled to accrued dividends as if the underlying Preferred Stock were issued and outstanding as of the grant date.

Upon resignation from the Company after the third anniversary of grant, termination by the Company without Cause, death or disability, or retirement at age 61 the holder of the Preferred Options has a put right on the vested securities at a price equal to fair market value less any option exercise price payable. FIN 44 requires variable accounting treatment for stock awards with employee repurchase rights. Under APB Opinion 25, compensation expense is recognized to the extent the market value of the underlying security on the measurement date exceeds the cost to the employee. The market value on the Preferred Options increases by the amount of dividends accrued on the underlying Preferred Stock. Compensation expense will be recognized over the five-year vesting period in accordance with FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans – an interpretation of APB Opinions No. 15 and 25" ("FIN 28"). Accordingly, the Company has recorded a compensation charge of $272 in the accompanying Consolidated Statements of Operations for the nine months ended December 31, 2004.

15. Retirement Benefits:

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

In April 2002, the Company made the final distribution of the assets of a defined benefit plan for a discontinued subsidiary. The defined benefit plan was terminated in 2001 prior to the sale of the subsidiary. Other income for the year ended December 31, 2002 includes a favorable income adjustment of $1,231 resulting from final settlement of this defined benefit plan.

(dollars in thousands)

15. Retirement Benefits (continued):

Costs (income) charged to operations under all retirement benefit plans for the three years ended December 31, 2004 was as follows:

	Successor Nine months ended December 31, 2004	Predecessor Three months ended March 31, 2004	Predecessor Year ended December 31, 2003	Predecessor Year ended December 31, 2002
Defined contribution plans	$ 1,759	$ 406	$ 827	$ 1,905
Defined benefit plans	—	—	—	(1,231)
Total	$ 1,759	$ 406	$ 827	$ 674

16. 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 13, 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 stockholders 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.

17. 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,” (“SFAS 133”) as amended by SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities.” As amended, SFAS 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 $50,000. The Swap fixes the interest rate on $50,000 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 December 31, 2004 was ($18), net of $12 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 $18 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.

(dollars in thousands)

18. Commitments and Contingencies:

The Company self insures its product liability, worker's compensation and general liability losses up to $250 per occurrence. Catastrophic coverage is maintained for occurrences in excess of $250 up to $35,000. As of December 31, 2004, the Company has provided insurers letters of credit aggregating $5,548 related to its product liability, workers compensation and general liability coverage.

The Company self insures its group health claims up to an annual stop loss limit of $125 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.

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

19. Statements of Cash Flows:

Supplemental disclosures of cash flow information are presented below:

	Successor	Predecessor		
	Nine Months ended December 31, 2004	Three Months ended March 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Cash paid (refunded) during the period for:				
Interest on junior subordinated debentures	$ 9,173	$ 3,058	$ —	$ —
Distributions on guaranteed preferred beneficial interests	$ —	$ —	$ 12,231	$ 12,231
Interest	$ 8,992	$ 4,038	$ 12,318	$ 10,065
Income taxes	$ 22	$ 48	$ 338	$ (179)
Cash investing activities:				
Acquisitions (see Note 4, Acquisitions and Divestitures):				
Fair value of assets acquired, including goodwill	$ —	$ —	$ —	$ 21,592
Cash paid for acquired businesses	$ —	$ —	$ —	$ 21,592
Non-cash investing activities:				
Exchange of G-C interest for subordinated G-C note (Note 4)	$ —	$ —	$ —	$ 10,000
Non-cash financing activities:				
Dividends on preferred stock (Note 13)	$ 7,321	$ —	$ —	$ —

(dollars in thousands)

20. Quarterly Data (unaudited):

2004	Fourth	Third	Second	First
Net sales	$ 82,541	$ 97,463	$ 92,636	$ 78,997
Gross profit	45,387	53,505	51,030	43,217
Net income (loss)	(1,274)	1,690	211	(19,316)

2003	Fourth	Third	Second	First
Net sales	$ 78,134	$ 86,055	$ 84,263	$ 69,989
Gross profit	43,136	47,237	45,973	38,325
Net income (loss)	(2,100)	1,720	1,578	(5,845)

21. Concentration of Credit Risks:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to sales and trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. For the year ended December 31, 2004, the largest three customers accounted for 38.2% of sales and 42.9% of the year-end accounts receivable balance. No other customer accounted for more than 10% of the Company's total sales in 2004.

Concentration of credit risk with respect to purchases and trade payables are limited due to the large number of vendors comprising the Company's vendor base, with dispersion across different industries and geographic areas. The Company's largest vendor in terms of annual purchases accounted for 10.4% of the Company's total purchases and 7.0% of the Company's total trade payables on December 31, 2004.

(dollars in thousands)

22. Segment Information:

The following geographic area data includes revenue based on product shipment destination and plant and equipment based on physical location:

	Successor	Predecessor		
	Nine Months Ended December 31, 2004	Three Months Ended March 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Net sales				
United States	$ 266,175	$ 77,520	$ 312,396	$ 281,742
Canada	2,296	314	1,491	1,217
Mexico	895	116	973	725
Other	3,274	1,047	3,581	3,104
Consolidated net sales	$ 272,640	$ 78,997	$ 318,441	$ 286,788
Plant & equipment:				
United States	$ 61,055	$ 63,372	$ 64,550	$ 68,546
Canada	56	45	51	50
Mexico	—	—	—	—
Other	—	—	—	—
Consolidated plant & equip.	$ 61,111	$ 63,417	$ 64,601	$ 68,596

Financial Statement Schedule:

Schedule II — VALUATION ACCOUNTS

(dollars in thousands)

	Deducted From Assets in Balance Sheet	
	Allowance for Doubtful Accounts	Allowance for Obsolete/ Excess Inventory
Balance, December 31, 2001 - Predecessor	537	3,927
Additions charged to cost and expense	277	654
Additions for DIY Acquisition	100	1,419
Deductions due to:		
Others	359(A)	1,625(A)
Ending Balance - December 31, 2002 - Predecessor	555	4,375
Additions charged to cost and expense	63	697
Deductions due to:		
Others	94(A)	1,883(A)
Balance, December 31, 2003 - Predecessor	524	3,189
Additions charged to cost and expense	31	500
Deductions due to:		
Others	31(A)	215(A)
Ending Balance - March 31, 2004 - Predecessor	524	3,474
Additions charged to cost and expense	198	397
Deductions due to:		
Others	196(A)	313(A)
Ending Balance - December 31, 2004 - Successor	$ 526	$ 3,558

Notes:

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

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

There were no changes in or disagreements on accounting and financial disclosure during the year ended December 31, 2004.

Item 9A – Controls and Procedures

(a) As of the end of the period covered by this annual report on Form 10-K, in accordance with Rule 13a-15 of the Securities Exchange Act of 1934, as amended, the Company's management, with participation of the Company's chief executive officer and chief financial officer, conducted an evaluation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended). 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 ensuring that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and 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, as amended.

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

Item 9B – Other Information

None

PART III

Item 10 – Directors and Executive Officers of the Registrant.

The following is a summary of the biographies for at least the last five years of the continuing directors and officers. Each of the directors has served as such since March 31, 2004 except for Maurice P. Andrien, Jr. and Max W. Hillman who have served since September 2001.

Directors

Name and Age	Principal Occupation; Five-Year Employment; Other Directorships
Peter M. Gotsch (40)	Chairman of The Hillman Companies, Inc. since March 31, 2004. Mr. Gotsch has been a member of Code Hennessy & Simmons LLC since 1997 and employed by its affiliates since 1989. Mr. Gotsch presently serves on the Board of Beacon Roofing Supply, Inc.
Maurice P. Andrien, Jr. (63)	From September 2001 to March 2004 Mr. Andrien was Chairman of The Hillman Companies, Inc., Cincinnati, Ohio. From April 1999 to November 2001 Mr. Andrien was President and Chief Executive Officer of SunSource Inc. From June 1998 to April 1999, Mr. Andrien was President and Chief Operating Officer of Unican Security Systems, Ltd., Montreal, Quebec, Canada.
Max W. Hillman (58)	President and Chief Executive Officer of The Hillman Companies, Inc., Chief Executive Officer of The Hillman Group, Inc., Cincinnati, Ohio. From April 2000 to November 2001, Mr. Hillman was Co-Chief Executive Officer of The Hillman Group, Inc. From 1999 to April 2000, Mr. Hillman held the position of Chief Executive Officer of The Hillman Group, Inc. From 1991 to 1999, Mr. Hillman was a Group Vice President for SunSource Inc.
Andrew W. Code (46)	Mr. Code has been a general partner of CHS Management Limited Partnership ("CHS Management") and a general partner of Code, Hennessy & Simmons Limited Partnership ("CHS") since August 1988. Mr. Code is on the Board of SCP Pool Company.
Mark A. Dolfato (32)	Mr. Dolfato joined Code Hennessy & Simmons LLC as an Associate in 2000 and has been a Vice President since 2003.

Name and Age	Principal Occupation; Five-Year Employment; Other Directorships
Larry Wilton (57)	Mr. Wilton has been CEO of Compass Home Inc. since 2004. From 1998 to 2002 Mr. Wilton was CEO of Philips Lamps NAFTA. From 1996 to 1998 Mr. Wilton was Executive Vice President of Philips Lighting United States and Canada. From 1999 to 2002 Mr. Wilton served on the Philips NV Lamps Board of Directors.
J. Mark MacDonald (49)	J. Mark MacDonald is Vice President, Teachers' Private Capital, Ontario Teachers' Pension Plan Board. Mr. MacDonald joined Teachers' Private Capital, OTPPB in 1995. Mr. MacDonald is also a director of Trimac Transportation Services Inc., Osprey Media Group Inc., The Hillman Group, Inc., Young America Holdings Inc. and previously served on the board of directors of Sun Media Corporation, Q/Media Services Limited, AT&T Canada/MetroNet Communications Corporation, and TCT Logistics Inc.

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

Committees

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

The Company does not have a nominating committee, but it does have a compensation committee. The board of directors believes that it is not necessary to utilize a nominating committee. Director nominees for the Company are selected by the board of directors following receipt of recommendations of potential candidates from the Chairman of the Board of the Company. The board is not limited by the recommendation of the Chairman and may select other nominees. There is no charter setting forth these procedures and the board of directors has no policy regarding the consideration of any director candidates recommended by shareholders.

The current members of the audit committee are Peter Gotsch, Mark Dolfato and J. Mark MacDonald. No member of the audit committee is designated as an "audit committee financial expert."

Code of Ethics

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

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

Executive Officers

Name and Age	Position with the Company; Five-year Employment History
Max W. Hillman (58)	President and Chief Executive Officer of The Hillman Companies, Inc., Chief Executive Officer of The Hillman Group, Inc., Cincinnati, Ohio. See page 58 for five-year employment history. Mr. Hillman is the brother of Richard P. Hillman.
Richard P. Hillman (56)	President of The Hillman Group, Inc., Cincinnati, Ohio. Mr. Hillman has held such position since 1991. Mr. Hillman is the brother of Max W. Hillman.
James P. Waters (43)	Chief Financial Officer and Secretary of The Hillman Companies, Inc., Cincinnati, Ohio and Vice President, Chief Financial Officer and Secretary of The Hillman Group, Inc., Cincinnati, Ohio. From September 1999 to November 2001, Mr. Waters was Vice President and Chief Financial Officer of The Hillman Group, Inc. From November 1997 to September 1999, Mr. Waters was Vice President of Finance for Curtis Industries, Inc., Mayfield Heights, Ohio.
George L. Heredia (46)	Senior Vice President of Engraving for The Hillman Group, Inc., Tempe, Arizona. Mr. Heredia has held various executive positions since April 2000. Prior to April 2000, Mr. Heredia has held the positions of Senior Vice President of Marketing and Senior Vice President of Operations for Axxess Technologies Inc.
Terry R. Rowe (50)	Senior Vice President of National Account Sales for The Hillman Group, Inc., Cincinnati, Ohio. Mr. Rowe has held such position with The Hillman Group since 1992.

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

Item 11 – Executive Compensation

Compensation of Executive Officers

The following table sets forth all cash compensation paid and accrued for services rendered during the three years ended December 31, 2004, by each of the Chief Executive Officer, and the four other most highly compensated executive officers of the Company and its subsidiaries whose remuneration exceeded $100,000.

Name and Principal Position	Annual Compensation			Other Annual Compen-sation	Long-Term Compensation			All Other Compen-sation
	Year	Salary(1)	Bonus(2)		Restricted Stock Awards $	Securities Underlying Options #	LTIP Payouts $	
Max W. Hillman	2004	397,500	345,030	—	—	—	—	353,353(4)
President and CEO	2003	363,270	162,164	—	—	—	—	5,407(9)
The Hillman Companies, Inc.	2002	362,500	293,794	—	—	—	—	2,200(9)
Richard P. Hillman	2004	260,885	115,865	—	—	—	—	122,414(5)
President	2003	244,813	50,051	—	—	—	—	8,082(9)
The Hillman Group, Inc.	2002	234,423	105,990	—	—	—	—	4,735(9)
George L. Heredia	2004	220,846	72,668	—	—	—	—	57,905(6)
Senior VP of Engraving	2003	193,192	235,724(3)	—	—	—	—	6,899(9)
The Hillman Group, Inc.	2002	193,992	152,968(3)	—	—	—	—	3,644(9)
Terry R. Rowe	2004	202,846	57,126	—	—	—	—	55,895(7)
Senior VP National Accounts	2003	189,000	54,858	—	—	—	—	5,654(9)
The Hillman Group, Inc.	2002	182,000	64,715	—	—	—	—	5,226(9)
James P. Waters	2004	185,954	73,992	—	—	—	—	58,145(8)
CFO and Secretary	2003	170,838	35,738	—	—	—	—	7,427(9)
The Hillman Companies, Inc.	2002	163,269	55,845	—	—	—	—	5,419(9)

(1) Represents base salary plus other types of miscellaneous compensation.

(2) Represents earned bonus for services rendered in each year.

(3) Includes special performance and retention bonuses of $186,000 and $85,000 earned in 2003 and 2002, respectively, related to the acquisition of Axxess Technologies, Inc.

(4) Represents a discretionary management bonus paid in connection with the CHS acquisition of $345,159, 401(k) employer matching contributions of $5,694 and deferred compensation matching contributions of $2,500.

(5) Represents a discretionary management bonus paid in connection with the CHS acquisition of $113,000, 401(k) employer matching contributions of $6,884 and deferred compensation matching contributions of $2,500.

(6) Represents a discretionary management bonus paid in connection with the CHS acquisition of $48,550, 401(k) employer matching contributions of $6,856 and deferred compensation matching contributions of $2,500.

(7) Represents a discretionary management bonus paid in connection with the CHS acquisition of $49,308 and a 401(k) employer matching contributions of $6,587.

(8) Represents a discretionary management bonus paid in connection with the CHS acquisition of $49,308, 401(k) employer matching contributions of $6,337 and deferred compensation matching contributions of $2,500.

(9) Represents employer matching contributions in the Company's 401(k) and deferred compensation plans.

Maurice P. Andrien, Jr. and Larry Wilton are entitled to receive $4,000 for each Board meeting attended and an annual Board fee of $5,000. Mr. Andrien and Mr. Wilton each received $21,000 cash compensation for the year ended December 31, 2004 for their Board of Director duties. The remaining Board of Directors were not compensated by the Company during the year ended December 31, 2004.

In addition to cash compensation, Mr. Wilton and Mr. Andrien were granted 5 shares each of Class B Common Shares. There were no other common stock options outstanding as of December 31, 2004.

Option Grants in the Last Fiscal Year

The following table sets forth information with respect to the options granted by the Company during the 2004 fiscal year to the named executive officers:

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	Grant Date Value
Max W. Hillman					
Common Stock (1)	267,463	24.6%	$ 6.39	3/31/2004	$ 7,809,920
Class A Preferred (2)	3,244	33.9%	$ 1,000.00	3/31/2014	$ 949,499
Class A Preferred — Subsidiary (3)	2,263	33.9%	$ 1,000.00	3/31/2014	$ 629,114
Richard P. Hillman					
Common Stock (1)	66,866	6.2%	$ 6.39	3/31/2004	$ 1,952,487
Class A Preferred (2)	1,388	14.5%	$ 1,000.00	3/31/2014	$ 406,280
Class A Preferred — Subsidiary (3)	968	14.5%	$ 1,000.00	3/31/2014	$ 269,187
George L. Heredia					
Common Stock (1)	44,577	4.1%	$ 6.39	3/31/2004	$ 1,301,648
Class A Preferred (2)	715	7.5%	$ 1,000.00	3/31/2014	$ 209,390
Class A Preferred — Subsidiary (3)	497	7.5%	$ 1,000.00	3/31/2014	$ 138,138
Terry R. Rowe					
Common Stock (1)	44,577	4.1%	$ 6.39	3/31/2004	$ 1,301,648
Class A Preferred (2)	682	7.1%	$ 1,000.00	3/31/2014	$ 199,730
Class A Preferred — Subsidiary (3)	476	7.1%	$ 1,000.00	3/31/2014	$ 132,328
James P. Waters					
Common Stock (1)	44,577	4.1%	$ 6.39	3/31/2004	$ 1,301,648
Class A Preferred (2)	648	6.8%	$ 1,000.00	3/31/2014	$ 189,748
Class A Preferred — Subsidiary (3)	452	6.8%	$ 1,000.00	3/31/2014	$ 125,712

(1) Common stock options granted on March 30, 2004 under the SunSource Inc. 2001 Stock Incentive Plan. The options were issued with an exercise price below the fair market value on the grant date of $29.20 per share. The SunSource Inc. 2001 Stock Incentive Plan was terminated on March 31, 2004 in connection with the CHS acquisition.

(2) Options to purchase The Company's Class A Preferred Stock were granted on March 31, 2004 in connection with the CHS acquisition under the terms of an Executive Securities Agreement between the Company and the shareholder. The grant date value is based on an third party appraisal as of March 31, 2004.

(3) Options to purchase The Hillman Investment Company Class A Preferred Stock were granted on March 31, 2004 in connection with the CHS acquisition under the terms of an Executive Securities Agreement between the Company and the shareholder. The grant date value is based on an third party appraisal as of March 31, 2004.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth certain information regarding the options exercised by the named executives during the last fiscal year and the number and value of unexercised options held by the named executives at December 31, 2004:

Name	Number of Securities Underlying Options Exercised	Value Realized (1)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) Exercisable/ Unexercisable		Value of Unexercised In the Money Options at Fiscal Year End ($) Exercisable/ Unexercisable (3)	
Max W. Hillman						
Common Stock (2)	334,963	$ 7,796,519	—	—	$ —	—
Class A Preferred	—	—	—	3,244	$ —	288,680
Class A Preferred — Subsidiary	—	—	—	2,263	$ —	192,355
Richard P. Hillman						
Common Stock (2)	86,866	$ 2,024,213	—	—	$ —	—
Class A Preferred	—	—	—	1,388	$ —	123,523
Class A Preferred — Subsidiary	—	—	—	968	$ —	82,306
George L. Heredia						
Common Stock (2)	51,218	$ 1,177,093	—	—	$ —	—
Class A Preferred	—	—	—	715	$ —	63,662
Class A Preferred — Subsidiary	—	—	—	497	$ —	42,237
Terry R. Rowe						
Common Stock (2)	53,577	$ 1,241,601	—	—	$ —	—
Class A Preferred	—	—	—	682	$ —	60,725
Class A Preferred — Subsidiary	—	—	—	476	$ —	40,460
James P. Waters						
Common Stock (2)	53,577	$ 1,241,601	—	—	$ —	—
Class A Preferred	—	—	—	648	$ —	57,690
Class A Preferred — Subsidiary	—	—	—	452	$ —	38,437

(1) Represents the market value, as of the exercise date, of the options when the same were cashed out, less the aggregate option exercise price.

(2) In connection with the CHS Merger Transaction, options issued under the 1998 SunSource Equity Compensation Plan and the SunSource Inc. 2001 Stock Incentive Plan were cancelled and converted into rights to receive a pro rata share of the merger consideration or an option to purchase shares of the Company's Class A Preferred Stock and The Hillman Investment Company Class A Preferred Stock. The 1998 SunSource Equity Compensation Plan and the SunSource Inc. 2001 Stock Incentive Plan were then terminated.

(3) There is no public market for the securities underlying the Company's Class A Preferred and The Hillman Investment Company Inc. Class A Preferred Options. The value of the Preferred Options is based on dividends accrued on the underlying Preferred Stock.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Upon a change in control of the Company's Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"), payment would be provided for all amounts, including accrued investment earnings.

Compensation of the President and Chief Executive Officer of the Company

Max W. Hillman entered into a four-year employment agreement with the Company effective as of the merger with CHS on March 31, 2004, which term will renew on a year-to-year basis after the initial term, unless this agreement is terminated earlier or not renewed. The agreement provides for an annual base salary of $365,000, 2004 bonus compensation in accordance with performance targets established in January, 2004, and subsequent annual bonuses of up to 124% of base salary for the remainder of the term, subject to performance in accordance with performance criteria determined by the board each calendar year. During the term, Mr. Hillman will be eligible to participate in the Company's 401(k) Plan and Deferred Compensation Plan. Mr. Hillman's employment agreement contains non-compete and non-solicitation covenants for two years following termination of employment with the Company. If Mr. Hillman is terminated without cause or if he resigns with good reason in the absence of a change in control involving the Company, then the agreement requires the Company to pay Mr. Hillman his normal base salary and bonus compensation for a period of two years following the termination date. If the company should undergo a change in control after the third anniversary of the employment agreement, Mr. Hillman will receive the lump sum equivalent of one year's base compensation and 50% of his average bonus during the prior three years.

Compensation of the President of The Hillman Group, Inc.

Richard P. Hillman entered into a three-year employment agreement with the Company effective as of the merger with CHS on March 31, 2004, which term will renew on a year-to-year basis after the initial term, unless this agreement is terminated earlier or not renewed. The agreement provides for an annual base salary of $252,000, 2004 bonus compensation in accordance with performance targets established in January, 2004, and subsequent annual bonuses of up to 70% of base salary for the remainder of the term, subject to performance in accordance with performance criteria determined by the board each calendar year. During the term, Mr. Hillman will be eligible to participate in the Company's 401(k) Plan and Deferred Compensation Plan. Mr. Hillman's employment agreement contains non-compete and non-solicitation covenants for two years following termination of employment with the Company. If Mr. Hillman is terminated without cause or if he resigns with good reason in the absence of a change in control involving the Company, then the agreement requires the Company to pay Mr. Hillman his normal base salary and bonus compensation for a period of two years following the termination date. If the company should undergo a change in control after the third anniversary of the employment agreement, Mr. Hillman will receive the lump sum equivalent of one year's base compensation and 50% of his average bonus during the prior three years.

Compensation of the Chief Financial Officer of the Company

James P. Waters entered into a two-year employment agreement with the Company effective as of the merger with CHS on March 31, 2004, which term will renew on a year-to-year basis after the initial term, unless this agreement is terminated earlier or not renewed. The agreement provides for an annual base salary of $180,000, 2004 bonus compensation in accordance with performance targets established in January, 2004, and subsequent annual bonuses of up to 60% of base salary for the remainder of the term, subject to performance in accordance with performance criteria determined by the board each calendar year. During the term, Mr. Waters will be eligible to participate in the Company's 401(k) Plan and Deferred Compensation Plan. Mr. Waters' employment agreement contains non-compete and non-solicitation covenants for two years following termination of employment with the Company. If Mr. Waters is terminated without cause or if he resigns with good reason in the absence

of a change in control involving the Company, then the agreement requires the Company to pay Mr. Waters his normal base salary and bonus compensation for a period of two years following the termination date. If the company should undergo a change in control after the third anniversary of the employment agreement, Mr. Waters will receive the lump sum equivalent of one year's base compensation and 50% of his average bonus during the prior three years.

In connection with the CHS Merger, Max W. Hillman, Richard P. Hillman, James P. Waters, Terry R. Rowe and George L. Heredia entered into an Executive Securities Agreement ("ESA"). The ESA sets forth the terms under which the named executive may purchase, exchange or cancel the Company's equity securities. In addition, the ESA is the grant instrument for The Company's Class A Preferred Options and The Hillman Investment Company Class A Preferred Options ("Preferred Options"). The Preferred Options vest 20% per year over a five year period and expire on March 31, 2014. Under the terms of the ESA, if employment is terminated for other than cause the security holder has the option to put the security or vested portion of the Preferred Options back to the Company at fair market value. If terminated for cause, securities can be put back to the Company at the lower of cost or fair market value. The Company also has the option to call the securities if employment is terminated.

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

The following table shows the number of shares of the Company's securities beneficially owned as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, by each executive officer and director and all executive officers and directors as a group and persons beneficially owning more than 5% of any one class of the Company's securities. Unless otherwise set forth below, the address for each of the beneficial owners is 10590 Hamilton Ave., Cincinnati, Ohio 45231.

Name	Class A Common Stock (1)		Class B Common Stock (2)		Class C Common Stock (3)		Total Common Stock (4)		Class A Preferred Stock (5)	
5% Owners	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent
Code Hennessy & Simmons IV LP 10 South Wacker Dr. Suite 3175 Chicago, IL 60606	4,904.9	78.95%	—	—	—	—	4,904.9	49.05%	46,869.4	49.05%
Ontario Teachers Pension Plan 5650 Yonge St. North York, Ontario M2M 4H5	—	—	—	—	2,787.1	100.00%	2,787.1	27.87%	26,632.3	27.87%
HarbourVest Partners VI – Direct Fund, L.P. One Financial Center 44th Floor Boston, MA 02111	871.0	14.02%	—	—	—	—	871.0	8.71%	8,322.6	8.71%
Directors and Executive Officers										
Max W. Hillman	166.4	2.68%	343.4	34.34%	—	—	509.8	5.10%	4,565.9	4.78%(6)
Richard P. Hillman	54.6	.88%	144.6	14.46%	—	—	199.2	1.99%	1,953.7	2.04%(7)
George L. Heredia	23.3	.38%	73.9	7.39%	—	—	97.2	.97%	1,007.8	1.05%(8)
Terry R. Rowe	23.9	.38%	70.6	7.07%	—	—	94.5	.95%	960.4	1.01%(9)
James P. Waters	23.9	.38%	67.3	6.73%	—	—	91.2	.91%	912.4	.95%(10)
All Directors and Executive Officers as a Group	407.6	6.56%	1,000.0	100.00%	—	—	1,407.6	14.08%	13,450.7	14.08%

(1) 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.

(2) Class B Common Stock has no voting rights.

(3) 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. Each share of Class C Common Stock is entitled to one vote provided that the aggregate voting power of Class C Common Stock (with respect to the election of directors) never exceeds 30%.

(4) Total of all classes of Common Stock

(5) Class A Preferred shares do not have voting rights.

(6) Includes options to purchase 3,243.7 shares of Class A Preferred stock

(7) Includes options to purchase 1,387.9 shares of Class A Preferred stock.

(8) Includes options to purchase 716.0 shares of Class A Preferred stock.

(9) Includes options to purchase 682.3 shares of Class A Preferred stock.

(10) Includes options to purchase 648.2 shares of Class A Preferred stock.

Item 13 – Certain Relationships and Related 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 Agreement and Plan of Merger, the Company was obligated to pay management fees to a subsidiary of Allied Capital for management services rendered in the amount of $1,800 per year, plus out of pocket expenses, for calendar years subsequent to 2001. The Company has recorded a management fee charge of $523,716, $1,800,000 and $1,800,000 on the Predecessor's Statement of Operations for the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, respectively. Payment of management fees was due annually after delivery of the Company's annual audited financial statements to the Board of Directors of the Company. The management fee for the year ended December 31, 2002 was paid in March 2003 and the management fee for the three months ended December 31, 2001 was paid in March 2002. The obligation to pay management fees to Allied Capital was terminated upon the payment of outstanding fees in the amount of $2,323,716 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 ("CHS"). In connection with the CHS acquisition, the Company is obligated to pay management fees to a subsidiary of CHS in the amount of $57,962 per month and to pay management fees to a subsidiary of OTPP in the amount of $25,640 per month, plus out of pocket expenses, for each month commencing with the closing date of the Merger Transaction. The Company has paid management fees and expenses of $805,123 to CHS and OTPP for the nine month period ended December 31, 2004.

The subordinated debt payable to Allied Capital and accrued interest thereon totaling $45,571,382 was paid in full at March 31, 2004 in connection with the CHS acquisition.

Item 14 – Principal Accounting Fees and Services.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, billed the Company aggregate fees of $164,645 for the audit of the Company's annual financial statement for the fiscal year ended December 31, 2004 and for the review of the financial statements included in the Company's Forms 10-Q for such fiscal year and $145,000 for the audit of the Company's annual financial statement for the fiscal year ended December 31, 2003 and for the review of the financial statements included in the Company's Forms 10-Q for such fiscal year.

The following are aggregate fees billed to the Company by PricewaterhouseCoopers LLP during 2004 and 2003:

	Fiscal Year Ended December 31, 2004	Fiscal Year Ended December 31, 2003
Audit Fees	$ 164,645	$ 145,000
Audit Related Fees	211,080	—
Tax Fees	33,150	84,296
All Other Fees	—	—
Total Fees:	$ 408,875	$ 229,296

Audit Fees

Audit fees consist of fees billed for professional services rendered for the audit of the Company's financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings.

Audit Related Fees

Audit related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not under "Audit Fees."

Tax Fees

Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, tax audit defense, customs and duties, mergers and acquisitions, and international tax planning.

All Other Fees

All other fees consist of fees for products and services other than the services reported above. There were no all other fees incurred in 2004 and 2003.

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

PART IV

Item 15 – Exhibits and Financial Statement Schedules.

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

1. Financial Statements.

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

2. Financial Statement Schedules.

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

3. Reports on 8-K.

A Current Report on Form 8-K was filed on April 14, 2004 reporting an other event under Item 7 of Form 8-K.

A Current Report on Form 8-K was filed on February 17, 2004 reporting an other event under Item 5 of Form 8-K.

4. Exhibits, Including Those Incorporated by Reference.

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

2.1 Unit Repurchase Agreement by and among The Hillman Companies, Inc., SunSub Holdings LLC and GC-Sun Holdings, L.P. dated April 13, 2002. (6) (Exhibit 10.2)

2.2 Asset Purchase Agreement between Fastenal Company and The Hillman Group, Inc. dated October 3, 2002. (7)(Exhibit 10.3)

2.3 Agreement and Plan of Merger dated as of June 18, 2001 by and among Allied Capital Corporation, Allied Capital Lock Acquisition Corporation and SunSource Inc. (4)(Exhibit 2.1)

2.4 Asset Purchase Agreement dated September 28, 2001, by and between SunSource Technology Services, LLC, and STS Operating, Inc. (5) (Exhibit 2.1)

2.5 Agreement and Plan of Merger dated as of February 14, 2004 by and among the Company, HCI Acquisition Corp. and the Common Stockholders of the Company. (2)(Exhibit 2.1)

3.1 Bylaws as adopted by the Corporation's stockholders as of March 30, 2004. (10)(Exhibit 3.2)

3.2 Restated Certificate of Incorporation of the Company as of March 30, 2004. (10) (Exhibit 3.1)

4.1 HCI Stockholders Agreement dated March 31, 2004. (9)(Exhibit 4.1)

4.2 Amended and Restated Declaration of Trust (1)(Exhibit 4.1)

4.3 Indenture between the Company and the Bank of New York (1)(Exhibit 4.2)

4.4 Preferred Securities Guarantee (1) (Exhibit 4.3)

4.5 Rights Agreement between the Company and the Registrar and Transfer Company (1)(Exhibit 10.5)

4.6 Amendment No. 1 to the Rights Agreement dated June 18, 2001. (8)(Exhibit 4.6)

4.7 Amendment No. 2 to the Rights Agreement dated February 14, 2004. (8)(Exhibit 4.7)

4.8 Hillman Investment Company Stockholders Agreement dated March 31, 2004. (9) (Exhibit 4.2)

4.9 Registration Agreement dated March 31, 2004. (9) (Exhibit 4.3)

10.1 Credit Agreement dated as of March 31, 2004 by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., Merrill Lynch Capital as Administrative Agent, Issuing Lender and Swingline Lender, JP Morgan Chase Bank as Syndication Agent, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and JP Morgan Securities as Joint Lead Arrangers and Joint Lead Bookrunners. (9) (Exhibit 10.1)

10.2 Loan Agreement dated as of March 31, 2004 by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., and Allied Capital Corporation. (9) (Exhibit 10.2)

10.3 Subordination and Intercreditor Agreement dated March 31, 2004. (9) (Exhibit 10.3)

10.4 The Hillman Companies, Inc. 2004 Stock Option Plan. (9) (Exhibit 10.4)

10.5 * The Hillman Companies, Inc Amended and Restated 2004 Stock Option Plan

10.6 Hillman Companies Employee Securities Purchase Plan. (9) (Exhibit 10.5)

10.7 Hillman Investment Company Employee Securities Purchase Plan. (9) (Exhibit 10.6)

10.8 HCI Securities Purchase Agreement dated March 31, 2004. (9) (Exhibit 10.7)

10.9 Joinder to Securities Purchase Agreement dated March 31, 2004. (9) (Exhibit 10.8)

10.10 Hillman Investment Company Securities Purchase Agreement dated March 31, 2004. (9) (Exhibit 10.9)

10.11 Management Agreement dated March 31, 2004. (9) (Exhibit 10.10)

10.12 Employment Agreement by and between The Hillman Group, Inc. and Max W. Hillman dated March 31, 2004. (9) (Exhibit 10.11)

10.13 Executive Securities Agreement between Max W. Hillman and HCI Acquisition Corp. dated March 31, 2004. (9) (Exhibit 10.12)

10.14 Employment Agreement by and between The Hillman Group, Inc. and Richard P. Hillman dated March 31, 2004. (9) (Exhibit 10.13)

10.15 Executive Securities Purchase Agreement between HCI Acquisition Corp. and Richard P. Hillman dated March 31, 2004. (9) (Exhibit 10.14)

10.16 Employment Agreement by and between The Hillman Group, Inc. and James P. Waters dated March 31, 2004. (9) (Exhibit 10.15)

10.17 Executive Securities Agreement by and between HCI Acquisition Corp. and James P. Waters date March 31, 2004. (9) (Exhibit 10.16)

10.18 * Executive Securities Agreement by and between HCI Acquisition Corp. and George L. Heredia date March 31, 2004.

10.19 * Executive Securities Agreement by and between HCI Acquisition Corp. and Terry R. Rowe date March 31, 2004.

10.20 SunSource Inc. Nonqualified Deferred Compensation Plan dated as of August 1, 2000. (3)(Exhibit 10.1)

10.21 The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan (amended and restated). (11) (Exhibit 10.1)

10.22 First Amendment to The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan. (11) (Exhibit 10.2)

12.1 * Computation of Ratio of Income to Fixed Charges.

21.1 * Subsidiaries (As of December 31, 2004)

31.1 * Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.

31.2 * Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.

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

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

(1) Filed as an exhibit to Registration Statement No. 333-44733 on Form S-2.

(2) Filed as an exhibit to the Form 8-K filed February 17, 2004.

(3) Filed as an exhibit to Annual Report on Form 10-K for the year ended December 31, 2000.

(4) Filed on June 21, 2001 as an exhibit to the Current Report on Form 8-K filed on June 21, 2001.

(5) Filed as an exhibit to the Current Report on Form 8-K filed on October 15, 2001.

(6) Filed as an exhibit to Quarterly Report on Form 10-Q for the Quarter ended June 30, 2002.

(7) Filed as an exhibit to the Current Report on Form 8-K filed on October 4, 2002.

(8) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2003.

(9) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended March 31, 2004.

(10) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended June 30, 2004.

(11) Filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004.

* Filed herewith.

SIGNATURES

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

THE HILLMAN COMPANIES, INC.

Date: March 25, 2005

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

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

Signature	Capacity	Date
/s/ Max W. Hillman Max W. Hillman	Principal Executive Officer and Director	March 25, 2005
/s/ Peter M. Gotsch Peter M. Gotsch	Chairman and Director	March 25, 2005
/s/ Harold J. Wilder Harold J. Wilder	Principal Accounting Officer	March 25, 2005
/s/ Andrew W. Code Andrew W. Code	Director	March 25, 2005
/s/ J. Mark MacDonald J. Mark MacDonald	Director	March 25, 2005
/s/ Mark A. Dolfato Mark A. Dolfato	Director	March 25, 2005
/s/ Larry Wilton Larry Wilton	Director	March 25, 2005
/s/ Maurice P. Andrien, Jr. Maurice P. Andrien, Jr.	Director	March 25, 2005

Exhibit 10.5

THE HILLMAN COMPANIES, INC.
AMENDED AND RESTATED
2004 STOCK OPTION PLAN

ARTICLE I

Purpose of Plan

The Amended and Restated 2004 Stock Option Plan (the "Plan") of The Hillman Companies, Inc., a Delaware corporation (the "Company"), adopted by the Board and approved by the stockholders of the Company on December ___, 2004, for directors, executives and other key employees of the Company and its subsidiaries, is intended to advance the best interests of the Company and its subsidiaries by providing those persons who have a substantial responsibility for its management and/or growth with additional incentives by allowing them to acquire an ownership interest in the Company and thereby encouraging them to contribute to the success of the Company and its subsidiaries and to remain in their employ or continue to provide such services. The availability and offering of stock options under the Plan also increases the Company's and its subsidiaries' ability to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company and its subsidiaries depends.

All options granted under the Plan are intended to qualify for an exemption (the "Exemptions") from the registration requirements (i) under the Securities Act of 1933, as amended (the "Act"), pursuant to Rule 701 of the Act and (ii) under applicable state securities laws. In the event that any provision of the Plan would cause any options granted under the Plan to not qualify for any Exemptions, the Plan shall be deemed automatically amended to the extent necessary to cause all options granted under the Plan to qualify for such Exemptions.

This Plan amends and restates the 2004 Stock Option Plan adopted and approved on March 31, 2004 in its entirety.

ARTICLE II

Definitions

For purposes of the Plan, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

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

"Board" shall mean the board of directors of the Company.

"Cause" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, in the absence of any such written Executive Securities Agreement, shall mean (i) a material breach by a Participant of this Plan, his Option Agreement or any employment or noncompetition agreement to which the Participant is a party or any agreement under which the Participant provides services as a director, as the case may be, (ii) the

Participant's failure to adhere to any written policy of the Company or any of its subsidiaries if the Participant has been given a reasonable opportunity to comply with such policy or to cure his failure to comply, (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company or any of its subsidiaries, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company or any of its subsidiaries, (iv) the misappropriation (or attempted misappropriation) of any of the Company's or any of its subsidiaries' funds or property, (v) the conviction of, the indictment for (or its procedural equivalent), or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, or any other crime with respect to which imprisonment is a possible punishment, (vi) any act or acts of disloyalty, misconduct or moral turpitude by the Participant injurious to the interest, property, operations, business or reputation of the Company or any of its subsidiaries or (vii) the Participant's failure or inability (other than by reason of the Participant's Disability) to carry out effectively the Participant's duties and obligations to the Company or any of its subsidiaries or, if such Participant is an employee of the Company or any of its subsidiaries, to participate effectively and actively in the management of the Company or any of its subsidiaries, as determined in the reasonable judgment of the Board.

"Class B Common Stock" shall mean the Company's Class B Common Stock, par value $0.01 per share, or if the outstanding Class B Common Stock is hereafter changed into or exchanged for different stock or securities of the Company, such other stock or securities.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute.

"Committee" shall mean the compensation committee of the Board. The Committee shall be composed of two or more directors as appointed from time to time to serve by the Board.

"Disability" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, in the absence of any such written Executive Securities Agreement, shall mean the inability, due to illness, accident, injury, physical or mental incapacity or other disability, of any Participant to carry out effectively his duties and obligations to the Company or any of its subsidiaries or, if such Participant is an employee of the Company or any of its subsidiaries, to participate effectively and actively in the management of the Company or any of its subsidiaries for, a period of at least 90 consecutive days or for shorter periods aggregating at least 120 days (whether or not consecutive) during any twelve-month period, as determined in the reasonable judgment of the Board.

"Executive Securities Agreement" shall mean any Executive Securities Agreement entered into on March 31, 2004 between the Company and a Participant.

"Fair Market Value" of the Class B Common Stock shall be determined by the Committee or, in the absence of the Committee, by the Board.

"Good Reason" shall have the meaning assigned to such term in any Participant's written Executive Securities Agreement or, if the Participant is an employee of the Company or any of its subsidiaries and has not entered into an Executive Securities Agreement, shall mean if the Participant resigns from employment with the Company and its Subsidiaries as a result of

one or more of the following reasons: (i) the Company reduces his responsibilities in a manner materially inconsistent with the positions he holds or (ii) the Company changes his place of work to a location more than 75 miles from his present place of work; provided that, the Participant must give written notice to the Company of his objection to any such act within 10 days of such act and such act shall not be deemed to constitute Good Reason if it is of such a nature that substantially all detriment otherwise resulting to the Participant can be cured by appropriate action which the Company causes to be taken within 30 days following written notice from the Participant.

"Investors" shall have the meaning set forth in the Stockholders Agreement.

"Options" shall have the meaning set forth in Article IV.

"Participant" shall mean any director, executive or other key employee of the Company or any of its subsidiaries who has been selected to participate in the Plan by the Committee or the Board.

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

"Public Offering" shall mean a public offering and sale, registered under the 1933 Act, of shares of the Company's common stock.

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

"Stockholders Agreement" shall mean the Stockholders Agreement, dated as of March 31, 2004, by and among the Company and certain of its stockholders, as amended from time to time in accordance with its terms.

ARTICLE III

Administration

The Plan shall be administered by the Committee; provided that if for any reason the Committee shall not have been appointed by the Board, all authority and duties of the Committee under the Plan shall be vested in and exercised by the Board. Subject to the limitations of the Plan, the Committee shall have the sole and complete authority to: (i) select Participants, (ii) grant Options to Participants in such forms and amounts as it shall determine,

(iii) impose such limitations, restrictions and conditions upon such Options as it shall deem appropriate, (iv) interpret the Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (v) correct any defect or omission or reconcile any inconsistency in the Plan or in any Option granted hereunder and (vi) make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Plan; provided, that in making determinations under the Plan, with respect to Participants who are executives or employees of the Company or any of its subsidiaries, the Committee shall take into consideration the recommendations of the Company's chief executive officer. The Committee's determinations on matters within its authority shall be conclusive and binding upon the Participants, the Company and all other Persons. All expenses associated with the administration of the Plan shall be borne by the Company. The Committee may, as approved by the Board and to the extent permissible by law, delegate any of its authority hereunder to such persons as it deems appropriate.

ARTICLE IV

Limitation on Aggregate Shares

The number of shares of Class B Common Stock with respect to which options may be granted under the Plan (the "Options") and which may be issued upon the exercise thereof shall not exceed, in the aggregate, 356.41 shares; provided that the type and the aggregate number of shares which may be subject to Options shall be subject to adjustment in accordance with the provisions of Section 6.8 below, and further provided that to the extent any Options expire unexercised or are canceled, terminated or forfeited in any manner without the issuance of Class B Common Stock thereunder, or if any Options are exercised and the shares of Class B Common Stock issued thereunder are repurchased by the Company, such shares shall again be available under the Plan. The 356.41 shares of Class B Common Stock available under the Plan may be either authorized and unissued shares, treasury shares or a combination thereof, as the Committee shall determine.

ARTICLE V

Awards

5.1 Options. The Committee may grant Options to Participants in accordance with this Article V.

5.2 Form of Option. Options granted under this Plan shall be nonqualified stock options and are not intended to be "incentive stock options" within the meaning of Section 422 of the Code or any successor provision.

5.3 Exercise Price. The option exercise price per share of Class B Common Stock shall be fixed by the Committee.

5.4 Exercisability. Options shall be exercisable at such time or times as the Committee shall determine at or subsequent to grant; provided that any Options granted hereunder to executives or other employees of the Company or any of its subsidiaries shall fully vest and become exercisable on the second anniversary of the date of grant, but only if the

applicable Participant is still employed by the Company or any of its subsidiaries as of such anniversary.

5.5 Payment of Exercise Price. Options shall be exercised in whole or in part by written notice to the Company (to the attention of the Company's Secretary) accompanied by payment in full of the option exercise price. Payment of the option exercise price shall be made in cash (including check, bank draft or money order).

5.6 Terms of Options. The Committee shall determine the term of each Option, which term shall in no event exceed ten years from the date of grant.

5.7 Annual Limitation on Grant of Options. Unless otherwise consented to by the Board, the aggregate number of shares of Class B Common Stock for which Options may be granted by the Committee in any calendar year shall not exceed 20% of the shares of Class B Common Stock reserved under Article IV of the Plan.

ARTICLE VI

General Provisions

6.1 Conditions and Limitations on Exercise. Subject to Section 5.4 hereof, Options may be made exercisable in one or more installments, upon the happening of certain events, upon the passage of a specified period of time, upon the fulfillment of certain conditions or upon the achievement by the Company or any of its subsidiaries of certain performance goals, as the Committee shall decide in each case when the Options are granted.

6.2 Sale of the Company. In the event of a Sale of the Company, the Committee may terminate (i) any vested Options without payment of any kind provided that each Participant shall first be given notice of such termination and at least 15 days to exercise all vested Options that are to be so terminated or (ii) any vested Options for a payment of (x) cash and/or (y) consideration in the same form as that received by the holders of the Company's Common Stock in connection with such Sale of the Company, equal to the excess of the Fair Market Value per share of Class B Common Stock (measured as of the date of such Sale of the Company) over such Option's exercise price multiplied by the number of Options to be terminated or (iii) any Option without payment of any kind that on the date of such Sale of the Company (x) is not vested or (y) has a Fair Market Value less than or equal to the aggregate exercise price of such Option. In the event of a Sale of the Company, the Committee shall immediately vest any unvested Options, causing such Options to become immediately exercisable, but only if a Participant is employed by, or providing services to, the Company or any of its subsidiaries as of the date of such Sale of the Company.

6.3 Written Agreement. Each Option granted hereunder to a Participant shall be embodied in a written agreement (an "Option Agreement") which shall be signed by the Participant and by the President of the Company for and in the name and on behalf of the Company and shall be subject to the terms and conditions of the Plan prescribed in the Option Agreement (including, but not limited to, (i) the right of the Company and such other Persons as the Committee shall designate ("Designees") to repurchase from each Participant, and such Participant's transferees, all shares of Class B Common Stock issued or issuable to such

Participant on the exercise of an Option, in the event of such Participant's termination of employment or services, (ii) rights of first refusal granted to the Company and Designees, (iii) holdback and other registration right restrictions in the event of a public registration of any equity securities of the Company and (iv) any other terms and conditions which the Committee shall deem necessary and desirable).

6.4 Listing, Registration and Compliance with Laws and Regulations. Options shall be subject to the requirement that if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares subject to the Options upon any securities exchange or under any state or federal securities or other law or regulation, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to or in connection with the granting of the Options or the issuance or purchase of shares thereunder, no Options may be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The holders of such Options shall supply the Company with such certificates, representations and information as the Company shall request and shall otherwise cooperate with the Company in obtaining such listing, registration, qualification, consent or approval. In the case of officers and other Persons subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Committee may at any time impose any limitations upon the exercise of an Option that, in the Committee's discretion, are necessary or desirable in order to comply with such Section 16(b) and the rules and regulations thereunder. If the Company, as part of an offering of securities or otherwise, finds it desirable because of federal or state regulatory requirements to reduce the period during which any Options may be exercised, the Committee, may, in its discretion and without the Participant's consent, so reduce such period on not less than 15 days written notice to the holders thereof.

6.5 Nontransferability. Options may not be transferred other than by will or the laws of descent and distribution and, during the lifetime of the Participant, may be exercised only by such Participant (or his legal guardian or legal representative). In the event of the death of a Participant, exercise of Options granted hereunder shall be made only:

(i) by the executor or administrator of the estate of the deceased Participant or the Person or Persons to whom the deceased Participant's rights under the Option shall pass by will or the laws of descent and distribution; and

(ii) to the extent that the deceased Participant was entitled thereto at the date of his death, unless otherwise provided by the Committee in such Participant's Option Agreement.

6.6 Expiration of Options.

(a) Normal Expiration. In no event shall any part of any Option be exercisable after the date of expiration thereof (the "Expiration Date"), as determined by the Committee pursuant to Section 5.6 above.

(b) Early Expiration Upon Termination of Employment or Services. Except as otherwise provided by the Committee in the Option Agreement, any portion of a Participant's Option that was not vested and exercisable on the date of the termination of such Participant's

employment or services shall expire and be forfeited as of such date, and any portion of a Participant's Option that was vested and exercisable on the date of the termination of such Participant's employment or services shall expire and be forfeited as of such date, except that the Option Agreement may delay such expiration for such period as the Committee determines.

6.7 Withholding of Taxes. The Company shall be entitled, if necessary or desirable, to withhold from any Participant from any amounts due and payable by the Company or any of its subsidiaries to such Participant (or secure payment from such Participant in lieu of withholding) the amount of any withholding or other tax due from the Company with respect to any shares issuable under the Options, and the Company may defer such issuance unless indemnified to its satisfaction.

6.8 Adjustments. In the event of a reorganization, recapitalization, stock dividend or stock split, or combination or other change in the shares of Class B Common Stock, the Board or the Committee may, in order to prevent the dilution or enlargement of rights under outstanding Options, make such adjustments in the number and type of shares authorized by the Plan, the number and type of shares covered by outstanding Options and the exercise prices specified therein as may be determined to be appropriate and equitable. The issuance by the Company of shares of stock of any class, or options or securities exercisable or convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale, or upon the exercise of rights or warrants to subscribe therefor, or upon exercise or conversion of other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Class B Common Stock then subject to any Options.

6.9 Right of Participants. Nothing in this Plan shall interfere with or limit in any way the right of the Company or any of its subsidiaries to terminate any Participant's employment or services which a Participant provides to the Company at any time (with or without Cause), nor confer upon any Participant any right to continue in the employ of or to provide services to the Company or any of its subsidiaries for any period of time or to continue his present (or any other) rate of compensation or other remuneration, and except as otherwise provided under this Plan or by the Committee in the Option Agreement, in the event of any Participant's termination of employment or services (including, but not limited to, the termination by the Company or any of its subsidiaries without Cause) any portion of such Participant's Option that was not previously vested and exercisable shall expire and be forfeited as of the date of such termination. No employee or director shall have a right to be selected as a Participant or, having been so selected, to be selected again as a Participant.

6.10 Amendment, Suspension and Termination of Plan. The Board or the Committee may suspend or terminate the Plan or any portion thereof at any time and may amend it from time to time in such respects as the Board or the Committee may deem advisable; provided that no such amendment shall be made without stockholder approval to the extent such approval is required by law, agreement or the rules of any exchange upon which the Common Stock is listed, and no such amendment, suspension or termination shall impair the rights of Participants under outstanding Options without the consent of the Participants affected thereby; provided, further, that no amendment that increases the maximum number of shares of Class B Common Stock with respect to which Options may be granted and which may be issued upon the exercise thereof shall be effective without the approval of Code Hennessy & Simmons IV LP and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"),

owns Stockholder Shares (as defined in the Stockholders Agreement) and shares of Investment Company Preferred Stock (as defined in the Stockholders Agreement) with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers.

6.11 Amendment, Modification and Cancellation of Outstanding Options. The Committee may amend or modify any Option in any manner to the extent that the Committee would have had the authority under the Plan initially to grant such Option; provided that no such amendment or modification shall impair the rights of any Participant under any Option without the consent of such Participant. With the Participant's consent, the Committee may cancel any Option and issue a new Option to such Participant.

6.12 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Board and the Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding; provided that any such Board or Committee member shall be entitled to the indemnification rights set forth in this Section 6.12 only if such member has acted in good faith and in a manner that such member reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful, and further provided that upon the institution of any such action, suit or proceeding a Board or Committee member shall give the Company written notice thereof and an opportunity, at its own expense, to handle and defend the same before such Board or Committee member undertakes to handle and defend it on his own behalf.

* * * *

Exhibit 10.18

HCI ACQUISITION CORP.

EXECUTIVE SECURITIES AGREEMENT

THIS EXECUTIVE SECURITIES AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between HCI Acquisition Corp., a Delaware corporation ("HCI"), and George Heredia (the "Executive Securityholder," and, together with the other executives who execute an agreement with HCI or the Company (as defined below) having terms substantially similar to those contained herein, the "Executive Securityholders"). Certain capitalized terms used herein are defined inSection 6 hereof.

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

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

The Executive Securityholder owns (i) 3,387 shares (the "Rollover Stock") of Hillman's common stock, par value $0.01 per share (the "Hillman Common Stock"), and (ii) options to purchase 17,260 shares of Hillman Common Stock (the "Rollover Options" and together with the Rollover Stock, the "Rollover Securities").

Section 1.7(c)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Stock shall not be cancelled and converted into the right to receive the Per Share Closing Merger Consideration (as defined in the Merger Agreement), but instead such shares of Rollover Stock shall be cancelled and converted into a right to receive such number of shares of common stock and/or preferred stock of the Company as HCI and the Executive Securityholder may so agree.

Section 1.7(d)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Options shall not be cancelled and converted into the right to receive the Option Consideration (as defined in the Merger Agreement), but instead such Rollover Options shall be cancelled and converted into a right to receive such number of options to purchase shares of preferred stock of the Company and/or of Hillman Investment Company, a Delaware corporation

(the "Investment Company"), as HCI and the Executive Securityholder may so agree. None of the options granted hereunder are intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code (as defined below).

The parties hereto desire to enter into this Agreement for the purposes, among others, of (i) enabling the Executive Securityholder to cancel and exchange the Rollover Securities for the applicable Executive Securities (as defined below) in the manner provided herein and in the Merger Agreement, (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Executive Securities may be transferred.

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

1. Cancellation and Issuance of Rollover Securities for Executive Securities

(a) Purchased Equity.

(i) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 813 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 23.334 shares of the Company's Class A Common Stock, par value $0.01 per share (the "Class A Common Stock").

(ii) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(d)(ii) and 1.8(a) of the Merger Agreement, Rollover Options to purchase 17,260 shares of Hillman Common Stock shall be cancelled and exchanged for (A) an option (the "Company Preferred Purchased Option") to purchase 291.859 shares of the Preferred Stock and (B) an option (the "Investment Company Preferred Purchased Option") to purchase 203.623 shares of the Investment Company's Class A Preferred Stock, par value $0.01 per share (the "Investment Company Preferred"), in each case, at the applicable Exercise Price per share of underlying stock. The Company Preferred Purchased Option and the Investment Company Preferred Purchased Option issued to the Executive Securityholder pursuant to this Section 1(a)(ii) are hereafter collectively referred to as the "Purchased Options."

(iii) The shares of Class A Common Stock and the Purchased Options issued to the Executive Securityholder pursuant to this Section 1(a) are collectively referred to hereafter as the "Purchased Equity".

(b) Incentive Equity. Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 2,574 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 73.902 shares of the Company's Class B Common Stock, par value $0.01 per share (the "Class B

Common Stock"). The shares of Class B Common Stock issued to the Executive Securityholder pursuant to this Section 1(b) are hereafter collectively referred to as the "Incentive Equity."

(c) Preferred Options. Upon consummation of the Merger, (i) the Company shall grant to the Executive Securityholder an option to purchase 715.985 shares of the Preferred Stock and (ii) the Investment Company hereby shall grant to the Executive Securityholder an option to purchase 499.525 shares of the Investment Company Preferred, in each case, at the applicable Exercise Price per share of underlying Preferred Stock or Investment Company Preferred, as the case may be. The options granted to the Executive Securityholder pursuant to this Section 1(c) are hereinafter collectively referred to as the "Preferred Options".

(d) Closing. The closing of the transactions contemplated by Sections 1(a), 1(b) and 1(c) (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois at 10:00 a.m. on the date hereof, or at such other place or on such other date as may be mutually agreeable to the Company and the Executive Securityholder.

(e) Surrender and Exchange of Certificates. The Company shall deliver to the Executive Securityholder copies of the certificates representing the Executive Securityholder's Executive Securities (to the extent such Executive Securities are represented by certificates), and the Executive Securityholder shall deliver to the Company stock certificates evidencing the Executive Securityholder's Rollover Stock duly endorsed for transfer or accompanied by appropriate transfer documents pursuant to the Merger Agreement. Until the occurrence of a Sale of the Company, all certificates evidencing the Executive Securities shall be held by the Company for the benefit of the Executive Securityholder and the other holder(s) of Executive Securities. Upon the occurrence of a Sale of the Company, the Company will return the certificates for the Executive Securities to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof certificates representing the Executive Securities (other than with respect to any Executive Securities that remain unvested).

(f) Representations and Warranties. The Executive Securityholder represents and warrants that:

(i) the Executive Securities to be acquired by the Executive Securityholder pursuant to this Agreement and the Merger Agreement shall be acquired for the Executive Securityholder's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Executive Securities shall not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) the Executive Securityholder will be, upon consummation of the Merger, an executive officer of the Company or a Subsidiary thereof, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Executive Securities;

(iii) the Executive Securityholder is able to bear the economic risk of his or her investment in the Executive Securities for an indefinite period of time. The Executive Securityholder understands that the Executive Securities have not been registered under the Securities Act and, therefore, cannot be sold, and in certain circumstances, transferred, unless subsequently registered under the Securities Act or an exemption from such registration is available;

(iv) the Executive Securityholder has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Executive Securities and has had full access to such other information concerning the Company as he or she has requested; and

(v) this Agreement constitutes the legal, valid and binding obligation of the Executive Securityholder, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Executive Securityholder does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which the Executive Securityholder is a party or any judgment, order or decree to which the Executive Securityholder is subject.

(g) No Employment Obligation. As an inducement to the Company to issue the Executive Securities to the Executive Securityholder hereunder, and as a condition thereto, the Executive Securityholder acknowledges and agrees that:

(i) neither the issuance of the Executive Securities to the Executive Securityholder hereunder nor any provision contained herein shall entitle the Executive Securityholder to remain in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Executive Securityholder's employment at any time; and

(ii) neither the Company nor its Subsidiaries shall have any duty or obligation to disclose to the Executive Securityholder, and the Executive Securityholder shall have no right to be advised of, any information regarding the Company or its Subsidiaries (except in connection with a determination of the Fair Market Value of the Executive Securities) at any time prior to, upon or in connection with the repurchase of the Executive Securities upon the termination of Executive Securityholder's employment with the Company or any of its Subsidiaries or as otherwise provided hereunder.

(h) 83(b) Election. Within 30 days after the date of hereof, the Executive Securityholder will make an effective election with respect to his Incentive Equity with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(i) Stock Powers. At the Closing, (i) the Executive Securityholder shall execute in blank ten stock transfer powers in the form ofExhibit B attached hereto (the "Stock Powers")

with respect to his Purchased Equity represented by certificates and Incentive Equity and shall deliver such Stock Powers to the Company. The Stock Powers shall authorize the Company to assign, transfer and deliver the shares of Purchased Equity represented by certificates and Incentive Equity to the appropriate acquirer thereof pursuant to Section 4 below or Section 6 of the Stockholders Agreement and under no other circumstances and (ii) the Executive Securityholder's spouse shall execute the consent in the form of Exhibit C attached hereto.

(j) Investment Company. Upon consummation of the Merger, the Company shall cause the Investment Company to execute a joinder to this Agreement in the form of Exhibit D attached hereto, and the parties hereto agree that upon execution of such joinder the Investment Company shall become a party hereto.

(k) Executive Securities Purchase Plans. The shares of Class A Common Stock and Class B Common Stock and the options to purchase shares of the Preferred Stock are being granted to the Executive Securityholder pursuant to the HCI Acquisition Corp. Executive Securities Purchase Plan (the "Company Purchase Plan"). The options to purchase shares of the Investment Company Preferred are being granted to the Executive Securityholder pursuant to the Hillman Investment Company Executive Securities Purchase Plan (the "Investment Company Purchase Plan" and together with the Company Purchase Plan, the "Purchase Plans"). The Executive Securities being issued under the Purchase Plans are intended to qualify for an exemption from the registration requirements (i) under the Securities Act, pursuant to Rule 701 promulgated thereunder, and (ii) under applicable state securities laws.

2. Vesting of Executive Securities.

(a) Vesting of Purchased Equity. All Purchased Equity shall be fully vested, and with respect to the Purchased Options, fully exercisable, upon issuance hereunder.

(b) Vesting of Incentive Equity. The Executive Securityholder's Incentive Equity shall be subject to vesting in the manner specified in this Section 2(b).

(i) Except as otherwise provided in this Section 2(b), the shares of Incentive Equity will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Incentive Equity to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's shares of Incentive Equity which have not yet become vested shall become vested at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(c) Vesting of Preferred Options. The Preferred Options may be exercised only to the extent they have become vested. The Executive Securityholder's Preferred Options shall be subject to vesting in the manner specified in this Section 2(c).

(i) Except as otherwise provided in this Section 2(c), the Preferred Options will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Preferred Options to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's Preferred Options which have not yet become vested shall become vested and fully exercisable at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(d) Expiration of Preferred Options and Purchased Options. The Preferred Options shall expire at the close of business on March 31, 2014 and the Purchased Options shall expire at the close of business on March 31, 2028 (in either case, such date being hereinafter referred to as the "Expiration Date"), subject to earlier expiration as provided herein. In no event shall any part of the Executive Securityholder's Preferred Options and Purchased Options be exercisable after the applicable Expiration Date. Except as otherwise provided herein, any portion of the Executive Securityholder's Preferred Options that was not vested and exercisable as of the date his employment with the Company or any of its Subsidiaries terminated shall expire and be cancelled on such date.

3. Restrictions on Transfer of Executive Securities; Restriction on Conversion of Common Stock.

(a) Transfer of Executive Securities.

(i) The holders of Executive Securities shall not sell, transfer, assign, pledge or otherwise dispose of (a "Transfer") any interest in any Executive Securities (other than Purchased Options and Preferred Options that have not been exercised), except pursuant to (i) the provisions of Sections 5 and 6 of the Stockholders Agreement, (ii) the provisions of Section 3 of the Investment Company Stockholders Agreement, (iii) a Sale of the Company, (iv) the provisions of Section 3(b) hereof or (v) the provisions of Section 4 hereof.

(ii) The Purchased Options and the Preferred Options are personal to the Executive Securityholder, and any Purchased Options or Preferred Options that have not been exercised in accordance with the terms hereof are not transferable by the Executive Securityholder other than by (i) will or the laws of descent and distribution, (ii) the provisions of Section 4 hereof and (iii) the provisions of Section 7(b) hereof.

(b) Certain Permitted Transfers. The restrictions set forth in Section 3(a)(i) shall not apply with respect to any Transfer of Executive Securities made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investor Group sells Common Stock in a Public Sale, but in the case of this clause (ii) only an amount (the "Transfer Amount") equal to the number of Vested Shares owned by the Executive Securityholder multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of shares of Common Stock sold by the Investor Group in such Public Sale and the denominator of which is the total number of shares of Common Stock held by the Investor Group prior to the Public Sale; provided that, if at the time of a Public Sale by the Investor Group, the Executive Securityholder chooses not to Transfer the Transfer Amount, the Executive Securityholder shall retain the right to Transfer an amount of Vested Shares at a future date equal to the number of Vested Shares owned by the Executive Securityholder at such future date multiplied by the Transfer Fraction; provided further that, the restrictions contained in this Section 3 will continue to be applicable to the Executive Securities after any Transfer of the type referred to in clause (i) and the transferees of such Executive Securities will agree in writing to be bound by the provisions of this Agreement. Any transferee of Executive Securities pursuant to a transfer in accordance with the provisions of this Section 3(b) is herein referred to as a "Permitted Transferee." Upon the transfer of Executive Securities pursuant to this Section 3(b), the transferring Executive Securityholder will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in Sections 3(a)(i) and 3(b) above will continue with respect to each of the Executive Securities until the earlier of (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by this Section 3 or (ii) the consummation of a Sale of the Company. The restrictions set forth in Section 3(a)(ii) will not terminate.

(d) Legends. The certificates representing the Executive Securities will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF MARCH 31, 2004, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN AN EXECUTIVE SECURITIES AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF MARCH 31, 2004. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

4. Repurchase of Executive Securities.

(a) Repurchase of Purchased Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the lesser of the Fair Market Value and the Original Cost thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to (I) the lesser of the Fair Market Value and Original Cost less (II) the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason, the Executive Securityholder shall have the right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase his Purchased Equity (a "Purchased Equity Put"), or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity, in either case, (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value thereof less any Exercise Price payable with respect each such share of Purchased Option Underlying Stock; provided that after the closing of the Purchased Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investment Company (in the case of Executive Securities of the Investment

Company) or the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Purchased Equity Put exercised pursuant to this Section 4(a)(ii) for up to 2 years from the date of such resignation.

(iii) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Purchased Equity Put, or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Purchased Equity, in either case, (I) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value and (II) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value less the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(b) Repurchase of Incentive Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company and the Investor Group shall have the right to repurchase the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity) at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have the right to require the Company to repurchase his Incentive Equity (an "Incentive Equity Put"), or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have the right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost; provided that after the closing of the Incentive Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company and the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Incentive Equity Put exercised pursuant to this Section 4(b)(ii) for up to 2 years from the date of such resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have the right to exercise an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, then the Company and the Investor Group shall have the right to repurchase the shares of the

Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity), in either case, at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(iv) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have a right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost.

(c) Repurchase of Preferred Options.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have a right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase (a "Preferred Option Put") his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock; provided that after the closing of the Preferred Option Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investor Group or the Investment Company shall be permitted to postpone payment of the amount owed in connection with a Preferred Option Put exercised pursuant to this Section 4(c)(ii) for up to 2 years from the date of the Executive Securityholder's resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have a Preferred Option Put on his Vested Preferred Options, or if the Executive

Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(iv) If the Executive Securityholder's employment with the Company or any of its Subsidiaries terminates due to (A) termination by the Company without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Preferred Option Put for his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(d) Put Option Procedures.

(i) In the event that the Executive Securityholder becomes entitled to exercise a Put Option pursuant to this Section 4 (a "Put Event"), the Executive Securityholder (or his personal representative, if the Executive Securityholder is deceased or incompetent) may, at his or her discretion, exercise all (but not less than all) of the Put Options then exercisable for all (but not less than all) of the Executive Securities subject to the Put Options by delivering written notice (the "Put Notice") to the Company specifying the number of Executive Securities to be repurchased by the Company within 40 days following the occurrence of the Put Event (the "Put Option Exercise Period").

(ii) Upon the delivery of the Put Notice and subject to the provisions herein and in the Put Notice, the Company or the Investment Company (in the case of Executive Securities of the Investment Company), as the case may be, shall, in accordance with the terms hereof promptly determine the purchase price for the Executive Securities (the "Put Price"), and, within 20 days after the determination of the Put Price, shall purchase and the Executive Securityholder shall sell the number of the Executive Securities specified in the Put Notice at a mutually agreeable time and place.

(iii) Notwithstanding any provision herein to the contrary and subject to Section 4(f) hereof, the maximum amount that the Company or the Investment Company collectively shall be required to pay during each calendar year in connection with the Put Options held by the Executive Securityholders is $5,000,000 (the "Put Option Cap"). In the event that the aggregate purchase price for the Put Options exercised by the Executive Securityholders in any calendar year exceeds the Put Option Cap, the amount of such

excess shall be applied to the Put Option Cap for the next calendar year or succeeding years.

(iv) The Company and the Investment Company will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(e) Repurchase Option Procedures.

(i) Repurchase Option Procedure for the Company. With respect to any repurchase option other than a Put Option (which shall be governed by the procedures set forth in Section 4(d)) and subject to the Executive Securityholder's prior right to exercise a Put Option upon the occurrence of a Put Event, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may elect to repurchase all or any portion of the Executive Securities subject to repurchase as provided herein (the "Available Securities") of an Executive Securityholder whose employment with the Company or any of its Subsidiaries has terminated (the "Termination") as described in Sections 4(a), 4(b) or 4(c) (the "Repurchase Option") by delivery of written notice (a "Repurchase Notice") to the holders of such Executive Securities within 120 days after the date of the Termination (the "Repurchase Notice Period") if a Put Event has not occurred, or if a Put Event has occurred, within 120 days following the expiration of the Put Option Exercise Period. The Repurchase Notice shall set forth the aggregate consideration to be paid for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction.

(ii) Repurchase Option Procedure for Investor Group. If for any reason the Company or the Investment Company (in the case of Executive Securities of the Investment Company) does not elect to purchase all of the Available Securities, the Investor Group shall be entitled to exercise the Repurchase Option for all or any portion of the Available Securities. As soon as practicable after the Company or the Investment Company (in the case of Executive Securities of the Investment Company) has determined that it will not purchase all of the Available Securities, but in any event within 80 days after the Termination if a Put Event has not occurred, or if a Put Event has occurred, within 80 days following the expiration of the Put Option Exercise Period, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall give written notice (the "Option Notice") to each member of the Investor Group setting forth the number of Available Securities and the purchase price for the Available Securities. The members of the Investor Group may elect to purchase all or any portion of the Available Securities by giving written notice to the Company or the Investment Company (in the case of Executive Securities of the Investment Company) within 30 days after the Option Notice has been delivered to such member of the Investor Group by the Company or the Investment Company (in the case of Executive Securities of the Investment Company). If the members of the Investor Group elect to purchase an aggregate amount of Available Securities in excess of the amount of Available Securities specified in the Option Notice, the Available Securities

shall be allocated among the members of the Investor Group based on the amount of such type or types of Stockholder Shares (as defined in the Stockholders Agreement) owned by each member of the Investor Group on the date of the Option Notice and the type of Available Securities. Any member of the Investor Group may condition his, her or its election to purchase such Available Securities on the election of one or more other members of the Investor Group to purchase Available Securities. As soon as practicable, and in any event within ten days after the expiration of the 30-day period set forth above, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall deliver a notice to the holders of such Available Securities setting forth the aggregate consideration to be paid by the respective members of the Investor Group for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction. At the time the Company or the Investment Company (in the case of Executive Securities of the Investment Company) delivers such notice to the holders of such Available Securities, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall also deliver written notice to each member of the Investor Group setting forth the amount of securities such member is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction.

(iii) Representations and Warranties; Signatures. The Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group, as the case may be, will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(iv) Revocation. Notwithstanding anything to the contrary contained in this Agreement, if in connection with a Repurchase Option the holder of Executive Securities delivers the notice of disagreement described in the definition of Fair Market Value, or if the Fair Market Value of the Executive Securities is determined to be an amount more than 10% greater than the repurchase price for Executive Securities originally determined by the Board, each of the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and each member of the Investor Group who has exercised its, their or his Repurchase Option shall have the right to revoke its, their or his exercise of the Repurchase Option, as the case may be, for all or any portion of the Executive Securities elected to be repurchased by it, them or him by delivering notice of such revocation in writing to the holder of the Executive Securities during (A) the thirty-day period beginning on the date the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group receive the Executive Securityholder's written notice of disagreement or (B) the thirty-day period beginning on the date the Company, the Executive Securityholder, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group are given written notice that the Fair Market Value of the Executive Securities was finally determined to be an amount more than 10% greater than the repurchase price for such Executive Securities

originally determined by the Board. The closing of the transaction shall be postponed until the expiration of the thirty-day period described in the preceding sentence and shall in any event be postponed until the Fair Market Value of the Executive Securities is finally determined pursuant to the procedure described in the definition of Fair Market Value.

(f) Manner of Payment. The Company, the Investment Company and/or a member of the Investor Group, as applicable, shall pay for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by delivery of a cashier's check or wire transfer of funds. Alternatively, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may pay the purchase price for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by offsetting against any indebtedness or obligations for advanced or borrowed funds owed by the applicable Executive Securityholder to the Company or the Investment Company. Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Executive Securities by the Company or the Investment Company shall be subject to applicable federal and state laws and to restrictions contained in the Company's and its Subsidiaries' debt financing arrangements. If any such laws or restrictions prohibit the repurchase of Executive Securities hereunder which the Company or the Investment Company is otherwise entitled to make, the time periods provided in this Section 4 shall be suspended, and the Company or the Investment Company may make such repurchases as soon as it is permitted to do so under such laws or restrictions. Alternatively, if and to the extent any such laws or restrictions prohibit the repurchase of Executive Securities hereunder for cash, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may, at its sole option, repurchase such Executive Securities, in which case the amount of the purchase price which is not able to be paid in cash shall be paid for by the issuance of a subordinated promissory note, which, subject to the approval of the senior and senior subordinated lender(s) of the Company and its Subsidiaries, shall be payable as soon as the Company or the Investment Company is permitted to pay such note under such laws or restrictions and shall bear interest (payable annually) at a floating rate per annum equal to the prime or base rate of interest (as established and publicly announced in The Wall Street Journal).

(g) Termination of Certain Repurchase Options. The Repurchase Options and Put Options set forth in this Section 4 shall terminate with respect to the Executive Securities (other than with respect to unvested Executive Securities) upon (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by Section 3 or (ii) consummation of a Sale of the Company.

(h) 2004 Stock Option Plan. To the extent that the Executive Securityholder is granted an option to purchase shares of Common Stock under the Company's 2004 Stock Option Plan, the written agreement pursuant to which such option is granted shall include repurchase rights for the Company and/or such other Persons as determined by the Company that are substantially similar to the repurchase rights set forth in this Agreement with respect to the Executive Securityholder's Incentive Equity.

5. Transfer. Prior to transferring any Executive Securities (other than in a Public Sale, a Sale of the Company,Section 4 hereof, Section 5 of the Stockholders Agreement and Section 3 of the Investment Company Stockholders Agreement) to any Person, the transferring Executive Securityholder will cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company a counterpart to this Agreement. Any Transfer or attempted Transfer of any Executive Securities in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Executive Securities as the owner of such units for any purpose.

6. Definitions.

"Affiliate" means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Board" means the Board of Directors of the Company.

"Cause" means (i) the willful failure to substantially perform duties required in connection with the Executive Securityholder's employment commensurate with position, other than due to Disability; (ii) a willful act which constitutes gross misconduct or fraud and which is injurious to the Company or its Subsidiaries; (iii) conviction of, or plea of guilty or no contest to, a felony; or (iv) any material breach of confidentiality, noncompete or non-solicitation agreements with the Company or any of its Subsidiaries which is not cured within 10 days after written notice from the Company.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership and any Affiliate thereof.

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

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

"Disability " means the Executive Securityholder's inability to carry out effectively his duties and obligations to the Company or any of its Subsidiaries or to participate effectively and actively in the management of the Company or any of its Subsidiaries for a period of more than 26 weeks in any 12-month period as a result of any mental or physical disability or incapacity as defined in the Americans with Disabilities Act or as otherwise as determined in the reasonable good faith judgment of the Board.

"Executive Securities" shall mean the Purchased Equity, Incentive Equity and Preferred Options collectively. Executive Securities will continue to be Executive Securities in the hands of any holder other than the Executive Securityholder (except for the Company, the Investment Company and other Stockholders, and except for transferees in a Sale of the Company), and

except as otherwise provided herein, each such other holder of Executive Securities will succeed to all rights and obligations attributable to the Executive Securityholder as a holder of Executive Securities hereunder. Executive Securities will also include the Company's and the Investment Company's securities issued with respect to Executive Securities by way of a stock split or stock dividend and securities into which such shares of stock or rights to acquire stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the structure or capitalization of the Company, including but not limited to debt or shares of common stock and/or preferred stock and/or options of any corporate successor to the business of the Company or the Investment Company, whether issued in connection with a public offering of securities of such entity or otherwise.

"Exercise Price" with respect to (i) the Purchased Options, shall equal $194.15 per share of Purchased Option Underlying Stock and (ii) the Preferred Options, shall be $1,000 per share of Preferred Option Underlying Stock.

"Fair Market Value" of any Executive Securities means the composite closing price of the sales of such Executive Securities on the securities exchanges on which such Executive Securities may at the time be listed (as reported in The Wall Street Journal), or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if such Executive Securities are not so listed, the closing price (or last price, if applicable) of sales of such Executive Securities on The Nasdaq Stock Market (as reported in The Wall Street Journal), or if such Executive Securities are not quoted in The Nasdaq Stock Market but are traded over-the-counter, the average of the highest bid and lowest asked prices on such day in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Executive Securities are not listed on any securities exchange, quoted in The Nasdaq Stock Market, or quoted in the over-the-counter market, the "Fair Market Value" of such Executive Securities shall mean the fair market value of such Executive Securities as determined by the Board reasonably and in good faith on an enterprise basis, taking into account all relevant factors determinative of value (including the lack of liquidity of such Executive Securities due to the Company's status as a privately held corporation, but without regard to any discounts for minority interests), using valuation techniques then prevailing in the securities industry (e.g., discounted cash flows and/or comparable companies) and assuming full disclosure of all relevant information and a reasonable period of time for effectuating such sale; provided that upon the Executive Securityholder's request the Board shall provide the Executive Securityholder with reasonable supporting information regarding the Board's determination of the Fair Market Value; and further provided that if the Executive Securityholder disagrees with the Board's determination of the Fair Market Value, then the Executive Securityholder shall provide notice of his disagreement to the Company and the Investor Group within thirty days after the Board provides notice to the Executive Securityholder of its determination, in which case the "Fair Market Value" shall be determined by an investment banking firm agreed upon by the Company and the Executive Securityholder, which firm shall submit to the Company and the Executive

Securityholder a report within 30 days of its engagement setting forth such determination. If the parties are unable to agree on an investment banking firm within 20 days after the Executive Securityholder provides notice to the Board of his disagreement, the Company and the Executive Securityholder shall each select an investment bank of recognized national standing and such two investment banking firms shall select a third investment banking firm. Such third investment banking firm shall render a determination within 30 days of its engagement. The determination of such firm will be final and binding upon all parties. If an investment banking firm is to make the Fair Market Value determination hereunder, the Executive Securityholder, on the one hand, and the Company, on the other hand, shall submit in writing their respective estimates of the Fair Market Value at the time the investment banking firm is requested to make such determination, and such investment banking firm's determination of the Fair Market Value shall not be higher than the highest estimate nor lower than the lowest estimate as submitted by the Company and the Executive Securityholder. The fees, costs and expenses of the investment banking firm shall be allocated between the Company, on the one hand, and the Executive Securityholder, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the investment banking differs from the Fair Market Value (as finally determined by the investment banking firm) bears to the amount of the difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value. If the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group exercise their revocation rights under Section 4(e)(iv), then the expenses of the investment banking firm shall be borne by the Company in all cases. The Company may require that the investment banking firm keep confidential any non-public information received as a result of this paragraph pursuant to reasonable confidentiality arrangements. Regardless of when a transaction based on a Fair Market Value valuation is executed, the Fair Market Value shall be determined as of the date of the Termination of the Executive Securityholder's employment with the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Executive Securityholder shall not have any appraisal right hereunder if a similar appraisal right has been exercised by an employee of any the Company or its Subsidiaries within the six months preceding the day as of which Fair Market Value is being determined hereunder, and Fair Market Value has been determined pursuant to such exercise of such appraisal right.

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

"Good Reason" means the Executive Securityholder's termination of his employment with the Company and its Subsidiaries due to (i) any material diminution in the Executive Securityholder's position, authority or duties with the Company and its Subsidiaries, (ii) the Company or any of its Subsidiaries reassigning Executive to work at a location that is more than seventy-five (75) miles from his current work location or (iii) the failure of the Company and its Subsidiaries to pay the Executive Securityholder's compensation or bonuses or to provide benefits as agreed by the Company or its Subsidiaries and Executive Securityholder or, as to benefits, as generally made available to employees in Executive Securityholder's position with

the Company or its Subsidiaries, which is not cured within ten (10) days after written notice from the Executive Securityholder. The Executive Securityholder's resignation for Good Reason must be delivered within thirty (30) days after the occurrence of the event giving rise to the resignation.

"Investment Company Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among the Investment Company and certain stockholders of the Investment Company, as amended.

"Investor Common Stock" means any Common Stock issued to or held by the Investor Group.

"Investor Group" means those persons set forth onSchedule A to this Agreement.

"Options" means the Preferred Options and the Purchased Options.

"Original Cost" with respect to (i) shares of Class A Common Stock and Class B Common Stock shall be equal to $1,000 per share and (ii) Purchased Option Underlying Stock and Preferred Option Underlying Stock, shall be equal to $1,000 per share of Preferred Stock and $1,000 per share of Investment Company Preferred (in each case as adjusted for stock splits, stock dividends or other recapitalizations occurring after the date hereof).

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including, without limitation, any governmental entity or any department, agency or political subdivision thereof).

"Preferred Option Underlying Stock" means, with respect to the Preferred Options, the shares of Preferred Stock underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(i) hereof and the shares of Investment Company Preferred underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(ii) hereof.

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

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

"Public Sale" means any sale of Executive Securities (i) to the public pursuant to an offering registered under the Securities Act or (ii) to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in effect) adopted under the Securities Act (other than Rule 144(k) prior to a Public Offering).

"Purchased Option Underlying Stock" means, with respect to the Purchased Options, the shares of Preferred Stock underlying the Company Preferred Purchased Option (whether

exercised or exercisable) and the shares of Investment Company Preferred underlying the Investment Company Preferred Purchased Option (whether exercised or exercisable).

"Put Option" means the Purchased Equity Put, Incentive Equity Put and Preferred Option Put.

"Registration Agreement" means the Registration Agreement dated as of the date hereof by and among the Company and certain Stockholders of the Company.

"Retire" or "Retirement" means the Executive Securityholder's retirement from employment with the Company or any of its Subsidiaries at any time after he reaches age 61.

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

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

"Stockholder" means any Person, other than the Company, who is a party to the Stockholders Agreement as of the date hereof.

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

"Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association or other business entity.

"Unvested Incentive Equity" means any shares of the Incentive Equity that have not become vested pursuant to the terms of Section 2(b) of this Agreement.

"Unvested Preferred Options" means any Preferred Options that have not become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Incentive Equity" means any shares of the Incentive Equity that have become vested pursuant to the terms of Section 2(b) of this Agreement.

"Vested Preferred Options" means any Preferred Options that have become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Shares" means the shares of Vested Incentive Equity as of the applicable date of determination and shares of Common Stock issued to the Executive Securityholder pursuant to Section 1(a)(i).

7. Options.

(a) Procedure for Exercise of Options. The Executive Securityholder may exercise all (but not less than all) of his Options, to the extent they have vested and are exercisable, at any time and from time to time prior to the applicable Expiration Date, by delivering written notice to the Company or the Investment Company, as applicable, (to the attention of the Company's or Investment Company's Secretary, as applicable) and written acknowledgement by the Executive Securityholder that he has reviewed and has been afforded an opportunity to ask questions of management of the Company or the Investment Company, as applicable, with respect to all financial and other information provided to him regarding the Company or the Investment Company, as applicable, together with payment of the Exercise Price for the Options being exercised. Notwithstanding anything to the contrary contained in this Agreement, (i) the Preferred Options must be exercised in tandem such that any exercise of a Preferred Option to purchase shares of Preferred Stock or Investment Company Preferred, as the case may be, must be accompanied by an exercise of Preferred Options to purchase an equal number shares of Investment Company Preferred and Preferred Stock, respectively and (ii) the Purchased Options must be exercised in tandem such that any exercise of the Company Preferred Purchased Option or the Investment Company Preferred Purchased Option, as the case may be, must be accompanied by an exercise of the Investment Company Preferred Purchased Option, in the case of an exercise of the Company Preferred Purchased Option, and the Company Preferred Purchased Option, in the case of an exercise of the Investment Company Preferred Purchased Option. Subject to vesting, the Executive Securityholder's Options may be exercised in whole or in part upon payment of an amount (the "Option Price") equal to the product of (i) the applicable Exercise Price multiplied by (ii) the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, underlying the Options being exercised. Payment shall be made in cash (including check, bank draft or money order). As a condition to any exercise of the Options, the Executive Securityholder shall permit the Company or the Investment Company, as applicable, to deliver to him all financial and other information regarding the Company or the Investment Company, as applicable, it believes necessary to

enable him to make an informed investment decision, and the Executive Securityholder shall make all customary investment representations which the Company or the Investment Company, as applicable, requires.

(b) Sale of the Company. In the event of a Sale of the Company, the Board may (i) terminate any unvested Options without payment or notice of any kind, (ii) terminate any vested Options for a cash payment equal to the excess of the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, (measured as of the date of such Sale of the Company) over such Option's Exercise Price multiplied by the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, with respect to the Options to be terminated, or (iii) terminate any vested Options without payment or notice of any kind to the extent that the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable (measured as of the date of such Sale of the Company), is less than or equal to such Option's Exercise Price.

(c) Dividends. If either the Company or the Investment Company pays a dividend upon the Preferred Stock or Investment Company Preferred, respectively, then upon exercise of any Option which was outstanding at the time of the payment of such dividend (the "Applicable Option"), the Executive Securityholder shall be entitled to receive an amount equal to the dividend (and in the same form of consideration as was received by the other dividend recipients) which would have been paid to the Executive Securityholder had the Applicable Option been fully exercised immediately prior to the date on which a record was taken for such dividend or, if no record was taken, the date as of which the record holders of the Preferred Stock or Investment Company Preferred, respectively, entitled to such dividends were determined.

8. Miscellaneous.

(a) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the holders of a majority of the Investor Common Stock then outstanding, the Executive Securityholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares and shares of Investment Company Preferred with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

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

(c) Agreement. Except as otherwise expressly set forth herein, in the Merger Agreement, Stockholders Agreement or Registration Agreement, this Agreement, those documents expressly referred to herein (including the Stockholders Agreement) and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Investor Group and their respective successors and assigns, so long as they hold shares of Investor Common Stock.

(e) Third Party Beneficiaries. The members of the Investor Group are intended to be third-party beneficiaries of this entire Agreement and the rights and obligations of the parties hereto. It is understood and agreed by the parties hereto that this Agreement shall be enforceable by the holders of a majority of the Investor Common Stock then outstanding in accordance with this Agreement's terms as though such holders of Investor Common Stock were a party to every provision hereof. Except as expressly provided herein, no other third party beneficiaries are intended by the parties hereto to be beneficiaries hereof.

(f) Counterparts; Facsimile Signature. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

(g) Remedies. Each of Company, the Investor Group and the Executive Securityholder shall be entitled to enforce its rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that each of the Company, the Investor Group (acting by a majority vote of the Investor Common Stock) and the Executive Securityholders may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(h) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent via facsimile, sent by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company and the Executive Securityholder at the addresses set forth below and to any member of the Investor Group at the address set forth on Schedule A attached hereto, or subsequent holder of Executive Securities subject to this Agreement, at such address as is indicated in the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, when confirmed if sent by facsimile, three days

after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

If to the Company:

HCI Acquisition Corp.
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606 Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with copies to:

Code Hennessy & Simmons IV LP
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Executive Securityholder:

George Heredia
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231

with a copy to:

Baker & Hostetler LLP
3200 National City Center
1900 East 9th Street
Cleveland, OH 44114-3485
Facsimile: (216) 696-0740
Attn: Elizabeth A. Dellinger

(i) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights and obligations of the Company and its Stockholders. All other issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

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

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

(l) Indemnification and Reimbursement of Payments on Behalf of Executive Securityholder. The Company and its Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive Securityholder any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive Securityholder's compensation or other payments from the Company or any of its Subsidiaries or Executive Securityholder's ownership interest in the Company, including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity. In the event the Company or any

of its Subsidiaries does not make such deductions or withholdings, Executive Securityholder shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

(m) Adjustments of Numbers. All numbers set forth herein that refer to per share prices or amounts will be appropriately adjusted to reflect stock splits, stock dividends, combinations of stock and other recapitalizations affecting the subject class of equity.

(n) Deemed Transfer of Executive Securities. If the Company (and/or the Investor Group or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Executive Securities to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such Executive Securities are to be repurchased shall no longer have any rights as a holder of such Executive Securities (other than the right to receive payment of such consideration in accordance with this Agreement) and such Executive Securities shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investor Group and/or any other Person acquiring securities) shall be deemed the owner and holder of such Executive Securities, whether or not the certificates therefor have been delivered as required by this Agreement.

(o) No Pledge or Security Interest. The purpose of the Company's retention of Executive Securityholder's certificates is solely to facilitate the repurchase provisions set forth in Section 4 herein and Section 6 of the Stockholders Agreement and does not constitute a pledge by Executive Securityholder of, or the granting of a security interest in, the underlying equity.

(p) Rights Granted to Investors and their Affiliates. Any rights granted to an Investor and its Affiliates hereunder may also be exercised (in whole or in part) by their designees.

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

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

* * * * *

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

COMPANY:

HCI ACQUISITION CORP.

By: _____

Its: _____

EXECUTIVE SECURITYHOLDER:

_____

George Heredia

SCHEDULE A

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

CHS Associates IV
10 South Wacker Drive
Suite 3175
Chicago, IL 60606

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M4H5
Attention: J. Mark MacDonald

EXHIBIT A

March 31, 2004

ELECTION TO INCLUDE
STOCK IN GROSS INCOME PURSUANT TO
SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned purchased shares of Common Stock, par value $.01 per share (the "Common Stock"), of The Hillman Companies, Inc. (the "Company") on March 31, 2004 (the "Closing Date"). Under certain circumstances, the Company has the right to repurchase certain of the Common Stock at cost from the undersigned (or from the holder of the Common Stock, if different from the undersigned) should the undersigned cease to be employed by the Company and its subsidiaries or upon certain other events. Hence, the Common Stock is subject to a substantial risk of forfeiture and are non-transferable. The undersigned desires to make an election to have the Common Stock taxed under the provision of Code §83(b) at the time he purchased the Common Stock.

Therefore, pursuant to Code §83(b) and Treasury Regulation §1.83-2 promulgated thereunder, the undersigned hereby makes an election, with respect to the Common Stock (described below), to report as taxable income for calendar year 2004 the excess (if any) of the Common Stock's fair market value on March 31, 2004 over the purchase price thereof.

The following information is supplied in accordance with Treasury Regulation § 1.83-2(e):

1. The name, address and social security number of the undersigned:

Name: George Heredia
Address: _____
_____
Social Security No.: _____

2. A description of the property with respect to which the election is being made: 73.902 shares of Common Stock, par value $0.01, of the Company.

3. The date on which the shares of Common Stock were transferred: March 31, 2004. The taxable year for which such election is made: calendar year 2004.

4. The restrictions to which the property is subject: In the event the undersigned ceases to be employed by the Company or its subsidiaries as a result of termination by resignation without good reason prior to March 31, 2007 or termination for cause, each share of Common Stock, whether vested or unvested, may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value. In the event the undersigned ceases to be employed by the Company or its subsidiaries as a result of termination by resignation without good reason

after March 31, 2007, each vested share of Common Stock may be repurchased at a price equal to the fair market value and each unvested share of Common Stock may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value. In the event the undersigned ceases to be employed by the Company or its subsidiaries for any other reason, each vested share of Common Stock may be repurchased at a price equal to fair market value and each unvested share of Common Stock may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value.

5. The fair market value on March 31, 2004 of the property with respect to which the election is being made, determined without regard to any lapse restrictions: $1,000 per share of Common Stock.

6. The amount paid for such property: $1,000 per share of Common Stock.

* * * * *

A copy of this election has been furnished to the Secretary of the Company pursuant to Treasury Regulations §1.83-2(e)(7). A copy of this election will be submitted with the 2004 federal income tax return of the undersigned pursuant to Treasury Regulation §1.83(2)(c).

Dated: March 31, 2004

George Heredia

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, _____ ("Executive") does hereby sell, assign and transfer unto_____, a _____, (a) _____ shares of Common Stock of The Hillman Companies, Inc., a Delaware corporation (the "Company"), standing in the undersigned's name on the books of the Company, represented by Certificate Nos._____ herewith and (b) (i) options to purchase_____shares of the Company's Class A Preferred Stock, par value $0.01 per share, and (ii) options to purchase _____shares of the Class A Preferred Stock, par value $0.01 per share, of Hillman Investment Company, a Delaware corporation ("Investment Company"), pursuant to, and limited to the terms of, Section 1(i) of the Executive Securities Agreement dated March ___, 2004 between Executive and the Company, and for such purpose only does hereby irrevocably constitute and appoint each principal of Code Hennessy & Simmons IV LP (acting alone or with one or more other such principals) as attorney to transfer said shares of stock on the books of the Company or Investment Company, as applicable, with full power of substitution in the premises.

Dated: March ___, 2004

_____

George Heredia

EXHIBIT C

SPOUSAL CONSENT

The undersigned spouse of Executive hereby acknowledges that I have read the foregoing Executive Securities Agreement and the Stockholders Agreement and Registration Agreement referred to therein, each executed by Executive and dated as of the date hereof, and that I understand their contents. I am aware that the foregoing Executive Securities Agreement, Stockholders Agreement and Registration Agreement provide for the repurchase of my spouse's securities and certain options to acquire securities under certain circumstances and/or impose other restrictions on such securities and certain options to acquire securities (including, without limitation, the transfer restriction thereof). I agree that my spouse's interest in these securities and certain options to acquire securities is subject to these restrictions and any interest that I may have in such securities and certain options to acquire securities shall be irrevocably bound by these agreements and further, that my community property interest, if any, shall be similarly bound by these agreements.

Date: _____

Spouse's Name: _____

Date: _____

Witness' Name: _____

Date: _____

Exhibit D

Joinder to Executive Securities Agreement

The undersigned hereby agrees to become a party to, and be bound by, that certain Executive Securities Agreement, by and between HCI Acquisition Corp., a Delaware corporation, and the Executive Securityholder named therein, dated as of March 31, 2004, as if it had originally signed the Executive Securities Agreement.

HILLMAN INVESTMENT COMPANY

By: _____

Its: _____

Acknowledged and Agreed:

HCI ACQUISITION CORP.

By: _____

Its: _____

_____

George Heredia

Exhibit 10.19

HCI ACQUISITION CORP.

EXECUTIVE SECURITIES AGREEMENT

THIS EXECUTIVE SECURITIES AGREEMENT (this "Agreement") is made as of March 31, 2004, by and between HCI Acquisition Corp., a Delaware corporation ("HCI"), and Terry Rowe (the "Executive Securityholder," and, together with the other executives who execute an agreement with HCI or the Company (as defined below) having terms substantially similar to those contained herein, the "Executive Securityholders"). Certain capitalized terms used herein are defined inSection 6 hereof.

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

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

The Executive Securityholder owns (i) 2,410 shares (the "Rollover Stock") of Hillman's common stock, par value $0.01 per share (the "Hillman Common Stock"), and (ii) options to purchase 16,448 shares of Hillman Common Stock (the "Rollover Options" and together with the Rollover Stock, the "Rollover Securities").

Section 1.7(c)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Stock shall not be cancelled and converted into the right to receive the Per Share Closing Merger Consideration (as defined in the Merger Agreement), but instead such shares of Rollover Stock shall be cancelled and converted into a right to receive such number of shares of common stock and/or preferred stock of the Company as HCI and the Executive Securityholder may so agree.

Section 1.7(d)(ii) of the Merger Agreement provides that, without any action on the part of HCI, Hillman, the Company or the Executive Securityholder, the Executive Securityholder's Rollover Options shall not be cancelled and converted into the right to receive the Option Consideration (as defined in the Merger Agreement), but instead such Rollover Options shall be cancelled and converted into a right to receive such number of options to purchase shares of preferred stock of the Company and/or of Hillman Investment Company, a Delaware corporation

(the "Investment Company"), as HCI and the Executive Securityholder may so agree. None of the options granted hereunder are intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code (as defined below).

The parties hereto desire to enter into this Agreement for the purposes, among others, of (i) enabling the Executive Securityholder to cancel and exchange the Rollover Securities for the applicable Executive Securities (as defined below) in the manner provided herein and in the Merger Agreement, (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Executive Securities may be transferred.

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

1. Cancellation and Issuance of Rollover Securities for Executive Securities

(a) Purchased Equity.

(i) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, 831 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 23.858 shares of the Company's Class A Common Stock, par value $0.01 per share (the "Class A Common Stock").

(ii) Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(d)(ii) and 1.8(a) of the Merger Agreement, Rollover Options to purchase 16,448 shares of Hillman Common Stock shall be cancelled and exchanged for (A) an option (the "Company Preferred Purchased Option") to purchase 278.127 shares of the Preferred Stock and (B) an option (the "Investment Company Preferred Purchased Option") to purchase 194.042 shares of the Investment Company's Class A Preferred Stock, par value $0.01 per share (the "Investment Company Preferred"), in each case, at the applicable Exercise Price per share of underlying stock. The Company Preferred Purchased Option and the Investment Company Preferred Purchased Option issued to the Executive Securityholder pursuant to this Section 1(a)(ii) are hereafter collectively referred to as the "Purchased Options."

(iii) The shares of Class A Common Stock and the Purchased Options issued to the Executive Securityholder pursuant to this Section 1(a) are collectively referred to hereafter as the "Purchased Equity".

(b) Incentive Equity. Upon consummation of the Merger and in accordance with the provisions of Sections 1.7(c)(ii) and 1.8(a) of the Merger Agreement, (i) 1,579 shares of the Rollover Stock owned by the Executive Securityholder shall be cancelled and converted into 45.325 shares of the Company's Class B Common Stock, par value $0.01 per share (the "Class B Common Stock") and (ii) the Company shall sell to the Executive Securityholder, and the

Executive Securityholder shall purchase from the Company, 25.331 shares of the Class B Common Stock for an aggregate purchase price of $25,331 in cash, which will be paid at the Closing by wire transfer of immediately available funds to a bank account designated by the Company. The shares of Class B Common Stock issued to the Executive Securityholder pursuant to this Section 1(b) are hereafter collectively referred to as the "Incentive Equity."

(c) Preferred Options. Upon consummation of the Merger, (i) the Company shall grant to the Executive Securityholder an option to purchase 682.297 shares of the Preferred Stock and (ii) the Investment Company hereby shall grant to the Executive Securityholder an option to purchase 476.021 shares of the Investment Company Preferred, in each case, at the applicable Exercise Price per share of underlying Preferred Stock or Investment Company Preferred, as the case may be. The options granted to the Executive Securityholder pursuant to this Section 1(c) are hereinafter collectively referred to as the "Preferred Options".

(d) Closing. The closing of the transactions contemplated by Sections 1(a), 1(b) and 1(c) (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, Illinois at 10:00 a.m. on the date hereof, or at such other place or on such other date as may be mutually agreeable to the Company and the Executive Securityholder.

(e) Surrender and Exchange of Certificates. The Company shall deliver to the Executive Securityholder copies of the certificates representing the Executive Securityholder's Executive Securities (to the extent such Executive Securities are represented by certificates), and the Executive Securityholder shall deliver to the Company stock certificates evidencing the Executive Securityholder's Rollover Stock duly endorsed for transfer or accompanied by appropriate transfer documents pursuant to the Merger Agreement. Until the occurrence of a Sale of the Company, all certificates evidencing the Executive Securities shall be held by the Company for the benefit of the Executive Securityholder and the other holder(s) of Executive Securities. Upon the occurrence of a Sale of the Company, the Company will return the certificates for the Executive Securities to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof certificates representing the Executive Securities (other than with respect to any Executive Securities that remain unvested).

(f) Representations and Warranties. The Executive Securityholder represents and warrants that:

(i) the Executive Securities to be acquired by the Executive Securityholder pursuant to this Agreement and the Merger Agreement shall be acquired for the Executive Securityholder's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Executive Securities shall not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) the Executive Securityholder will be, upon consummation of the Merger, an executive officer of the Company or a Subsidiary thereof, is sophisticated in financial

matters and is able to evaluate the risks and benefits of the investment in the Executive Securities;

(iii) the Executive Securityholder is able to bear the economic risk of his or her investment in the Executive Securities for an indefinite period of time. The Executive Securityholder understands that the Executive Securities have not been registered under the Securities Act and, therefore, cannot be sold, and in certain circumstances, transferred, unless subsequently registered under the Securities Act or an exemption from such registration is available;

(iv) the Executive Securityholder has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Executive Securities and has had full access to such other information concerning the Company as he or she has requested; and

(v) this Agreement constitutes the legal, valid and binding obligation of the Executive Securityholder, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Executive Securityholder does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which the Executive Securityholder is a party or any judgment, order or decree to which the Executive Securityholder is subject.

(g) No Employment Obligation. As an inducement to the Company to issue the Executive Securities to the Executive Securityholder hereunder, and as a condition thereto, the Executive Securityholder acknowledges and agrees that:

(i) neither the issuance of the Executive Securities to the Executive Securityholder hereunder nor any provision contained herein shall entitle the Executive Securityholder to remain in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Executive Securityholder's employment at any time; and

(ii) neither the Company nor its Subsidiaries shall have any duty or obligation to disclose to the Executive Securityholder, and the Executive Securityholder shall have no right to be advised of, any information regarding the Company or its Subsidiaries (except in connection with a determination of the Fair Market Value of the Executive Securities) at any time prior to, upon or in connection with the repurchase of the Executive Securities upon the termination of Executive Securityholder's employment with the Company or any of its Subsidiaries or as otherwise provided hereunder.

(h) 83(b) Election. Within 30 days after the date of hereof, the Executive Securityholder will make an effective election with respect to his Incentive Equity with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(i) Stock Powers. At the Closing, (i) the Executive Securityholder shall execute in blank ten stock transfer powers in the form ofExhibit B attached hereto (the "Stock Powers") with respect to his Purchased Equity represented by certificates and Incentive Equity and shall deliver such Stock Powers to the Company. The Stock Powers shall authorize the Company to assign, transfer and deliver the shares of Purchased Equity represented by certificates and Incentive Equity to the appropriate acquirer thereof pursuant to Section 4 below or Section 6 of the Stockholders Agreement and under no other circumstances and (ii) the Executive Securityholder's spouse shall execute the consent in the form of Exhibit C attached hereto.

(j) Investment Company. Upon consummation of the Merger, the Company shall cause the Investment Company to execute a joinder to this Agreement in the form of Exhibit D attached hereto, and the parties hereto agree that upon execution of such joinder the Investment Company shall become a party hereto.

(k) Executive Securities Purchase Plans. The shares of Class A Common Stock and Class B Common Stock and the options to purchase shares of the Preferred Stock are being granted to the Executive Securityholder pursuant to the HCI Acquisition Corp. Executive Securities Purchase Plan (the "Company Purchase Plan"). The options to purchase shares of the Investment Company Preferred are being granted to the Executive Securityholder pursuant to the Hillman Investment Company Executive Securities Purchase Plan (the "Investment Company Purchase Plan" and together with the Company Purchase Plan, the "Purchase Plans"). The Executive Securities being issued under the Purchase Plans are intended to qualify for an exemption from the registration requirements (i) under the Securities Act, pursuant to Rule 701 promulgated thereunder, and (ii) under applicable state securities laws.

2. Vesting of Executive Securities.

(a) Vesting of Purchased Equity. All Purchased Equity shall be fully vested, and with respect to the Purchased Options, fully exercisable, upon issuance hereunder.

(b) Vesting of Incentive Equity. The Executive Securityholder's Incentive Equity shall be subject to vesting in the manner specified in thisSection 2(b).

(i) Except as otherwise provided in this Section 2(b), the shares of Incentive Equity will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Incentive Equity to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%

Date	Cumulative Percentage of Incentive Equity to be Vested
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's shares of Incentive Equity which have not yet become vested shall become vested at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(c) Vesting of Preferred Options. The Preferred Options may be exercised only to the extent they have become vested. The Executive Securityholder's Preferred Options shall be subject to vesting in the manner specified in this Section 2(c).

(i) Except as otherwise provided in this Section 2(c), the Preferred Options will become vested in accordance with the following schedule, if as of each such date the Executive Securityholder is still employed by the Company or any of its Subsidiaries:

Date	Cumulative Percentage of Preferred Options to be Vested
1st Anniversary of date hereof	20%
2nd Anniversary of date hereof	40%
3rd Anniversary of date hereof	60%
4th Anniversary of date hereof	80%
5th Anniversary of date hereof	100%

(ii) Upon the occurrence of a Sale of the Company, all of the Executive Securityholder's Preferred Options which have not yet become vested shall become vested and fully exercisable at the time of such event, if as of the date of such event the Executive Securityholder is still employed by the Company or any of its Subsidiaries.

(d) Expiration of Preferred Options and Purchased Options. The Preferred Options shall expire at the close of business on March 31, 2014 and the Purchased Options shall expire at the close of business on March 31, 2028 (in either case, such date being hereinafter referred to as the "Expiration Date"), subject to earlier expiration as provided herein. In no event shall any part of the Executive Securityholder's Preferred Options and Purchased Options be exercisable after the applicable Expiration Date. Except as otherwise provided herein, any portion of the Executive Securityholder's Preferred Options that was not vested and exercisable as of the date his employment with the Company or any of its Subsidiaries terminated shall expire and be cancelled on such date.

3. Restrictions on Transfer of Executive Securities; Restriction on Conversion of Common Stock.

(a) Transfer of Executive Securities.

(i) The holders of Executive Securities shall not sell, transfer, assign, pledge or otherwise dispose of (a "Transfer") any interest in any Executive Securities (other than Purchased Options and Preferred Options that have not been exercised), except pursuant to (i) the provisions of Sections 5 and 6 of the Stockholders Agreement, (ii) the provisions of Section 3 of the Investment Company Stockholders Agreement, (iii) a Sale of the Company, (iv) the provisions of Section 3(b) hereof or (v) the provisions of Section 4 hereof.

(ii) The Purchased Options and the Preferred Options are personal to the Executive Securityholder, and any Purchased Options or Preferred Options that have not been exercised in accordance with the terms hereof are not transferable by the Executive Securityholder other than by (i) will or the laws of descent and distribution, (ii) the provisions of Section 4 hereof and (iii) the provisions of Section 7(b) hereof.

(b) Certain Permitted Transfers. The restrictions set forth in Section 3(a)(i) shall not apply with respect to any Transfer of Executive Securities made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investor Group sells Common Stock in a Public Sale, but in the case of this clause (ii) only an amount (the "Transfer Amount") equal to the number of Vested Shares owned by the Executive Securityholder multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of shares of Common Stock sold by the Investor Group in such Public Sale and the denominator of which is the total number of shares of Common Stock held by the Investor Group prior to the Public Sale; provided that, if at the time of a Public Sale by the Investor Group, the Executive Securityholder chooses not to Transfer the Transfer Amount, the Executive Securityholder shall retain the right to Transfer an amount of Vested Shares at a future date equal to the number of Vested Shares owned by the Executive Securityholder at such future date multiplied by the Transfer Fraction; provided further that, the restrictions contained in this Section 3 will continue to be applicable to the Executive Securities after any Transfer of the type referred to in clause (i) and the transferees of such Executive Securities will agree in writing to be bound by the provisions of this Agreement. Any transferee of Executive Securities pursuant to a transfer in accordance with the provisions of this Section 3(b) is herein referred to as a "Permitted Transferee." Upon the transfer of Executive Securities pursuant to this Section 3(b), the transferring Executive Securityholder will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in Sections 3(a)(i) and 3(b) above will continue with respect to each of the Executive Securities until the earlier of (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by

this Section 3 or (ii) the consummation of a Sale of the Company. The restrictions set forth in Section 3(a)(ii) will not terminate.

(d) Legends. The certificates representing the Executive Securities will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF MARCH 31, 2004, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN AN EXECUTIVE SECURITIES AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF MARCH 31, 2004. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

4. Repurchase of Executive Securities.

(a) Repurchase of Purchased Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the lesser of the Fair Market Value and the Original Cost thereof and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to (I) the lesser of the Fair Market Value and Original Cost less (II) the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason, the Executive Securityholder shall have the right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase his Purchased Equity (a "Purchased Equity Put"), or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Purchased Equity, in either case, (A) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value thereof

and (B) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value thereof less any Exercise Price payable with respect each such share of Purchased Option Underlying Stock; provided that after the closing of the Purchased Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Purchased Equity Put exercised pursuant to this Section 4(a)(ii) for up to 2 years from the date of such resignation.

(iii) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Purchased Equity Put, or if the Executive Securityholder does not exercise the Purchased Equity Put in accordance with the terms hereof, the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Purchased Equity, in either case, (I) at a price per share of Purchased Equity (other than Purchased Options) equal to the Fair Market Value and (II) with respect to the Purchased Options, at a price per share of Purchased Option Underlying Stock equal to the Fair Market Value less the Exercise Price payable with respect each such share of Purchased Option Underlying Stock.

(b) Repurchase of Incentive Equity.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company and the Investor Group shall have the right to repurchase the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity) at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have the right to require the Company to repurchase his Incentive Equity (an "Incentive Equity Put"), or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have the right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost; provided that after the closing of the Incentive Equity Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company and the Investor Group shall be permitted to postpone payment of the amount owed in connection with the Incentive Equity Put exercised pursuant to this Section 4(b)(ii) for up to 2 years from the date of such resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have the right to exercise an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, then the Company and the Investor Group shall have the right to repurchase the shares of the Executive Securityholder's Incentive Equity (whether Vested Incentive Equity or Unvested Incentive Equity), in either case, at a price per share equal to the lesser of the Fair Market Value and Original Cost.

(iv) If the Executive Securityholder's employment terminates due to (A) termination by the Company or any of its Subsidiaries without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have an Incentive Equity Put, or if the Executive Securityholder does not exercise the Incentive Equity Put in accordance with the terms hereof, the Company and the Investor Group shall have a right to repurchase shares of the Executive Securityholder's Incentive Equity, in either case, at a price per share of Vested Incentive Equity equal to the Fair Market Value and at a price per share of Unvested Incentive Equity equal to the lesser of the Fair Market Value and Original Cost.

(c) Repurchase of Preferred Options.

(i) If the Executive Securityholder's employment terminates due to termination by the Company or any of its Subsidiaries with Cause, then the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(ii) Upon a resignation by the Executive Securityholder without Good Reason after the third anniversary of the date hereof, the Executive Securityholder shall have a right to require the Company or the Investment Company (in the case of Executive Securities of the Investment Company) to repurchase (a "Preferred Option Put") his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock; provided that after the closing of the Preferred Option Put with the Executive Securityholder (including delivery of all the Executive Securities by the Executive Securityholder), the Company, the Investor Group or the Investment Company shall be permitted to postpone payment of the amount owed in connection with a Preferred

Option Put exercised pursuant to this Section 4(c)(ii) for up to 2 years from the date of the Executive Securityholder's resignation.

(iii) Upon a resignation by the Executive Securityholder without Good Reason on or prior to the third anniversary of the date hereof, the Executive Securityholder shall have a Preferred Option Put on his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have a right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the lesser of the Fair Market Value and Original Cost less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(iv) If the Executive Securityholder's employment with the Company or any of its Subsidiaries terminates due to (A) termination by the Company without Cause, (B) death or Disability, (C) Retirement or (D) resignation by the Executive Securityholder for Good Reason, then the Executive Securityholder shall have a Preferred Option Put for his Vested Preferred Options, or if the Executive Securityholder does not exercise the Preferred Option Put in accordance with the terms hereof, then the Company, the Investment Company (in the case of Vested Preferred Options held in the Investment Company) and the Investor Group shall have the right to repurchase the Executive Securityholder's Vested Preferred Options, in either case, at a price per share of Preferred Option Underlying Stock equal to the Fair Market Value less any Exercise Price payable with respect to each such share of Preferred Option Underlying Stock.

(d) Put Option Procedures.

(i) In the event that the Executive Securityholder becomes entitled to exercise a Put Option pursuant to this Section 4 (a "Put Event"), the Executive Securityholder (or his personal representative, if the Executive Securityholder is deceased or incompetent) may, at his or her discretion, exercise all (but not less than all) of the Put Options then exercisable for all (but not less than all) of the Executive Securities subject to the Put Options by delivering written notice (the "Put Notice") to the Company specifying the number of Executive Securities to be repurchased by the Company within 40 days following the occurrence of the Put Event (the "Put Option Exercise Period").

(ii) Upon the delivery of the Put Notice and subject to the provisions herein and in the Put Notice, the Company or the Investment Company (in the case of Executive Securities of the Investment Company), as the case may be, shall, in accordance with the terms hereof promptly determine the purchase price for the Executive Securities (the "Put Price"), and, within 20 days after the determination of the Put Price, shall purchase and the Executive Securityholder shall sell the number of the Executive Securities specified in the Put Notice at a mutually agreeable time and place.

(iii) Notwithstanding any provision herein to the contrary and subject to Section 4(f) hereof, the maximum amount that the Company or the Investment Company collectively shall be required to pay during each calendar year in connection with the Put Options held by the Executive Securityholders is $5,000,000 (the "Put Option Cap"). In the event that the aggregate purchase price for the Put Options exercised by the Executive Securityholders in any calendar year exceeds the Put Option Cap, the amount of such excess shall be applied to the Put Option Cap for the next calendar year or succeeding years.

(iv) The Company and the Investment Company will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(e) Repurchase Option Procedures.

(i) Repurchase Option Procedure for the Company. With respect to any repurchase option other than a Put Option (which shall be governed by the procedures set forth in Section 4(d)) and subject to the Executive Securityholder's prior right to exercise a Put Option upon the occurrence of a Put Event, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may elect to repurchase all or any portion of the Executive Securities subject to repurchase as provided herein (the "Available Securities") of an Executive Securityholder whose employment with the Company or any of its Subsidiaries has terminated (the "Termination") as described in Sections 4(a), 4(b) or 4(c) (the "Repurchase Option") by delivery of written notice (a "Repurchase Notice") to the holders of such Executive Securities within 120 days after the date of the Termination (the "Repurchase Notice Period") if a Put Event has not occurred, or if a Put Event has occurred, within 120 days following the expiration of the Put Option Exercise Period. The Repurchase Notice shall set forth the aggregate consideration to be paid for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction.

(ii) Repurchase Option Procedure for Investor Group. If for any reason the Company or the Investment Company (in the case of Executive Securities of the Investment Company) does not elect to purchase all of the Available Securities, the Investor Group shall be entitled to exercise the Repurchase Option for all or any portion of the Available Securities. As soon as practicable after the Company or the Investment Company (in the case of Executive Securities of the Investment Company) has determined that it will not purchase all of the Available Securities, but in any event within 80 days after the Termination if a Put Event has not occurred, or if a Put Event has occurred, within 80 days following the expiration of the Put Option Exercise Period, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall give written notice (the "Option Notice") to each member of the Investor Group setting forth the number of Available Securities and the purchase price for the Available Securities. The members of the Investor Group may elect to purchase all or any portion of the Available Securities by giving written notice to the

Company or the Investment Company (in the case of Executive Securities of the Investment Company) within 30 days after the Option Notice has been delivered to such member of the Investor Group by the Company or the Investment Company (in the case of Executive Securities of the Investment Company). If the members of the Investor Group elect to purchase an aggregate amount of Available Securities in excess of the amount of Available Securities specified in the Option Notice, the Available Securities shall be allocated among the members of the Investor Group based on the amount of such type or types of Stockholder Shares (as defined in the Stockholders Agreement) owned by each member of the Investor Group on the date of the Option Notice and the type of Available Securities. Any member of the Investor Group may condition his, her or its election to purchase such Available Securities on the election of one or more other members of the Investor Group to purchase Available Securities. As soon as practicable, and in any event within ten days after the expiration of the 30-day period set forth above, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall deliver a notice to the holders of such Available Securities setting forth the aggregate consideration to be paid by the respective members of the Investor Group for such Available Securities and the time (not to be later than 20 days after such notice) and place for the closing of the transaction. At the time the Company or the Investment Company (in the case of Executive Securities of the Investment Company) delivers such notice to the holders of such Available Securities, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) shall also deliver written notice to each member of the Investor Group setting forth the amount of securities such member is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction.

(iii) Representations and Warranties; Signatures. The Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the Investor Group, as the case may be, will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers' signatures be guaranteed.

(iv) Revocation. Notwithstanding anything to the contrary contained in this Agreement, if in connection with a Repurchase Option the holder of Executive Securities delivers the notice of disagreement described in the definition of Fair Market Value, or if the Fair Market Value of the Executive Securities is determined to be an amount more than 10% greater than the repurchase price for Executive Securities originally determined by the Board, each of the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and each member of the Investor Group who has exercised its, their or his Repurchase Option shall have the right to revoke its, their or his exercise of the Repurchase Option, as the case may be, for all or any portion of the Executive Securities elected to be repurchased by it, them or him by delivering notice of such revocation in writing to the holder of the Executive Securities during (A) the thirty-day period beginning on the date the Company, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the

Investor Group receive the Executive Securityholder's written notice of disagreement or (B) the thirty-day period beginning on the date the Company, the Executive Securityholder, the Investment Company (in the case of Executive Securities of the Investment Company) and the relevant members of the Investor Group are given written notice that the Fair Market Value of the Executive Securities was finally determined to be an amount more than 10% greater than the repurchase price for such Executive Securities originally determined by the Board. The closing of the transaction shall be postponed until the expiration of the thirty-day period described in the preceding sentence and shall in any event be postponed until the Fair Market Value of the Executive Securities is finally determined pursuant to the procedure described in the definition of Fair Market Value.

(f) Manner of Payment. The Company, the Investment Company and/or a member of the Investor Group, as applicable, shall pay for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by delivery of a cashier's check or wire transfer of funds. Alternatively, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may pay the purchase price for the Executive Securities to be repurchased pursuant to the Repurchase Option or a Put Option by offsetting against any indebtedness or obligations for advanced or borrowed funds owed by the applicable Executive Securityholder to the Company or the Investment Company. Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Executive Securities by the Company or the Investment Company shall be subject to applicable federal and state laws and to restrictions contained in the Company's and its Subsidiaries' debt financing arrangements. If any such laws or restrictions prohibit the repurchase of Executive Securities hereunder which the Company or the Investment Company is otherwise entitled to make, the time periods provided in this Section 4 shall be suspended, and the Company or the Investment Company may make such repurchases as soon as it is permitted to do so under such laws or restrictions. Alternatively, if and to the extent any such laws or restrictions prohibit the repurchase of Executive Securities hereunder for cash, the Company or the Investment Company (in the case of Executive Securities of the Investment Company) may, at its sole option, repurchase such Executive Securities, in which case the amount of the purchase price which is not able to be paid in cash shall be paid for by the issuance of a subordinated promissory note, which, subject to the approval of the senior and senior subordinated lender(s) of the Company and its Subsidiaries, shall be payable as soon as the Company or the Investment Company is permitted to pay such note under such laws or restrictions and shall bear interest (payable annually) at a floating rate per annum equal to the prime or base rate of interest (as established and publicly announced in The Wall Street Journal).

(g) Termination of Certain Repurchase Options. The Repurchase Options and Put Options set forth in this Section 4 shall terminate with respect to the Executive Securities (other than with respect to unvested Executive Securities) upon (i) the date on which such Executive Securities have been transferred in a Public Sale as permitted by Section 3 or (ii) consummation of a Sale of the Company.

(h) 2004 Stock Option Plan. To the extent that the Executive Securityholder is granted an option to purchase shares of Common Stock under the Company's 2004 Stock Option Plan, the written agreement pursuant to which such option is granted shall include repurchase rights for the Company and/or such other Persons as determined by the Company that are substantially similar to the repurchase rights set forth in this Agreement with respect to the Executive Securityholder's Incentive Equity.

5. Transfer. Prior to transferring any Executive Securities (other than in a Public Sale, a Sale of the Company,Section 4 hereof, Section 5 of the Stockholders Agreement and Section 3 of the Investment Company Stockholders Agreement) to any Person, the transferring Executive Securityholder will cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company a counterpart to this Agreement. Any Transfer or attempted Transfer of any Executive Securities in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Executive Securities as the owner of such units for any purpose.

6. Definitions.

"Affiliate" means with respect to any Person, any other Person controlling, controlled by, or under common control with such first Person and in the case of a Person which is a partnership, any partner of that Person.

"Board" means the Board of Directors of the Company.

"Cause" means (i) the willful failure to substantially perform duties required in connection with the Executive Securityholder's employment commensurate with position, other than due to Disability; (ii) a willful act which constitutes gross misconduct or fraud and which is injurious to the Company or its Subsidiaries; (iii) conviction of, or plea of guilty or no contest to, a felony; or (iv) any material breach of confidentiality, noncompete or non-solicitation agreements with the Company or any of its Subsidiaries which is not cured within 10 days after written notice from the Company.

"CHS" means Code Hennessy & Simmons IV LP, a Delaware limited partnership and any Affiliate thereof.

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

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

"Disability " means the Executive Securityholder's inability to carry out effectively his duties and obligations to the Company or any of its Subsidiaries or to participate effectively and actively in the management of the Company or any of its Subsidiaries for a period of more than 26 weeks in any 12-month period as a result of any mental or physical disability or incapacity as

defined in the Americans with Disabilities Act or as otherwise as determined in the reasonable good faith judgment of the Board.

"Executive Securities" shall mean the Purchased Equity, Incentive Equity and Preferred Options collectively. Executive Securities will continue to be Executive Securities in the hands of any holder other than the Executive Securityholder (except for the Company, the Investment Company and other Stockholders, and except for transferees in a Sale of the Company), and except as otherwise provided herein, each such other holder of Executive Securities will succeed to all rights and obligations attributable to the Executive Securityholder as a holder of Executive Securities hereunder. Executive Securities will also include the Company's and the Investment Company's securities issued with respect to Executive Securities by way of a stock split or stock dividend and securities into which such shares of stock or rights to acquire stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the structure or capitalization of the Company, including but not limited to debt or shares of common stock and/or preferred stock and/or options of any corporate successor to the business of the Company or the Investment Company, whether issued in connection with a public offering of securities of such entity or otherwise.

"Exercise Price" with respect to (i) the Purchased Options, shall equal $181.28 per share of Purchased Option Underlying Stock and (ii) the Preferred Options, shall be $1,000 per share of Preferred Option Underlying Stock.

"Fair Market Value" of any Executive Securities means the composite closing price of the sales of such Executive Securities on the securities exchanges on which such Executive Securities may at the time be listed (as reported in The Wall Street Journal), or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if such Executive Securities are not so listed, the closing price (or last price, if applicable) of sales of such Executive Securities on The Nasdaq Stock Market (as reported in The Wall Street Journal), or if such Executive Securities are not quoted in The Nasdaq Stock Market but are traded over-the-counter, the average of the highest bid and lowest asked prices on such day in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Executive Securities are not listed on any securities exchange, quoted in The Nasdaq Stock Market, or quoted in the over-the-counter market, the "Fair Market Value" of such Executive Securities shall mean the fair market value of such Executive Securities as determined by the Board reasonably and in good faith on an enterprise basis, taking into account all relevant factors determinative of value (including the lack of liquidity of such Executive Securities due to the Company's status as a privately held corporation, but without regard to any discounts for minority interests), using valuation techniques then prevailing in the securities industry (e.g., discounted cash flows and/or comparable companies) and assuming full disclosure of all relevant information and a reasonable period of time for effectuating such sale; provided that upon the Executive Securityholder's request the Board shall provide the Executive Securityholder with reasonable supporting information regarding the Board's determination of the Fair Market Value;

and further provided that if the Executive Securityholder disagrees with the Board's determination of the Fair Market Value, then the Executive Securityholder shall provide notice of his disagreement to the Company and the Investor Group within thirty days after the Board provides notice to the Executive Securityholder of its determination, in which case the "Fair Market Value" shall be determined by an investment banking firm agreed upon by the Company and the Executive Securityholder, which firm shall submit to the Company and the Executive Securityholder a report within 30 days of its engagement setting forth such determination. If the parties are unable to agree on an investment banking firm within 20 days after the Executive Securityholder provides notice to the Board of his disagreement, the Company and the Executive Securityholder shall each select an investment bank of recognized national standing and such two investment banking firms shall select a third investment banking firm. Such third investment banking firm shall render a determination within 30 days of its engagement. The determination of such firm will be final and binding upon all parties. If an investment banking firm is to make the Fair Market Value determination hereunder, the Executive Securityholder, on the one hand, and the Company, on the other hand, shall submit in writing their respective estimates of the Fair Market Value at the time the investment banking firm is requested to make such determination, and such investment banking firm's determination of the Fair Market Value shall not be higher than the highest estimate nor lower than the lowest estimate as submitted by the Company and the Executive Securityholder. The fees, costs and expenses of the investment banking firm shall be allocated between the Company, on the one hand, and the Executive Securityholder, on the other hand, in the same proportion that the amount by which such party's estimate of the Fair Market Value so submitted to the investment banking differs from the Fair Market Value (as finally determined by the investment banking firm) bears to the amount of the difference between such party's estimate of the Fair Market Value and the other party's estimate of the Fair Market Value. If the Company, the Investment Company (in the case of Executive Securities of the Investment Company) or the Investor Group exercise their revocation rights under Section 4(e)(iv), then the expenses of the investment banking firm shall be borne by the Company in all cases. The Company may require that the investment banking firm keep confidential any non-public information received as a result of this paragraph pursuant to reasonable confidentiality arrangements. Regardless of when a transaction based on a Fair Market Value valuation is executed, the Fair Market Value shall be determined as of the date of the Termination of the Executive Securityholder's employment with the Company or any of its Subsidiaries. Notwithstanding the foregoing, the Executive Securityholder shall not have any appraisal right hereunder if a similar appraisal right has been exercised by an employee of any the Company or its Subsidiaries within the six months preceding the day as of which Fair Market Value is being determined hereunder, and Fair Market Value has been determined pursuant to such exercise of such appraisal right.

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

"Good Reason" means the Executive Securityholder's termination of his employment with the Company and its Subsidiaries due to (i) any material diminution in the Executive

Securityholder's position, authority or duties with the Company and its Subsidiaries, (ii) the Company or any of its Subsidiaries reassigning Executive to work at a location that is more than seventy-five (75) miles from his current work location or (iii) the failure of the Company and its Subsidiaries to pay the Executive Securityholder's compensation or bonuses or to provide benefits as agreed by the Company or its Subsidiaries and Executive Securityholder or, as to benefits, as generally made available to employees in Executive Securityholder's position with the Company or its Subsidiaries, which is not cured within ten (10) days after written notice from the Executive Securityholder. The Executive Securityholder's resignation for Good Reason must be delivered within thirty (30) days after the occurrence of the event giving rise to the resignation.

"Investment Company Stockholders Agreement" means that certain Stockholders Agreement dated as of the date hereof by and among the Investment Company and certain stockholders of the Investment Company, as amended.

"Investor Common Stock" means any Common Stock issued to or held by the Investor Group.

"Investor Group" means those persons set forth on Schedule A to this Agreement.

"Options" means the Preferred Options and the Purchased Options.

"Original Cost" with respect to (i) shares of Class A Common Stock and Class B Common Stock shall be equal to $1,000 per share and (ii) Purchased Option Underlying Stock and Preferred Option Underlying Stock, shall be equal to $1,000 per share of Preferred Stock and $1,000 per share of Investment Company Preferred (in each case as adjusted for stock splits, stock dividends or other recapitalizations occurring after the date hereof).

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including, without limitation, any governmental entity or any department, agency or political subdivision thereof).

"Preferred Option Underlying Stock" means, with respect to the Preferred Options, the shares of Preferred Stock underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(i) hereof and the shares of Investment Company Preferred underlying the option (whether exercised or exercisable) granted to the Executive Securityholder pursuant to Section 1(c)(ii) hereof.

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

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

"Public Sale" means any sale of Executive Securities (i) to the public pursuant to an offering registered under the Securities Act or (ii) to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 (or any similar provision then in effect) adopted under the Securities Act (other than Rule 144(k) prior to a Public Offering).

"Purchased Option Underlying Stock" means, with respect to the Purchased Options, the shares of Preferred Stock underlying the Company Preferred Purchased Option (whether exercised or exercisable) and the shares of Investment Company Preferred underlying the Investment Company Preferred Purchased Option (whether exercised or exercisable).

"Put Option" means the Purchased Equity Put, Incentive Equity Put and Preferred Option Put.

"Registration Agreement" means the Registration Agreement dated as of the date hereof by and among the Company and certain Stockholders of the Company.

"Retire" or "Retirement" means the Executive Securityholder's retirement from employment with the Company or any of its Subsidiaries at any time after he reaches age 61.

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

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

"Stockholder" means any Person, other than the Company, who is a party to the Stockholders Agreement as of the date hereof.

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

"Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any

Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association or other business entity.

"Unvested Incentive Equity" means any shares of the Incentive Equity that have not become vested pursuant to the terms of Section 2(b) of this Agreement.

"Unvested Preferred Options" means any Preferred Options that have not become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Incentive Equity" means any shares of the Incentive Equity that have become vested pursuant to the terms of Section 2(b) of this Agreement.

"Vested Preferred Options" means any Preferred Options that have become vested pursuant to the terms of Section 2(c) of this Agreement.

"Vested Shares" means the shares of Vested Incentive Equity as of the applicable date of determination and shares of Common Stock issued to the Executive Securityholder pursuant to Section 1(a)(i).

7. Options.

(a) Procedure for Exercise of Options. The Executive Securityholder may exercise all (but not less than all) of his Options, to the extent they have vested and are exercisable, at any time and from time to time prior to the applicable Expiration Date, by delivering written notice to the Company or the Investment Company, as applicable, (to the attention of the Company's or Investment Company's Secretary, as applicable) and written acknowledgement by the Executive Securityholder that he has reviewed and has been afforded an opportunity to ask questions of management of the Company or the Investment Company, as applicable, with respect to all financial and other information provided to him regarding the Company or the Investment Company, as applicable, together with payment of the Exercise Price for the Options being exercised. Notwithstanding anything to the contrary contained in this Agreement, (i) the Preferred Options must be exercised in tandem such that any exercise of a Preferred Option to purchase shares of Preferred Stock or Investment Company Preferred, as the case may be, must be accompanied by an exercise of Preferred Options to purchase an equal number shares of Investment Company Preferred and Preferred Stock, respectively and (ii) the Purchased Options must be exercised in tandem such that any exercise of the Company Preferred Purchased Option or the Investment Company Preferred Purchased Option, as the case may be, must be accompanied by an exercise of the Investment Company Preferred Purchased Option, in the case of an exercise of the Company Preferred Purchased Option, and the Company Preferred Purchased Option, in the case of an exercise of the Investment Company Preferred Purchased Option. Subject to vesting, the Executive Securityholder's Options may be exercised in whole or

in part upon payment of an amount (the "Option Price") equal to the product of (i) the applicable Exercise Price multiplied by (ii) the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, underlying the Options being exercised. Payment shall be made in cash (including check, bank draft or money order). As a condition to any exercise of the Options, the Executive Securityholder shall permit the Company or the Investment Company, as applicable, to deliver to him all financial and other information regarding the Company or the Investment Company, as applicable, it believes necessary to enable him to make an informed investment decision, and the Executive Securityholder shall make all customary investment representations which the Company or the Investment Company, as applicable, requires.

(b) Sale of the Company. In the event of a Sale of the Company, the Board may (i) terminate any unvested Options without payment or notice of any kind, (ii) terminate any vested Options for a cash payment equal to the excess of the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, (measured as of the date of such Sale of the Company) over such Option's Exercise Price multiplied by the number of shares of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable, with respect to the Options to be terminated, or (iii) terminate any vested Options without payment or notice of any kind to the extent that the Fair Market Value per share of Purchased Option Underlying Stock or Preferred Option Underlying Stock, as applicable (measured as of the date of such Sale of the Company), is less than or equal to such Option's Exercise Price.

(c) Dividends. If either the Company or the Investment Company pays a dividend upon the Preferred Stock or Investment Company Preferred, respectively, then upon exercise of any Option which was outstanding at the time of the payment of such dividend (the "Applicable Option"), the Executive Securityholder shall be entitled to receive an amount equal to the dividend (and in the same form of consideration as was received by the other dividend recipients) which would have been paid to the Executive Securityholder had the Applicable Option been fully exercised immediately prior to the date on which a record was taken for such dividend or, if no record was taken, the date as of which the record holders of the Preferred Stock or Investment Company Preferred, respectively, entitled to such dividends were determined.

8. Miscellaneous.

(a) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the holders of a majority of the Investor Common Stock then outstanding, the Executive Securityholder and, for so long as Ontario Teachers' Pension Plan Board, an Ontario corporation ("Teachers"), owns Stockholder Shares and shares of Investment Company Preferred with an aggregate Original Cost (as defined in the Stockholders Agreement) to Teachers of at least $25,000,000, Teachers. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

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

(c) Agreement. Except as otherwise expressly set forth herein, in the Merger Agreement, Stockholders Agreement or Registration Agreement, this Agreement, those documents expressly referred to herein (including the Stockholders Agreement) and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Investor Group and their respective successors and assigns, so long as they hold shares of Investor Common Stock.

(e) Third Party Beneficiaries. The members of the Investor Group are intended to be third-party beneficiaries of this entire Agreement and the rights and obligations of the parties hereto. It is understood and agreed by the parties hereto that this Agreement shall be enforceable by the holders of a majority of the Investor Common Stock then outstanding in accordance with this Agreement's terms as though such holders of Investor Common Stock were a party to every provision hereof. Except as expressly provided herein, no other third party beneficiaries are intended by the parties hereto to be beneficiaries hereof.

(f) Counterparts; Facsimile Signature. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signature.

(g) Remedies. Each of Company, the Investor Group and the Executive Securityholder shall be entitled to enforce its rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that each of the Company, the Investor Group (acting by a majority vote of the Investor Common Stock) and the Executive Securityholders may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(h) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, sent via facsimile, sent by first class mail (postage prepaid and

return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company and the Executive Securityholder at the addresses set forth below and to any member of the Investor Group at the address set forth on Schedule A attached hereto, or subsequent holder of Executive Securities subject to this Agreement, at such address as is indicated in the Company's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, when confirmed if sent by facsimile, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

If to the Company:

HCI Acquisition Corp.
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

with copies to:

Code Hennessy & Simmons IV LP
c/o Code Hennessy & Simmons LLC
10 South Wacker Drive, Suite 3175
Chicago, IL 60606
Facsimile: (312) 876-3854
Attn: Peter M. Gotsch

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200
Attn: Stephen L. Ritchie, P.C.

If to the Executive Securityholder:

Terry Rowe
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231

with a copy to:

Baker & Hostetler LLP
3200 National City Center
1900 East 9th Street
Cleveland, OH 44114-3485
Facsimile: (216) 696-0740
Attn: Elizabeth A. Dellinger

(i) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights and obligations of the Company and its Stockholders. All other issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

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

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

(l) Indemnification and Reimbursement of Payments on Behalf of Executive Securityholder. The Company and its Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive Securityholder any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive Securityholder's compensation or other payments from the Company or any of its Subsidiaries or Executive Securityholder's ownership interest in the Company, including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity. In the event the Company or any

of its Subsidiaries does not make such deductions or withholdings, Executive Securityholder shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

(m) Adjustments of Numbers. All numbers set forth herein that refer to per share prices or amounts will be appropriately adjusted to reflect stock splits, stock dividends, combinations of stock and other recapitalizations affecting the subject class of equity.

(n) Deemed Transfer of Executive Securities. If the Company (and/or the Investor Group or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Executive Securities to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such Executive Securities are to be repurchased shall no longer have any rights as a holder of such Executive Securities (other than the right to receive payment of such consideration in accordance with this Agreement) and such Executive Securities shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investor Group and/or any other Person acquiring securities) shall be deemed the owner and holder of such Executive Securities, whether or not the certificates therefor have been delivered as required by this Agreement.

(o) No Pledge or Security Interest. The purpose of the Company's retention of Executive Securityholder's certificates is solely to facilitate the repurchase provisions set forth in Section 4 herein and Section 6 of the Stockholders Agreement and does not constitute a pledge by Executive Securityholder of, or the granting of a security interest in, the underlying equity.

(p) Rights Granted to Investors and their Affiliates. Any rights granted to an Investor and its Affiliates hereunder may also be exercised (in whole or in part) by their designees.

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

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

* * * * *

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

COMPANY:

HCI ACQUISITION CORP.

By: _____
Its: _____

EXECUTIVE SECURITYHOLDER:

_____
Terry Rowe

SCHEDULE A

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

CHS Associates IV
10 South Wacker Drive
Suite 3175
Chicago, IL 60606

Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M4H5
Attention: J. Mark MacDonald

EXHIBIT A

March 31, 2004

ELECTION TO INCLUDE
STOCK IN GROSS INCOME PURSUANT TO
SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned purchased shares of Common Stock, par value $.01 per share (the "Common Stock"), of The Hillman Companies, Inc. (the "Company") on March 31, 2004 (the "Closing Date"). Under certain circumstances, the Company has the right to repurchase certain of the Common Stock at cost from the undersigned (or from the holder of the Common Stock, if different from the undersigned) should the undersigned cease to be employed by the Company and its subsidiaries or upon certain other events. Hence, the Common Stock is subject to a substantial risk of forfeiture and are non-transferable. The undersigned desires to make an election to have the Common Stock taxed under the provision of Code §83(b) at the time he purchased the Common Stock.

Therefore, pursuant to Code §83(b) and Treasury Regulation §1.83-2 promulgated thereunder, the undersigned hereby makes an election, with respect to the Common Stock (described below), to report as taxable income for calendar year 2004 the excess (if any) of the Common Stock's fair market value on March 31, 2004 over the purchase price thereof.

The following information is supplied in accordance with Treasury Regulation § 1.83-2(e):

1. The name, address and social security number of the undersigned:

Name: Terry Rowe
Address: _____

_____

Social Security No.: _____

2. A description of the property with respect to which the election is being made: 70.656 shares of Common Stock, par value $0.01, of the Company.

3. The date on which the shares of Common Stock were transferred: March 31, 2004. The taxable year for which such election is made: calendar year 2004.

4. The restrictions to which the property is subject: In the event the undersigned ceases to be employed by the Company or its subsidiaries as a result of termination by resignation without good reason prior to March 31, 2007 or termination for cause, each share of Common Stock, whether vested or unvested, may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value. In the event the undersigned ceases to be employed by the Company or its subsidiaries as a result of termination by resignation without good reason

after March 31, 2007, each vested share of Common Stock may be repurchased at a price equal to the fair market value and each unvested share of Common Stock may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value. In the event the undersigned ceases to be employed by the Company or its subsidiaries for any other reason, each vested share of Common Stock may be repurchased at a price equal to fair market value and each unvested share of Common Stock may be repurchased at a price equal to the lesser of (A) Original Cost and (B) fair market value.

5. The fair market value on March 31, 2004 of the property with respect to which the election is being made, determined without regard to any lapse restrictions: $1,000 per share of Common Stock.

6. The amount paid for such property: $1,000 per share of Common Stock.

* * * * *

A copy of this election has been furnished to the Secretary of the Company pursuant to Treasury Regulations §1.83-2(e)(7). A copy of this election will be submitted with the 2004 federal income tax return of the undersigned pursuant to Treasury Regulation §1.83(2)(c).

Dated: March 31, 2004

Terry Rowe

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, ___("Executive") does hereby sell, assign and transfer unto ___, a ___, (a) ___shares of Common Stock of The Hillman Companies, Inc., a Delaware corporation (the "Company"), standing in the undersigned's name on the books of the Company, represented by Certificate Nos. ___herewith and (b) (i) options to purchase ___shares of the Company's Class A Preferred Stock, par value $0.01 per share, and (ii) options to purchase ___shares of the Class A Preferred Stock, par value $0.01 per share, of Hillman Investment Company, a Delaware corporation ("Investment Company"), pursuant to, and limited to the terms of, Section 1(i) of the Executive Securities Agreement dated March ___, 2004 between Executive and the Company, and for such purpose only does hereby irrevocably constitute and appoint each principal of Code Hennessy & Simmons IV LP (acting alone or with one or more other such principals) as attorney to transfer said shares of stock on the books of the Company or Investment Company, as applicable, with full power of substitution in the premises.

Dated: March __, 2004

_____

Terry Rowe

EXHIBIT C

SPOUSAL CONSENT

The undersigned spouse of Executive hereby acknowledges that I have read the foregoing Executive Securities Agreement and the Stockholders Agreement and Registration Agreement referred to therein, each executed by Executive and dated as of the date hereof, and that I understand their contents. I am aware that the foregoing Executive Securities Agreement, Stockholders Agreement and Registration Agreement provide for the repurchase of my spouse's securities and certain options to acquire securities under certain circumstances and/or impose other restrictions on such securities and certain options to acquire securities (including, without limitation, the transfer restriction thereof). I agree that my spouse's interest in these securities and certain options to acquire securities is subject to these restrictions and any interest that I may have in such securities and certain options to acquire securities shall be irrevocably bound by these agreements and further, that my community property interest, if any, shall be similarly bound by these agreements.

Date: _____

Spouse's Name: _____
Date: _____

Witness' Name: _____
Date: _____

Exhibit D

Joinder to Executive Securities Agreement

The undersigned hereby agrees to become a party to, and be bound by, that certain Executive Securities Agreement, by and between HCI Acquisition Corp., a Delaware corporation, and the Executive Securityholder named therein, dated as of March 31, 2004, as if it had originally signed the Executive Securities Agreement.

HILLMAN INVESTMENT COMPANY

By: _____

Its: _____

Acknowledged and Agreed:

HCI ACQUISITION CORP.

By: _____

Its: _____

_____

Terry Rowe

Exhibit 12.1

The Hillman Companies, Inc.
Computation of Ratio of Income to Fixed Charges
Year Ended December 31, 2004
(Dollars in thousands)

Income from Operations	$ 10,078
Depreciation	15,187
Amortization	5,748
Stock compensation expense	272
Non-recurring expense	30,707
Proforma adjustments (1)	942
Earnings Before Interest, Taxes, Depreciation, and Amortization ("Adjusted EBITDA")	$ 62,934
Capital Expenditures	11,990
Interest on junior subordinated notes	12,231
Cash Interest (2)	16,129
Scheduled Debt Payments (3)	2,175
Cash Taxes (4)	1,314
Fixed Charges	$ 43,839
Ratio of Adjusted EBITDA to Fixed Charges	1.44

(1) - Under the terms of the Senior Credit Agreement certain adjustments were made to Adjusted EBITDA for the three months ended March 31, 2004.

(2) - Per the Senior Credit Agreement Cash Interest for the three months ended March 31, 2004 were defined as $3,750. For the nine months ended December 31, 2004 actual Cash Interest was used.

(3) - Per the Senior Credit Agreement Scheduled Debt Payments for the three months ended March 31, 2004 were defined as $544. For the nine months ended December 31, 2004 actual Scheduled Debt Payments were used.

(4) - Per the Senior Credit Agreement Cash Taxes for the three months ended March 31, 2004 were defined as $1,250. For the nine months ended December 31, 2004 actual Cash Taxes were used.

EXHIBIT 21.1

SUBSIDIARIES – As of December 31, 2004

1. Hillman Group Capital Trust
   Organized in the State of Delaware

2. Hillman Investment Company
   Incorporated in the State of Delaware

3. The Hillman Group, Inc.
   Incorporated in the State of Delaware

   a. SunSource Technology Services, L.L.C.
      Formed under the laws of the State of Delaware

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

   c. SunSub C, Inc.
      Incorporated in the State of Delaware

      i. SunSub Holdings L.L.C.
         Formed under the laws of the State of Delaware

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

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Max W. Hillman, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-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: 3/25/05

/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 annual report on Form 10-K of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-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: 3/25/05

/s/James P. Waters
James P. Waters
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 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: March 25, 2005

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 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: March 25, 2005