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

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)

January 5, 2006

THE HILLMAN COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-13293
(Commission File No.)

23-2874736
(I.R.S. Employer Identification No.)

10590 Hamilton Avenue, Cincinnati, Ohio 45231
(Address of principal executive offices and zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On January 5, 2006, the Hillman Companies, Inc. (“Hillman”) announced that its subsidiary, Hillman Group, Inc., (“Hillman Group”) had completed the acquisition of certain assets of The SteelWorks Corporation (“SteelWorks”) pursuant to an Asset Purchase Agreement by and between SteelWorks and Hillman Group dated January 5, 2006. A copy of the Asset Purchase Agreement is attached as an exhibit hereto. SteelWorks is a Denver, Colorado based manufacturer and distributor of metal shapes, threaded rod and metal sheet to the retail hardware and home improvement industry.

Pursuant to the terms of the agreement, Hillman Group acquired certain assets of SteelWorks, including but not limited to:

- certain trademarks of SteelWorks;
- the domain name associated with SteelWorks;
- customer lists;
- vendor arrangements;
- displays, signs, point-of-purchase materials and other similar materials; and
- certain advertising materials.

The assets were acquired by Hillman Group for \$34 million in cash. The transaction is subject to customary representations and warranties by Hillman Group and SteelWorks.

In addition, on January 5, 2006, Hillman Group and SteelWorks also entered into a Supply Agreement pursuant to which SteelWorks agrees to supply and Hillman Group agrees to buy certain products, including threaded rod and metal shapes. A copy of the Supply Agreement is attached hereto as an exhibit.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

- 10.1 Asset Purchase Agreement dated January 5, 2006 between The Hillman Group, Inc. and The SteelWorks Corporation
- 10.2 Supply Agreement dated January 5, 2006 between The Hillman Group, Inc. and the SteelWorks Corporation
- 99.1 Press Release of The Hillman Companies, Inc. dated January 6, 2006

SIGNATURES

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

Date: January 11, 2006

THE HILLMAN COMPANIES, INC.

/s/ James P. Waters

James P. Waters
Chief Financial Officer

ASSET PURCHASE AGREEMENT
BY AND BETWEEN
THE STEELWORKS CORPORATION
AND
THE HILLMAN GROUP, INC.
January 5, 2006

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Exhibit A	—	Form of Bill of Sale
Exhibit B	—	Form of Supply Agreement
Exhibit C	—	Form of Transition Services Agreement
Exhibit D	—	Purchase Price Allocation
Exhibit E	—	Form of Trademark Assignment Agreement
Exhibit F	—	Form of Domain Name Assignment Agreement
Disclosure Schedule		

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into on January 5, 2006, by and between The SteelWorks Corporation, a Colorado corporation ("Seller"), and The Hillman Group, Inc., a Delaware corporation ("Buyer").

RECITALS

WHEREAS, Seller is engaged in, among other things, the business of manufacturing, marketing and selling metal shapes to Retail Customers (defined below); and

WHEREAS, Seller desires to sell the Purchased Assets (defined below) and Buyer desires to acquire the Purchased Assets, for the consideration as stated hereunder and on the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

Section 1. Definitions.

"Affiliate" means of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

"Affiliated Group" means an affiliated group as defined in Code §1504 (or any analogous combined, consolidated or unitary group defined under state, local or foreign income Tax law).

"Annual Sales Amount" means the total unit sales volume for all of the Retail Customers during the 12-month period ending November 30, 2005 multiplied by the current sales price for each unit, as set forth in Section 3(f) of the Disclosure Schedule.

"Buyer" has the meaning set forth in the preamble.

"Buyer Parties" has the meaning set forth in Section 5(b).

"Closing" has the meaning set forth in Section 2(d).

"Closing Date" has the meaning set forth in Section 2(d).

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any contract, agreement, license, sublicense, purchase, sale, permit, loan, security, pledge, instrument and any other arrangement or any commitment to enter into any of the foregoing (in each case, whether written or oral); provided, however, that Vendor Arrangements (in each case, whether written or oral) shall be excluded from the definition of Contract.

“Disclosure Schedule” means the disclosure schedule accompanying this Agreement as referenced herein (the “Disclosure Schedule”). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in Section 3; however, no information to be furnished in any particular Section of the Disclosure Schedule shall be deemed to be included in any other Section of the Disclosure Schedule unless such furnished information can reasonably be interpreted as having application to such other Section of the Disclosure Schedule.

“Domain Name Assignment Agreement” means that certain domain name assignment agreement by and between Buyer and Seller, and in the form of Exhibit F attached hereto.

“Excluded Liabilities” has the meaning set forth in Section 2(b).

“Indemnitee” has the meaning set forth in Section 5(d).

“Indemnitor” has the meaning set forth in Section 5(d).

“Liability” means any liability, debt, obligation, loss, cost, deficiency, Tax, penalty, fine, claim or cause of action, whether asserted or unasserted, absolute or contingent, known or unknown, accrued or unaccrued, liquidated or unliquidated, and whether due or to become due, regardless of when or by whom asserted.

“Lien” means any mortgage, pledge, security interest, encumbrance, claim, lien, or charge of any kind (including any conditional sale or option), or any agreement to file any of the foregoing.

“Loss” or “Losses” has the meaning set forth in Section 5(b).

“Parties” means Seller and Buyer, collectively.

“Party” means each of Seller and Buyer, individually.

“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, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).

“Purchased Assets” has the meaning set forth in Section 2(a).

“Purchase Price” has the meaning set forth in Section 2(c).

“Retail Customer Contracts” means all Contracts between Seller and any Retail Customer or otherwise relating to the Purchased Assets, but expressly excluding all sale representative or similar contracts.

“Retail Customers” means all customers of Seller for the Retail Products in the Retail Market.

“Retail Market” means collectively: (i) mass market channels such as, for illustrative purposes only, Home Depot, Target, Wal-Mart, Kmart, Tractor Supply and Lowe’s; (ii) hardware cooperatives such as, for illustrative purposes only, Ace Hardware, True-Value Hardware, Do-it-Best and Handy Hardware; (iii) individual hardware and home center stores; and (iv) hardware wholesalers such as, for illustrative purposes only, Emery, Orgill and United Hardware.

“Retail Products” means all products as set forth in Section 3(p) of the Disclosure Schedule and any product line extensions thereof.

“Seller” has the meaning set forth in the preamble.

“Seller Parties” has the meaning set forth in Section 5(c).

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be or control any managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Supply Agreement” means that certain supply agreement by and between Buyer and Seller, and in the form of Exhibit B attached hereto.

“Tax” or “Taxes” means (A) any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person; (B) liability of Seller for the payment of any amounts of the type described in clause (A) arising as a result of being (or ceasing to be) a member of any Affiliated Group (or being included (or required to be included) in any Tax Return relating thereto); and (C) liability of Seller for the payment of any amounts of the type described in clause (A) as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other person.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes (whether or not required to be filed), including any schedule or attachment thereto, and including any amendment thereof.

“Trademarks” means all trademarks, service marks, trade dress, trade names, corporate names, logos and slogans (and all translations, adaptations, derivations and combinations of the foregoing) and Internet domain names, together with all goodwill associated with each of the foregoing.

“Trademark Assignment Agreement” means that certain trademark assignment agreement by and between Buyer and Seller, and in the form of Exhibit E attached hereto.

“Transition Services Agreement” means that certain transition services agreement by and between Buyer and Seller, and in the form of Exhibit C attached hereto.

“Vendor Arrangements” means the terms of sale of Retail Products to a particular Retail Customer (in each case, whether written or oral), copies of which if written, or summaries of which, if oral, are attached as Section 3(k) of the Disclosure Schedule. A Vendor Arrangement may set forth the prices, rebates and other terms of sale of Retail Products as of the Closing Date. Each Vendor Arrangement can be modified, changed or cancelled by the Retail Customer at any time. It does not provide the Seller with any fixed commitments to purchase Retail Products, nor does it establish a minimum term during which it is intended to remain in effect.

Section 2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, at the Closing and for the consideration specified in Section 2(c), Buyer agrees to purchase from Seller, and Seller agrees to sell, transfer, assign, convey, and deliver to Buyer, all of Seller’s right, title and interest in and to the following assets, properties and rights (collectively, the “Purchased Assets”), free and clear of all Liens:

- (i) the name “SteelWorks” and the Retail Trademarks set forth in Section 3(q) of the Disclosure Schedule and the goodwill associated therewith;
- (ii) the domain name steelworks.net set forth in Section 3(q) of the Disclosure Schedule;
- (iii) the lists of Retail Customers and potential customers in the Retail Market set forth in Section 3(r) of the Disclosure Schedule;
- (iv) the Vendor Arrangements set forth in Section 3(k) of the Disclosure Schedule;
- (v) the displays, header signs, point-of-purchase materials and similar materials located at the Retail Customers’ locations;

(vi) the advertising and promotional materials, catalogs, sell sheets, point-of-purchase materials, signage, and similar materials for use in the Retail Market set forth in Section 3(s) of the Disclosure Schedule; provided, however, that displays, including display signage and header signs in the Seller's inventory, that are not located at a Retail Customer's location shall be excluded from the Purchased Assets and shall be retained by the Seller; and

(vii) the goodwill and going concern value associated with or relating to the Purchased Assets

(with it being understood that Seller may sell Retail Products in markets other than the Retail Market and the goodwill and going concern value associated with such activities is not a Purchased Asset).

(b) Excluded Liabilities. Neither Buyer, nor any of its Affiliates, will assume, and shall not be deemed to have assumed, any Liability of or relating to Seller or its Affiliates, the Retail Customers or the Purchased Assets, including (i) any accounts payable, expenses, Taxes, product returns, warranties, customer rebates, discounts or other incentives earned or alleged to be earned by Seller's customers prior to the Closing Date; and (ii) any Liability relating to the Lowe's Cormetet claim (collectively, "Excluded Liabilities"). Notwithstanding the foregoing, Buyer shall assume any Liability arising under the Purchased Assets that accrues after the Closing Date, provided that such Liability: (x) did not accrue or begin to accrue prior to the Closing Date; and (y) is not related to any act or omission on the part of Seller. In the event of either (x) or (y), Seller shall retain and be entirely responsible for such Liability, except to the extent the Liability relates to any act or omission on the part of both Buyer and Seller, in which case, Buyer shall assume such Liability to the extent of its act or omission.

(c) Purchase Price. Subject to the conditions contained in this Agreement, the purchase price to be paid to Seller for the Purchased Assets (the "Purchase Price") shall consist of the payment of an amount in cash equal to \$34,241,008.

(d) Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at a location mutually agreed upon by the Parties on January 5, 2006, commencing at 9:00 a.m. local time, (the "Closing Date").

(e) Deliveries at Closing

(i) Seller's Deliveries. At the Closing,

(A) Seller will sign, acknowledge and deliver to Buyer assignments in the form attached hereto as Exhibit A and such other instruments of sale, transfer, conveyance and assignment as Buyer and its counsel may reasonably request.

(B) Seller will sign, acknowledge and deliver to Buyer the executed Supply Agreement.

(C) Seller will sign, acknowledge and deliver to Buyer the executed Transition Services Agreement.

(D) Seller will sign, acknowledge and deliver to Buyer the executed Trademark Assignment Agreement.

(E) Seller will sign, acknowledge and deliver to Buyer the executed Domain Name Assignment Agreement.

(F) Seller will deliver to Buyer an affidavit, under penalties of perjury, stating that Seller is not and has not been a United States real property holding corporation, dated as of the Closing Date and in form and substance satisfactory to the Buyer.

(ii) Buyer's Delivers. At Closing

(A) Buyer will deliver the Purchase Price in U.S. dollars by wire transfer as directed by the Seller.

(B) Buyer will sign, acknowledge and deliver to Seller the executed Supply Agreement.

(C) Buyer will sign, acknowledge and deliver to Seller the executed Transition Services Agreement.

(D) Buyer will sign, acknowledge and deliver to Seller the executed Trademark Assignment Agreement.

(E) Buyer will sign, acknowledge and deliver to Seller the executed Domain Name Assignment Agreement.

(f) Purchase Price. Exhibit D contains the Internal Revenue Service Form 8594 to be filed and the allocation of the Purchase Price among the Purchased Assets in accordance with Code §1060 and the applicable Treasury regulations (and any similar provision of state, local or foreign law, as appropriate). Buyer and Seller and their Affiliates shall report, act and file Tax Returns (including Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation. Neither Buyer nor Seller shall take any position (whether in a tax audit, a tax return or otherwise) that is inconsistent with such allocation unless required to do so by a court of competent jurisdiction adjudicating the propriety of the allocation as a result of an IRS audit or upon settlement of an audit with the IRS, upon the consent of the other party.

Section 3. Seller's Representations and Warranties. Seller represents and warrants to Buyer that the statements contained in this Section 3 are correct and complete.

(a) Organization of Seller. Seller is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(b) Authorization of Transaction. Seller has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the board of directors of Seller and Seller's requisite shareholders have duly authorized the execution, delivery, and performance of this Agreement by Seller. This Agreement constitutes the valid and legally binding obligation of Seller, enforceable in accordance with its terms and conditions.

(c) No Subsidiaries. Seller has no Subsidiaries. No Affiliate of Seller owns any assets used to service the Retail Customers as of the date hereof.

(d) Sufficiency. The Purchased Assets, Supply Agreement and Transition Services Agreement are adequate for Buyer to service the Retail Customers in all material respects as Seller presently services such Retail Customers as of the date hereof (with it being understood that Seller will not market or sell Retail Products for Buyer after the date hereof and that the Purchased Assets do not include Seller's management team, employees, office leases, office equipment or other equipment used in the operation of its business). The Purchased Assets constitute all of the assets, properties and rights associated with or relating to the sale of Retail Products to Retail Customers. Section 3(d) of the Disclosure Schedule lists contracts and agreements which do not constitute Purchased Assets.

(e) Non-contravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Seller is subject or any provision of the charter or bylaws of Seller or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any Vendor Arrangement or any Contract to which any of the Purchased Assets is subject (or result in the imposition of any Lien upon any of the Purchased Assets). Except as set forth in Section 3(e) of the Disclosure Schedule, Seller will not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in Section 2 above).

(f) Annual Sales. Section 3(f) of the Disclosure Schedule lists Annual Sales Amount for the Retail Customers for the period ending November 30, 2005 Section 3(f) of the Disclosure Schedule is correct and complete, and is consistent with the books and records of Seller, which books and records record unit sales based on the invoice date of each transaction.

(g) Brokers' Fees. Seller has no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Buyer could become liable or obligated.

(h) Title to Assets. Seller has good and marketable title to all of the Purchased Assets, free and clear of any Liens or restriction on transfer. Each of Purchased Assets that are tangible assets is free from defects (patent and latent), has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used.

(i) Retail Customers. Except as set forth in Section 3(i) of the Disclosure Schedule, since December 31, 2004, no Retail Customer has informed Seller that it shall stop, or decrease the rate of, buying materials, products or services from Seller (whether as a result of the consummation of the transactions contemplated hereby or otherwise).

(j) Legal Compliance. Each of Seller, its predecessors and Affiliates has complied with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder and including the Foreign Corrupt Practices Act, 15 U.S.C. 78dd-1 *et seq.*) of federal, state, local, and foreign governments (and all agencies thereof), and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against any of them alleging any failure so to comply.

(k) Vendor Arrangements. Section 3(k) of the Disclosure Schedule contains a correct and complete copy of each written Vendor Arrangement and a written summary setting forth the terms and conditions of each oral Vendor Arrangement. There are no Retail Customer Contracts.

(l) Litigation. Except as set forth in Section 3(l) of the Disclosure Schedule, there are no claims, actions, suits, proceedings, investigations or inquiries pending before any court, arbitrator or governmental or regulatory official or office related to or involving the Purchased Assets or the Retail Customers; there are no such claims, actions, suits, proceedings, investigations or inquiries threatened; and there is no basis for any such claims, actions, suits, proceedings, investigations, or inquiries. No Purchased Asset is subject to any judgment, order or decree entered in any lawsuit or proceeding.

(m) Product Sales Terms. Each product manufactured, sold, leased, or delivered by Seller to the Retail Customers has been in conformity with all applicable contractual commitments and all express and implied warranties. Section 3(m) of the Disclosure Schedule includes copies of the standard terms and conditions of sale or lease of products by the Seller to each Retail Customer (including applicable guaranty, warranty and indemnity provisions, rebates, allowances, marketing programs, cash discounts, new store discounts, slotting fees and credit terms). No product manufactured, sold, leased, or delivered by Seller is subject to any provisions beyond the applicable standard terms and conditions of sale or lease set forth in Section 3(m) of the Disclosure Schedule.

(n) Product Liability. Seller has no Liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any Liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by Seller to the Retail Customers.

(o) Taxes.

(i) Seller has timely filed all Tax Returns that it was required to file, either separately or as a member of an Affiliated Group, under applicable laws and regulations. All Tax Returns of Seller that have been filed are correct and complete in all respects and have been prepared in compliance in all material respects with all applicable laws and regulations. All Taxes due and owing by Seller (whether or not shown or required to be shown on any Tax Return) have been paid. Seller is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has been made by an authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens for Taxes (other than Taxes not yet due and payable) upon any of the assets of Seller.

(ii) Seller has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(iii) No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Seller. Seller has not received from any foreign, federal, state, or local taxing authority (including jurisdictions where Seller has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against Seller; Section 3(o) of the Disclosure Schedule indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Seller has made available to Buyer correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Seller filed or received since December 31, 1998.

(iv) Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller is a United States person as defined in Code § 7701(a)(30). Seller has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code §6662. Seller is not a party to or bound by any Tax allocation, sharing, or similar agreement. Seller (A) has not been a member of an Affiliated Group filing a combined, consolidated, or unitary Tax Return (other than a group the common parent of which was the Seller) or (B) has no liability for the Taxes of any Person under Treasury Regulation §1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise. Seller has never been, nor will it be at the Closing, a United States Real Property Holding Corporation within the meaning of Code §897(c)(2) during the applicable period specified in Code §897(c)(1)(A)(ii).

(v) Seller has not distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code §355 or §361.

(p) Retail Products, Section 3(p) of the Disclosure Schedule contains a complete and correct list of all of the Retail Products.

(q) Trademarks, Section 3(q) of the Disclosure Schedule contains a complete and correct list of all of the Trademarks used by Seller to sell Retail Products to Retail Customers ("Retail Trademarks"). Seller owns all right, title and interest in and to the Retail Trademarks, free of any Liens. The use of the Retail Trademarks by Seller has not and use by Buyer will not infringe upon or otherwise violate the intellectual property rights of any other Person and, to Seller's Knowledge, no Person is infringing upon, diluting or otherwise violating the Retail Trademarks.

(r) Customer Lists. Section 3(r) of the Disclosure Schedule contains Seller lists of Retail Customers and potential customers.

(s) Advertising and Promotional Materials. Section 3(s) of the Disclosure Schedule contains a complete and correct list of all advertising and promotional materials, catalogs, sell sheet, point of purchase materials, signage (excluding header signage and signage that is an integral part of a display rack) and similar materials for the sale of Retail Products in the Retail Market.

(t) Disclosure. The representations and warranties contained in this Section 3, as modified by the Disclosure Schedule, do not contain any untrue statement of a fact or omit to state any fact necessary in order to make the statements and information contained in this Section 3 not misleading.

Section 4. Buyer's Representations and Warranties. Buyer represents and warrants to Seller that the statements contained in this Section 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 4.

(a) Organization of Buyer. Buyer is a corporation (or other entity) duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation (or other formation).

(b) Authorization of Transaction. Buyer has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Buyer, enforceable in accordance with its terms and conditions. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby, have been duly authorized by Buyer.

(c) Non-contravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its charter, bylaws, or other governing documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets are subject. Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in Section 2 above).

(d) Brokers' Fees. Buyer has no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Seller could become liable or obligated.

Section 5. Indemnification.

(a) Survival of Representations and Warranties. All of the representations and warranties of the Parties contained in Section 3 and Section 4 of this Agreement shall survive the Closing hereunder until the second anniversary of the Closing Date, provided that any representation or warranty in respect of which indemnity may be sought under this Section 5, and the indemnity with respect thereto, shall survive the time at which it would otherwise terminate pursuant to this Section 5, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time.

(b) Seller Indemnification. The provisions of this Section 5 shall constitute the Buyer's exclusive rights and remedies at law or in equity, arising under this Agreement (not including Buyer's rights and remedies under the Supply Agreement or the Transition Services Agreement). Seller shall indemnify Buyer and its Affiliates and its and their respective officers, directors, employees, agents, representatives, successors and permitted assigns (collectively, the "Buyer Parties") and hold each of them harmless from and against and pay on behalf of or reimburse such Buyer Parties in respect of any loss, liability, obligation, demand, claim, action, cause of action, cost, damage, deficiency, Tax, penalty, fine or expense, whether or not arising out of third-party claims (including interest, penalties, reasonable attorneys' fees and expenses, court costs and all amounts paid in investigation, defense or settlement of any of the foregoing and including all indirect, special, incidental, consequential or punitive damages (collectively, "Losses" and individually, a "Loss") that any such Buyer Party has actually suffered or sustained or become subject to (expressly including lost profits) as a result of, in connection with or relating to:

(i) the breach of any representation or warranty made by Seller contained in this Agreement, any Schedule hereto or any certificate delivered by Seller to Buyer with respect hereto or thereto in connection with the Closing;

(ii) the breach of any covenant or agreement made by the Seller contained in this Agreement, any Schedule hereto or any certificate delivered by Seller to Buyer with respect hereto or thereto in connection with the Closing; and

(iii) any liability or obligation of Seller, which is an Excluded Liability.

(c) Buyer Indemnification. Buyer shall indemnify Seller and its Affiliates and its and their respective officers, directors, employees, agents, representatives, successors and permitted assigns (collectively, the "Seller Parties") and hold each of them harmless from and against and pay on behalf of or reimburse such Seller Parties in respect of any Losses that any such Seller Party has actually suffered or sustained or become subject to (expressly including lost profits) as a result of, in connection with or relating to:

(i) The breach of any representation or warranty made by Buyer contained in this Agreement, any Schedule hereto or any certificate delivered by Buyer to Seller with respect hereto or thereto in connection with the Closing.

(ii) The breach of any covenant or agreement made by the Buyer contained in this Agreement, any Schedule hereto or any certificate delivered by Buyer to Seller with respect hereto or thereto in connection with the Closing.

(iii) Any liability or obligation of Buyer which is not an Excluded Liability under Section 2(b) of this Agreement.

(d) Indemnification Procedures. Any Party making a claim for indemnification under this Section 5 (an “Indemnitee”) shall notify the indemnifying party (an “Indemnitor”) of the claim in writing promptly after receiving written notice of any action, lawsuit, proceeding, investigation or other claim against it (if by a third party) or discovering the liability, obligation or facts giving rise to such claim for indemnification; provided that the failure to so notify an Indemnitor shall not relieve the Indemnitor of its obligations hereunder except to the extent that (and only to the extent that) the Indemnitor is prejudiced by such failure. Any Indemnitor shall be entitled to participate in the defense of such action, lawsuit, proceeding, investigation or other claim giving rise to an Indemnitee’s claim for indemnification at such Indemnitor’s expense, and at its option (subject to the limitations set forth below) shall be entitled to appoint a recognized and reputable counsel reasonably acceptable to the Indemnitee to be the lead counsel in connection with such defense; provided further that, prior to the Indemnitor assuming control of such defense, it shall first (i) verify to the Indemnitee in writing that such Indemnitor shall be fully responsible (with no reservation of any rights) for all liabilities and obligations relating to such claim for indemnification and that it shall provide full indemnification (whether or not otherwise required hereunder) to the Indemnitee with respect to such action, lawsuit, proceeding, investigation or other claim giving rise to such claim for indemnification hereunder and (ii) enter into an agreement with the Indemnitee in form and substance reasonably satisfactory to the Indemnitee, which agreement unconditionally guarantees the payment and performance of any liability or obligation which may arise with respect to such action, lawsuit, proceeding, investigation or facts giving rise to such claim for indemnification hereunder; and provided further that:

(i) the Indemnitee shall be entitled to participate, at its expense, in the defense of such claim and to employ counsel of its choice for such purpose;

(ii) the Indemnitor shall not be entitled to assume control of such defense and shall pay the fees and expenses of counsel retained by the Indemnitee if (A) the claim for indemnification relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation; (B) the Indemnitee reasonably believes an adverse determination with respect to the action, lawsuit, investigation, proceeding or other claim giving rise to such claim for indemnification would be detrimental to or injure the Indemnitee’s reputation or future business prospects; (C) the claim seeks an injunction or equitable relief against the Indemnitee; or (D) upon petition by the Indemnitee, the appropriate court rules that the Indemnitor failed or is failing to vigorously prosecute or defend such claim; and

(iii) if the Indemnitor shall control the defense of any such claim, the Indemnitor shall obtain the prior written consent of the Indemnitee before entering into any settlement of a claim or ceasing to defend such claim.

Section 6. Post-Closing Obligations

(a) Confidentiality. Seller shall treat and hold as confidential any information concerning the Retail Customers and the Purchased Assets that Seller reasonably understands to be proprietary or confidential in nature in accordance with Seller's policies for the protection of its own nonpublic information. The limitations set forth in this Section 6(a) shall not apply with respect to the disclosure of any information: (i) to Seller's employee's, auditors, counsel or other professional advisors, if Seller, in its sole discretion, determines that it is reasonably necessary for such Person to have access to such information, provided that such Person agrees to be bound by the provisions of this Section 6(a) to the same extent as the Seller; (ii) as have become or previously was generally available to the public other than by reason of a breach of this Section by Seller or has become available to Seller on a non-confidential basis; (iii) as may be required or reasonably necessary in any report, statement or testimony submitted to any municipal, state or federal regulatory body having or claiming to have jurisdiction over Seller (it being understood that, to the extent practicable, Seller shall provide Buyer with prompt notice of any such event and cooperate in good faith to enable Buyer to participate to protect its interest in such confidential information); (iv) as may be required or reasonably necessary in response to any summons or subpoena or in connection with any litigations; and (v) in order to comply with any law, order, regulation or ruling applicable to Seller.

(b) Further Assurances. From time to time after the Closing, without further consideration, the Parties shall cooperate with each other and shall execute and deliver instruments of transfer or assignment or assumption, or such other documents, to the other Party as such other Party reasonably may request to evidence or perfect Buyer's right, title and interest in and to the Purchased Assets, and otherwise carry out the transactions contemplated by this Agreement.

(c) Marks. Seller shall not, and shall cause its Affiliates not to, use or license or permit any Person to use any name, slogan, logo or trademark that is likely to cause confusion with the Retail Trademarks or which includes, or is similar or deceptively similar to, the name "SteelWorks" (collectively, the "SteelWorks Marks"). Within ten (10) business days following the Closing Date, Seller shall file all documentation necessary to change its name so as to comply with the requirements of this Section 6(c) and shall, and shall cause its Affiliates to, remove from their respective assets, properties, stationery, literature and Internet website any and all SteelWorks Marks; provided, however, that for a three (3) month period following the Closing Date, Seller and its Affiliates shall be entitled to maintain signage that includes such SteelWorks Marks and exhaust existing stocks of any of its office supplies, packing materials, literature and any inventory bearing any SteelWorks Mark. Thereafter, Seller shall not, and shall cause its Affiliates not to, use any SteelWorks Mark in connection with the sale of any products or services or otherwise in the conduct of its business except as permitted pursuant to the Transition Services Agreement or Supply Agreement. In the event that Seller or its Affiliates breach this Section 6(c), Buyer shall be entitled to specific performance of this Section 6(c) and to injunctive relief against further violations, as well as any other remedies at law or in equity available to Buyer.

Section 7. Miscellaneous.

(a) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Party prior to making the disclosure).

(b) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) Entire Agreement. This Agreement (including the documents referred to herein but excluding the letter agreement from Seller to Buyer dated September 16, 2005 relating to confidentiality, which upon the Closing Date shall automatically terminate) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that Buyer may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(e) Counterparts. This Agreement may be executed in two or more counterparts (including by means of facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one

(1) business day after being sent to the recipient by facsimile transmission or electronic mail (confirmed by telephone), or (iv) four (4) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

To Seller: _____ To Buyer: _____

The SteelWorks Corporation
Attn: Larry G. Broderick
4661 Monaco Street
Denver, CO 80216
Facsimile: (303) 377-7893

The Hillman Group, Inc.
Attn: James P. Waters
10590 Hamilton Avenue
Cincinnati, OH 45231
Facsimile: (513) 595-8297

With a copy to, which shall not constitute notice: _____

Robinson and Diss, P.C.
Attn: Richard B. Robinson
1660 Lincoln St. Suite 2900
Denver, Co 80264
Facsimile: (303) 860-8654

Kirkland & Ellis LLP
Attn: Michael H. Weed, Esq.
200 East Randolph Drive
Chicago, IL 60601
Facsimile: (312) 861-2200

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to its choice or conflict of law provisions).

(i) Amendments and Waivers. No modification, amendment, supplement to or waiver of any provision of this Agreement will be binding upon the Parties unless made in a writing signed by the Parties. A failure of a Party to exercise any right provided for herein shall not be deemed to be a waiver of any right hereunder.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses. Each of Buyer and Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing, all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by Seller when due, and Seller will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable law, the Parties will, and will cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. The word “including” shall mean including without limitation.

(m) Specific Performance. Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that a Party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such Party may be entitled, at law or in equity. In particular, the Parties acknowledge that the Purchased Assets are unique and recognize and affirm that in the event Seller breaches this Agreement, money damages would be inadequate and Buyer would have no adequate remedy at law, so that Buyer shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the other Parties’ obligations hereunder not only by action for damages but also by action for specific performance, injunctive, and/or other equitable relief, in each case without the requirement of posting a bond or proving actual damages.

(n) Submission to Jurisdiction. Each of the Parties submits to the exclusive jurisdiction and venue of any state or federal court sitting in Wilmington, Delaware, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Either Party may make service on the other Party by sending or delivering a copy of the process to the Party to be served at the address and in the manner provided for the giving of notices in Section 8(g) above. Nothing in this Section 8(n), however, shall affect the right of any Party to serve legal process in any other manner permitted by law or in equity. Each Party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first written above.

THE HILLMAN GROUP, INC.

By: _____
Title: _____

THE STEELWORKS CORPORATION

By: _____
Title: _____

SUPPLY AGREEMENT

This Supply Agreement ("Supply Agreement") is entered into on January __, 2006 ("Effective Date"), by and between The SteelWorks Corporation, a Colorado corporation ("Seller"), and The Hillman Group, Inc., a Delaware corporation ("Buyer"). Seller and Buyer may be referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Seller and Buyer have agreed to enter into this Supply Agreement pursuant to which Seller has agreed to provide to Buyer certain products on the terms and conditions set forth herein; and

WHEREAS, it is a condition to the consummation of the transactions contemplated by the Purchase Agreement that Seller and Buyer execute and deliver this Supply Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, conditions and provisions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions.

The following terms, when used in this Supply Agreement with initial capital letters, shall have the meanings set forth in this Section 1. All capitalized terms used herein and not otherwise defined herein shall have the meanings given them in the Purchase Agreement.

- (a) "Buyer Competitor" means, at any given time, any Person, who (i) directly or indirectly, markets, sells or otherwise distributes Retail Products in the Retail Market, or (ii) if, directly or indirectly, it/he were to acquire Retail Products, a reasonable Person would determine at the time knowing all relevant facts, would reasonably be likely to market, sell or otherwise distribute Retail Products in the Retail Market.
- (b) "Buyer Confidential Information" means proprietary information (including financial information, sales information, customer lists and information, technical processes, product sourcing information, pricing information, marketing information, operational costs, operational methods and personnel information) that has value to Buyer and that is not known to the public or Buyer's competition generally, including (i) any and all information concerning Buyer and its operations that Buyer, its agents or its representatives furnish to Seller, whether furnished before or after the Effective Date, (ii) all information obtained by Seller by meeting with Buyer's personnel or representatives, (iii) any and all information concerning Retail Customers that is obtained by Buyer, its agents or its representatives on a confidential basis and is furnished to Seller, and (iv) all information derived by Seller or its Representatives from any of the foregoing. Buyer Confidential Information specifically includes information received from Seller regarding the Retail Customers and Purchased Assets pursuant to the Purchase Agreement.

- (c) "Claims" means claims, actions, suits or demands of any kind.
- (d) "Display Products" means the displays, header signs and point of purchase materials identified on Schedule 1(d) attached hereto (as supplemented or deleted by mutual agreement of the Parties in writing from time to time), including product line extensions thereto.
- (e) "Force Majeure Event" means an event that is caused by any of the following: acts of war, terrorism, civil riots or rebellions; quarantines, embargoes and other similar unusual governmental action; extraordinary elements of nature or acts of God; or other event or condition outside the reasonable control of the Party subject to such failure or delay.
- (f) "Products" means Retail Products and Display Products, collectively.
- (g) "Purchase Agreement" means the Asset Purchase Agreement between Seller and Buyer dated the date hereof.
- (h) "Recalls" means Retail Product recalls.
- (i) "Regulations" means any federal, state or local laws or regulatory requirements to the extent applicable to the manufacture, packaging or supply of the Products to Buyer or Retail Customers in the Retail Market hereunder.
- (k) "Representatives" means Seller's Affiliates, advisors, employees, officers or agents, collectively.
- (j) "Retail Customers" means all customers of Buyer for Retail Products.
- (k) "Retail Products" means all products identified on Schedule 1(k) attached hereto (as supplemented or deleted by mutual agreement of the Parties in writing from time to time), including product line extensions thereto.
- (l) "Seller Confidential Information" means any information not generally known to the public that is made available or disclosed by Seller to Buyer in connection with this Supply Agreement that is marked "confidential," including all of the following: financial information; sales information; customer lists and information; technical processes; product sourcing information; pricing information; marketing information; operational costs; operational methods; and personnel information). For the avoidance of doubt, Seller Confidential Information shall not include any Buyer Confidential Information.
- (m) "Standards" means the specifications of Buyer or its Retail Customer for the Products set forth in the applicable purchase order.

(n) “Term” means the Initial Term and any extension thereof.

(o) “Transition Services Agreement” means the Transition Services Agreement between Buyer and Seller dated the date hereof.

2. Purchase of Products.

(a) Purchase Requirements. Seller agrees to manufacture, process, package and supply to Buyer all of Buyer’s requirements of Products as specified on written purchase orders submitted by Buyer to Seller from time to time, and Buyer agrees to purchase exclusively from Seller, all of Buyer’s requirements of Products. Notwithstanding anything contained herein to the contrary:

- (i) Buyer may (after providing Seller with the reasonable opportunity to match the other Person’s product type, price, delivery, quality, volume and such other terms and conditions as Buyer deems material) purchase any threaded rod Products from other Persons and in such event, Buyer shall pay to Seller ten percent (10%) of Buyer’s cost of all such purchases, including stickering, bundling, packaging for shipment and delivery charges to Buyer’s warehouse;
- (ii) the foregoing exclusivity obligation with respect to any specific Product and the obligation to pay Seller pursuant to Section 2(a)(i) shall terminate and shall be of no further force and effect with respect to such Product upon the occurrence of all of the following: (A) Buyer requests Seller to maintain a Buffer Inventory for such Product pursuant to Section 2(c); (B) Seller fails to satisfy Buyer’s requirements for such Product hereunder; (C) within twenty-one (21) days following receipt of written notice from Buyer describing such failure in reasonable detail, Seller does not cure such failure; and (D) Buyer is able to obtain such Product from another Person. Notwithstanding the foregoing, during the time period when Seller is unable or unwilling to satisfy Buyer’s requirements for such Product hereunder and during such twenty-one (21) day cure period, notwithstanding Section 2(a), Buyer shall be entitled to purchase such Product from another Person and shall have no obligation to pay Seller pursuant to Section 2(a) with respect to such purchases; and
- (iii) the foregoing exclusivity obligation with respect to any Product and the obligation to pay Seller pursuant to Section 2(a)(i) shall not apply with respect to any Product(s) during any period for which Seller has declared a Force Majeure Event with respect to such Product(s) to Buyer in writing pursuant to Section 5(e)(i). Such Force Majeure Event period shall terminate upon written notice by Seller to Buyer.

(b) Order Procedures. Buyer shall submit written purchase orders to Seller at least thirty (30) days prior to the requested delivery date for such Products. Buyer may submit purchase orders less than thirty (30) days prior to the requested delivery date with a request for expedited delivery, and Seller shall use its commercially reasonable best efforts to satisfy such expedited requests (“Expedited Orders”). All purchase orders shall specify the type and quantity of Products to be delivered by Seller.

- (c) Product Deliveries. Seller shall deliver the exact type and quantity of Products as is specified in the purchase orders. Any variation between the type and/or quantity of Products specified in a purchase order and the type and/or quantity of Products delivered by Seller hereunder must be pre-approved in writing by Buyer prior to the delivery of such Products. In the event that the quantity of Products received by Buyer, or a Retail Customer in the case of Products shipped by Seller directly to a Retail Customer, is greater than the quantity of Products specified in a purchase order and such variation was not pre-approved by Buyer in the manner provided above, then Buyer or the Retail Customer, as the case may be, shall have the right to reject the overage amount. In the event that a shipment overage as described above is shipped without prior written approval by Buyer, Seller shall pay all related freight charges and shipping costs in connection with shipment of the rejected Products back to Seller's facilities. Seller shall use its commercially reasonable best efforts to deliver to Buyer (or to such other Persons as specified in the purchase orders) the Products listed in the purchase orders on or before the delivery dates set forth in such purchase orders. If Seller fails to deliver Products listed in the purchase orders on or before the delivery dates set forth in such purchase orders (other than Expedited Orders), Seller shall have a grace period of one (1) week to remedy such failure. If Seller does not ship Products ordered within the grace period, Buyer shall be entitled to request Seller to maintain on Seller's premises, for the balance of the calendar year, an inventory ("Buffer Inventory") equal to four (4) weeks inventory of Products that have been ordered and not delivered, based on the volume of each such Product purchased by Buyer in the previous year. Such Buffer Inventory shall be and remain the property of Seller. During the first year of the Term, the Buffer Inventory (if any) shall be determined using the volume of each such Product sold or otherwise provided by Sellers to Retail Customers in the Retail Market during the one-year period immediately preceding the Effective Date.
- (d) Corrections. Each Party hereto reserves the right to correct any typographical or clerical errors in any purchase order, quotation, order acknowledgement form or other related document.

3. Prices; Payment Terms

- (a) Product Prices. The initial prices for Products shall be as set forth on Schedule 3(a)(1) attached hereto. The Parties shall adjust the prices on the fifteenth day of each calendar quarter (e.g., each January 15, April 15, July 15, October 15) in accordance with the formula set forth on Schedule 3(a)(2) attached hereto.

- (b) **Shipping and Handling.** For Products shipped by Seller directly to a Retail Customer distribution center as listed in Schedule 3(a)(1), page 17 of SKUCosts.xls, as such list may be updated by mutual agreement of the Parties in writing from time to time, in addition to the price determined in accordance with Section 3(a), Buyer shall pay Seller a shipping and handling charge equal to (i) 5.1% multiplied by (ii) the product of (A) the quantity of Products shipped multiplied by (B) the applicable price calculated pursuant to Section 3(a).
- (c) **New Store Shipments.** For Products shipped by Seller directly to a Retail Customer that is setting up a new store, in addition to the price determined in accordance with Section 3(a), Buyer shall pay Seller a shipping and handling charge equal to (x) (i) 2.5% multiplied by (ii) the product of (A) the quantity of Products shipped multiplied by (B) the applicable price calculated pursuant to Section 3(a) plus (y) freight prepaid and added.
- (d) **Payment Terms.** Seller shall invoice Buyer for each shipment of Products to Buyer or to a Retail Customer. The invoiced amount shall be for gross sales (before returns). Except as provided under the Transition Services Agreement, Seller shall not send invoices directly to Retail Customers. Buyer shall pay to Seller the undisputed invoiced amount within thirty (30) days of receipt of the invoice. Late payments shall accrue interest at the lower of (i) prime rate plus two percent (2%) and (ii) the highest rate allowed by law on any such unpaid amounts, which interest shall begin to accrue on the thirtieth (30th) day following the receipt of the invoice.
4. **Freight and Shipping Terms.** All Products sold by Seller to Buyer hereunder shall be shipped full truck load quantities FOB delivered to Hillman distribution center locations. Notwithstanding the foregoing, full truck load quantities shall not relieve Seller of its obligation to meet delivery dates (except as expressly provided in Section 2(b)). Buyer may direct Seller to ship Products directly to a Retail Customer distribution center as listed in Schedule 3(a)(1), page 17 of SKUCosts.xls, as such list may be updated by mutual agreement of the Parties in writing from time to time, or new store in a purchase order with freight and shipping terms as set forth in Section 3(b) or Section 3(c), respectively. In addition, Buyer may direct Seller to ship Products directly to a Retail Customer destination (other than described in Section 3(b) or Section 3(c)) with freight, shipping and handling terms by mutual agreement of the Parties. If Buyer orders less than full truck load quantities, additional freight may be charged.
5. **Term; Termination; Force Majeure.**
- (a) **Term and Renewal.** This Supply Agreement shall be effective as of the Effective Date and shall continue in effect until the eighth (8^h) anniversary of the Effective Date (the “Initial Term”), unless terminated earlier in accordance with the terms of this Supply Agreement. This Supply Agreement shall automatically renew for successive one (1) year periods unless one Party notifies the other Party in writing of its intent to terminate this Supply Agreement at least two (2) years prior to the expiration of the Initial Term or any extension or future extension thereof.

- (b) Effect of Expiration or Termination. The expiration or termination of this Supply Agreement shall not (i) terminate the obligation of Buyer to pay to Seller any amounts due Seller hereunder at the date of such expiration or earlier termination, (ii) terminate the obligation of Seller to ship to Buyer or its Retail Customers the Products ordered pursuant to this Supply Agreement prior to the date of such expiration or termination, or (iii) otherwise release any Party from any liability or obligation which at the time of such expiration or termination shall have accrued to the other Party or which thereafter may accrue in respect of any act or omission occurring prior to such expiration or termination.
- (c) Termination.
- (i) By Seller. Seller may terminate this Supply Agreement upon written notice if Buyer fails to pay Seller undisputed invoiced amounts due and payable under this Supply Agreement within sixty (60) days after Buyer's receipt of written notice from Seller describing such failure in reasonable detail (a "Failure to Pay"). Notwithstanding anything to the contrary in this Supply Agreement, Seller shall have the right to stop shipping Products under this Supply Agreement in the event of a Failure to Pay, without terminating this Supply Agreement and without such action by Seller constituting any grounds for Buyer to terminate this Supply Agreement or make a claim for indemnification from Seller as a result thereof.
- (ii) By Buyer. Buyer may terminate this Supply Agreement upon written notice if (A) Seller fails to perform any of its obligations hereunder and, within the sixty (60) day period following receipt by Seller of a written notice from Buyer describing such failure in reasonable detail, Seller does not cure such failure; subject however to the provisions regarding a Failure to Pay above; or (B) Seller becomes insolvent or the subject of bankruptcy or insolvency proceedings that are not dismissed within sixty (60) days.
- (d) Survival. The following sections shall survive expiration or termination of this Supply Agreement: 1 (to the extent necessary to interpret the other surviving provisions), 3(d), 5(b), 5(d), 8(a), 8(c), 9, 10, 11, 12 and 13. In addition, the expiration or earlier termination of this Supply Agreement shall not affect in any way the survival of any right, duty or obligation of any Party that is expressly stated elsewhere in this Supply Agreement to survive the expiration or termination hereof.
- (e) Force Majeure.
- (i) Seller shall not be liable for any failure or delay in the performance of its obligations under this Supply Agreement to the extent such failure or delay is caused by a Force Majeure Event. The Parties expressly acknowledge that Force Majeure Events do not include the regulatory acts

of governmental agencies in the ordinary course, labor strikes by the workforce of Seller, or the non-performance of subcontractors or third party suppliers of Seller, unless such failure or non-performance by a subcontractor or third party suppliers is itself caused by a Force Majeure Event. Upon the occurrence of a Force Majeure Event, Seller shall provide Buyer with written notice of such Force Majeure Event and Seller shall be excused from any further performance or observance of the affected obligation(s) for as long as such circumstances prevail, and Seller continues to attempt to recommence performance or observance to the greatest extent possible without delay.

- (ii) Notwithstanding Section 5(c)(i), Buyer may terminate this Supply Agreement upon written notice to Seller, if Seller is unable to perform its obligations under this Supply Agreement (including timely supply of Products) in any material respect for more than sixty (60) consecutive days, as a result of a Force Majeure Event.

6. Insurance. Seller shall purchase and maintain, at a minimum, the following types of insurance policies with the following coverage amounts:

- (a) Commercial General Liability coverage, including contractual liability and broad form property damage liability, with a combined single limit of \$1,000,000 and aggregate limit of \$2,000,000 with no deductible;
- (b) Product Liability Insurance with a combined single limit of \$1,000,000 and aggregate limit of \$2,000,000 with no deductible; and which policy or policies shall be maintained in full force and effect for a period of two (2) years following the expiration or termination of this Supply Agreement; and
- (c) Umbrella coverage with limits of \$2,000,000.

Buyer shall be listed as an additional insured on all insurance policies required to be purchased by Seller under this Supply Agreement. Seller shall provide Buyer with certificates of insurance evidencing the above coverages prior to execution of this Supply Agreement. Seller shall use commercially reasonable efforts to cause its insurance carrier(s) to agree in writing to provide Buyer with thirty (30) days' written notice prior to the termination of any of the foregoing insurance policies.

7. Representations, Warranties and Covenants.

(a) By Seller.

- (i) Seller represents, warrants and covenants that all Products manufactured, sourced or sold and supplied by Seller to Buyer hereunder shall, at the time of receipt of the Products by Buyer (or the Retail Customers, if shipped directly to the Retail Customer as the case may be), (i) be free from defects, (ii) meet the Standards and (iii) meet the Regulations. Seller may not be held liable for a claim for indemnity for breach of warranties

under this Section 7(a)(i), unless Seller is given the right to inspect the Product giving rise to the claim and the Product has been returned to the Seller, freight collect for Seller's account. In addition to Seller's obligations set forth in Sections 9, 10 and 11, below, if any Products sold to Buyer or Retail Customers do not conform to the warranty set forth in this Section 7(a)(i) and if Buyer reports such nonconformity to Seller, Seller shall, at its option, either replace the nonconforming Products without cost to Buyer or refund to or credit Buyer for the purchase price thereof. Buyer or its Retail Customers, as the case may be, shall randomly inspect the Products and bills of lading in a commercially reasonable manner promptly upon receipt thereof, and Buyer shall give oral notice upon discovery and written notice promptly thereafter to Seller of any claims relating to the warranty set forth in this Section 7(a)(i). Buyer shall also have the right, upon reasonable notice to Seller, to inspect Seller's manufacturing to assess compliance by Seller with the Standards and Regulations with respect to the Products generally, provided that such inspection does not unreasonably interfere with the operations thereof.

- (ii) Seller represents, warrants and covenants: (i) that no Product shall be adulterated or misbranded within the meaning of any state or local law, or any rules and regulations promulgated thereunder; and (ii) that every Product shall be manufactured, packaged and labeled in accordance with federal, state and/or local laws, including all rules and regulations promulgated thereunder, concerning the manufacturing, packaging and labeling of the Products. Seller shall cooperate with regulatory authorities and Buyer to the extent necessary in order to demonstrate to such regulatory authorities and Buyer that such Products (and their transportation) comply in all material respects with such laws, rules and regulations.
- (iii) In addition to the other representations, warranties and covenants in this Section 7, with respect to any Display Products, Seller also represents, warrants and covenants that such Products will not be false, indecent, deceptive, misleading, inaccurate, illegal or constitute libel, slander, defamation, plagiarism, unfair competition or an invasion of privacy or publicity.
- (iv) Seller represents, warrants and covenants that all Products will be manufactured at the Seller facility located at 4661 Monaco Street, Denver, Colorado and/or such other facilities as determined reasonably appropriate by Seller from time to time; provided, that Seller shall provide Buyer with prior written notice if Seller moves manufacturing to another facility.
- (v) Seller is a corporation organized and validly existing under the laws of the state of its incorporation and has all requisite corporate power and authority to enter into and legally perform its obligations under this Supply Agreement. When executed and delivered, this Supply Agreement shall constitute a valid and binding obligation of the Seller, legally enforceable against it in accordance with its terms.

(b) By Buyer. Buyer is a corporation organized and validly existing under the laws of the state of its incorporation and has all requisite corporate power and authority to enter into and legally perform its obligations under this Supply Agreement. When executed and delivered, this Supply Agreement shall constitute a valid and binding obligation of the Buyer, legally enforceable against it in accordance with its terms.

8. Confidential Information; Noncompete.

(a) Confidentiality.

- (i) Seller. Seller shall not disclose Buyer Confidential Information to others and shall maintain the confidentiality of all such information in accordance with Seller's policies for the protection of its own nonpublic information. The limitations set forth in this Section 8(a)(i) shall not apply with respect to the disclosure of any information: (i) to Seller's employees, auditors, counsel or other professional advisors, if Seller, in its sole discretion, determines that it is reasonably necessary for such Person to have access to such information, provided that any such Person agrees to be bound by the provisions of this Section 8(a)(i) to the same extent as Seller; (ii) as has become or previously was generally available to the public other than by reason of a breach of this Section 8(a)(i) by Seller or has become available to Seller on a non-confidential basis; (iii) as may be required or reasonably necessary in any report, statement or testimony submitted to any municipal, state or federal regulatory body having or claiming to have jurisdiction over Seller (it being understood that, to the extent practicable, Seller shall provide Buyer with prompt notice of any such event and cooperate in good faith to enable Buyer to participate to protect its interest in such confidential information); (iv) as may be required or reasonably necessary in response to any summons or subpoena or in connection with any litigation; and (v) in order to comply with any law, order, regulation or ruling applicable to Seller.
- (ii) Buyer. Buyer shall not disclose any Seller Confidential Information to others and shall maintain the confidentiality of all such information in accordance with Buyer's policies for the protection of its own nonpublic information. The limitations set forth in this Section 8(a)(ii) shall not apply with respect to the disclosure of any information: (i) to Buyer's employees, auditors, counsel or other professional advisors, if Buyer, in its sole discretion, determines that it is reasonably necessary for such Person to have access to such information, provided that any such Person agrees to be bound by the provisions of this Section 8(a)(ii) to the same extent as Buyer; (ii) as has become or previously was generally available to the public other than by reason of a breach of this Section 8(a)(ii) by Buyer or

has become available to Buyer on a non-confidential basis; (iii) as may be required or reasonably necessary in any report, statement or testimony submitted to any municipal, state or federal regulatory body having or claiming to have jurisdiction over Buyer (it being understood that, to the extent practicable, Buyer shall provide Seller with prompt notice of any such event and cooperate in good faith to enable Seller to participate to protect its interest in such confidential information); (iv) as may be required or reasonably necessary in response to any summons or subpoena or in connection with any litigation; (v) in order to comply with any law, order, regulation or ruling applicable to Buyer; and (vi) to the extent related to the Retail Customers or the Purchased Assets.

- (b) Noncompete. As an inducement to Buyer to execute this Supply Agreement and the Purchase Agreement (and other agreements referenced therein) and complete the transactions contemplated hereby and thereby, and in order to preserve the goodwill associated with the Retail Customers and Purchased Assets, Seller hereby covenants and agrees as follows:
- (i) Until the expiration or termination of this Supply Agreement, neither Seller nor any Affiliate will, directly or indirectly, sell Products to any direct or indirect Buyer Competitor or any Retail Customer in the Retail Market without Buyer's express prior written consent in Buyer's sole discretion (which may be granted or withheld in Buyer's sole discretion).
 - (ii) Notwithstanding Section 8(b)(i) Seller may sell Products to Paulin Industries, Inc. (a Delaware corporation) and Forney Industries, Inc. (a Colorado corporation) for so long as such companies do not acquire, or are not acquired by, a direct or indirect Buyer Competitor (whether structured as a sale of assets, stock, merger or otherwise).
 - (iii) In the event a court of competent jurisdiction determines that any provision of Section 8(b) is excessively broad as to duration, geographic scope, activity or otherwise, it is expressly agreed that such provision will be construed so that the remaining provisions will not be affected, but will remain in full force and effect, and any such overbroad provision will be deemed, without further action on the part of any Person, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable in such jurisdiction.
- (c) Remedies. Seller agrees that money damages will not be an adequate remedy in the event of any breach by any Seller or its Representatives of the provisions of this Section 8, and that Buyer shall be entitled to equitable relief, including injunction and specific performance, in addition to all other remedies available to Buyer at law or in equity without the requirement of posting bond or proving actual damages. Seller shall be required to reimburse Buyer for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Buyer in successfully enforcing the obligations of the Seller and its Representatives under this Section 8.

- (d) Consideration. Seller acknowledges and agrees that the benefits to it of the transactions contemplated by this Supply Agreement are sufficient consideration to support its agreements set forth in this Section 8.
9. Repurchased Products. During and after the Term, Seller shall repurchase from Buyer all Products that fail to satisfy any Standards and/or Regulations as provided in Section 7(a). The purchase price for such repurchased Products shall be equal to the purchase price paid by Buyer for such Products and shall be paid to Buyer in full within thirty (30) days after the delivery of such Products to Seller's facility and verification of the failure to meet the applicable Standards and/or Regulations. Seller shall pay all freight charges and shipping costs in connection with the shipment of such repurchased Products back to Seller's facility.
10. Claims and Recalls. In the event of any and all Claims and/or Recalls, whether initiated by a Retail Customer, Buyer or Seller, or any other Person, Seller understands and agrees that a Buyer designee shall have full control and responsibility (subject to the indemnification obligations set forth in Section 11) for coordinating the collection of any Product, communicating with Retail Customers or the media, replacing the Product (subject to Section 9), and performing any other logistical or customer service functions stemming from such Claims and/or Recalls. Additionally, a Buyer designee shall be the sole spokesperson on behalf of Buyer and Seller to Retail Customers and the media, and Seller shall not release information in any form regarding such Claims and/or Recalls to the press or any other media source. However, Buyer and Seller shall jointly administer, prosecute, and defend any claims, actions, suits, or demands leading up to, during, and following any threatened or actual legal proceedings arising from any Claims or Recalls. Neither Buyer nor Seller shall negotiate, compromise, or settle any Claim without the express written consent of the other Party. To the extent Buyer or Seller settles any Claim without the express written consent of the other Party, the settling Party shall indemnify and hold harmless the non-settling Party for all costs, fees, damages, and expenses stemming from such Claim. Notwithstanding the foregoing, if such Claims or Product Recalls result primarily and directly from the acts of Buyer, its agents, its representative or contractors (other than Seller), Buyer and Seller shall cooperate in coordinating communications and releases regarding such matter.
11. Indemnification.
- (a) By Seller. Seller shall indemnify and defend the Buyer Parties and hold each of them harmless from and against and pay on behalf of or reimburse such Buyer Parties in respect of any Losses that any such Buyer Party has actually suffered or sustained or become subject to (expressly including lost profits) as a result of, in connection with or relating to:
- (i) any breach by Seller of any representation or warranty made by it in Section 7;

- (ii) any breach by Seller of any agreement, covenant, condition or other provision of this Supply Agreement;
 - (iii) any failure by Seller to comply with the Standards and Regulations; or
 - (iv) any Claims or Recalls relating to any Product except if such Claims or Recalls result primarily and directly from the negligence of Buyer's officers, employees, agents, representatives or contractors or the applicable Retail Customer occurring after title and risk of loss to such Product passed to Buyer or the applicable Retail Customer under Section 4.
- (b) By Buyer. Buyer shall indemnify and defend the Seller Parties and hold each of them harmless from and against and pay on behalf of or reimburse such Buyer Parties in respect of any Losses that any such Seller Party has actually suffered or sustained or become subject to (expressly including lost profits) as a result of, in connection with or relating to:
- (i) any breach by Buyer of any representation or warranty made by it in Section 7;
 - (ii) any breach by Buyer of any agreement, covenant, condition or other provision of this Supply Agreement; or
 - (iii) any Claims or Recalls relating to any Product to the extent such Claims or Recalls result primarily and directly from the negligence of Buyer's officers, employees, agents, representatives or contractors or the applicable Retail Customer occurring after title and risk of loss to such Product passed to Buyer or the applicable Retail Customer under Section 4.
- (c) Indemnification Procedures. For any indemnification claim under this Supply Agreement, the procedures (and only the mechanical procedures) set forth in Section 5(d) of the Purchase Agreement shall apply.

12. Dispute Resolution.

The Parties shall attempt in good faith to resolve any controversy or claims arising out of or relating to this Supply Agreement or any breach hereof promptly through negotiations between their senior executives who have authority to settle the same. If the matter is not resolved through such negotiations within fifteen (15) days of notice by a Party to the other Party of the controversy or claim, either Party may refer the controversy or claim to binding arbitration to be conducted as set forth in this Section 12. Notwithstanding the foregoing, the Parties agree that the only circumstance in which disputes between them will not be subject to the provisions of this Section 12 is where a Party makes a good faith determination that a breach of the terms of this Supply Agreement by the other Party is such that the damages to such Party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order and/or other immediate injunctive relief is the only adequate remedy for such breach.

- (a) Panel. The arbitration shall be heard and determined by a panel of three (3) persons. Each Party shall have the right to designate one (1) member of the panel. Such members shall select a third member of the panel.
- (b) AAA. The commercial rules of the American Arbitration Association shall apply to any arbitration under this Supply Agreement, except to the extent the provisions of this Article vary therefrom.
- (c) Expedited Schedule. The arbitration shall be conducted on an expedited schedule. Unless otherwise agreed by the Parties, the Parties shall make their initial submissions to the panel and the hearing shall commence within thirty (30) days of the initiation of proceedings. The hearing shall be completed within thirty (30) days thereafter.
- (d) Discovery. The Parties shall be entitled to discovery of all documents and information reasonably necessary for a full understanding of any dispute raised in the arbitration relating to this Supply Agreement. The Parties may use all methods of discovery available under the United States Federal Rules of Civil Procedure, including depositions, requests for admission and requests for production of documents. The time periods applicable to such discovery methods shall be set by the panel so as to permit compliance with the scheduling provisions of this Section.
- (e) Prompt Award. The award shall be made promptly by the panel, and, unless agreed by the Parties, no later than thirty (30) days from the closing of the hearing. The panel may not award punitive damages.
- (f) Binding Decisions. The decision or award rendered or made in connection with the arbitration shall be final and binding upon the Parties thereto. The prevailing Party may present the decision or award to any court of competent jurisdiction for confirmation pursuant to the provisions of the Federal Arbitration Act, 9 U.S.C. §§ 1-14, and such court shall enter forthwith an order confirming such decision or award. The losing Party shall pay all costs of the arbitration. In addition, the panel shall award to the prevailing Party its reasonable attorneys' fees.
- (g) Location. The proceeding before the panel shall be held in Denver, Colorado or as otherwise agreed upon by the Parties.

13. Miscellaneous.

- (a) Entire Supply Agreement. This Supply Agreement (and the Exhibits attached hereto and incorporated herein by this reference), the Transition Services Agreement, and the Purchase Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

- (b) Assignment; Change in Control. This Supply Agreement shall be binding on the Parties and their respective successors and permitted assigns. Any attempted assignment, delegation, or subcontracting not expressly contemplated by, or in contravention of, this Section 13(b) shall be void and ineffective. Seller hereby acknowledges that Buyer is entering into this Supply Agreement based upon (i) its personal relationship with Seller and (ii) the personal judgment, skills and abilities of Seller and its employees. Seller may assign this Supply Agreement, subject to Buyer's express prior written consent (not to be unreasonably withheld), to (x) one or more of its Affiliates or (y) any entity that acquires all or substantially all of the assets (whether such sale is structured as a sale of stock, a sale of assets, a merger or otherwise) of Seller unless the assignee is a direct or indirect Buyer Competitor, in which case such consent shall be subject to Buyer's sole discretion. In addition, during the Term, Seller shall not sell all or substantially all of the assets or a material portion of the equity (whether such sale is structured as a sale of stock, sale of assets, a merger or otherwise) of Seller or any of its Affiliates to a direct or indirect Buyer Competitor without the express prior written consent of Buyer (such consent shall be subject to Buyer's sole discretion); provided, however, that the foregoing limitation shall not apply to any sale of either an Affiliate or a division of Seller that is not involved directly or indirectly in the manufacture, packaging, storing, warehousing, marketing or sale of Retail Products. Buyer may not assign this Supply Agreement without Seller's prior written consent (which consent shall not be unreasonably withheld); provided, however, that Buyer may assign this Supply Agreement, upon written notice to Seller, but without Seller's prior written consent, to (x) one or more of its Affiliates provided that in such case Buyer will nonetheless remain liable for all of its obligations hereunder or (y) any entity that acquires all or substantially all of the assets of Buyer.
- (c) Counterparts. This Supply Agreement may be executed in two or more counterparts (including by means of facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
- (d) Headings. The section headings contained in this Supply Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Supply Agreement.
- (e) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one (1) business day after being sent to the recipient by facsimile transmission or electronic mail (confirmed by telephone), or (iv) four (4) business days after being mailed to the recipient by certified or registered mail, return receipt

requested and postage prepaid, and addressed to the intended recipient as set forth below:

To Seller:
The SteelWorks Corporation

To Buyer:
The Hillman Group, Inc.

Attn: Larry G. Broderick

Attn: James P. Waters

4661 Monaco Street

10590 Hamilton Avenue

Denver, CO 80216

Cincinnati, OH 45231

Facsimile: (303) 377-7893

Facsimile: (513) 595-8297

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

- (f) Governing Law. This Supply Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without giving effect to its choice or conflict of law provisions).
- (g) Amendments and Waivers. No modification, amendment, supplement to or waiver of any provision of this Supply Agreement will be binding upon the Parties unless made in a writing signed by the Parties. A failure of a Party to exercise any right provided for herein shall not be deemed to be a waiver of any right hereunder.
- (h) Severability. Any term or provision of this Supply Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.
- (i) Construction. The Parties have participated jointly in the negotiation and drafting of this Supply Agreement. In the event an ambiguity or question of intent or interpretation arises, this Supply Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Supply Agreement. The word "including" shall mean including without limitation.
- (j) Submission to Jurisdiction. To the extent that any Party asserts a claim or cause of action not covered under Section 12, each of the Parties submits to the exclusive jurisdiction and venue of any state or federal court sitting in Wilmington, Delaware in any action or proceeding arising out of or relating to this Supply Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each of the Parties waives any

defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Either Party may make service on the other Party by sending or delivering a copy of the process to the Party to be served at the address and in the manner provided for the giving of notices in Section 13(e) above. Nothing in this Section 13(j), however, shall affect the right of any Party to serve legal process in any other manner permitted by law or in equity. Each Party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

- (k) Relationship of the Parties. The relationship between the Parties to this Supply Agreement is that of independent contractors. Under no circumstances shall either Party be deemed an agent or representative of the other Party. Neither Party shall have authority to act for or bind the other Party in any way, or represent that it is in any way responsible for acts of the other Party. Nothing in this Supply Agreement shall be construed or interpreted to create a relationship between the Parties of partner, joint venturer, principal and agent, or employer and employee.
- (l) Retail Products. For the avoidance of doubt and notwithstanding anything to the contrary in this Supply Agreement but subject to the performance obligations in this Supply Agreement, it is understood that Buyer and Seller shall not be restricted from otherwise selling Retail Products in markets other than the Retail Market.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have executed this Supply Agreement on the Effective Date.

THE HILLMAN GROUP, INC.

By: _____
Title: _____

THE STEELWORKS CORPORATION

By: _____
Title: _____

HILLMAN ACQUIRES STEELWORKS

CINCINNATI, January 6, 2006 /PRNewswire-FirstCall/ — The Hillman Companies, Inc. (Amex: HLM.PR) (the “Company” or “Hillman”), announced today that its Hillman Group, Inc. subsidiary purchased certain assets of The SteelWorks Corporation (“Steelworks”), a Denver, Colorado based manufacturer and distributor of metal shapes, threaded rod and metal sheet to the Retail Hardware and Home Improvement Industry. Annual revenues of SteelWorks customer base are approximately \$31 million.

Max W. (“Mick”) Hillman, Jr., Chief Executive Officer of Hillman, said the addition of the Steelworks business will further complement Hillman’s national presence in its core market segments and add a strong market brand name with “SteelWorks”.

Hillman sells to hardware stores, home centers, pet suppliers, mass merchants, and other retail outlets principally in the U.S., Canada, Mexico and South America. Their product line includes thousands of small parts such as fasteners and related hardware items, keys, key duplication systems, and identification items, such as tags, letters, numbers and signs. Services offered include design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

For more information on the Company, please visit our website at <http://hillmangroup.com> or call Investor Relations at (513) 851-4900, ext. 2084.