UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

On November 15, 2010, 5,000 shares of the Registrant's common stock were issued and outstanding and 4,217,724 Trust Preferred Securities were issued and outstanding by the Hillman Group Capital Trust. The Trust Preferred Securities trade on the NYSE Amex under symbol HLM.Pr.

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(dollars in thousands)

	Successor September 30, 2010	Predecessor December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,064	$ 17,164
Restricted investments	334	334
Accounts receivable	67,537	51,757
Inventories	88,757	83,182
Deferred income taxes	8,181	8,100
Other current assets	2,892	2,657
Total current assets	181,765	163,194
Property and equipment	52,147	47,565
Goodwill	432,269	257,806
Other intangibles	361,589	146,640
Restricted investments	2,956	2,709
Deferred income taxes	434	418
Deferred financing fees	14,941	5,690
Investment in trust common securities	3,261	3,261
Other assets	1,207	1,198
Total assets	$ 1,050,569	$ 628,481
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 28,027	$ 19,191
Current portion of senior term loans	2,900	9,519
Current portion of capitalized lease and other obligations	42	349
Accrued expenses:		
Salaries and wages	4,185	7,624
Pricing allowances	6,561	5,317
Income and other taxes	1,920	1,904
Interest	5,797	2,199
Deferred compensation	334	334
Other accrued expenses	6,703	6,147
Total current liabilities	56,469	52,584
Long term senior term loans	286,375	148,330
Long term capitalized lease and other obligations	141	145
Long term senior notes	150,000	—
Long term unsecured subordinated notes	—	49,820
Junior subordinated debentures	115,943	115,716
Mandatorily redeemable preferred stock	—	111,452
Management purchased preferred options	—	6,617
Deferred compensation	2,956	2,709
Deferred income taxes	132,422	50,169
Accrued dividends on preferred stock	—	75,580
Other non-current liabilities	2,744	18,467
Total liabilities	747,050	631,589

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

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(dollars in thousands)

	Successor September 30, 2010	Predecessor December 31, 2009
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)		
Common stock with put options:		
Common stock, $.01 par, 5,000 shares authorized, 200.8 issued and outstanding at September 30, 2010.	12,397	—
Class A Common stock, $.01 par, zero authorized and outstanding at September 30, 2010; 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	—	2,158
Class B Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009.	—	5,293
Commitments and contingencies (Note 6)		
Stockholders' Equity (Deficit):		
Preferred Stock:		
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at September 30, 2010.	—	—
Class A Preferred stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	—	1
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized, 4,799.2 issued and outstanding at September 30, 2010.	—	—
Class A Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	—	—
Class C Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	—	—
Additional paid-in capital	296,244	10,302
Accumulated deficit	(4,349)	(19,377)
Accumulated other comprehensive loss	(773)	(1,485)
Total stockholders' equity (deficit)	291,122	(10,559)
Total liabilities and stockholders' equity (deficit)	$ 1,050,569	$ 628,481

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

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

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

	Successor Three Months Ended September 30, 2010	Predecessor Three Months Ended September 30, 2009 (As restated, see Note 2)
Net sales	$ 122,715	$ 122,673
Cost of sales (exclusive of depreciation and amortization shown separately below)	60,050	57,580
Gross profit	62,665	65,093
Operating expenses:		
Selling, general and administrative expenses	39,024	41,412
Non-recurring expense (Note 14)	385	—
Depreciation	4,809	4,398
Amortization	4,546	1,768
Management and transaction fees to related party	—	250
Total operating expenses	48,764	47,828
Other income, net	399	151
Income from operations	14,300	17,416
Interest expense, net	8,571	4,011
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	3,149
Interest expense on junior subordinated debentures	3,152	3,214
Investment income on trust common securities	(95)	(95)
Income before income taxes	2,672	7,137
Income tax provision	1,222	4,396
Net income	$ 1,450	$ 2,741

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

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

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

	Successor	Predecessor	
	Four Months ended September 30, 2010	Five Months ended May 28, 2010	Nine Months ended September 30, 2009 (As restated, see Note 2)
Net sales	$ 170,415	$ 185,716	$ 358,699
Cost of sales (exclusive of depreciation and amortization shown separately below)	83,072	89,773	176,965
Gross profit	87,343	95,943	181,734
Operating expenses:			
Selling, general and administrative expenses	53,323	82,850	121,628
Non-recurring expense (Note 14)	10,788	11,342	—
Depreciation	6,331	7,283	13,290
Amortization	6,061	2,678	5,305
Management and transaction fees to related party	—	438	759
Total operating expenses	76,503	104,591	140,982
Other income (expense), net	263	(114)	(316)
Income (loss) from operations	11,103	(8,762)	40,436
Interest expense, net	12,190	8,327	11,139
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	5,488	9,098
Interest expense on junior subordinated debentures	4,203	5,254	9,668
Investment income on trust common securities	(126)	(158)	(284)
(Loss) income before income taxes	(5,164)	(27,673)	10,815
Income tax (benefit) provision	(815)	(2,465)	9,558
Net (loss) income	$ (4,349)	$ (25,208)	$ 1,257

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

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

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

	Successor	Predecessor	
	Four Months Ended September 30, 2010	Five Months Ended May 28, 2010	Nine Months Ended September 30, 2009 (As restated, see Note 2)
Cash flows from operating activities:			
Net (loss) income	$ (4,349)	$ (25,208)	$ 1,257
Adjustments to reconcile net (loss) income to net cash provided by (used for) operating activities:			
Depreciation and amortization	12,392	9,961	18,595
Dispositions of property and equipment	60	74	176
Deferred income tax provision (benefit)	(1,482)	(1,921)	8,086
Deferred financing and original issue discount amortization	781	515	798
Interest on mandatorily redeemable preferred stock and management purchased options	—	5,488	9,098
Stock-based compensation expense	—	19,053	7,088
Changes in operating items:			
Accounts receivable	1,036	(16,816)	(10,492)
Inventories	(8,534)	2,959	16,243
Other assets	(411)	124	1,573
Accounts payable	7,006	1,830	171
Interest payable on junior subordinated debentures	—	—	—
Other accrued liabilities	(1,910)	4,352	3,965
Other items, net	(1,985)	(894)	(243)
Net cash provided by (used for) operating activities	2,604	(483)	56,315
Cash flows from investing activities:			
Payments for Quick Tag and Laser Key licenses	(12,750)	—	—
Capital expenditures	(4,680)	(5,411)	(9,126)
Net cash used for investing activities	(17,430)	(5,411)	(9,126)
Cash flows from financing activities:			
Borrowings of senior term loans	290,000	—	—
Repayments of senior term loans	(149,031)	(9,544)	(27,000)
Borrowings of revolving credit loans	600	—	—
Repayments of revolving credit loans	(600)	—	—
Principal payments under capitalized lease obligations	(31)	(459)	(320)
Repayments of unsecured subordinated notes	(49,820)	—	—
Borrowings of senior notes	150,000	—	—
Financing fees, net	(15,729)	—	(2,921)
Purchase predecessor equity securities	(506,407)	—	—
Proceeds from sale of successor equity securities	308,641	—	—
Borrowings under other credit obligations	—	—	468
Net cash provided by (used for) financing activities	27,623	(10,003)	(29,773)
Net increase (decrease) in cash and cash equivalents	12,797	(15,897)	17,416
Cash and cash equivalents at beginning of period	1,267	17,164	7,133
Cash and cash equivalents at end of period	$ 14,064	$ 1,267	$ 24,549

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

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (Unaudited)
(dollars in thousands)

	Predecessor			Successor					
	Common Stock								
	Class A	Class C	Class A Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2009—Predecessor	$ —	$ —	$ 1	$ —	$ 10,302	$ (19,377)	$ (1,485)		$ (10,559)
Net loss	—	—	—	—	—	(25,208)	—	$ (25,208)	(25,208)
Class A Common Stock FMV adjustment (2)	—	—	—	—	(5,650)	—	—	—	(5,650)
Dividends to shareholders	—	—	—	—	(7,583)	—	—	—	(7,583)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	17	17	17
Change in derivative security value (1)	—	—	—	—	—	—	1,161	1,161	1,161
Comprehensive loss								$ (24,030)	
Balance at May 28, 2010—Predecessor	—	—	1	—	(2,931)	(44,585)	(307)		(47,822)
Close Predecessor's stockholders' deficit at merger date	—	—	(1)	—	2,931	44,585	307		47,822
Issuance of 5,000 shares of common stock	—	—	—	—	308,641	—	—		308,641
Transfer of 200.8 shares of common stock to mezzanine	—	—	—	—	(12,397)	—	—		(12,397)
Balance at May 28, 2010—Successor	—	—	—	—	296,244	—	—		296,244
Net loss	—	—	—	—	—	(4,349)	—	$ (4,349)	(4,349)
Change in cumulative foreign translation adjustment (1)	—	—	—	—	—	—	15	15	15
Change in derivative security value (1)							(788)	(788)	(788)
Comprehensive loss								$ (5,122)	
Balance at September 30, 2010—Successor	$ —	$ —	$ —	$ —	$ 296,244	$ (4,349)	$ (773)		$ 291,122

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

(2) Management of the Predecessor Company controlled 395.7 shares of Class A common stock which contained a put feature that allowed redemption at the holder's option. These shares were classified as temporary equity and were adjusted to fair value. See Note 10, Common and Preferred Stock, for further details.

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

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation:

The accompanying financial statements include the condensed consolidated accounts of The Hillman Companies, Inc. ("Hillman Companies") and its wholly-owned subsidiaries (collectively "Hillman" or the "Company"). All significant intercompany balances and transactions have been eliminated.

On May 28, 2010, Hillman Companies was acquired by an affiliate of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman Companies is a wholly-owned subsidiary of OHCP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was $832,682 which includes $11,500 for the Quick Tag license and related patents, the repayment of outstanding debt and the net value of the Company's outstanding junior subordinated debentures ($105,443 liquidation value at the time of the merger). The merger consideration is subject to certain post-closing working capital and other adjustments.

Prior to the Merger Transaction, affiliates of Code Hennessy & Simmons LLC ("CHS") owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owned 28.0% of the Company's outstanding common stock and 31.0% of the Company's voting common stock and HarbourVest Partners VI ("HarbourVest") owned 8.7% of the Company's outstanding common stock and 9.7% of the Company's voting common stock. Certain current and former members of management owned 13.7% of the Company's outstanding common stock and 4.4% of the Company's voting common stock. Other investors owned 0.3% of the Company's common stock and 0.3% of the Company's voting common stock.

The Company's condensed consolidated balance sheet as of May 28, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented prior to May 28, 2010 are referenced herein as the predecessor financial statements (the "Predecessor" or "Predecessor Financial Statements"). The Company's condensed consolidated balance sheet as of September 30, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements"). The Predecessor Financial Statements do not reflect certain transaction amounts that were incurred at the close of the Merger Transaction. Such transaction amounts include the write-off of $5,010 in deferred financing fees associated with the Predecessor debt obligations.

The Successor Financial Statements reflect the preliminary allocation of the aggregate purchase price of $832,682, including the value of the Company's junior subordinated debentures, to the assets and liabilities of Hillman based on fair values at the date of the Merger Transaction in accordance with ASC Topic 805, "Business Combinations." The Company is in the process of obtaining third-party valuations of certain assets acquired in connection with the Merger Transaction, including but not limited to customer relationships, patents, licenses, property and equipment, non-compete agreements and the corresponding impact of deferred income taxes. The Company is also in the process of finalizing its fair value evaluation of inventory. Thus, the allocation of the purchase price is subject to change. Any amounts attributable to such assets are expected to be finalized during 2010.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

1. Basis of Presentation (continued):

The Company's financial statements have been presented on the basis of push down accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 805-50-S99 (Prior authoritative literature: Staff Accounting Bulletin No. 54 *Application of "Push Down" Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase*). FASB ASC 805-50-S99 states that the push down basis of accounting should be used in a purchase transaction in which the entity becomes wholly-owned by another entity. Under the push down basis of accounting, certain transactions incurred by the parent company which would otherwise be accounted for in the accounts of the parent are "pushed down" and recorded on the financial statements of the subsidiary. Accordingly, certain items resulting from the OHCP Merger Transaction have been recorded on the financial statements of the Company.

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

	Amount
Cash paid as merger consideration	$ 715,736
Cash paid for Quick Tag license and related patents	11,500
Fair value of consideration transferred	$ 727,236
Cash	$ 1,267
Accounts Receivable, net	68,573
Inventory, net	79,925
Other current assets	11,591
Property and equipment	53,607
Goodwill	432,269
Intangible assets	366,400
Other non-current assets	3,748
Total assets acquired	1,017,380
Less:	
Accounts payable	(21,021)
Deferred income taxes	(134,005)
Junior subordinated debentures	(105,446)
Junior subordinated debentures premium	(7,378)
Other liabilities assumed	(22,294)
Net assets acquired	$ 727,236

The following table indicates the pro forma financial statements of the Company for the three and nine months ended September 30, 2009 (including non-recurring charges of $22,130 as discussed in Note 14). The pro forma financial statements give effect to the Merger Transaction as if it had occurred on January 1, 2010 and January 1, 2009, respectively.

	Three Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2010	Three Months Ended Sept. 30, 2009	Nine Months Ended Sept. 30, 2009
Net Sales	122,715	356,131	122,673	358,699
Net Income	1,451	900	3,334	2,494

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

1. Basis of Presentation (continued):

The accompanying unaudited condensed consolidated financial statements present information in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by generally accepted accounting principles for complete financial statements. Management believes the financial statements include all normal recurring accrual adjustments necessary for a fair presentation. Operating results for the four month Successor period ended September 30, 2010 and the five month Predecessor period ended May 28, 2010 do not necessarily indicate the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report filed on Form 10-K for the year ended December 31, 2009, as amended.

Nature of Operations:

The Company is one of the largest providers of value-added merchandising services and hardware-related products to retail markets in North America through its wholly-owned subsidiary, The Hillman Group, Inc. ("Hillman Group"). A subsidiary of Hillman Group operates in (1) Canada under the name The Hillman Group Canada, Ltd., (2) Mexico under the name SunSource Integrated Services de Mexico SA de CV, and (3) primarily in Florida under the name All Points Industries, Inc. ("All Points"). Hillman Group provides merchandising services and products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; and identification items, such as tags and letters, numbers and signs to retail outlets, primarily hardware stores, home centers and mass merchants.

2. Restatement of Consolidated Financial Statements:

Subsequent to the issuance of the Company's December 31, 2009 consolidated financial statements, the Company concluded that certain of its accounting practices with respect to the income tax accounting for the Purchased Options and the Preferred Options were not in accordance with generally accepted accounting principles. As more fully described in Note 10, Common and Preferred Stock, certain members of management were issued options to purchase shares of Hillman Companies Class A Preferred Stock and the Hillman Investment Company Class A Preferred Stock. Changes in the fair value of the Purchased Options were recognized as interest expense and changes in the fair value of the Preferred Options were recognized as compensation expense. For income tax reporting purposes, changes in the fair value of the Purchased Options and the Preferred Options were treated as permanent book versus tax timing differences and, therefore, no income tax benefit was recognized. Management has determined that, upon exercise, the difference between the redemption value and strike price of the Purchased Options and Preferred Options is deductible for federal and state income tax. Therefore, there should be a tax benefit reported in each period where compensation and interest expense was recognized for the change in the fair value of the Preferred Options and the Purchased Options. Additionally, a benefit should be recognized for the cumulative difference in the fair value and the strike price of the Purchased Options at the date of the acquisition of Hillman Companies by CHS, OTPP and HarbourVest in 2004.

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

2. Restatement of Consolidated Financial Statements (continued):

As a result of the above, the Company restated its condensed consolidated statements of operations and cash flows for the three month and nine month periods ended September 30, 2009. The following is a summary of the effects of these changes on the Company's condensed consolidated statements of operations and cash flows for the three month and nine months ended September 30, 2009.

Predecessor	Condensed Consolidated Statement of Operations		
For the three months ended September 30, 2009:	As Previously Reported	Adjustments	As Restated
Income tax provision	$ 4,847	$ (451)	$ 4,396
Net income	2,290	451	2,741

Predecessor	Condensed Consolidated Statement of Operations		
For the nine months ended September 30, 2009:	As Previously Reported	Adjustments	As Restated
Income tax provision	$ 10,924	$ (1,366)	$ 9,558
Net income (loss)	(109)	1,366	1,257

Predecessor	Condensed Consolidated Statement of Cash Flows		
For the nine months ended September 30, 2009:	As Previously Reported	Adjustments	As Restated
Net income (loss)	$ (109)	$ 1,366	$ 1,257
Deferred income tax provision	9,452	(1,366)	8,086

3. Summary of Significant Accounting Policies:

The significant accounting policies should be read in conjunction with the significant accounting policies included in the Form 10-K for the year ended December 31, 2009, as amended. Policies included herein were updated for activity in the interim period.

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results may differ from estimates.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical collection experience. Increases to the allowance for doubtful accounts result in a corresponding expense. The allowance for doubtful accounts was $562 at September 30, 2010 and $514 at December 31, 2009.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

3. Summary of Significant Accounting Policies (continued):

Shipping and Handling:

The costs incurred to ship product to customers, including freight and handling expenses, are included in selling, general and administrative ("SG&A") expenses on the Company's statements of operations. The Successor shipping and handling costs included in SG&A were $5,227 for the three month period ended September 30, 2010 and $1,999 for the one month period ended June 30, 2010. The Predecessor shipping and handling costs included in SG&A were $7,398 for the five month period ended May 28, 2010. The Predecessor shipping and handling costs included in SG&A were $4,448 and $12,414 for the three and nine month periods ended September 30, 2009, respectively.

4. Recent Accounting Pronouncements:

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurement." This guidance amends Accounting Standards Codification ("ASC") Topic 820 to require new disclosures for fair value measurements and provides clarification for existing disclosure requirements. The guidance requires new disclosures about transfers in and out of Levels 1 and 2 and further descriptions for the reasons for the transfers. The guidance also requires more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010. This guidance requires expanded disclosures only, and did not and is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events." This ASU amends certain recognition and disclosure requirements concerning subsequent events. This update addresses the interaction of the requirements of the ASC with the SEC's reporting requirements. The update requires an entity to evaluate subsequent events through the date that the financial statements are issued. The update also provides that a filer is not required to disclose the date through which subsequent events have been evaluated. All the amendments in this update are effective upon issuance of the final update. The adoption of this amendment did not have a material impact on the Company's consolidated results of operations or financial conditions.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

5. Other Intangibles:

The values assigned to intangible assets in connection with the Merger Transaction were determined by management through a preliminary independent appraisal. The intangible asset values may be adjusted by management for any changes determined upon completion of work on the independent appraisal. In connection with the Merger Transaction, the Company acquired the Quick Tag license for consideration amounting to $11,500. Other intangibles, net as of September 30, 2010 and December 31, 2009 consist of the following:

	Estimated Useful Life (Years)	Successor September 30, 2010	Estimated Useful Life (Years)	Predecessor December 31, 2009
Customer relationships	20	$ 290,000	15-23	$ 127,206
Trademarks	Indefinite	48,000	Indefinite	47,394
Patents	5-20	15,900	9	7,960
Quick Tag license	6	11,500		—
Laser Key license	5	1,250		—
Non compete agreements	5.5	1,000	4	5,742
Intangible assets, gross		367,650		188,302
Less: Accumulated amortization		6,061		41,662
Other intangibles, net		$ 361,589		$ 146,640

Intangible assets are amortized over their useful lives. The Predecessor's amortization expense for amortizable assets was $2,678 for the five months ended May 28, 2010 and was $5,305 for the nine months ended September 30, 2009. The Successor's amortization expense for amortizable assets for the four months ended September 30, 2010 was $6,061. The combination of the amortization expense for amortizable assets of the Successor and Predecessor for the year ended December 31, 2010 is estimated to be $13,348. For the years ended December 31, 2011, 2012, 2013, 2014, and 2015, the Successor's amortization expense for amortizable assets is estimated to be $18,433, $18,433, $18,433 $18,433 and $17,773, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

6. Commitments and Contingencies:

The Company self insures its product liability, automotive, workers' compensation and general liability losses up to $250 per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of $250 up to $40,000. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used by management to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability of approximately $1,949 recorded for such risk insurance reserves is adequate as of September 30, 2010, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

As of September 30, 2010, the Company has provided certain vendors and insurers letters of credit aggregating $5,496 related to its product purchases and insurance coverage of product liability, workers compensation and general liability.

The Company self-insures its group health claims up to an annual stop loss limit of $200 per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves. Provisions for losses expected under these programs are recorded based on an analysis of historical insurance claim data and certain actuarial assumptions. The Company believes the liability of approximately $1,769 recorded for such group health insurance reserves is adequate as of September 30, 2010, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

On May 4, 2010, Hy-Ko Products, Inc. filed a complaint against Hillman Group and Kaba Ilco Corp., a manufacturer of blank replacement keys, in the United States District Court for the Northern District of Ohio Eastern Division, alleging that the defendants engaged in violations of federal and state antitrust laws regarding their business practices relating to automatic key machines and replacement keys. Hy-Ko Products' May 4, 2010 filing against the Company is based, in part, on the Company's previously-filed claim against Hy-Ko Products alleging infringement of certain patents of the Company. The plaintiff is seeking unspecified monetary damages which would be trebled under the federal antitrust laws in the United States, interest and attorney's fees as well as injunctive relief. Because the lawsuit is in a preliminary stage, it is not yet possible to assess the impact that the lawsuit will have on the Company. However, the Company believes that it has meritorious defenses and intends to defend the lawsuit vigorously.

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

7. Related Party Transactions:

The Predecessor was obligated to pay management fees to a subsidiary of CHS in the amount of $58 per month. The Predecessor was also obligated to pay transaction fees to a subsidiary of OTPP in the amount of $26 per month, plus out of pocket expenses. The Successor has no management fee charges for the four month period ended September 30, 2010. The Predecessor has recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $438 for the five month period ended May 28, 2010. The Predecessor also recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $250 and $759 for the three and nine month periods ended September 30, 2009, respectively.

Gregory Mann and Gabrielle Mann are employed by the All Points subsidiary of Hillman. All Points leases an industrial warehouse and office facility from companies under the control of the Manns'. The Predecessor and Successor have recorded rental expense for the lease of this facility on an arm's length basis. The Successor recorded rental expense for the lease of this facility in the amount of $28 for the one month period ended June 30, 2010 and $83 for the three month period ended September 30, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $138 for the five month period ended May 28, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $83 and $248 for the three and nine month periods ended September 30, 2009, respectively.

8. Income Taxes:

The Company's policy is to estimate income taxes for interim periods based on estimated annual effective tax rates. These are derived, in part, from expected pre-tax income. However, the income tax provisions for the five-month Predecessor period ended May 28, 2010 and the nine month Predecessor period ended September 30, 2009 have been computed on a discrete period basis. The Company's variability in income between quarters combined with the large permanent book-versus-tax differences and relatively low pre-tax income created the inability to reliably estimate pre-tax income in the predecessor period. Accordingly, the interim tax provisions for the Predecessor periods were calculated by multiplying pre-tax earnings, adjusted for permanent book-versus-tax basis differences, by the statutory income tax rate. In the four month Successor period ended September 30, 2010, including the three month Successor period ended September 30, 2010, the Company applied an estimated annual effective tax rate to interim period pre-tax income (loss) to calculate the income tax provision (benefit) in accordance with the principal method prescribed by the accounting guidance established for computing income taxes in interim periods.

The effective income tax rates were 45.7% and 61.6% for the three-month periods ended September 30, 2010 and 2009, respectively. The differences between the effective income tax rate and the federal statutory rate in the three-month Successor period ended September 30, 2010 was primarily due to an adjustment changing the method of calculating the interim provision computation on Successor period income from the discrete method used in the second quarter to the estimated annual income tax method as described above. The effective income tax rate differed from the federal statutory rate in the three month Predecessor period ended September 30, 2009 primarily due to the effect of nondeductible interest on mandatorily redeemable preferred stock and stock compensation expense. In addition, the effective tax rates in both three month periods were affected by state and foreign income taxes.

The effective income tax rate for the four month Successor period ended September 30, 2010 was 15.8%. The effective income tax rates for the five month Predecessor period ended May 28, 2010 and the nine month period ended September 30, 2009 were 8.9% and 88.4%, respectively. In the five month and nine month Predecessor periods ended May 28, 2010 and September 30, 2009, respectively, the effective income tax rates differed

8. Income Taxes (continued):

from the federal statutory rate primarily due to the effect of nondeductible interest on mandatorily redeemable preferred stock and stock compensation expense. In the four month Successor period ended September 30, 2010 and the five month Predecessor period ended May 28, 2010 the effective income tax rates were affected by the recording of a valuation reserve in the second quarter of 2010 against certain deferred tax assets. In addition, the effective income tax rates in these two periods were affected by the recording of an increase in the reserve for uncertainty in accounting for income taxes in the second quarter of 2010. Also, the effective tax rates in the Successor and Predecessor periods were affected by state and foreign income taxes.

9. Long Term Debt:

On May 28, 2010, Hillman Companies and certain of its subsidiaries closed on a $320,000 senior secured first lien credit facility (the “Senior Facilities”), consisting of a $290,000 term loan and a $30,000 revolving credit facility (“Revolver”). The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75% (the “EuroDollar Margin”), or a base rate (the “Base Rate”) plus a margin of 2.75% (the “Base Rate Margin”). The EuroDollar rate is subject to a minimum floor rate of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the acquisition of the Company on May 28, 2010, Hillman Group issued $150,000 aggregate principal amount of its senior notes due June 1, 2018 (the “10.875% Senior Notes”), which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

The proceeds received from the Senior Facilities and 10.875% Senior Notes together with proceeds obtained from the sale of Successor equity securities were used to repay the senior term loans and unsecured subordinated notes and to purchase the equity securities of the Predecessor in connection with the Merger Transaction.

The Senior Facilities contain financial and operating covenants. These covenants require the Company to maintain certain financial ratios, including an interest coverage ratio and leverage ratios. These debt agreements provide for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, cross-defaults, bankruptcy events, failure to pay judgments, attachment of its assets, change of control and the issuance of an order of dissolution. Certain of these events of default are subject to notice and cure periods or materiality thresholds. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due. As of September 30, 2010, the Company had $24,500 available under the Revolver.

10. Common and Preferred Stock:

Common Stock

Prior to the Merger Transaction, Hillman Companies had three classes of Common Stock. Immediately prior to the consummation of the Merger Transaction, the Company had (i) 23,141 authorized shares of Class A Common Stock, 6,201 of which were issued and outstanding, (ii) 2,500 authorized shares of Class B Common Stock, 970.6 of which were issued and outstanding, and (iii) 30,109 authorized shares of Class C Common Stock, 2,787.1 of which issued and outstanding.

10. Common and Preferred Stock (continued):

Each share of Class A Common Stock entitled its holder to one vote. Each holder of Class A Common Stock was entitled at any time to convert any or all of such shares into an equal number of shares of Class C Common Stock. Holders of Class B Common Stock had no voting rights. The Class B Common Stock was initially purchased by and issued to certain members of the Company's management and was subject to vesting over five years in connection with the acquisition of Hillman Companies by affiliates of CHS and OTPP in 2004. Each share of Class C Common Stock entitled its holder to one vote, provided that the aggregate voting power of Class C Common Stock (with respect to the election of directors) could not exceed 30%. Each holder of Class C Common Stock was entitled at any time to convert any or all of the shares into an equal number of shares of Class A Common Stock.

Under the terms of an executive services agreement entered into by certain members of the Company's management, such members of management had the right to put their shares of Class A Common Stock and Class B Common Stock back to Hillman Companies under certain circumstances.

Upon consummation of the Merger Transaction, each share of Class A Common Stock, Class B Common Stock and Class C Common Stock of Hillman Companies issued and outstanding immediately prior thereto (other than as set forth in the immediately preceding sentence), as well as each outstanding option to purchase any such shares of common stock, was converted into the right to receive, in cash, a portion of the merger consideration in the Merger Transaction. Certain shares held by Company management were contributed by the holders thereof to Holdco in exchange for shares of Holdco.

After consummation of the Merger Transaction, Hillman Companies has one class of Common Stock. All outstanding shares of Hillman Companies common stock are owned by Holdco.

Preferred Stock:

Immediately prior to the Merger Transaction, Hillman Companies had 238,889 authorized shares of its Class A Preferred Stock, 82,104.8 of which were issued and outstanding and 13,450.7 of which were reserved for issuance upon the exercise of options to purchase shares of its Class A Preferred Stock. Holders of Hillman Companies' Class A Preferred Stock were not entitled to any voting rights and were entitled to preferential dividends that accrued on a daily basis.

In addition, prior to the Merger Transaction, Hillman Investment Company, a subsidiary of Hillman Companies, had 166,667 authorized shares of its Class A Preferred Stock, 57,282.4 of which were issued and outstanding and 9,384.2 of which were reserved for issuance upon the exercise of options to purchase shares of its Class A Preferred Stock. Holders of Hillman Investment Company's Class A Preferred Stock were not entitled to any voting rights and were entitled to preferential dividends that accrued on a daily basis.

Upon consummation of the Merger Transaction, each share of Hillman Companies' Class A Preferred Stock issued and outstanding immediately prior thereto, as well as each outstanding option to purchase any such shares of preferred stock, was converted into the right to receive an amount, in cash, equal to the liquidation value thereof plus all accrued and unpaid dividends on such shares as of the effective time of the Merger Transaction. In addition, at closing of the Merger Transaction, Hillman Investment Company redeemed each outstanding share of its Class A Preferred Stock at an amount equal to the liquidation value thereof plus all accrued and unpaid dividends on such shares as of the effective time of the Merger Transaction. Options to purchase shares of Hillman Investment Company's Class A Preferred Stock were cancelled in exchange for a similar cash payment.

After consummation of the Merger Transaction, neither Hillman Companies nor Hillman Investment Company have issued any shares of preferred stock or any options to purchase any such shares.

11. Stock-Based Compensation:

On March 31, 2004, the Predecessor adopted its 2004 Stock Option Plan following Board of Director and shareholder approval. Grants under the 2004 Common Option Plan consisted of non-qualified stock options for the purchase of Class B Common Shares. In addition, immediately prior to the consummation of the Merger Transaction, there were outstanding options to purchase 9,274.08 shares of Hillman Companies' Class A Preferred Stock and 6,470.36 shares of Hillman Investment Company's Class A Preferred Stock. In connection with the Merger Transaction, the 2004 Stock Option Plan was terminated, and all options outstanding thereunder were cancelled, and the options to purchase shares of Hillman Companies' and Hillman Investment Company's Class A Preferred Stock were cancelled. See Note 10, Common and Preferred Stock, for more information.

Effective May 28, 2010, Holdco established the OHCP HM Acquisition Corp. 2010 Stock Option Plan (the "Option Plan"), pursuant to which Holdco may grant options for up to an aggregate of 34,293.469 shares of its common stock. The Option Plan is administered by a committee of the Holdco board of directors. Such committee determines the terms of each option grant under the Option Plan, except that the exercise price of any granted options may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant. As of September 30, 2010, no options have been granted under the Option Plan.

12. Derivatives and Hedging:

The Company uses derivative financial instruments to manage its exposures to interest rate fluctuations on its floating rate senior debt. The Company measures those instruments at fair value and recognizes changes in the fair value of derivatives in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures.

On August 29, 2008, the Company entered into an Interest Rate Swap Agreement ("2008 Swap") with a three-year term for a notional amount of $50 million. The 2008 Swap fixed the interest rate at 3.41% plus applicable interest rate margin. The 2008 Swap was terminated on May 24, 2010.

The 2008 Swap was designated as a cash flow hedge, and prior to its termination on May 24, 2010, it was reported on the condensed consolidated balance sheet in other non-current liabilities with a related deferred charge recorded as a component of other comprehensive income in stockholders' equity. For the period ended May 28, 2010, interest expense in the accompanying Predecessor condensed consolidated income statement includes a $1,579 charge incurred to terminate the 2008 Swap.

On June 24, 2010, the Company entered into a forward Interest Rate Swap Agreement ("2010 Swap") with a two-year term for a notional amount of $115,000. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus the applicable interest rate margin.

The 2010 Swap was designated as an effective cash flow hedge, and the fair value at September 30, 2010 was $(788), net of $495 in taxes. The 2010 Swap was reported on the condensed consolidated balance sheet in other non-current liabilities with a related charge recorded as a component of other comprehensive income in shareholders' equity.

(dollars in thousands)

13. Fair Value Measurements:

On January 1, 2008, the Company adopted the guidance that applies to all assets and liabilities that are being measured and reported on a fair value basis. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The accounting guidance establishes a hierarchy which requires an entity to maximize the use of quoted market prices and minimize the use of unobservable inputs. An asset or liability's level is based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the periods ended September 30, 2010 and December 31, 2009, by level, within the fair value hierarchy:

	As of September 30, 2010			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,290	$ —	$ —	$ 3,290
Interest rate swap	—	(1,283)	—	(1,283)

	As of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,043	$ —	$ —	$ 3,043
Interest rate swap	—	(1,894)	—	(1,894)

Trading securities are valued using quoted prices on an active exchange. Trading securities represent assets held in a Rabbi Trust to fund deferred compensation liabilities and are included as restricted investments on the accompanying condensed consolidated balance sheets.

For the five months ended May 28, 2010, the unrealized gains on these securities of $16 were recorded by the Predecessor as other income. For the four months ended September 30, 2010, the unrealized gains on these securities of $159 were recorded by the Successor as other income. In each period, an offsetting entry, for the same amount, adjusting the deferred compensation liability and compensation expense within SG&A was also recorded.

For the nine months ended September 30, 2009, the unrealized gains on these securities of $132 were recorded by the Predecessor as other income. An offsetting entry, for the same amount, increasing the deferred compensation liability and compensation expense within SG&A was also recorded.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

13. Fair Value Measurements (continued):

The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt, and these swaps are valued using observable benchmark rates at commonly quoted intervals for the full term of the swaps. The 2010 Swap was included in other non-current liabilities as of September 30, 2010 on the accompanying condensed consolidated balance sheet. Prior to its termination on May 24, 2010, the 2008 Swap was included in other non-current liabilities on the accompanying condensed consolidated balance sheet.

14. Non-Recurring Expenses:

For the nine months ended September 30, 2010, the Company incurred $22,130 of non-recurring, one-time charges related to the Merger Transaction. The Predecessor incurred $11,342 of the non-recurring expense total primarily for investment banking, legal and other advisory fees related to the sale of the Company. The remaining $10,788 of non-recurring expense was incurred by the Successor for legal, consulting, accounting and other advisory services incurred in connection with the acquisition of the Company.

15. Subsequent Events:

The Company's management has evaluated potential subsequent events for recording and disclosure in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2010. There are no items requiring disclosure.

16. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information:

The 10.875% Senior Notes were issued by The Hillman Group, Inc. and are fully and unconditionally guaranteed on a joint and several basis by the Company and certain of Company's wholly owned subsidiaries. The non-guarantor information presented represents our Canadian and Mexican subsidiaries.

The following financial information presents condensed consolidating statements of operations, balance sheets, and cash flows for The Hillman Group, Inc., all guarantor subsidiaries, all non-guarantor subsidiaries and the eliminations necessary to provide the consolidated results for The Hillman Companies, Inc. and subsidiaries. For purposes of this presentation, we have accounted for investments in our subsidiaries using the equity method of accounting. The principal consolidating adjustments eliminate investment in subsidiary and intercompany balances and transactions.

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

Condensed Consolidating Statements of Operations (Unaudited)
For the three months ended September 30, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ -	$ 113,927	$ 5,286	$ 3,502	$ -	$ 122,715
Cost of sales	-	53,925	4,147	1,945	33	60,050
Gross profit	-	60,002	1,139	1,557	(33)	62,665
Operating expenses:						
Selling, general and administrative expenses	205	36,029	871	1,919	-	39,024
Non-recurring expense	-	385	-	-	-	385
Depreciation	-	4,775	21	13	-	4,809
Amortization	4,546	-	-	-	-	4,546
Intercompany administrative (income) expense	-	(60)	-	60	-	-
Management and transaction fees to related party	-	-	-	-	-	-
Total operating expenses	4,751	41,129	892	1,992	-	48,764
Other (expense) income, net	205	(41)	(2)	237	-	399
Income from operations	(4,546)	18,832	245	(198)	(33)	14,300
Intercompany interest (income) expense	(3,058)	3,058	-	-	-	-
Interest expense, net	(106)	8,678	-	(1)	-	8,571
Interest on mandatorily redeemable preferred stock and management purchased options	-	-	-	-	-	-
Interest expense on junior subordinated debentures	3,152	-	-	-	-	3,152
Investment income on trust common securities	(95)	-	-	-	-	(95)
(Loss) Income before equity in subsidiaries' income (loss)	(4,439)	7,096	245	(197)	(33)	2,672
Equity in subsidiaries' income (loss)	7,131	35	-	-	(7,166)	-
Income (loss) before income taxes	2,692	7,131	245	(197)	(7,199)	2,672
Income tax provision (benefit)	1,209	-	73	(60)	-	1,222
Net income (loss)	$ 1,483	$ 7,131	$ 172	$ (137)	$(7,199)	$ 1,450
Other Comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	17	-	17
Change in derivative security value	-	(788)	-	-	-	(788)
Total comprehensive income (loss)	$ 1,483	$ 6,343	$ 172	$ (120)	$(7,199)	$ 679

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statements of Operations (Unaudited)
For the three months ended September 30, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated (As Restated)
Net sales	$ -	$ 115,829	$ 4,173	$ 2,671	$ -	$ 122,673
Cost of sales	-	53,264	3,041	1,256	19	57,580
Gross profit	-	62,565	1,132	1,415	(19)	65,093
Operating expenses:						
Selling, general and administrative expenses	3,499	36,076	913	924	-	41,412
Non-recurring expense	-	-	-	-	-	-
Depreciation	-	4,339	22	37	-	4,398
Amortization	1,759	-	9	-	-	1,768
Intercompany administrative (income) expense	-	(60)	-	60	-	-
Management and transaction fees to related party	250	-	-	-	-	250
Total operating expenses	5,508	40,355	944	1,021	-	47,828
Other (expense) income, net	211	(176)	5	111	-	151
Income from operations	(5,297)	22,034	193	505	(19)	17,416
Intercompany interest (income) expense	(3,058)	3,058	-	-	-	-
Interest expense, net	(90)	4,102	(1)	-	-	4,011
Interest on mandatorily redeemable preferred stock and management purchased options	3,149	-	-	-	-	3,149
Interest expense on junior subordinated debentures	3,214	-	-	-	-	3,214
Investment income on trust common securities	(95)	-	-	-	-	(95)
(Loss) income before equity in subsidiaries' income (loss)	(8,417)	14,874	194	505	(19)	7,137
Equity in subsidiaries' income (loss)	15,448	574	—	-	(16,022)	-
Income (loss) before income taxes	7,031	15,448	194	505	(16,041)	7,137
Income tax provision (benefit)	4,271	-	78	47	-	4,396
Net income (loss)	$ 2,760	$ 15,448	$ 116	$ 458	$(16,041)	$ 2,741
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	(83)	-	(83)
Change in derivative security value	-	(67)	-	-	-	(67)
Total comprehensive income (loss)	$ 2,760	$ 15,381	$ 116	$ 375	$(16,041)	$ 2,591

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statements of Operations (Unaudited)
For the four months ended September 30, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ -	$ 158,470	$ 7,376	$ 4,569	$ -	$ 170,415
Cost of sales	-	75,023	5,605	2,415	29	83,072
Gross profit	-	83,447	1,771	2,154	(29)	87,343
Operating expenses:						
Selling, general and administrative expenses	159	49,667	1,215	2,282	-	53,323
Non-recurring expense	-	10,788	-	-	-	10,788
Depreciation	-	6,285	28	18	-	6,331
Amortization	6,061	-	-	-	-	6,061
Intercompany administrative (income) expense	-	(80)	-	80	-	-
Management and transaction fees to related party	-	-	-	-	-	-
Total operating expenses	6,220	66,660	1,243	2,380	-	76,503
Other (expense) income, net	159	(51)	(2)	157	-	263
Income from operations	(6,061)	16,736	526	(69)	(29)	11,103
Intercompany interest (income) expense	(4,077)	4,078	-	-	(1)	-
Interest expense, net	(142)	12,332	-	(1)	1	12,190
Interest on mandatorily redeemable preferred stock and management purchased options	-	-	-	-	-	-
Interest expense on junior subordinated debentures	4,203	-	-	-	-	4,203
Investment income on trust common securities	(126)	-	-	-	-	(126)
(Loss) income before equity in subsidiaries' income (loss)	(5,919)	326	526	(68)	(29)	(5,164)
Equity in subsidiaries' income (loss)	621	295	-	-	(916)	-
Income (loss) before income taxes	(5,298)	621	526	(68)	(945)	(5,164)
Income tax provision (benefit)	(978)	-	184	(21)	-	(815)
Net income (loss)	$ (4,320)	$ 621	$ 342	$ (47)	$ (945)	$ (4,349)
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	15	-	15
Change in derivative security value	-	(788)	-	-	-	(788)
Total comprehensive income (loss)	$ (4,320)	$ (167)	$ 342	$ (32)	$ (945)	$ (5,122)

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statements of Operations (Unaudited)
For the five months ended May 28, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ -	$ 175,470	$ 6,244	$ 4,002	$ -	$ 185,716
Cost of sales	-	83,169	4,679	1,925	-	89,773
Gross profit	-	92,301	1,565	2,077	-	95,943
Operating expenses:						
Selling, general and administrative expenses	19,069	60,784	1,396	1,601	-	82,850
Non-recurring expense	-	11,342	-	-	-	11,342
Depreciation	-	7,192	32	59	-	7,283
Amortization	2,663	-	15	-	-	2,678
Intercompany administrative (income) expense	-	(100)	-	100	-	-
Management and transaction fees to related party	438	-	-	-	-	438
Total operating expenses	22,170	79,218	1,443	1,760	-	104,591
Other (expense) income, net	16	11	(217)	76	-	(114)
Income from operations	(22,154)	13,094	(95)	393	-	(8,762)
Intercompany interest (income) expense	(5,097)	5,096	-	-	1	-
Interest expense, net	(154)	8,480	-	2	(1)	8,327
Interest on mandatorily redeemable preferred stock and management purchased options	5,488	-	-	-	-	5,488
Interest expense on junior subordinated debentures	5,254	-	-	-	-	5,254
Investment income on trust common securities	(158)	-	-	-	-	(158)
(Loss)income before equity in subsidiaries' income (loss)	(27,487)	(482)	(95)	391	-	(27,673)
Equity in subsidiaries' income (loss)	(398)	84	-	-	314	-
Income (loss) before income taxes	(27,885)	(398)	(95)	391	314	(27,673)
Income tax provision (benefit)	(2,677)	-	48	164	-	(2,465)
Net income (loss)	$ (25,208)	$ (398)	$ (143)	$ 227	$ 314	$ (25,208)
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	17	-	17
Change in derivative security value	-	1,161	-	-	-	1,161
Total comprehensive income (loss)	$ (25,208)	$ 763	$ (143)	$ 244	$ 314	$ (24,030)

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

Condensed Consolidating Statements of Operations (Unaudited)
For the nine months ended September 30, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated (As Restated)
Net sales	$ -	$ 338,732	$ 12,967	$ 7,000	$ -	$ 358,699
Cost of sales	-	163,364	9,631	3,862	108	176,965
Gross profit	-	175,368	3,336	3,138	(108)	181,734
Operating expenses:						
Selling, general and administrative expenses	7,220	109,028	2,679	2,701	-	121,628
Non-recurring expense	-	-	-	-	-	-
Depreciation	-	13,117	67	106	-	13,290
Amortization	5,277	-	28	-	-	5,305
Intercompany administrative (income) expense	-	(180)	-	179	1	-
Management and transaction fees to related party	759	-	-	-	-	759
Total operating expenses	13,256	121,965	2,774	2,986	1	140,982
Other (expense) income, net	132	(733)	(7)	291	1	(316)
Income from operations	(13,124)	52,670	555	443	(108)	40,436
Intercompany interest (income) expense	(9,174)	9,174	-	-	-	-
Interest expense, net	(269)	11,413	(5)	-	-	11,139
Interest on mandatorily redeemable preferred stock and management purchased options	9,098	-	-	-	-	9,098
Interest expense on junior subordinated debentures	9,668	-	-	-	-	9,668
Investment income on trust common securities	(284)	-	-	-	-	(284)
(Loss)income before equity in subsidiaries' income (loss)	(22,163)	32,083	560	443	(108)	10,815
Equity in subsidiaries' income (loss)	32,672	589	-	-	(33,261)	-
Income (loss) before income taxes	10,509	32,672	560	443	(33,369)	10,815
Income tax provision	9,144	-	221	193	-	9,558
Net income (loss)	$ 1,365	$ 32,672	$ 339	$ 250	$(33,369)	$ 1,257
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	(179)	-	(179)
Change in derivative security value	-	138	-	-	-	138
Total comprehensive income (loss)	$ 1,365	$ 32,810	$ 339	$ 71	$(33,369)	$ 1,216

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of September 30, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 12,499	$ 772	$ 792	$ -	$ 14,064
Restricted investments	334	-	-	-	-	334
Accounts receivable	-	66,217	5,237	(3,917)	-	67,537
Inventories	-	81,180	4,804	3,081	(308)	88,757
Deferred income taxes	7,338	-	595	248	-	8,181
Other current assets	-	2,341	73	478	-	2,892
Total current assets	7,673	162,237	11,481	682	(308)	181,765
Intercompany notes receivable	105,446	-	-	-	(105,446)	-
Intercompany interest receivable	9,174	-	-	-	(9,174)	-
Investments in subsidiaries	(619,850)	7,732	-	-	612,118	-
Property and equipment	-	51,705	248	194	-	52,147
Goodwill	431,666	-	292	32	279	432,269
Other intangibles	361,023	-	566	-	-	361,589
Restricted investments	2,956	-	-	-	-	2,956
Deferred income taxes	22,446	495	(259)	434	(22,682)	434
Deferred financing fees	-	14,941	-	-	-	14,941
Investment in trust common securities	3,261	-	-	-	-	3,261
Other assets	-	1,028	25	154	-	1,207
Total assets	$ 323,795	$ 238,138	$ 12,353	$ 1,496	$ 474,787	$ 1,050,569
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ -	$ 26,989	$ 761	$ 277	$ -	$ 28,027
Current portion of senior term loans	-	2,900	-	-	-	2,900
Current portion of capitalized lease and other obligations	-	42	-	-	-	42
Accrued expenses:						
Salaries and wages	-	3,935	105	145	-	4,185
Pricing allowances	-	6,110	-	451	-	6,561
Income and other taxes	(172)	1,653	118	321	-	1,920
Interest	-	5,797	-	-	-	5,797
Deferred compensation	334	-	-	-	-	334
Other accrued expenses	-	6,127	261	315	-	6,703
Total current liabilities	162	53,553	1,245	1,509	-	56,469
Intercompany debt payable	-	105,446	-	-	(105,446)	-
Intercompany interest payable	-	9,174	-	-	(9,174)	-
Long term senior term loans	-	286,375	-	-	-	286,375
Long term portion of capitalized lease and other obligations	-	141	-	-	-	141
Long term senior notes	-	150,000	-	-	-	150,000

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of September 30, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY(CONTINUED)						
Junior subordinated debentures	115,943	-	-	-	-	115,943
Mandatorily redeemable preferred stock	-	-	-	-	-	-
Management purchased preferred options	-	-	-	-	-	-
Deferred compensation	2,956	-	-	-	-	2,956
Deferred income taxes, net	155,120	-	(16)	-	(22,682)	132,422
Accrued dividends on preferred stock	-	-	-	-	-	-
Other non-current liabilities	-	2,744	-	-	-	2,744
Total liabilities	274,181	607,433	1,229	1,509	(137,302)	747,050
Common stock with put options:						
Common stock, $.01 par, 5,000 shares authorized, 200.8 issued and outstanding at September 30, 2010.	12,397	-	-	-	-	12,397
Class A Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Class B Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at September 30, 2010.	-	-	-	-	-	-
Class A Preferred stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,799.2 issued and outstanding at September 30, 2010.	-	-	-	-	-	-
Class A Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	-	-	50	-	(50)	-
Class C Common stock, $.01 par, zero authorized, issued and outstanding at September 30, 2010; 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Additional paid-in capital	134,526	(152,682)	10,732	373	303,295	296,244
Accumulated deficit	(97,309)	(215,825)	342	80	308,363	(4,349)
Accumulated other comprehensive loss	-	(788)	-	(466)	481	(773)
Total stockholders' equity	37,217	(369,295)	11,124	(13)	612,089	291,122
Total liabilities and stockholders' equity	$ 323,795	$ 238,138	$ 12,353	$ 1,496	$ 474,787	$ 1,050,569

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 16,282	$ 518	$ 363	$ -	$ 17,164
Restricted investments	334	-	-	-	-	334
Accounts receivable	-	51,078	4,409	(3,730)	-	51,757
Inventories	-	75,364	5,204	2,904	(290)	83,182
Deferred income taxes	7,215	-	653	232	-	8,100
Other current assets	-	2,417	78	162	-	2,657
Total current assets	7,550	145,141	10,862	(69)	(290)	163,194
Intercompany notes receivable	105,446	-	-	-	(105,446)	-
Intercompany interest receivable	-	-	-	-	-	-
Investments in subsidiaries	(464,499)	10,212	-	-	454,287	-
Property and equipment	-	47,109	238	218	-	47,565
Goodwill	255,717	1,797	292	-	-	257,806
Other intangibles	146,059	-	581	-	-	146,640
Restricted investments	2,709	-	-	-	-	2,709
Deferred income taxes	19,792	733	(82)	419	(20,444)	418
Deferred financing fees	2,249	3,441	-	-	-	5,690
Investment in trust common securities	3,261	-	-	-	-	3,261
Other assets	-	1,142	25	31	-	1,198
Total assets	$ 78,284	$ 209,575	$ 11,916	$ 599	$ 328,107	$ 628,481
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ -	$ 18,314	$ 752	$ 125	$ -	$ 19,191
Current portion of senior term loans	-	9,519	-	-	-	9,519
Current portion of capitalized lease and other obligations	-	349	-	-	-	349
Accrued expenses:						
Salaries and wages	-	7,305	165	154	-	7,624
Pricing allowances	-	4,968	-	349	-	5,317
Income and other taxes	118	1,618	(2)	170	-	1,904
Interest	-	2,199	-	-	-	2,199
Deferred compensation	334	-	-	-	-	334
Other accrued expenses	-	5,943	45	159	-	6,147
Total current liabilities	452	50,215	960	957	-	52,584
Intercompany debt payable	-	105,446	-	-	(105,446)	-
Intercompany interest payable	-	-	-	-	-	-
Long term senior term loans	-	148,330	-	-	-	148,330
Long term portion of capitalized lease and other obligations	-	145	-	-	-	145
Long term senior notes	-	-	-	-	-	-
Long term unsecured subordinated notes	-	49,820	-	-	-	49,820

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY(CONTINUED)						
Junior subordinated debentures	115,716	-	-	-	-	115,716
Mandatorily redeemable preferred stock	111,452	-	-	-	-	111,452
Management purchased preferred options	6,617	-	-	-	-	6,617
Deferred compensation	2,709	-	-	-	-	2,709
Deferred income taxes, net	70,582	-	31	-	(20,444)	50,169
Accrued dividends on preferred stock	75,580	-	-	-	-	75,580
Other non-current liabilities	14,735	3,732	-	-	-	18,467
Total liabilities	397,843	357,688	991	957	(125,890)	631,589
Common and preferred stock with put options:						
Class A Preferred stock, $.01 par, $1,000 liquidation value, 238,889 shares authorized, none issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Class A Common stock, $.01 par, 23,141 shares authorized, 395.7 issued and outstanding at December 31, 2009.	2,158	-	-	-	-	2,158
Class B Common stock, $.01 par, 2,500 shares authorized, 970.6 issued and outstanding at December 31, 2009.	4,323	1	-	-	969	5,293
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Class A Preferred stock, $.01 par, $1,000 liquidation value, 238,889 shares authorized, 82,104.8 issued and outstanding at December 31, 2009.	1	-	-	-	-	1
Common Stock:						
Class A Common stock, $.01 par, 23,141 shares authorized, 5,805.3 issued and outstanding at December 31, 2009.	-	-	50	-	(50)	-
Class C Common stock, $.01 par, 30,109 shares authorized, 2,787.1 issued and outstanding at December 31, 2009.	-	-	-	-	-	-
Additional paid-in capital	10,494	19,980	10,193	1	(30,366)	10,302
Accumulated deficit	(336,697)	(166,933)	682	127	483,444	(19,377)
Accumulated other comprehensive loss	162	(1,161)	-	(486)	-	(1,485)
Total stockholders' equity	(326,040)	(148,114)	10,925	(358)	453,028	(10,559)
Total liabilities and stockholders' equity	$ 78,284	$ 209,575	$ 11,916	$ 599	$ 328,107	$ 628,481

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the four months ended September 30, 2010
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ (4,941)	$ 326	$ 342	$ (47)	$ (29)	$ (4,349)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	6,061	6,285	28	18	-	12,392
Dispositions of property and equipment	-	53	7	-	-	60
Deferred income tax provision (benefit)	(205)	(1,228)	98	(147)	-	(1,482)
Deferred financing and original issue discount amortization	(141)	922	-	-	-	781
Changes in operating items:						
Accounts receivable	-	1,972	(382)	(554)	-	1,036
Inventories	-	(8,199)	(77)	(287)	29	(8,534)
Other assets	-	(2,322)	573	1,350	(12)	(411)
Accounts payable	-	6,785	80	141	-	7,006
Interest payable on junior subordinated debentures	-	-	-	-	-	-
Other accrued liabilities	42	1,669	100	357	(4,078)	(1,910)
Other items, net	122,083	(128,348)	89	101	4,090	(1,985)
Net cash provided by (used for) operating activities	122,899	(122,085)	858	932	-	2,604
Cash flows from investing activities:						
Payments for Quick Tag and Laser Key licenses	-	(12,750)	-	-	-	(12,750)
Capital expenditures	-	(4,568)	(70)	(42)	-	(4,680)
Other, net	-	-	-	-	-	-
Net cash used for investing activities	-	(17,318)	(70)	(42)	-	(17,430)
Cash flows from financing activities:						
Borrowings of senior term loans	-	290,000	-	-	-	290,000
Repayments of senior term loans	-	(149,031)	-	-	-	(149,031)
Borrowings of revolving credit loans	-	600	-	-	-	600
Repayments of revolving credit loans	-	(600)	-	-	-	(600)
Principal payments under capitalized lease obligations	-	(31)	-	-	-	(31)
Repayments of unsecured subordinated notes	-	(49,820)	-	-	-	(49,820)
Borrowings of senior notes	-	150,000	-	-	-	150,000
Financing fees, net	-	(15,729)	-	-	-	(15,729)
Purchase predecessor equity securities	(506,407)	-	-	-	-	(506,407)
Proceeds from sale of successor equity securities	308,641	-	-	-	-	308,641
Net cash (used for) provided by financing activities	(197,766)	225,389	-	-	-	27,623
Net (decrease) increase in cash and cash equivalents	(74,867)	85,986	788	890	-	12,797
Cash and cash equivalents at beginning of period	1	923	206	137	-	1,267
Cash and cash equivalents at end of period	$ (74,866)	$ 86,909	$ 994	$ 1,027	$ -	$ 14,064

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THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the five months ended May 28, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net loss	$ (24,810)	$ (493)	$ (143)	$ 227	$ 11	$ (25,208)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	2,663	7,192	47	59	-	9,961
Dispositions of property and equipment	-	74	-	-	-	74
Deferred income tax provision (benefit)	(2,757)	733	45	58	-	(1,921)
Deferred financing and original issue discount amortization	(155)	670	-	-	-	515
Interest on mandatorily redeemable preferred stock and management purchased options	5,488	-	-	-	-	5,488
Stock-based compensation expense	19,053	-	-	-	-	19,053
Changes in operating items:						
Accounts receivable	-	(15,724)	(658)	(434)	-	(16,816)
Inventories	-	2,383	477	110	(11)	2,959
Other assets	-	597	(178)	(307)	12	124
Accounts payable	-	1,890	(71)	11	-	1,830
Other accrued liabilities	(332)	9,561	176	43	(5,096)	4,352
Other items, net	850	(6,843)	-	15	5,084	(894)
Net cash provided by (used for) operating activities	-	40	(305)	(218)	-	(483)
Cash flows from investing activities:						
Capital expenditures	-	(5,396)	(7)	(8)	-	(5,411)
Other, net	-	-	-	-	-	-
Net cash used for investing activities	-	(5,396)	(7)	(8)	-	(5,411)
Cash flows from financing activities:						
Repayments of senior term loans	-	(9,544)	-	-	-	(9,544)
Principal payments under capitalized lease obligations	-	(459)	-	-	-	(459)
Net cash used for financing activities	-	(10,003)	-	-	-	(10,003)
Net decrease in cash and cash equivalents	-	(15,359)	(312)	(226)	-	(15,897)
Cash and cash equivalents at beginning of period	1	16,282	518	363	-	17,164
Cash and cash equivalents at end of period	$ 1	$ 923	$ 206	$ 137	$ -	$ 1,267

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the nine months ended September 30, 2009
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated (As Restated)
Cash flows from operating activities:						
Net loss	$ (31,307)	$ 32,083	$ 339	$ 250	$ (108)	$ 1,257
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	5,277	13,117	95	106	-	18,595
Dispositions of property and equipment	-	176	-	-	-	176
Deferred income tax provision (benefit)	8,147	82	(132)	(11)	-	8,086
Deferred financing and original issue discount amortization	(269)	1,067	-	-	-	798
Interest on mandatorily redeemable preferred stock and management purchased options	9,098	-	-	-	-	9,098
Stock-based compensation expense	7,088	-	-	-	-	7,088
Changes in operating items:						
Accounts receivable	-	(10,058)	(13)	(421)	-	(10,492)
Inventories	-	15,893	1,329	(1,087)	108	16,243
Other assets	-	1,255	(1,227)	1,545	-	1,573
Accounts payable	-	90	(119)	200	-	171
Interest payable on junior subordinated debentures	-	-	-	-	-	-
Other accrued liabilities	177	13,144	105	(287)	(9,174)	3,965
Other items, net	(11,296)	(11,003)	-	(179)	22,235	(243)
Net cash (used for) provided by operating activities	(13,085)	55,846	377	116	13,061	56,315
Cash flows from investing activities:						
Capital expenditures	-	(9,124)	20	(22)	-	(9,126)
Other, net	13,061	-	-	-	(13,061)	-
Net cash provided by (used for) investing activities	13,061	(9,124)	20	(22)	(13,061)	(9,126)
Cash flows from financing activities:						
Repayments of senior term loans	-	(27,000)	-	-	-	(27,000)
Borrowings under capitalized lease obligations	-	148	-	-	-	148
Refinancing fees	-	(2,921)	-	-	-	(2,921)
Net cash used for financing activities	-	(29,773)	-	-	-	(29,773)
Net (decrease) increase in cash and cash equivalents	(24)	16,949	397	94	-	17,416
Cash and cash equivalents at beginning of period	1	6,079	695	358	-	7,133
Cash and cash equivalents at end of period	$ (23)	$ 23,028	$ 1,092	$ 452	$ -	$ 24,549

Item 2.

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

All of the financial information presented in this Item 2 has been adjusted to reflect the restatement of the accompanying consolidated financial statements as of and for the three and nine month fiscal periods ended September 30, 2009. Specifically, we have restated our condensed consolidated statement of income and condensed consolidated statements of cash flows for the three and nine months ended September 30, 2009. The restatement is more fully described in Note 2 "Restatement of Consolidated Financial Statements," which is included in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the condensed consolidated financial statements and accompanying notes.

Forward-Looking Statements

Certain disclosures related to acquisitions, refinancing, capital expenditures, resolution of pending litigation and realization of deferred tax assets contained in this quarterly report involve substantial risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," "project" or the negative of such terms or other similar expressions.

These forward-looking statements are not historical facts, but rather are based on management's current expectations, assumptions and projections about future events. Although management believes that the expectations, assumptions and projections on which these forward-looking statements are based are reasonable, they nonetheless could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, assumptions and projections also could be inaccurate. Forward-looking statements are not guarantees of future performance. Instead, forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause the Company's strategy, planning, actual results, levels of activity, performance, or achievements to be materially different from any strategy, planning, future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and uncertainties discussed under captions "Risk Factors" set forth in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as amended by Amendment No. 1 to the Company's annual report filed on Form 10-K/A. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

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

General

The Hillman Companies, Inc. ("Hillman Companies") and its wholly owned subsidiaries (collectively "Hillman" or the "Company") are one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. The Company operations are primarily conducted through its wholly-owned subsidiary, The Hillman Group, Inc. ("Hillman Group"). A subsidiary of Hillman Group operates in (1) Canada under the name The Hillman Group Canada, Ltd., (2) Mexico under the name SunSource Integrated Services de Mexico SA de CV, and (3) primarily in Florida under the name All Points Industries, Inc. Hillman Group sells its product lines and provides its services to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Latin America and the Caribbean. Product lines include thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems and accessories; and identification items, such as, tags and letters, numbers, and signs ("LNS"). Services offered include design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

Merger Transaction

On May 28, 2010, Hillman was acquired by affiliates of Oak Hill Capital Partners ("OHCP") and certain members of Hillman's management and Board of Directors. Pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of April 21, 2010, the Company was merged with an affiliate of OHCP with the Company surviving the merger (the "Merger Transaction"). As a result of the Merger Transaction, Hillman is a wholly-owned subsidiary of OCHP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was $832.7 million including repayment of outstanding debt and including the value of the Company's outstanding junior subordinated debentures ($105.4 million liquidation value at time of the merger). The merger consideration is subject to certain post-closing working capital and other adjustments.

Prior to the Merger Transaction, affiliates of Code Hennessy & Simmons LLC ("CHS") owned 49.3% of the Company's outstanding common stock and 54.6% of the Company's voting common stock, Ontario Teacher's Pension Plan ("OTPP") owned 28.0% of the Company's outstanding common stock and 31.0% of the Company's voting common stock and HarbourVest Partners VI owned 8.7% of the Company's outstanding common stock and 9.7% of the Company's voting common stock. Certain current and former members of management owned 13.7% of the Company's outstanding common stock and 4.4% of the Company's voting common stock.

The Company's condensed consolidated balance sheet as of May 28, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented prior to May 28, 2010 are referenced herein as the predecessor financial statements (the "Predecessor" or "Predecessor Financial Statements"). The Company's condensed consolidated balance sheet as of September 30, 2010 and its related statements of operations, cash flows and changes in stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor" or "Successor Financial Statements"). The Predecessor Financial Statements do not reflect certain transaction amounts that were incurred at the close of the Merger Transaction. Such transaction amounts include the write-off of $5.0 million in deferred financing fees associated with the Predecessor debt obligations.

Financing Arrangements

On May 28, 2010, the Company and certain of its subsidiaries closed on a $320.0 million senior secured first lien credit facility (the "Senior Facilities"), consisting of a $290.0 million term loan and a $30.0 million revolving credit facility ("Revolver"). The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75% (the "EuroDollar Margin"), or a base rate (the "Base Rate") plus a margin of 2.75% (the "Base Rate Margin"). The EuroDollar rate is subject to a minimum floor of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the consummation of the Merger Transaction, Hillman Group issued $150.0 million aggregate principal amount of its senior notes due June 1, 2018 (the “10.875% Senior Notes”), which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust (the “Trust”). Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to a Senior Credit Agreement (the “Old Credit Agreement”), consisting of a $20.0 million revolving credit line and a $235.0 million term loan. The facilities under the Old Credit Agreement had a maturity date of March 31, 2012. In addition, the Company, through Hillman Group, had issued $49.8 million in aggregate principal amount of unsecured subordinated notes to a group of investors, including affiliates of AEA Investors LP, CIG & Co. and several private investors that were scheduled to mature on September 30, 2012. In connection with the Merger Transaction, both the Old Credit Agreement and the subordinated note issuance were repaid and terminated.

The Senior Facilities contain financial and operating covenants. These covenants require the Company to maintain certain financial ratios, including an interest coverage ratio and leverage ratios. These debt agreements provide for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, cross-defaults, bankruptcy events, failure to pay judgments, attachment of its assets, change of control and the issuance of an order of dissolution. Certain of these events of default are subject to notice and cure periods or materiality thresholds. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due.

The Company pays interest to the Trust on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. In order to retain capital, the Company’s Board of Directors determined to temporarily defer interest payments on the Junior Subordinated Debentures and the Trust determined to defer the payment of cash distributions to holders of Trust Preferred Securities beginning with the January 2009 distribution. The Company’s decision to defer the payment of interest on the Junior Subordinated Debentures was designed to ensure that the Company preserve cash and maintain its compliance with the financial covenants contained in its Senior Credit and Subordinated Debt Agreements. Pursuant to the Indenture that governs the Trust Preferred Securities, the Trust is able to defer distribution payments to holders of the Trust Preferred Securities for a period that cannot exceed 60 months (the “Deferral Period”). During the Deferral Period, the Company was required to accrue the full amount of all interest payable, and such deferred interest payable was immediately payable by the Company at the end of the Deferral Period. On July 31, 2009, the Company ended the Deferral Period and the Trust resumed monthly distributions and paid all deferred distributions to holders of the Trust Preferred Securities.

On August 29, 2008, the Company entered into an Interest Rate Swap Agreement (the “2008 Swap”) with a three-year term for a notional amount of $50 million. The 2008 Swap fixed the interest rate at 3.41% plus applicable interest rate margin. The 2008 Swap was terminated on May 24, 2010.

On June 24, 2010, the Company entered into an effective forward Interest Rate Swap Agreement (the “2010 Swap”) with a two-year term for a notional amount of $115 million. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus applicable interest rate margin.

Recent Developments

On November 4, 2010, Hillman Group commenced an offer to exchange $150.0 million aggregate principal amount of its 10.875% Senior Notes and related guarantees for a like aggregate principal amount of registered 10.875% Senior Notes and related guarantees (the "Exchange Notes"). Both the 10.875% Senior Notes and the Exchange Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by Hillman Companies, Hillman Investment Company and each of Hillman Group's existing and future domestic subsidiaries. The exchange offer is expected to close on December 6, 2010. Hillman Group will not receive any proceeds in connection with the exchange offer. For more information about the Exchange Notes, see the Company's 424(b)(3) prospectus filed in connection with the exchange offer on November 4, 2010 and available at www.sec.gov.

On September 28, 2010, the Company announced that Ali Fartaj, Sr. Vice President of Operations, would resign from his position. Mr. Fartaj's resignation took effect as of October 22, 2010.

Results of Operations

The Company's accompanying interim condensed consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger Transaction. The Predecessor and Successor periods have been separated by a vertical line on the face of the condensed consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical cost bases of accounting. The following analysis of results of operations includes a brief discussion of the factors that affected the Company's operating results and a comparative analysis of the Successor period of the three months ended September 30, 2010 and the Predecessor period of the three months ended September 30, 2009.

(dollars in thousands)	Successor Three Months Ended September 30, 2010 Amount	% of Total	Predecessor Three Months Ended September 30, 2009 Amount (As restated)	% of Total
Net sales	$ 122,715	100.0%	$ 122,673	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	60,050	48.9%	57,580	46.9%
Gross profit	62,665	51.1%	65,093	53.1%
Operating expenses:				
Selling	19,939	16.2%	19,328	15.8%
Warehouse & delivery	13,331	10.9%	12,481	10.2%
General & administrative	5,754	4.7%	6,315	5.1%
Stock compensation expense	—	0.0%	3,288	2.7%
Total SG&A	39,024	31.8%	41,412	33.8%
Non-recurring expense (a)	385	0.3%	—	0.0%
Depreciation	4,809	3.9%	4,398	3.6%
Amortization	4,546	3.7%	1,768	1.4%
Management and transaction fees to related party	—	0.0%	250	0.2%
Total operating expenses	48,764	39.7%	47,828	39.0%
Other income, net	399	0.3%	151	0.1%
Income from operations	14,300	11.7%	17,416	14.2%
Interest expense, net	8,571	7.0%	4,011	3.3%
Interest expense on mandatorily redeemable preferred stock & management purchased options	—	0.0%	3,149	2.6%
Interest expense on junior subordinated notes	3,152	2.6%	3,214	2.6%
Investment income on trust common securities	(95)	-0.1%	(95)	-0.1%
Income before income taxes	2,672	2.2%	7,137	5.8%
Income tax provision	1,222	1.0%	4,396	3.6%
Net income	$ 1,450	1.2%	$ 2,741	2.2%

(a) Represents one-time charges for investment banking, legal and other professional fees incurred in connection with the Merger Transaction.

Current Economic Conditions

The U.S. economy has undergone a period of recession and the future economic environment may continue to be less favorable than that of recent years. This slowdown has, and could further lead to, reduced consumer and business spending in the foreseeable future, including by our customers. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers and other service providers. If such conditions continue or further deteriorate in the remainder of 2010 or through fiscal 2011, our industry, business and results of operations may be impacted.

The Company's business is impacted by general economic conditions in the U.S. and international markets, particularly the U.S. retail markets including hardware stores, home centers, mass merchants, and other retailers. In recent quarters, operations have been negatively impacted by the general downturn in the U.S. economy, including higher unemployment figures, and the contraction of the retail market. Although there have been certain signs of improvement in the economy, generally such conditions are not expected to improve significantly in the near term and may have the effect of reducing consumer spending which could adversely affect our results of operations during the remainder of this year or beyond.

The Company is sensitive to inflation or deflation present in the economies of the United States and foreign suppliers located primarily in Taiwan and China. For the last several years leading up to 2009, the rapid growth in China's economic activity produced significantly rising costs of certain imported fastener products. In addition, the cost of commodities such as copper, zinc, aluminum, nickel, and plastics used in the manufacture of other Company products increased sharply. Further, increases in the cost of diesel fuel contributed to transportation rate increases. In the second half of 2008 and during the first half of 2009, national and international economic difficulties started a reversal of the trend of rising costs for our products and commodities used in the manufacture of our products, including a decrease in the cost of oil and diesel fuel. During the second half of 2009 and the first nine months of 2010, the Company has seen an end to decreasing costs and, in certain instances, moderate increases in the costs for our products and commodities used in the manufacture of our products. While inflation and resulting cost increases over a period of years would result in significant increases in inventory costs and operating expenses, the opposite is true when exposed to a prolonged period of cost decreases. The ability of the Company's operating divisions to institute price increases and seek price concessions, as appropriate, is dependent on competitive market conditions.

Successor Period of the Three Months Ended September 30, 2010 vs Predecessor Period of the Three Months Ended September 30, 2009

Revenues

Net sales for the third quarter 2010 were $122.7 million, or $1.95 million per ship day, compared to net sales for the third quarter of 2009 of $122.7 million, or $1.92 million per ship day. The total revenues were approximately equal in the third quarters of 2010 and 2009 although the 2010 operating period contained 63 ship days and the 2009 period contained 64 ship days. The sales per ship day of $1.95 million in the 2010 period were approximately 1.6% more than the sales per ship day of $1.92 million in the third quarter of 2009.

Expenses

Operating expenses for the third quarter of 2010 were $48.8 million compared to $47.8 million for the third quarter of 2009. The following changes in underlying trends impacted the change in operating expenses:

- The Company's gross profit percentage was 51.1% in the third quarter of 2010 compared to 53.1% in the third quarter of 2009. The margin decline in the third quarter of 2010 is the result of an unfavorable sales product mix and the impact of cost increases in certain commodities used in our products, particularly copper, nickel and zinc. Additionally, a significant portion of our product is supplied from vendors in Asia, including Taiwan and China. Ocean cargo rates have increased approximately 20-25% from the beginning of the year. This has resulted a significant increase in the landed cost of our products. The Company anticipates that the average inventory unit costs will trend higher for the remainder of this year. The gross profit rate in the third quarter of 2009 benefited from the easing of product costs.

- Warehouse and delivery expense was $13.3 million, or 10.9% of net sales, in the third quarter of 2010 compared to $12.5 million, or 10.2% of net sales in the third quarter of 2009. Freight expense, the largest component of warehouse and delivery expense, increased from 4.1% of net sales in the third quarter of 2009 to 4.6% of net sales in the third quarter of 2010. The 2010 freight costs included the negative impact of higher fuel surcharges and lower average customer order sizes.
- No stock options or incentive awards have been granted by the Successor, and accordingly, there was no stock compensation expense recorded in the third quarter of 2010. The stock compensation expense was $3.3 million in the third quarter of 2009.
- Non-recurring expense of $0.4 million in the third quarter of 2010 represents one-time charges for legal, professional, diligence and other expenses incurred by the Successor in connection with the Merger Transaction. There were no non-recurring expenses in the third quarter of 2009.
- Amortization expense was $4.5 million in the third quarter of 2010, or an estimated annual rate of $18.2 million. The amortization expense of $1.8 million in the third quarter of 2009 amounted to an estimated annual amount of approximately $7.1 million. The higher annual rate of amortization expense for the 2010 period was due to the increase in intangible assets subject to amortization acquired as a result of the Merger Transaction.
- Interest expense, net, was $8.6 million in the third quarter of 2010, or an estimated annual rate of approximately $34.3 million. The interest expense was $4.0 million for the third quarter of 2009, or an estimated annual rate of approximately $16.0 million. The increase in estimated annual amount of interest expense was primarily the result of the higher level of debt outstanding following the Merger Transaction.
- The Successor incurred no interest expense on mandatorily redeemable preferred stock and management purchased options as a result of their redemption in connection with the Merger Transaction. The interest expense on these securities was $3.1 million for the third quarter of 2009.

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The Company's accompanying interim condensed consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger Transaction. The Predecessor and Successor periods have been separated by a vertical line on the face of the condensed consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical cost bases of accounting. The following analysis of results of operations includes a brief discussion of the factors that affected the Company's operating results in the Predecessor period of January 1 – May 28, 2010, and a comparative analysis of the Successor period of May 29 – September 30, 2010 and the Predecessor period of the nine months ended September 30, 2009.

(dollars in thousands)	Successor Four Months Ended September 30, 2010 Amount	% of Total	Predecessor Five Months Ended May 28, 2010 Amount	% of Total	Predecessor Nine Months Ended September 30, 2009 Amount (As restated)	% of Total
Net sales	$ 170,415	100.0%	$ 185,716	100.0%	$ 358,699	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	83,072	48.7%	89,773	48.3%	176,965	49.3%
Gross profit	87,343	51.3%	95,943	51.7%	181,734	50.7%
Operating expenses:						
Selling	27,132	15.9%	33,568	18.1%	59,044	16.5%
Warehouse & delivery	18,377	10.8%	19,945	10.7%	36,701	10.2%
General & administrative	7,814	4.6%	10,284	5.5%	18,795	5.2%
Stock compensation expense	—	0.0%	19,053	10.3%	7,088	2.0%
Total SG&A	53,323	31.3%	82,850	44.6%	121,628	33.9%
Non-recurring expense (a)	10,788	6.3%	11,342	6.1%	—	0.0%
Depreciation	6,331	3.7%	7,283	3.9%	13,290	3.7%
Amortization	6,061	3.6%	2,678	1.4%	5,305	1.5%
Management and transaction fees to related party	—	0.0%	438	0.2%	759	0.2%
Total operating expenses	76,503	44.9%	104,591	56.3%	140,982	39.3%
Other income (expense), net	263	0.2%	(114)	-0.1%	(316)	-0.1%
Income (loss) from operations	11,103	6.5%	(8,762)	-4.7%	40,436	11.3%
Interest expense, net	12,190	7.2%	8,327	4.5%	11,139	3.1%
Interest expense on mandatorily redeemable preferred stock & management purchased options	—	0.0%	5,488	3.0%	9,098	2.5%
Interest expense on junior subordinated notes	4,203	2.5%	5,254	2.8%	9,668	2.7%
Investment income on trust common securities	(126)	-0.1%	(158)	-0.1%	(284)	-0.1%
(Loss) income before income taxes	(5,164)	-3.0%	(27,673)	-14.9%	10,815	3.0%
Income tax (benefit) provision	(815)	-0.5%	(2,465)	-1.3%	9,558	2.7%
Net (loss) income	$ (4,349)	-2.6%	$ (25,208)	-13.6%	$ 1,257	0.4%

(a) Represents one-time charges for investment banking, legal and other professional fees incurred in connection with the Merger Transaction.

Predecessor Period of January 1 – May 28, 2010 vs Predecessor Period of the Nine Months Ended September 30, 2009

Revenues

Net sales for the period of January 1 – May 28, 2010 (the "2010 five month period") were $185.7 million, or $1.77 million per shipping day, compared to net sales for the first nine months of 2009 of $358.7 million, or $1.86 million per shipping day. The decrease in revenues of $173.0 million was directly attributable to comparing operating results of 105 shipping days in the 2010 five month period to the results from 193 shipping days in 2009. The sales per shipping day of $1.77 million in the 2010 five month period was approximately 4.8% lower than the sales per shipping day of $1.86 million in the first nine months of 2009. The decrease in sales per day for the 2010 five month period was the result of higher seasonal sales per day during the June through September period included in the first nine months of 2009 as compared to the average sales per day for the January to May period.

Expenses

Operating expenses for the period of January 1 – May 28, 2010 were $104.6 million compared to $141.0 million for the first nine months of 2009. The decrease in operating expenses is primarily due the shorter 105 day ship period in the 2010 five month period which provided certain favorable operating expense variances as compared to the 193 day ship period in the first nine months of 2009. The following changes in underlying trends also impacted the change in operating expenses:

- The Company's gross profit percentage was 51.7% in the 2010 five month period compared to 50.7% in the first nine months of 2009. The Company experienced a significant increase in the unit cost of inventory during most of 2008 as a result of increases in related commodities used in our products such as steel, zinc, nickel, aluminum, copper and plastics. The higher unit cost negatively impacted gross profit in the second half of 2008 and first half of 2009 as the higher unit cost product sold through inventory. In 2009, commodity prices moderated and in particular the cost of steel based fasteners sourced primarily from Taiwan and China returned to the levels prior to the significant price increases seen in 2008.
- Warehouse and delivery expense was $19.9 million, or 10.7% of net sales, in the 2010 five month period compared to $36.7 million, 10.2% of net sales in the first nine months of 2009. Freight expense, the largest component of warehouse and delivery expense, increased from 3.9% of net sales in 2009 to 4.1% of net sales in the 2010 five month period. The 2010 freight costs included the negative impact of higher fuel surcharges and lower average customer order sizes.
- Stock compensation expenses from stock options primarily related to the 2004 Merger Transaction resulted in a charge of $19.1 million in the 2010 five month period. The change in the fair value of the Class B Common Stock is included in stock compensation expense and this resulted in an additional charge of $13.9 million. The significant increase in the fair value of the Class B Common Stock in this predecessor period resulted from the acquisition price paid by OHCP for the Company. In addition, a stock compensation charge of $3.7 million was recorded for the increase in the fair value of the common stock options. The stock compensation expense was $7.1 million in the first nine months of 2009.
- Non-recurring expense of $11.3 million in the 2010 five month period represents one-time charges for investment banking, legal and other expenses incurred in connection with the Merger Transaction. There were no non-recurring expenses in the first nine months of 2009.
- Interest expense, net, was $8.3 million in the 2010 five month period compared to $11.1 million for the first nine months of 2009. The 2010 five month period included a $1.6 million interest charge for the termination of the 2008 Swap.

Successor Period of May 28 – September 30, 2010 vs Predecessor Period of the Nine Months Ended September 30, 2009

Revenues

Net sales for the period of May 28 – September 30, 2010 (the "2010 period") were $170.4 million, or $1.96 million per shipping day, compared to net sales for the first nine months of 2009 of $358.7 million, or $1.86 million per shipping day. The decrease in revenues of $188.3 million was directly attributable to comparing operating results of 87 shipping days in the 2010 period to the results from 193 shipping days in 2009. However, the sales per shipping day of $1.96 million in the 2010 period was approximately 5.4% higher than the sales per shipping day of $1.86 million in the first nine months of 2009. The increase in sales per day for the 2010 period was the result of higher seasonal sales per day during the June through September period as compared to the average sales per day for the January to May period of 2009.

Expenses

Operating expenses for the 2010 period ended September 30, 2010 were $76.5 million compared to $141.0 million for the first nine months of 2009. The decrease in operating expenses is primarily due to the 87 day shipping period in the 2010 period as compared to the 193 day shipping period in the first nine months of 2009. The following changes in underlying trends also impacted the change in operating expenses:

- The Company's gross profit percentage was 51.3% in the 2010 period compared to 50.7% in the first nine months of 2009. The Company experienced a significant increase in the unit cost of inventory during most of 2008 as a result of increases in related commodities used in our products such as steel, zinc, nickel, aluminum, copper and plastics. The higher unit cost negatively impacted gross profit in the second half of 2008 and first half of 2009 as the higher unit cost product sold through inventory. In 2009, commodity prices moderated and in particular the cost of steel based fasteners sourced primarily from Taiwan and China returned to the levels prior to the significant price increases seen in 2008. The Company anticipates that the average inventory unit costs will trend higher for the remainder of this year.
- Warehouse and delivery expense was $18.4 million, or 10.8% of net sales, in the 2010 period compared to $36.7 million, or 10.2% of net sales in the first nine months of 2009. Freight expense, the largest component of warehouse and delivery expense, increased from 3.9% of net sales in 2009 to 4.6% of net sales in the 2010 period. The 2010 freight costs included the negative impact of higher fuel surcharges and lower average customer order sizes.
- No stock options or incentive awards have been granted by the Successor, and accordingly, there was no stock compensation expense recorded in the 2010 period. The stock compensation expense was $7.1 million in the first nine months of 2009.
- Non-recurring expense of $10.8 million in the 2010 period represents one-time charges for legal, professional, diligence and other expenses incurred by the Successor in connection with the Merger Transaction. There were no non-recurring expenses in the first nine months of 2009.
- Amortization expense was $6.1 million in the 2010 period, or an estimated annual rate of approximately $18.2 million. The amortization expense of $5.3 million in the first nine months of 2009 amounted to an estimated annual rate of approximately $7.1 million. The higher annual rate of amortization expense for the 2010 period was due to the increase in intangible assets subject to amortization acquired as a result of the Merger Transaction.
- Interest expense, net, was $12.2 million in the 2010 period, or an estimated annual rate of approximately $36.6 million. The interest expense was $11.1 million for the first nine months of 2009, or an estimated annual rate of approximately $14.9 million. The increase in estimated annual amount of interest expense was primarily the result of the higher level of debt outstanding following the Merger Transaction.
- The Successor incurred no interest expense on mandatorily redeemable preferred stock and management purchased options as a result of their redemption in connection with the Merger Transaction. The interest expense on these securities was $9.1 million for the first nine months of 2009.

Income Taxes

The Company recorded an income tax provision of $1.2 million on pre-tax income of $2.7 million in the third quarter of 2010, compared to an income tax provision of $4.4 million on pre-tax income of $7.1 million in the third quarter of 2009. The effective income tax rates were 45.7% and 61.6% for the three months ended September 30, 2010 and 2009, respectively. In the Successor period ended September 30, 2010, the effective income tax rate differed from the federal statutory rate primarily as a result of the effect of the change in calculating the interim provision by using the estimated annual income tax method for the Successor period instead of the discrete method as had been used the first and second quarters of 2010. The change from using the discrete method increased the estimated income tax rate from the federal statutory rate by 10.0%. The remaining differences between the effective income tax rate and the federal statutory rate in the three month period ended September 30, 2010 was primarily due to state and foreign income taxes.

In the Predecessor period ended September 30, 2009, the effective income tax rate differed from the federal statutory rate primarily as a result of the effect of nondeductible interest on mandatorily redeemable preferred stock and stock compensation expense. The non-deductible interest and compensation expense described above increased the effective income tax rate from the federal statutory rate by 22.7% in the three month period ended September 30, 2009. The remaining difference between the effective income tax rate and the federal statutory rate in the three-month period ended September 30, 2009 was primarily due to state and foreign income taxes.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the four months ended September 30, 2010 (Successor), the five months ended May 28, 2010 (Predecessor) and the nine months ended September 30, 2009 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities. The cash flows from the Merger Transaction are separately discussed below.

Merger Transaction

In connection with the Merger Transaction, the Company issued common stock for $308.6 million in cash. Proceeds from borrowings under the Senior Facilities provided an additional $290.6 million and proceeds from the 10.875% Senior Notes provided $150.0 million, less aggregate financing fees of $15.7 million. The debt and equity proceeds were used to repay the existing senior and subordinated debt and accrued interest thereon of $199.1 million, to repurchase the existing shareholders' common equity, preferred equity and stock options of $506.4 million, and to purchase the Quick Tag license for $11.5 million. The remaining proceeds were used to pay transaction expenses of $16.4 million and prepaid expenses of $0.1 million.

Operating Activities

Excluding $17.5 million in cash used for the Merger Transaction, net cash provided by operating activities for the nine months ended September 30, 2010 of $19.6 million was the result of the net loss adjusted for non-cash charges of $23.1 million for depreciation, amortization, deferred taxes, deferred financing, stock-based compensation and interest on mandatorily redeemable preferred stock and management purchased options which was offset by cash related adjustments of $3.5 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In the first nine months of 2010, routine operating activities used cash through an increase in accounts receivable of $16.5 million, inventories of $5.6 million and other of $2.9 million. This was partially offset by an increase in accounts payable of $8.8 million and accrued liabilities of $12.0 million. The increase in accounts receivable was the result of the seasonal increase in sales for the latter part of the third quarter.

Operating activities in the first nine months of 2009 provided cash of $56.3 million, or an increase of $33.8 million, compared to the cash provided of $22.5 million for the same period of 2008. The Company's operating cash outflows have historically been higher in the first two fiscal quarters when selling volume, accounts receivable and inventory levels increase as the Company moves into the stronger spring and summer selling seasons. However, in the first nine months of 2009, a significantly larger amount of cash was provided from operations as a result of lower inventory requirements and a smaller increase in the level of accounts receivable. The reduction in inventory levels provided $16.2 million in cash in the first nine months of 2009 compared to cash provided of only $1.3 in the prior year period. The 2009 inventory level decreased from the prior year end in terms of both units and unit costs primarily as a result of the implementation of streamlined purchasing initiatives and lower purchase prices. The seasonal increase of accounts receivable was only $10.5 million in the first nine months of 2009 compared to $24.5 million in the prior year period.

Investing Activities

The Company used cash of $11.5 million from the Merger Transaction to purchase the licensing rights and related patents for the Quick Tag business. Excluding the $11.5 million used for the Quick Tag acquisition, net cash used for investing activities was $11.3 million for the nine months ended September 30, 2010. The Company used $1.2 million to purchase the licensing rights for the Laser Key business. Capital expenditures for the nine months totaled $10.1 million, consisting of $6.6 million for key duplicating machines, $1.0 million for engraving machines, and $2.5 million for computer software and equipment.

Net cash used for investing activities was $9.1 million for the nine months ended September 30, 2009. Capital expenditures for the first nine months of 2009 were $9.1 million, a decrease of $1.3 million from the comparable period of 2008. The net property additions for the first nine months of 2009 consisted of $5.6 million for key duplicating machines, $0.9 million for engraving machines and $2.6 million for computer software and equipment.

Financing Activities

Excluding $29.0 million in cash provided by borrowings related to the Merger Transaction, net cash used for financing activities was $11.4 million for the nine months ended September 30, 2010. The net cash used was primarily related to the principal payments on the senior term loans of $10.3 million and further payments of $0.6 million on the revolving credit facility and $0.5 million on capitalized lease obligations.

Net cash used for financing activities in the nine months ended September 30, 2009 was $29.8 million. The net cash generated from "Operating Activities" in 2009 together with cash on hand at the beginning of the year was used to fund the senior term loan repayments of $27.0 million.

Liquidity

The Company's working capital position (defined as current assets less current liabilities) of $125.3 million at September 30, 2010 represents an increase of $14.7 million from the December 31, 2009 level of $110.6 million. The primary reasons for the increase in working capital were an increase in accounts receivable of $15.8 million, a decrease of $6.6 million in the current portion of senior term loans, an increase in inventories of $5.6 million, an increase in other current assets and deferred income taxes of $0.3 million and a decrease in the current portion of capitalized lease obligations of $0.3 million which were partially offset by an increase in accounts payable of $8.8 million, a decrease in cash of $3.1 million and an increase in accrued expenses of $2.0 million. The Company's current ratio (defined as current assets divided by current liabilities) increased to 3.22x at September 30, 2010 from 3.10x at December 31, 2009.

Contractual Obligations

The Company's contractual obligations in thousands of dollars as of September 30, 2010:

		Payments Due			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**
Junior Subordinated Debentures (1)	$115,943	$ —	$ —	$ —	$115,943
Senior Term Loans	289,275	2,900	5,800	5,800	274,775
Bank Revolving Credit Facility	—	—	—	—	—
10.875% Senior Notes	150,000	—	—	—	150,000
Interest Payments (2)	212,771	32,163	63,847	63,209	53,552
Operating Leases	30,614	7,194	9,364	4,923	9,133
Deferred Compensation Obligations	3,290	334	668	668	1,620
Capital Lease Obligations	210	51	74	60	25
Purchase Obligations	963	350	613	—	—
Deferred Lease Asset	183	—	77	—	106
Other Long Term Obligations	2,248	788	937	232	291
Uncertain Tax Position Liabilities	4,433	—	—	—	4,433
Total Contractual Cash Obligations (3)	$809,930	$43,780	$81,380	$74,892	$609,878

(1) The junior subordinated debentures liquidation value is approximately $108,707.

(2) Interest payments for borrowings under the Senior Facilities and with regard to the 10.875% Senior Notes. Interest payments on the variable rate senior term loans were calculated using the actual interest rate of 5.50% as of September 30, 2010 which consisted of a EuroDollar minimum floor rate of 1.75% plus EuroDollar Margin of 3.75%.

(3) All of the contractual obligations noted above are reflected on the Company's condensed consolidated balance sheet as of September 30, 2010 except for the interest payments and operating leases.

The Company has a purchase agreement with its supplier of key blanks which requires minimum purchases of 100 million key blanks per year. To the extent minimum purchases of key blanks are below 100 million, the Company must pay the supplier $0.0035 per key multiplied by the shortfall. Since the inception of the contract in 1998, the Company has purchased more than the requisite 100 million key blanks per year from the supplier. In 2009, the Company extended this contract for an additional four years.

As of September 30, 2010, the Company had no material purchase commitments for capital expenditures.

Off-Balance Sheet Arrangements

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

Borrowings

As of September 30, 2010, the Company had $24.5 million available under its secured credit facilities. The Company had approximately $289.5 million of outstanding debt under its secured credit facilities at September 30, 2010, consisting of $289.3 million in a term loan and $0.2 million in capitalized lease obligations. The term loan consisted of a $289.3 million Term B-2 Loan at a three (3) month EuroDollar rate plus margin of 5.50%. The capitalized lease obligations were at various interest rates.

At September 30, 2010 and December 31, 2009, the Company borrowings were as follows:

	Successor			Predecessor		
	September 30, 2010			December 31, 2009		
(dollars in 000's)	Facility Amount	Outstanding Amount	Interest Rate	Facility Amount	Outstanding Amount	Interest Rate
Term B-1 Loan		$ —	—		$ 17,992	3.02%
Term B-2 Loan		289,275	5.50%		139,857	4.77%
Total Term Loans		289,275			157,849	
Revolving credit facility	$30,000	—	—	$20,000	—	—
Capital leases & other obligations		210	various		494	various
Total secured credit		289,485			158,343	
10.875% Senior notes		150,000	10.875%		—	—
Unsecured subordinated notes		—	—		49,820	12.50%
Total borrowings		$ 439,485			$ 208,163	

On May 28, 2010, the Company and certain of its subsidiaries closed the Senior Facilities, consisting of a $290.0 million term loan and a $30.0 million Revolver. The term loan portion of the Senior Facilities has a six year term and the Revolver has a five year term. The Senior Facilities provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.75%, or a base rate plus a margin of 2.75%. The EuroDollar rate is subject to a minimum floor of 1.75% and the Base Rate is subject to a minimum floor of 2.75%.

Concurrently with the consummation of the Merger Transaction, Hillman Group issued $150.0 million aggregate principal amount of its 10.875% Senior Notes, which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to the Old Credit Agreement, consisting of a $20.0 million revolving credit line and a $235.0 million term loan. The facilities under the Old Credit Agreement had a maturity date of March 31, 2012. In addition, the Company, through Hillman Group, had issued $49.8 million in aggregate principal amount of unsecured subordinated notes to a group of investors, including affiliates of AEA Investors LP, CIG & Co. and several private investors that were scheduled to mature on September 30, 2012. In connection with the Merger Agreement, both the Old Credit Agreement and the subordinated note issuance were repaid and terminated.

The Company's Senior Facilities requires the maintenance of certain fixed charge, interest coverage and leverage ratios and limits the ability of the Company to incur debt, make investments, make dividend payments to holders of the Trust Preferred Securities or undertake certain other business activities. Upon the occurrence of an event of default under the credit agreements, all amounts outstanding, together with accrued interest, could be declared immediately due and payable by our lenders. Below are the calculations of the financial covenants with the Senior Facilities requirement for the twelve trailing months ended September 30, 2010:

(dollars in 000's)	Actual	Ratio Requirement
Leverage Ratio		
Adjusted EBITDA (1)	$ 82,358	
Senior term loan balance	289,275	
Revolver	—	
Capital leases and other credit obligations	183	
Senior notes	150,000	
Total indebtedness	$439,458	
Leverage ratio (must be below requirement)	5.34	6.75
Interest Coverage Ratio		
Adjusted EBITDA (1)	$ 82,358	
Cash interest expense (2)	$ 22,995	
Interest coverage ratio (must be above requirement)	3.58	2.00
Secured Leverage Ratio		
Senior term loan balance	$289,275	
Revolver	—	
Capital leases and other credit obligations	183	
Total debt	$289,458	
Adjusted EBITDA (1)	$ 82,358	
Leverage ratio (must be below requirement)	3.51	4.50

(1) Adjusted EBITDA is defined as income from operations of $11,239, plus depreciation of $17,317, amortization of $10,346, management fees of $689, stock compensation expense of $20,702, transaction costs of $22,099, foreign exchange (gains) or losses of ($464) and other non-recurring expenses of $430.

(2) Includes cash interest expense on senior term loans, capitalized lease obligations, senior notes and subordinated notes.

The Company had deferred tax assets aggregating $31.6 million, net of valuation allowance of $2.8 million, and deferred tax liabilities of $156.6 million as of September 30, 2010, as determined in accordance with ASC Topic 740, "Income Taxes." Management believes that the Company's net deferred tax assets will be realized through the reversal of existing temporary differences between the financial statement and tax basis, as well as through future taxable income.

Critical Accounting Policies and Estimates

Significant accounting policies and estimates are summarized in the notes to the condensed consolidated financial statements. Some accounting policies require management to exercise significant judgment in selecting the appropriate assumptions for calculating financial estimates. Such judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, known trends in our industry, terms of existing contracts and other information from outside sources, as appropriate. Management believes these estimates and assumptions are reasonable based on the facts and circumstances as of September 30, 2010, however, actual results may differ from these estimates under different assumptions and circumstances.

We identified our critical accounting policies in Management's Discussion and Analysis of Financial Condition and Results of Operations found in our Annual Report on Form 10-K for the year ended December 31, 2009, as amended. We believe there have been no changes in these critical accounting policies. We have summarized our critical accounting policies either in the notes to the condensed consolidated financial statements or below:

Revenue Recognition:

Revenue is recognized when products are shipped or delivered to customers depending upon when title and risks of ownership have passed.

The Company offers a variety of sales incentives to its customers primarily in the form of discounts, rebates and slotting fees. Discounts are recognized in the financial statements at the date of the related sale. Rebates are estimated based on the revenue to date and the contractual rebate percentage to be paid. A portion of the estimated cost of the rebate is allocated to each underlying sales transaction. Slotting fees are used on an infrequent basis and are not considered to be significant. Discounts, rebates and slotting fees are included in the determination of net sales.

The Company also establishes reserves for customer returns and allowances. The reserves are established based on historical rates of returns and allowances. The reserves are adjusted quarterly based on actual experience. Returns and allowances are included in the determination of net sales.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts using the specific identification method and also provides a reserve in the aggregate. The estimates for calculating the aggregate reserve are based on historical information. Increases to the allowance for doubtful accounts result in a corresponding expense. The allowance for doubtful accounts was $562 thousand as of September 30, 2010 and $514 thousand as of December 31, 2009.

Inventory Realization:

Inventories consisting predominantly of finished goods are valued at the lower of cost or market, cost being determined principally on the weighted average cost method. Excess and obsolete inventories are carried at net realizable value. The historical usage rate is the primary factor used by the Company in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to market is recorded for inventory with no usage in the preceding twenty-four month period or with on hand quantities in excess of twenty-four months average usage. The inventory reserve amounts were $8.8 million as of September 30, 2010 and $7.1 million as of December 31, 2009.

Goodwill and Other Intangible Assets:

Goodwill represents the excess purchase cost over the fair value of net assets of companies acquired in business combinations. Goodwill is an indefinite lived asset and is tested for impairment at least annually or more frequently if a triggering event occurs.

If the carrying amount of goodwill is greater than the fair value, impairment may be present. The Company's uses an independent appraiser to assess the value of its goodwill based on a discounted cash flow model and multiple of earnings. Assumptions critical to the Company's fair value estimates under the discounted cash flow model include the discount rate, projected average revenue growth and projected long-term growth rates in the determination of terminal values.

The Company also evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. The Company also tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. Assumptions critical to the Company's evaluation of indefinite-lived intangible assets for impairment include: the discount rate, royalty rates used in its evaluation of trade names, projected average revenue growth, and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date. No impairment charge was recorded in the three month period ended September 30, 2010.

Long-Lived Assets:

The Company evaluates its long-lived assets for financial impairment and will continue to evaluate them based on the estimated undiscounted future cash flows as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. No impairment charges were recognized for long-lived assets in the quarter ended September 30, 2010.

Risk Insurance Reserves:

The Company self insures its product liability, automotive, workers' compensation and general liability losses up to $250 thousand per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of $250 thousand up to $40 million. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability recorded for such risk insurance reserves is adequate as of September 30, 2010, but due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ from this estimate.

The Company self-insures its group health claims up to an annual stop loss limit of $200 thousand per participant. Aggregate coverage is maintained for annual group health insurance claims in excess of 125% of expected claims. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves. The Company believes the liability recorded for such insurance reserves is adequate as of September 30, 2010, but due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ from this estimate.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities (temporary differences) and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are provided for tax benefits where it is more likely than not that certain tax benefits will not be realized. Adjustments to valuation allowances are recorded from changes in utilization of the tax related item. For additional information, see Note 8 of notes to condensed consolidated financial statements.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of interest rate changes as borrowings under the Senior Facilities bear interest at variable interest rates. It is the Company's policy to enter into interest rate transactions only to the extent considered necessary to meet objectives.

On August 29, 2008, the Company entered into an Interest Rate Swap Agreement ("2008 Swap") with a three year term for a notional amount of $50 million. The 2008 Swap fixed the interest rate at 3.41% plus applicable rate margin. The 2008 Swap was terminated on May 24, 2010.

On June 24, 2010, the Company entered into an Interest Rate Swap Agreement ("2010 Swap") with a two-year term for a notional amount of $115,000. The effective date of the 2010 Swap is May 31, 2011 and its termination date is May 31, 2013. The 2010 Swap fixes the interest rate at 2.47% plus applicable interest rate margin.

Based on the Company's exposure to variable rate borrowings at September 30, 2010, a one percent (1%) change in the weighted average interest rate for a period of one year would change the annual interest expense by approximately $2.9 million.

The Company is exposed to foreign exchange rate changes of the Canadian and Mexican currencies as it impacts the $7.2 million net asset value of its Canadian and Mexican subsidiaries as of September 30, 2010. Management considers the Company's exposure to foreign currency translation gains or losses to be immaterial.

Item 4.

Controls and Procedures

<u>Disclosure Controls and Procedures</u>

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, which included the matters discussed below, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period ended September 30, 2010, in ensuring that material information relating to the Company required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Prior Material Weakness

A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner. Management determined that the Company's internal control over financial reporting was not effective as a result of the material weakness related to the failure of the Company's control to properly assess the tax deductibility of the Company's transactions, specifically the tax position and accounting treatment of the dividends on management owned Preferred and Purchased Options as of December 31, 2009. This control deficiency resulted in the filing of an amendment to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and restatements of our consolidated balance sheets at December 31, 2009 and December 31, 2008, our consolidated statements of operations, stockholders' equity and cash flows for the fiscal years ended December 31, 2009, 2008, and 2007 and the related notes thereto to correct an error in income tax accounting.

Remediation of Material Weakness

During the nine month period ended September 30, 2010, the Company implemented controls and enhanced procedures to address the material weakness in internal control over financial reporting described above. In particular, management has implemented a control that utilizes consultation with external tax experts to properly assess the tax deductibility of the Company's transactions when the tax treatment of transactions or events are deemed by management to be unusually subjective in nature. Management continues to analyze the periodic assessment of the tax reporting control environment and makes any enhancements deemed to be appropriate.

Changes in Internal Control over Financial Reporting

Other than the changes described above, there have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934), as amended that occurred during the quarter ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. – Legal Proceedings.

On May 4, 2010, Hy-Ko Products, Inc. filed a complaint against Hillman Group and Kaba Ilco Corp., a manufacturer of blank replacement keys, in the United States District Court for the Northern District of Ohio Eastern Division, alleging that the defendants engaged in violations of federal and state antitrust laws regarding their business practices relating to automatic key machines and replacement keys. Hy-Ko Products' May 4, 2010 filing against the Company is based, in part, on the Company's previously-filed claim against Hy-Ko Products alleging infringement of certain patents of the Company. The plaintiff is seeking unspecified monetary damages which would be trebled under the antitrust laws, interest and attorney's fees as well as injunctive relief. Because the lawsuit is in a preliminary stage, it is not yet possible to assess the impact that the lawsuit will have on the Company. However, the Company believes that it has meritorious defenses and intends to defend the lawsuit vigorously.

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

Item 1A. – Risk Factors.

There have been no material changes to the risks related to the Company.

Item 2. – Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable

Item 3. – Defaults Upon Senior Securities.

Not Applicable

Item 4. – Reserved.

Item 5. – Other Information.

Not Applicable

Table of Contents

Item 6. – Exhibits.

a)	Exhibits, including those incorporated by reference.
10.1 *	Separation Agreement, dated September 28, 2010, between the Hillman Group, Inc. and Ali Fartaj.
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

SIGNATURES

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

THE HILLMAN COMPANIES, INC.

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

DATE: November 15, 2010

SEPARATION AGREEMENT

This Separation Agreement ("this Agreement") is entered into by The Hillman Group, Inc. ("Hillman") and Ali Fartaj ("Employee").

In consideration of the mutual promises and conditions contained in this Agreement, Hillman and Employee agree as follows:

1. **Resignation.** Employee hereby resigns from his positions as an officer and employee of Hillman, effective October 22, 2010.

2. **Separation Package.** Hillman agrees to the following separation package:

a. Provided Employee signs and delivers to Hillman this Agreement and does not revoke it pursuant to the provisions of section 5(b) below and provided Employee fulfills all obligations required of Employee pursuant to section 3 below, Hillman will continue Employee's employment with his current compensation and benefits package through October 22, 2010; however, Hillman in its sole discretion may elect at any time during this period to terminate Employee's job responsibilities but to continue Employee's compensation and benefits through October 22, 2010.

b. Provided Employee on October 22, 2010 signs and delivers to Hillman the Additional Release Agreement attached hereto as Attachment A ("the Additional Release Agreement") and does not revoke it during the revocation period set forth in such agreement, and provided Employee fulfills all obligations required of Employee pursuant to section 3 below, Hillman will, within ten business days of the Effective Date of the Additional Release Agreement, pay to Employee a lump sum payment of Two Hundred Thousand Dollars ($200,000), which amount shall be subject to all withholdings and deductions required by law. Employee understands and agrees that this lump sum payment includes, and is in full settlement of, any and all amounts owed to Employee, including but not limited to: vacation pay; bonuses; severance; and any amounts Employee claims or could have claimed to be due under The Hillman Group, Inc. Employment Agreement executed by Hillman and Employee as of April 21, 2010 (a copy of which is attached hereto as Attachment B) ("the Employment Agreement").

3. **<u>Employee's Obligations</u>**. Employee agrees to the following terms, which Employee acknowledges are material conditions to Hillman's obligations under Section 2 above:

a. Employee agrees that, through October 22, 2010, Employee will continue to provide to Hillman Employee's normal duties, responsibilities, and functions as Senior Vice President of Operations. Employee agrees to cooperate fully with Hillman in bringing about a smooth transition of such duties, responsibilities, and functions to Employee's successor(s).

b. <u>Employee agrees that the provisions of Section 6 ("Confidential Information") of the Employment Agreement remain in full force and effect and that Employee's obligations under those provisions survive and are not affected in any way by this Agreement or by the Additional Release Agreement</u>.

c. Employee and Hillman agree, subject to any obligations Employee or Hillman may have under applicable law, that they will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the other, or any of Hillman's affiliated companies (including without limitation The Hillman Companies, Inc., Oak Hill Capital Partners, OHCP HM Acquisition Corp., Oak Hill Capital Partners III, L.P., and Oak Hill Management Partners III, L.P.) or any of their respective officers, directors, shareholders, employees, agents, or representatives. Hillman agrees that, if asked by a prospective employer of Employee, or by others, it will respond that Employee is eligible for rehire by Hillman. Employee and Hillman agree that any public relations or similar statement made or issued by Hillman about Employee will conform to the statement attached to this Separation Agreement as Attachment 1.

d. Employee and Hillman agree that they will keep confidential the terms of this Agreement. Employee agrees that he will not disclose any of those terms to anyone other than Employee's attorney, tax advisors, and spouse (who must agree to keep those terms confidential), except as required by law or legal process or as necessary to enforce the terms of this Agreement.

e. Employee agrees that, for a period of two years after the Effective Date of the Additional Release Agreement, Employee will not, without prior written approval from the President of Hillman, directly or indirectly solicit any person who is an employee of Hillman to terminate his or her employment with Hillman.

f. Employee agrees that Employee will reasonably cooperate with Hillman and its legal counsel in any and all pending and future administrative and judicial matters as to which Employee has or had any knowledge, information, or involvement. Hillman will reimburse Employee for Employee's time and reasonable travel expenses incurred as a result of such litigation support.

4. **Release and Waiver**. Employee, for and on behalf of Employee and Employee's representatives, agents, next of kin, heirs, successors, and assigns, hereby releases and forever discharges Hillman and its affiliated companies (including without limitation The Hillman Companies, Inc., Oak Hill Capital Partners, OHCP HM Acquisition Corp., Oak Hill Capital Partners III, L.P., and Oak Hill Management Partners III, L.P.) and their respective officers, directors, shareholders, employees, agents, representatives, attorneys, successors, and assigns ("the Released Parties") from any and all claims, causes of action, expenses including attorney fees, interest (statutory or common law), and liabilities of any kind whatsoever, whether known or unknown, or foreseen or unforeseen, which Employee had, now has, or may ever have against the Released Parties, or any of them, arising from any act, omission, or thing that occurred before the "Effective Date" of this Agreement, including, but not limited to: claims based on or arising out of Employee's employment with Hillman or the termination of that employment; claims based on or arising out of the Employment Agreement; claims in tort, including without limitation, claims of libel, slander, defamation, or invasion of privacy; claims based on contract, express or implied; claims of promissory estoppel; claims of wrongful discharge or wrongful retaliation; claims for violation of federal, state, or local laws which prohibit discrimination on the basis of age, sex, race, ancestry, color, national origin, religion, disability, or genetic information (including without limitation claims arising under: the Age Discrimination in Employment Act of 1967, as amended, and the Older Workers Benefit Protection Act, which prohibit age discrimination in employment; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e *et seq.*, which prohibits discrimination in employment based on race, color, national origin, religion, or sex; the Americans with Disabilities Act, which prohibits discrimination in employment based on disabilities; the Employee Retirement Income Security Act, which deals with employee benefits and related matters; Ohio Revised Code Chapter 4112, which prohibits discrimination based on age, race, color, national origin, religion, sex, or disabilities; or any other federal, state, or local laws or regulations); and claims based on any other laws or court decisions affecting relations between employers and employees.

The parties agree that nothing in this Section releases any of Employee's claims, rights, or obligations under: (1) the Stockholders Agreement among OHCP HM Acquisition Corp., Oak Hill Capital Partners III, L.P., Oak Hill Management Partners III, L.P. and certain Management Stockholders (including Employee) dated as of May 28, 2010 or (2) the Indemnity Escrow Agreement between OHCP HM Acquisition Corp. and certain Management Stockholders (including Employee) dated as of May 28, 2010.

Employee further agrees that Employee will not initiate or pursue any claims, actions, complaints, charges, or litigation against any of the Released Parties based on or arising out of any claim released herein. If Employee institutes any claim, charge, or action that has been released herein, or is a party to any such proceeding, Employee's claims shall be dismissed, with prejudice, and Employee shall pay all attorney fees and costs incurred by any of the Released Parties as a result of any such action.

The parties recognize that nothing in this Section or in any other provision of this Agreement shall be construed to prevent Employee from filing or maintaining a charge of discrimination with the Equal Employment Opportunity Commission or any other state or local government agency responsible for enforcing federal, state, or local anti-discrimination laws. If such a proceeding is instituted or maintained by such an agency or by Employee, all of the covenants and waivers of Employee under this Agreement shall remain in full force and effect, and Employee shall not be entitled to (and hereby waives any right to) any relief specific to Employee, including but not limited to reinstatement, back pay, front pay, benefits, or any damages of any kind with respect to such charge, claim or action.

Employee understands that this Agreement resolves any and all claims, disputes, and causes of action that Employee may have against the Released Parties, or any of them, arising out of or in any way related to Employee's employment with Hillman or the termination of that employment or claims arising out of or in any way related to the Employment Agreement.

5. **OWBPA Requirements**. Employee acknowledges and agrees that the following Subsections a through d are included in this Agreement in accordance with the ADEA and the Older Workers Benefit Protection Act ("OWBPA") and that this Agreement shall not become effective or enforceable until the revocation period in Subsection b has expired, provided that Employee does not revoke this Agreement during such period:

a. Twenty-one (21) Days to Accept. Employee acknowledges that Employee has been given a period of at least twenty-one (21) days after receipt of this Agreement to consider whether or not to sign and accept this Agreement. Employee hereby expressly waives Employee's right to such period if Employee voluntarily signs this Agreement prior to the expiration of such period.

b. Seven (7) Day Revocation. Employee understands that Employee may revoke this Agreement at any time within seven (7) days after the date of Employee's signing indicated below. Employee understands further that this Agreement shall not become effective or enforceable until the revocation period has expired. To revoke this Agreement, Employee must give written notice which is received by the President of Hillman prior to the expiration of the revocation period.

c. Acknowledgments. Employee acknowledges that Hillman has hereby advised Employee in writing to consult with an attorney of Employee's own choosing prior to executing this Agreement. Employee also acknowledges in accordance with the OWBPA that the payments and other consideration set forth in Section 2 above are in addition to anything of value to which Employee is already entitled.

d. "Effective Date". The "Effective Date" of this Agreement shall be the eighth (8th) day following its signing by Employee (after the expiration of the seven (7) day revocation period), provided that Employee does not revoke this Agreement during such period.

6. **Choice of Law and Forum**. Hillman and Employee agree that this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Ohio. In the event of any dispute between the parties relating in any way to the inducement, performance, breach, validity, interpretation, or enforcement of this Agreement or of any of the obligations hereunder, the parties agree that the exclusive jurisdiction and forum for any court action as to any such dispute shall be in the state or federal courts for Hamilton County, Ohio; and the parties further agree that such courts shall have personal jurisdiction over the parties and that the parties hereby waive any objections to such personal jurisdiction.

7. **No Admission**. The parties acknowledge and agree that neither this Agreement nor the terms hereof nor any action to carry out this Agreement is or shall be construed as any admission of liability or wrongdoing by any party and each party specifically denies such liability or wrongdoing.

8. **Entire Agreement**. This Agreement constitutes the complete and entire agreement of the parties with respect to the subject matter hereof. Any and all other promises, inducements, representations, warranties, or agreements with respect to the subject matter hereof have been superseded hereby and are not intended to survive this Agreement, except that Employee agrees that the provisions of Section 6 ("Confidential Information") of the Employment Agreement remain in full force and effect and that Employee's obligations under those provisions survive and are not affected in any way by this Agreement. No amendment or modification of this Agreement shall be effective unless set forth in writing and signed by Employee and the President of Hillman.

9. **Acknowledgment of Understanding**. Employee acknowledges that Employee has read this Agreement in its entirety, that Employee understands the terms of this Agreement, and that Employee is executing this Agreement voluntarily and of Employee's own free will.

/s/ Glen E. Hamann	/s/ Ali Fartaj	9/28/10
Witness to Employee	Ali Fartaj	Date

THE HILLMAN GROUP, INC.

/s/ Harold J. Wilder	By: /s/ James P. Waters	9/27/10
Witness to Hillman		Date

Printed Name: James P. Waters

Title: CFO

Attachment 1

Hillman Announces Resignation Of Senior Vice President of Operations, Ali Fartaj

CINCINNATI, Sept. 15 /PRNewswire/ — The Hillman Companies, Inc. (the "Company" or "Hillman"), - The Hillman Companies, Inc. announced today that Ali Fartaj, Sr. Vice President of Operations has decided to resign from his position effective October 22, 2010 to pursue other interests. In the next several weeks we will be working with Mr. Fartaj to have a smooth transition of his responsibilities. Mr. Fartaj joined Hillman in his current capacity in January 2008.

"During his tenure, he has been instrumental in leading the Operations team through numerous operational improvements, including the implementation of LEAN principles, optimization of supply chain network and processes and incorporation of a higher level of discipline" said Max Hillman, CEO. "We certainly appreciate Ali's significant contributions to Hillman and wish him the very best in his future endeavors."

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 athttp://www.hillmangroup.com or call investor relations at 800-800-4900 #2084

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Max W. Hillman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2010

/s/ Max W. Hillman

Max W. Hillman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James P. Waters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hillman Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2010

/s/ James P. Waters
James P. Waters
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Max W. Hillman, the Chief Executive Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Max W. Hillman
Name: Max W. Hillman
Date: November 15, 2010

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, James P. Waters, the Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ James P. Waters
Name: James P. Waters
Date: November 15, 2010