

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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:

<u>Title of Class</u>	<u>Name of Each Exchange on Which Registered</u>
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 May 13, 2011, 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

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

	March 31, 2011	December 31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,756	\$ 7,585
Restricted investments	227	227
Accounts receivable	64,297	56,510
Inventories	103,943	97,701
Deferred income taxes	8,351	9,377
Other current assets	4,652	3,401
Total current assets	185,226	174,801
Property and equipment	69,676	52,512
Goodwill	457,928	439,589
Other intangibles	385,757	363,076
Restricted investments	3,382	3,251
Deferred income taxes	471	379
Deferred financing fees	14,989	14,322
Investment in trust common securities	3,261	3,261
Other assets	2,176	1,587
Total assets	<u>\$1,122,866</u>	<u>\$1,052,778</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 30,869	\$ 28,424
Current portion of senior term loans	2,900	2,900
Current portion of capitalized lease and other obligations	30	30
Additional acquisition consideration payable	24,408	—
Accrued expenses:		
Salaries and wages	3,278	6,078
Pricing allowances	5,091	5,355
Income and other taxes	2,299	2,039
Interest	7,397	1,409
Deferred compensation	227	227
Other accrued expenses	5,984	7,899
Total current liabilities	82,483	54,361
Long term senior term loans	284,925	285,650
Bank revolving credit	9,000	12,000
Long term capitalized lease and other obligations	126	134
Long term senior notes	204,605	150,000
Junior subordinated debentures	115,730	115,837
Deferred compensation	3,382	3,251
Deferred income taxes	124,087	129,284
Other non-current liabilities	3,278	2,283
Total liabilities	<u>827,616</u>	<u>752,800</u>

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 BALANCE SHEETS (Unaudited)
(dollars in thousands)

	March 31, 2011	December 31, 2010
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)</u>		
Common stock with put options:		
Common stock, \$.01 par, 5,000 shares authorized, 198.3 issued and outstanding at March 31, 2011	12,247	12,247
Commitments and contingencies		
Stockholders' Equity:		
Preferred Stock:		
Preferred stock, \$.01 par, 5,000 shares authorized, none issued and outstanding at March 31, 2011	—	—
Common Stock:		
Common stock, \$.01 par, 5,000 shares authorized, 4,801.7 issued and outstanding at March 31, 2011	—	—
Additional paid-in capital	296,544	296,394
Accumulated deficit	(12,920)	(8,038)
Accumulated other comprehensive loss	(621)	(625)
Total stockholders' equity	<u>283,003</u>	<u>287,731</u>
Total liabilities and stockholders' equity	<u>\$1,122,866</u>	<u>\$1,052,778</u>

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)

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2011</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2010</u>
Net sales	\$ 111,294	\$ 108,460
Cost of sales (exclusive of depreciation and amortization shown separately below)	55,656	51,938
Gross profit	<u>55,638</u>	<u>56,522</u>
Operating expenses:		
Selling, general and administrative expenses	42,446	40,288
Acquisition and integration	1,290	—
Depreciation	4,439	4,290
Amortization	4,741	1,607
Management and transaction fees to related party	—	251
Total operating expenses	<u>52,916</u>	<u>46,436</u>
Other income, net	<u>365</u>	<u>82</u>
Income from operations	3,087	10,168
Interest expense, net	9,077	4,180
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	3,246
Interest expense on junior subordinated debentures	3,152	3,152
Investment income on trust common securities	<u>(95)</u>	<u>(95)</u>
Loss before income taxes	(9,047)	(315)
Income tax (benefit) provision	<u>(4,165)</u>	<u>1,254</u>
Net loss	<u>\$ (4,882)</u>	<u>\$ (1,569)</u>

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

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2011</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>March 31,</u> <u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (4,882)	\$ (1,569)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	9,180	5,897
Dispositions of property and equipment	34	—
Deferred income tax provision (benefit)	(4,239)	871
Deferred financing and original issue discount amortization	499	312
Interest on mandatorily redeemable preferred stock and management purchased options	—	3,246
Stock-based compensation expense	—	833
Changes in operating items:		
Accounts receivable	(7,052)	(11,528)
Inventories	(5,156)	295
Other assets	(1,623)	17
Accounts payable	1,923	4,868
Other accrued liabilities	1,269	(6,014)
Other items, net	1,100	679
Net cash used for operating activities	<u>(8,947)</u>	<u>(2,093)</u>
Cash flows from investing activities:		
TagWorks acquisition	(40,359)	—
Capital expenditures	(4,122)	(2,976)
Net cash used for investing activities	<u>(44,481)</u>	<u>(2,976)</u>
Cash flows from financing activities:		
Repayments of senior term loans	(725)	—
Borrowings of revolving credit loans	3,000	—
Repayments of revolving credit loans	(6,000)	—
Principal payments under capitalized lease obligations	(8)	(87)
Borrowings of senior notes	50,000	—
Premium on senior notes	4,625	—
Financing fees, net	(1,293)	—
Net cash provided by (used for) financing activities	<u>49,599</u>	<u>(87)</u>
Net decrease in cash and cash equivalents	<u>(3,829)</u>	<u>(5,156)</u>
Cash and cash equivalents at beginning of period	<u>7,585</u>	<u>17,164</u>
Cash and cash equivalents at end of period	<u>\$ 3,756</u>	<u>\$ 12,008</u>

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

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
(dollars in thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2010	\$ —	\$296,394	\$ (8,038)	\$ (625)		\$ 287,731
Net loss	—	—	(4,882)	—	\$ (4,882)	(4,882)
Issuance of 150 shares of Holdco common stock (2)	—	150	—	—	—	150
Change in cumulative foreign translation adjustment (1)	—	—	—	23	23	23
Change in derivative security value (1)	—	—	—	(19)	(19)	(19)
Comprehensive loss	—	—	—	—	\$ (4,878)	—
Balance at March 31, 2011	<u>\$ —</u>	<u>\$296,544</u>	<u>\$ (12,920)</u>	<u>\$ (621)</u>		<u>\$ 283,003</u>

- (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) In January 2011, a member of the Board of Directors purchased 150 shares of OHCP HM Acquisition Corp ("Holdco") common stock.

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 \$832,679 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).

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 statements of operations and cash flows for the period 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 sheets as of March 31, 2011 and December 31, 2010, 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 Successor Financial Statements reflect the preliminary allocation of the aggregate purchase price of \$832,679, 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 finalizing its fair value evaluation of certain assets and liabilities acquired in connection with the Merger Transaction. Thus, the allocation of the purchase price is subject to change.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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. 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:

	<u>Amount</u>
Cash paid as merger consideration	\$ 715,736
Cash paid for Quick Tag license and related patents	11,500
Fair value of consideration transferred	<u>\$ 727,236</u>
Cash	\$ 1,267
Accounts Receivable, net	68,573
Inventory, net	78,884
Other current assets	11,629
Property and equipment	53,607
Goodwill	432,455
Intangible assets	366,400
Other non-current assets	<u>3,644</u>
Total assets acquired	1,016,459
Less:	
Accounts payable	(21,021)
Deferred income taxes	(133,249)
Junior subordinated debentures	(105,443)
Junior subordinated debentures premium	(7,378)
Other liabilities assumed	<u>(22,132)</u>
Net assets acquired	<u>\$ 727,236</u>

The following table indicates the pro-forma financial statements of the Company for the three months ended March 31, 2011 and 2010. The pro forma financial statements give effect to the Merger Transaction and the acquisitions of Servalite and TagWorks (each as defined herein) as if they had occurred on January 1, 2010:

	(Unaudited) Three Months Ended March 31, 2011	(Unaudited) Three Months Ended March 31, 2010
Net Sales	\$ 114,382	\$ 116,573
Net Loss	(5,782)	(1,458)

The pro-forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro-forma results are not necessarily indicative of the operating results that would have occurred if the acquisition had been effective

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation (continued):

January 1, 2010, nor are they intended to be indicative of results that may occur in the future. The underlying pro-forma information includes the historical results of the Company, the Company's financing arrangements, and certain purchase accounting adjustments.

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 three month Successor period ended March 31, 2011 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, 2010.

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, (3) Australia under the name Hillman Group Australia Pty Ltd., (4) the U.S. under the name TagWorks LLC, ("TagWorks") and (5) 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; builder's hardware; 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. 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, 2010. 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 of America 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 Company writes off individual accounts receivable when collection becomes improbable. The allowance for doubtful accounts was \$555 at March 31, 2011 and \$520 at December 31, 2010.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

2. 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 condensed consolidated statements of operations. The Company’s shipping and handling costs were \$5,163 in the Successor three month period ended March 31, 2011 and \$4,245 in the Predecessor three month period ended March 31, 2010.

3. 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 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 were adopted on January 1, 2011. This guidance requires expanded disclosures only, and did not have a material impact on the Company’s consolidated results of operations or financial condition.

In December 2010, the FASB issued ASU No. 2010-29, “Business Combinations.” This ASU addresses the diversity in practice about the interpretation of the pro-forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also expands the supplemental pro-forma disclosures under Topic 805 to include a description of the nature and amount of material, non-recurring pro-forma adjustments directly attributable to the business combination included in the reported pro-forma revenue and earnings. All amendments in the update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company adopted this update on January 1, 2011 and the adoption of this update did not have a material impact on the Company’s consolidated results of operations or financial condition.

4. Acquisitions:

On December 29, 2010, the Hillman Group entered into a Stock Purchase Agreement (the “Agreement”) by and among Serv-A-Lite Products, Inc. (“Servalite”), Thomas Rowe, Mary Jennifer Rowe and the Hillman Group, whereby the Hillman Group acquired all of the equity interest of Servalite. The aggregate purchase price was \$21,360 paid in cash.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

4. Acquisitions (continued):

The following table reconciles the estimated fair value of the acquired Servalite assets and assumed liabilities to the total purchase price:

Account receivable	\$ 2,622
Inventory	5,734
Other current assets	144
Deferred income taxes	1,244
Property and equipment	49
Goodwill	7,185
Intangibles	<u>6,095</u>
Total assets acquired	23,073
Less:	
Liabilities assumed	<u>1,713</u>
Total purchase price	<u>\$21,360</u>

The excess of the purchase price over the net assets has been preliminarily allocated to goodwill and intangible assets by management pending final valuation by an independent appraisal. The intangible assets and goodwill are expected to be deductible for income tax purposes over a 15 year life.

On March 31, 2011, Servalite was merged with and into Hillman Group, with Hillman Group as the surviving entity.

On March 16, 2011, Hillman Group acquired all of the membership interests in TagWorks, an Arizona limited liability company (the "TagWorks Acquisition") for an initial purchase price of \$40,000 in cash. The closing purchase price is subject to post closing adjustments for certain changes in indebtedness and working capital of TagWorks and certain transaction expenses, in each case as provided in the purchase agreement.

In addition, subject to fulfillment of certain conditions provided in the purchase agreement, Hillman Group will pay additional consideration of an undiscounted \$12,500 to the sellers of TagWorks on October 31, 2011, and an additional undiscounted contingent consideration of up to \$12,500 in March 2012. The March 2012 additional consideration is contingent on achieving defined revenue and earnings targets. The fair value of the total contingent consideration arrangement of \$24,408 was estimated by applying the income approach. Key assumptions include (a) a discount rate range of 1.0 percent to 3.7 percent (b) a probability adjusted level of revenues in TagWorks and (c) a probability adjusted level of EBITDA in Tagworks.

Founded in 2007, TagWorks provides innovative pet ID tag programs to a leading pet products chain retailer using a unique, patent-protected / patent-pending technology and product portfolio. In conjunction with the TagWorks Acquisition, Hillman Group entered into a seventeen (17) year agreement with KeyWorks-KeyExpress, LLC ("KeyWorks"), a company affiliated with TagWorks, to assign its patent-pending retail key program technology to Hillman Group and to continue to work collaboratively with us to develop next generation key duplicating technology. The Company is in the process of obtaining additional and necessary information to make a determination as to whether KeyWorks is a variable interest entity which would need to be consolidated as a result of the terms of the technology development arrangement. Management does not believe that the net impact to the consolidated financial statements would be material if KeyWorks were determined to be a consolidated variable interest entity.

The closing of the TagWorks Acquisition was concurrent with an offering of \$50,000 aggregate principal amount of Hillman Group's 10.875% Senior Notes due 2018. Hillman Group used the net proceeds of the offering of the notes to fund the acquisition of TagWorks, to repay a portion of indebtedness under its revolving credit facility and to pay related transaction and financing fees. The notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

4. Acquisitions (continued):

The following table reconciles the estimated fair value of the acquired TagWorks assets and assumed liabilities to the total purchase price:

Account receivable	\$ 735
Inventory	1,086
Other current assets	217
Deferred income taxes	24
Property and equipment	17,518
Goodwill	18,286
Intangibles	<u>27,423</u>
Total assets acquired	65,289
Less:	
Liabilities assumed	<u>522</u>
Total purchase price	<u>\$64,767</u>

The excess of the purchase price over the net assets has been preliminarily allocated to goodwill and intangible assets by management pending final valuation by an independent appraisal. Additional adjustments to the preliminary purchase price allocation may be necessary if KeyWorks is determined to be a consolidated variable interest entity. Management expects to complete this analysis after obtaining all necessary information. The intangible assets and goodwill are expected to be deductible for income tax purposes over a 15 year life.

5. Other Intangibles:

Intangible assets are amortized over their useful lives and are subject to impairment testing. The values assigned to intangible assets in connection with the Merger Transaction were determined through an independent appraisal. In connection with the Merger Transaction, the Company acquired the Quick Tag license for consideration amounting to \$11,500. The values assigned to intangible assets in connection with the acquisitions of Servalite and TagWorks were determined by management pending independent appraisals. The intangible asset values may be adjusted by management for any changes upon completion of the independent appraisals. Other intangibles as of March 31, 2011 and December 31, 2010 consist of the following:

	Estimated Useful Life (Years)	March 31, 2011	December 31, 2010
Customer relationships	20	\$310,120	\$ 295,120
Trademarks	Indefinite	51,294	48,871
Patents	5-20	24,900	15,900
Quick Tag license	6	11,500	11,500
Laser Key license	5	1,250	1,250
Non compete agreements	5.5	2,104	1,104
Intangible assets, gross		401,168	373,745
Less: Accumulated amortization		15,411	10,669
Other intangibles, net		<u>\$385,757</u>	<u>\$ 363,076</u>

Intangible assets are amortized over their useful lives. The Predecessor's amortization expense for amortizable assets was \$1,607 for the three months ended March 31, 2010. The Successor's amortization expense for amortizable assets for the three months ended March 31, 2011 was \$4,741. The amortization expense for amortizable assets of the Successor for the year ended December 31, 2011 is estimated to be \$19,921. For the years ended December 31, 2012, 2013, 2014, 2015, and 2016, the Successor's amortization expense for amortizable assets is estimated to be \$20,240, \$20,240, \$20,240, \$19,579 and \$17,628, respectively.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 from development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability of approximately \$1,846 recorded for such risk insurance reserves is adequate as of March 31, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

As of March 31, 2011, the Company has provided certain vendors and insurers letters of credit aggregating \$5,944 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 \$1,742 recorded for such group health insurance reserves is adequate as of March 31, 2011, 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. A claim construction hearing on the Company's patent infringement claim against Hy-Ko Products occurred in September 2010 and a ruling is expected in the first half of 2011.

In its antitrust claim against the Company, Hy-Ko Products is seeking monetary damages which would be trebled under the antitrust laws, interest and attorney's fees as well as injunctive relief. The antitrust claim against the Company has been stayed pending the resolution of the patents claim against Hy-Ko Products. 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.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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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 three month period ended March 31, 2011. The Predecessor recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of \$251 for the three month period ended March 31, 2010.

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 \$83 for the three month period ended March 31, 2011. The Predecessor recorded rental expense for the lease of this facility in the amount of \$83 for the three month period ended March 31, 2010.

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 provision for the three month Predecessor period ended March 31, 2010 was 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 provision for the Predecessor period ended March 31, 2010 was calculated by multiplying pre-tax earnings, adjusted for permanent book-versus-tax basis differences, by the statutory income tax rate. In the three month Successor period ended March 31, 2011, the Company applied an estimated annual effective tax rate to the interim period pre-tax loss to calculate the income tax benefit in accordance with the principal method prescribed by ASC 740-270, the accounting guidance established for computing income taxes in interim periods.

The effective income tax rates were 46.0% and -398.1% for the three month periods ended March 31, 2011 and 2010, respectively. The differences between the effective income tax rate and the federal statutory rate in the three month Successor period ended March 31, 2011 was primarily due to a current period charge caused by the effect of changes in certain state income tax rates on the Company's deferred tax assets and liabilities. The effective income tax rate differed from the federal statutory rate in the three month Predecessor period ended March 31, 2010 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 HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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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 2018 (the "10.875% Senior Notes"). On March 16, 2011, Hillman Group completed an offering of \$50,000 aggregate principal amount of its 10.875% Senior Notes. Hillman Group received a premium of \$4,625 on the \$50,000 note offering. The 10.875% Senior Notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group. Hillman Group pays interest on the 10.875% Senior Notes semi-annually on June 1 and December 1 of each year.

The Senior Facilities contain financial and operating covenants which require the Company to maintain certain financial ratios, including a secured leverage ratio. 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 March 31, 2011, the Company had \$15,056 available under the Revolver.

10. Common and Preferred Stock:

The Hillman Companies has one class of Common Stock, with 5,000 shares authorized and issued as of March 31, 2011. All outstanding shares of Hillman Companies' common stock are owned by Holdco.

Under the terms of the Stockholders Agreement for the Holdco Common Stock, management shareholders have the ability to put their shares back to Holdco under certain conditions, including death or disability. ASC 480-10-S99 requires shares to be classified outside of permanent equity if they can be redeemed and the redemption is not solely within control of the issuer. Further, if it is determined that redemption of the shares is probable, the shares are marked to redemption value which equals fair value at each balance sheet date with the change in fair value recorded in additional paid-in capital. Accordingly, the 198.3 shares of common stock held by management are recorded outside permanent equity and have been adjusted to the fair value of \$12,247 as of March 31, 2011.

The Hillman Companies has one class of Preferred Stock, with 5,000 shares authorized and none issued as of March 31, 2011.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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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 Company's 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 with the holder receiving a per share amount in cash equal to the per share Merger consideration less the applicable exercise price.

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.

On November 23, 2010, the Company granted 26,700 common options under the Option Plan, on December 23, 2010, the Company granted 5,584 common options under the Option Plan and on January 3, 2011, the Company granted 300 common options under the Option Plan. The options were granted with an exercise price of one thousand dollars per option which was equal to the grant date fair value of the underlying securities.

Common option holders are not required by the terms of the Option Agreement or the Shareholder Agreement to hold the shares for any period of time following exercise. Since the arrangement permits the holders to put the shares back without being exposed to the risks and rewards of the shares for a reasonable period of time, liability classification is required. The Company has elected to use the intrinsic value method to value the common options.

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

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 \$50,000. 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.

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. At March 31, 2011, the fair value was \$(643), net of \$406 in taxes. As of December 31, 2010, the fair value of the 2010 Swap was \$(624), net of \$392 in taxes. The 2010 Swap was reported on the condensed consolidated balance sheet in other non-current liabilities with an unrealized loss recorded as a component of other comprehensive income in stockholders’ equity.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 March 31, 2011 and December 31, 2010, by level, within the fair value hierarchy:

	As of March 31, 2011			
	Level 1	Level 2	Level 3	Total
Trading securities	\$3,609	\$ —	\$ —	\$ 3,609
Interest rate swap	—	(1,049)	—	(1,049)

	As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Trading securities	\$3,478	\$ —	\$ —	\$ 3,478
Interest rate swap	—	(1,016)	—	(1,016)

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 three months ended March 31, 2011, the unrealized gains on these securities of \$106 were recorded by the Successor as other income. For the three months ended March 31, 2010, the unrealized gains on these securities of \$81 were recorded by the Predecessor 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.

The interest rate 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 March 31, 2011 and December 31, 2010 on the accompanying condensed consolidated balance sheet. Prior to its termination on May 24, 2010, the 2008 Swap was reported on the condensed consolidated balance sheet in other non-current liabilities.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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14. Acquisition and Integration Expenses:

For the three months ended March 31, 2011, the Company incurred \$1,290 of charges for banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks acquisition and the start-up of operations for Hillman Australia.

15. Subsequent Events:

Effective April 18, 2011, the Company completed an amendment to its existing Senior Facilities credit agreement. The Senior Facilities amendment eliminated the total leverage and interest coverage covenants and reduced the secured leverage covenant to 4.75x with no future step downs. The term loan pricing was modified to reduce the Eurodollar Margin and the Base Rate Margin by 25 basis points and reduce the floor on Eurodollar and Base Rate Loans by an additional 25 basis points.

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 March 31, 2011. There were no additional 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 Australian, 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.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 March 31, 2011
(Amounts in thousands)

	Successor				Consolidating Adjustments	Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
Net sales	\$ -	\$ 99,469	\$ 7,876	\$ 3,949	\$ -	\$ 111,294
Cost of sales	-	49,521	3,971	2,217	(53)	55,656
Gross profit	-	49,948	3,905	1,732	53	55,638
Operating expenses:						
Selling, general and administrative expenses	106	37,402	3,209	1,729	-	42,446
Acquisition and integration expense	-	1,250	-	40	-	1,290
Depreciation	-	4,224	197	18	-	4,439
Amortization	4,608	-	133	-	-	4,741
Intercompany administrative (income) expense	-	(60)	-	60	-	-
Total operating expenses	4,714	42,816	3,539	1,847	-	52,916
Other (expense) income, net	106	(47)	(2)	308	-	365
Income (loss) from operations	(4,608)	7,085	364	193	53	3,087
Intercompany interest (income) expense	(3,058)	3,058	-	-	-	-
Interest expense, net	(106)	9,183	-	-	-	9,077
Interest expense on junior subordinated debentures	3,152	-	-	-	-	3,152
Investment income on trust common securities	(95)	-	-	-	-	(95)
Income (loss) before equity in subsidiaries' income	(4,501)	(5,156)	364	193	53	(9,047)
Equity in subsidiaries' income (loss)	(4,876)	280	-	-	4,596	-
Income (loss) before income taxes	(9,377)	(4,876)	364	193	4,649	(9,047)
Income tax provision (benefit)	(4,442)	-	176	101	-	(4,165)
Net income (loss)	<u>\$ (4,935)</u>	<u>\$ (4,876)</u>	<u>\$ 188</u>	<u>\$ 92</u>	<u>\$ 4,649</u>	<u>\$ (4,882)</u>
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	23	-	23
Change in derivative security value	-	(19)	-	-	-	(19)
Total comprehensive income (loss)	<u>\$ (4,935)</u>	<u>\$ (4,895)</u>	<u>\$ 188</u>	<u>\$ 115</u>	<u>\$ 4,649</u>	<u>\$ (4,878)</u>

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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(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 March 31, 2010
(Amounts in thousands)

	Predecessor				Consolidating Adjustments	Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
Net sales	\$ -	\$ 102,585	\$ 3,410	\$ 2,465	\$ -	\$ 108,460
Cost of sales	-	48,083	2,650	1,181	24	51,938
Gross profit	-	54,502	760	1,284	(24)	56,522
Operating expenses:						
Selling, general and administrative expenses	1,508	36,919	858	1,003	-	40,288
Depreciation	-	4,232	19	39	-	4,290
Amortization	1,598	-	9	-	-	1,607
Intercompany administrative (income) expense	-	(60)	-	60	-	-
Management and transaction fees to related party	251	-	-	-	-	251
Total operating expenses	3,357	41,091	886	1,102	-	46,436
Other (expense) income, net	81	(21)	(217)	239	-	82
Income (loss) from operations	(3,276)	13,390	(343)	421	(24)	10,168
Intercompany interest (income) expense	(3,058)	3,058	-	-	-	-
Interest expense, net	(89)	4,269	-	-	-	4,180
Interest on mandatorily redeemable preferred stock and management purchased options	3,246	-	-	-	-	3,246
Interest expense on junior subordinated debentures	3,152	-	-	-	-	3,152
Investment income on trust common securities	(95)	-	-	-	-	(95)
Income (loss) before equity in subsidiaries' income	(6,432)	6,063	(343)	421	(24)	(315)
Equity in subsidiaries' income (loss)	6,037	(26)	-	-	(6,011)	-
Income (loss) before income taxes	(395)	6,037	(343)	421	(6,035)	(315)
Income tax provision (benefit)	1,150	-	(49)	153	-	1,254
Net income (loss)	\$ (1,545)	\$ 6,037	\$ (294)	\$ 268	\$(6,035)	\$ (1,569)
Other comprehensive income (loss):						
Foreign currency translation adjustments	-	-	-	(37)	-	(37)
Change in derivative security value	-	10	-	-	-	10
Total comprehensive income (loss)	\$ (1,545)	\$ 6,047	\$ (294)	\$ 231	\$(6,035)	\$ (1,596)

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

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

Condensed Consolidating Balance Sheet (Unaudited)
As of March 31, 2011
(Amounts in thousands)

	Successor				Consolidating Adjustments	Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1	\$ 806	\$ 2,102	\$ 847	\$ -	\$ 3,756
Restricted investments	227	-	-	-	-	227
Accounts receivable	-	61,174	7,932	(4,809)	-	64,297
Inventories	-	89,230	11,218	3,780	(285)	103,943
Deferred income taxes	7,083	-	1,654	225	(611)	8,351
Other current assets	-	3,102	758	792	-	4,652
Total current assets	7,311	154,312	23,664	835	(896)	185,226
Intercompany notes receivable	105,446	-	-	-	(105,446)	-
Intercompany interest receivable	3,058	-	-	-	(3,058)	-
Investments in subsidiaries	(621,426)	96,978	-	-	524,448	-
Property and equipment	-	51,785	17,655	236	-	69,676
Goodwill	430,622	1,555	25,471	-	280	457,928
Other intangibles	352,372	-	33,385	-	-	385,757
Restricted investments	3,382	-	-	-	-	3,382
Deferred income taxes	28,634	406	(127)	471	(28,913)	471
Deferred financing fees	-	14,989	-	-	-	14,989
Investment in trust common securities	3,261	-	-	-	-	3,261
Other assets	-	1,309	25	842	-	2,176
Total assets	<u>\$ 312,660</u>	<u>\$ 321,334</u>	<u>\$ 100,073</u>	<u>\$ 2,384</u>	<u>\$ 386,415</u>	<u>\$ 1,122,866</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	\$ -	\$ 28,730	\$ 1,650	\$ 489	\$ -	\$ 30,869
Current portion of senior term loans	-	2,900	-	-	-	2,900
Additional acquisition consideration	-	24,408	-	-	-	24,408
Current portion of capitalized lease and	-	30	-	-	-	30
Accrued expenses:						
Salaries and wages	-	2,716	406	156	-	3,278
Pricing allowances	-	4,531	60	500	-	5,091
Income and other taxes	(445)	1,851	232	661	-	2,299
Interest	-	7,397	-	-	-	7,397
Deferred compensation	227	-	-	-	-	227
Other accrued expenses	-	5,437	281	266	-	5,984
Total current liabilities	(218)	78,000	2,629	2,072	-	82,483

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

Condensed Consolidating Balance Sheet (Unaudited)
As of March 31, 2011
(Amounts in thousands)

	Successor				Consolidating Adjustments	Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)						
Intercompany debt payable	-	105,446	-	-	(105,446)	-
Intercompany interest payable	-	3,058	-	-	(3,058)	-
Long term senior term loans	-	284,925	-	-	-	284,925
Bank revolving credit	-	9,000	-	-	-	9,000
Long term portion of capitalized leases	-	126	-	-	-	126
Long term senior notes	-	204,605	-	-	-	204,605
Junior subordinated debentures	115,730	-	-	-	-	115,730
Mandatorily redeemable preferred stock	-	-	-	-	-	-
Management purchased preferred options	-	-	-	-	-	-
Deferred compensation	3,382	-	-	-	-	3,382
Deferred income taxes, net	153,557	-	54	-	(29,524)	124,087
Accrued dividends on preferred stock	-	-	-	-	-	-
Other non-current liabilities	-	3,278	-	-	-	3,278
Total liabilities	<u>272,451</u>	<u>688,438</u>	<u>2,683</u>	<u>2,072</u>	<u>(138,028)</u>	<u>827,616</u>
Common stock with put options:						
Common stock, \$.01 par, 5,000 shares authorized, 198.3 issued and outstanding at March 31, 2011	12,247	-	-	-	-	12,247
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, \$.01 par, 5,000 shares authorized, none issued and outstanding at March 31, 2011	-	-	-	-	-	-
Common Stock:						
Common stock, \$.01 par, 5,000 shares authorized, 4,801.7 issued and outstanding at March 31, 2011	-	-	65	-	(65)	-
Additional paid-in capital	133,529	(149,859)	96,913	341	215,620	296,544
Accumulated deficit	(105,567)	(216,602)	412	430	308,407	(12,920)
Accumulated other comprehensive loss	-	(643)	-	(459)	481	(621)
Total stockholders' equity	<u>27,962</u>	<u>(367,104)</u>	<u>97,390</u>	<u>312</u>	<u>524,443</u>	<u>283,003</u>
Total liabilities and stockholders' equity	<u>\$ 312,660</u>	<u>\$ 321,334</u>	<u>\$ 100,073</u>	<u>\$ 2,384</u>	<u>\$ 386,415</u>	<u>\$ 1,122,866</u>

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(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2010
(Amounts in thousands)

	Successor					Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consol- idating Adjust- ments	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1	\$ 5,166	\$ 1,119	\$ 1,299	\$ -	\$ 7,585
Restricted investments	227	-	-	-	-	227
Accounts receivable	-	54,528	7,139	(5,157)	-	56,510
Inventories	-	84,011	10,644	3,384	(338)	97,701
Deferred income taxes	7,267	-	1,885	225	-	9,377
Other current assets	-	2,239	364	798	-	3,401
Total current assets	7,495	145,944	21,151	549	(338)	174,801
Intercompany notes receivable	105,446	-	-	-	(105,446)	-
Investments in subsidiaries	(615,609)	31,720	-	-	583,889	-
Property and equipment	-	52,005	276	231	-	52,512
Goodwill	430,564	1,561	7,184	-	280	439,589
Other intangibles	356,981	-	6,095	-	-	363,076
Restricted investments	3,251	-	-	-	-	3,251
Deferred income taxes	25,423	392	(201)	379	(25,614)	379
Deferred financing fees	-	14,322	-	-	-	14,322
Investment in trust common securities	3,261	-	-	-	-	3,261
Other assets	-	900	25	662	-	1,587
Total assets	\$ 316,812	\$ 246,844	\$ 34,530	\$ 1,821	\$ 452,771	\$ 1,052,778
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	\$ -	\$ 27,433	\$ 659	\$ 332	\$ -	\$ 28,424
Current portion of senior term loans	-	2,900	-	-	-	2,900
Current portion of capitalized lease and other obligations	-	30	-	-	-	30
Accrued expenses:						
Salaries and wages	-	5,395	505	178	-	6,078
Pricing allowances	-	4,862	13	480	-	5,355
Income and other taxes	(283)	1,749	153	420	-	2,039
Interest	-	1,409	-	-	-	1,409
Deferred compensation	227	-	-	-	-	227
Other accrued expenses	-	6,484	1,201	214	-	7,899
Total current liabilities	(56)	50,262	2,531	1,624	-	54,361

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

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

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2010
(Amounts in thousands)

	Successor				Consolidating Adjustments	Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)						
Intercompany debt payable	-	105,446	-	-	(105,446)	-
Intercompany interest payable	-	-	-	-	-	-
Long term senior term loans	-	285,650	-	-	-	285,650
Bank revolving credit	-	12,000	-	-	-	12,000
Long term portion of capitalized lease and other obligations	-	134	-	-	-	134
Long term senior notes	-	150,000	-	-	-	150,000
Long term unsecured subordinated notes	-	-	-	-	-	-
Junior subordinated debentures	115,837	-	-	-	-	115,837
Deferred compensation	3,251	-	-	-	-	3,251
Deferred income taxes, net	154,844	-	54	-	(25,614)	129,284
Other non-current liabilities	-	2,283	-	-	-	2,283
Total liabilities	273,876	605,775	2,585	1,624	(131,060)	752,800
Common stock with put options:						
Common stock, \$.01 par, 5,000 shares authorized, 198.4 issued and outstanding at December 31, 2010	12,247	-	-	-	-	12,247
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, \$.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2010	-	-	-	-	-	-
Common Stock:						
Common stock, \$.01 par, 5,000 shares authorized, 4,801.6 issued and outstanding at December 31, 2010	-	-	65	-	(65)	-
Additional paid-in capital	133,138	(149,918)	31,656	341	281,177	296,394
Accumulated deficit	(102,449)	(208,389)	224	338	302,238	(8,038)
Accumulated other comprehensive loss	-	(624)	-	(482)	481	(625)
Total stockholders' equity	30,689	(358,931)	31,945	197	583,831	287,731
Total liabilities and stockholders' equity	\$ 316,812	\$ 246,844	\$ 34,530	\$ 1,821	\$ 452,771	\$ 1,052,778

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the three months ended March 31, 2011
(Amounts in thousands)

	Successor					Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consol- idating Adjust- ments	
Cash flows from operating activities:						
Net income (loss)	\$ (59)	\$ (5,156)	\$ 188	\$ 92	\$ 53	\$ (4,882)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	4,608	4,224	330	18	-	9,180
Dispositions of property and equipment	-	31	3	-	-	34
Deferred income tax provision (benefit)	(4,314)	(14)	181	(92)	-	(4,239)
Deferred financing and original issue discount amortization	(107)	606	-	-	-	499
Changes in operating items:						
Accounts receivable	-	(6,534)	814	(1,332)	-	(7,052)
Inventories	-	(5,219)	512	(396)	(53)	(5,156)
Other assets	-	(1,384)	(1,049)	810	-	(1,623)
Accounts payable	-	1,297	469	157	-	1,923
Other accrued liabilities	(162)	5,091	(893)	291	(3,058)	1,269
Other items, net	34	(2,495)	489	14	3,058	1,100
Net cash provided by (used for) operating activities	-	(9,553)	1,044	(438)	-	(8,947)
Cash flows from investing activities:						
TagWorks acquisition	-	(40,359)	-	-	-	(40,359)
Capital expenditures	-	(4,047)	(61)	(14)	-	(4,122)
Net cash used for investing activities	-	(44,406)	(61)	(14)	-	(44,481)
Cash flows from financing activities:						
Repayments of senior term loans	-	(725)	-	-	-	(725)
Borrowings of revolving credit loans	-	3,000	-	-	-	3,000
Repayments of revolving credit loans	-	(6,000)	-	-	-	(6,000)
Principal payments under capitalized lease obligations	-	(8)	-	-	-	(8)
Borrowings of senior notes	-	50,000	-	-	-	50,000
Premium on senior notes	-	4,625	-	-	-	4,625
Financing fees, net	-	(1,293)	-	-	-	(1,293)
Net cash provided by financing activities	-	49,599	-	-	-	49,599
Net (decrease) increase in cash and cash equivalents	-	(4,360)	983	(452)	-	(3,829)
Cash and cash equivalents at beginning of period	1	5,166	1,119	1,299	-	7,585
Cash and cash equivalents at end of period	<u>\$ 1</u>	<u>\$ 806</u>	<u>\$ 2,102</u>	<u>\$ 847</u>	<u>\$ -</u>	<u>\$ 3,756</u>

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the three months ended March 31, 2010
(Amounts in thousands)

	Predecessor					Consolidated
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consol- idating Adjust- ments	
Cash flows from operating activities:						
Net income (loss)	\$ (7,582)	\$ 6,063	\$ (294)	\$ 268	\$ (24)	\$ (1,569)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:						
Depreciation and amortization	1,598	4,232	28	39	-	5,897
Dispositions of property and equipment	-	-	-	-	-	-
Deferred income tax provision (benefit)	872	6	(40)	33	-	871
Deferred financing and original issue discount amortization	(89)	401	-	-	-	312
Interest on mandatorily redeemable preferred stock and management purchased options	3,246	-	-	-	-	3,246
Stock-based compensation expense	833	-	-	-	-	833
Changes in operating items:						
Accounts receivable	-	(11,375)	(188)	35	-	(11,528)
Inventories	-	237	271	(237)	24	295
Other assets	-	(797)	533	281	-	17
Accounts payable	-	4,756	(74)	186	-	4,868
Interest payable on junior subordinated debentures	-	-	-	-	-	-
Other accrued liabilities	168	(3,459)	132	203	(3,058)	(6,014)
Other items, net	(2,908)	(3,288)	-	(46)	6,921	679
Net cash (used for) provided by operating activities	<u>(3,862)</u>	<u>(3,224)</u>	<u>368</u>	<u>762</u>	<u>3,863</u>	<u>(2,093)</u>
Cash flows from investing activities:						
Capital expenditures	-	(2,967)	(7)	(2)	-	(2,976)
Other, net	3,863	-	-	-	(3,863)	-
Net cash provided by (used for) investing activities	<u>3,863</u>	<u>(2,967)</u>	<u>(7)</u>	<u>(2)</u>	<u>(3,863)</u>	<u>(2,976)</u>
Cash flows from financing activities:						
Borrowings under capitalized lease obligations	-	-	-	-	-	-
Principal payments under capitalized lease obligations	-	(87)	-	-	-	(87)
Net cash used for financing activities	<u>-</u>	<u>(87)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87)</u>
Net increase (decrease) in cash and cash equivalents	1	(6,278)	361	760	-	(5,156)
Cash and cash equivalents at beginning of period	1	16,282	518	363	-	17,164
Cash and cash equivalents at end of period	<u>\$ 2</u>	<u>\$ 10,004</u>	<u>\$ 879</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 12,008</u>

Item 2.

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the 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, 2010. 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. 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's principal business is operated 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, (3) Australia under the name Hillman Group Australia Pty Ltd., (4) the U.S. under the name TagWorks LLC, ("TagWorks") and (5) primarily in Florida under the name All Points Industries, Inc. ("All Points"). 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

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thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; builder's hardware; 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 OHCP HM Acquisition Corp. ("Holdco"). The total consideration paid in the Merger Transaction was \$832.7 million which includes \$11.5 million for the Quick Tag license and related patents, repayment of outstanding debt and the net value of the Company's outstanding junior subordinated debentures (\$105.4 million liquidation value at time of the merger).

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. 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 statements of operations and cash flows for the period 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 sheets as of March 31, 2011 and December 31, 2010, 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").

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 2018 (the "10.875% Senior Notes"), which are guaranteed by Hillman, Hillman Investment and all of Hillman Group's domestic subsidiaries. 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

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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.

In connection with the TagWorks acquisition, Hillman Group completed an offering of \$50 million aggregate principal amount of its 10.875% Senior Notes due 2018. The Hillman Group previously issued \$150 million aggregate principal amount of its 10.875% Senior Notes due 2018 in May 2010. The notes are guaranteed by The Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of The Hillman Group.

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. 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 is required to accrue the full amount of all interest payable, and such deferred interest payable is immediately payable by the Company at the end of the Deferral Period.

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. This interest rate swap qualifies for hedge accounting based on the shortcut method under ASC 815, Derivatives and Hedging.

Recent Developments

Effective April 18, 2011, the Company completed an amendment to its existing Senior Facilities credit agreement. The Senior Facilities amendment eliminated the total leverage and interest coverage covenants and reduced the secured leverage covenant to 4.75x with no future step downs. The term loan pricing was modified to reduce the Eurodollar Margin and the Base Rate Margin by 25 basis points and reduce the floor on Eurodollar and Base Rate Loans by an additional 25 basis points. The Senior Facilities amendment relaxed the restrictions on acquisitions and permitted indebtedness to provide greater acquisition flexibility.

In conjunction with the TagWorks Acquisition, Hillman Group entered into a seventeen (17) year agreement with KeyWorks-KeyExpress, LLC ("KeyWorks"), a company affiliated with TagWorks, to assign its patent-pending retail key program technology to Hillman Group and to continue to work collaboratively with us to develop next generation key duplicating technology. The Company is in the process of obtaining additional and necessary information to make a determination as to whether KeyWorks is a variable interest entity which would need to be consolidated as a result of the terms of the technology development arrangement. Management does not believe that the net impact to the consolidated financial statements would be material if KeyWorks were determined to be a consolidated variable interest entity.

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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 March 31, 2011 and the Predecessor period of the three months ended March 31, 2010.

	Successor		Predecessor	
	Three Months ended March 31, 2011		Three Months ended March 31, 2010	
(dollars in thousands)	Amount	% of Total	Amount	% of Total
Net sales	\$ 111,294	100.0%	\$ 108,460	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	55,656	50.0%	51,938	47.9%
Gross profit	55,638	50.0%	56,522	52.1%
Operating expenses:				
Selling	21,903	19.7%	20,846	19.2%
Warehouse & delivery	13,035	11.7%	11,824	10.9%
General & administrative	7,508	6.7%	6,191	5.7%
Stock compensation expense	—	0.0%	1,427	1.3%
Total SG&A	42,446	38.1%	40,288	37.1%
Acquisition and integration (a)	1,290	1.2%	—	0.0%
Depreciation	4,439	4.0%	4,290	4.0%
Amortization	4,741	4.3%	1,607	1.5%
Management and transaction fees to related party	—	0.0%	251	0.2%
Total operating expenses	52,916	47.5%	46,436	42.8%
Other income, net	365	0.3%	82	0.1%
Income from operations	3,087	2.8%	10,168	9.4%
Interest expense, net	9,077	8.2%	4,180	3.9%
Interest expense on mandatorily redeemable preferred stock & management purchased options	—	0.0%	3,246	3.0%
Interest expense on junior subordinated notes	3,152	2.8%	3,152	2.9%
Investment income on trust common securities	(95)	-0.1%	(95)	-0.1%
Loss before income taxes	(9,047)	-8.1%	(315)	-0.3%
Income tax (benefit) provision	(4,165)	-3.7%	1,254	1.2%
Net loss	\$ (4,882)	-4.4%	\$ (1,569)	-1.4%

(a) Represents charges for investment banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks acquisition and the start-up of operations for Hillman Australia.

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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 2011 or through fiscal 2012, 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 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. The trend of rising commodity costs accelerated in the first half of 2008. 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, most of 2010 and the first three months of 2011, 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. The Company took pricing action in the first quarter of 2011 in an attempt to offset a portion of the product cost increases. 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 March 31, 2011 vs Predecessor Period of the Three Months Ended March 31, 2010

Revenues

Net sales for the first quarter 2011 were \$111.3 million, an increase of \$2.8 million or 2.6%, compared to net sales of \$108.5 million for the first quarter of 2010. Excluding the first quarter net sales of \$5.0 million for the newly acquired Servalite and TagWorks businesses, the first quarter of 2011 net sales were \$2.2 million or 2.0% less than the prior year period. The reduction in net sales was primarily the result of fewer new product rollouts in our national accounts business.

Gross Profit

The Company's gross profit percentage was 50.0% in the first quarter of 2011 compared to 52.1% in the first quarter of 2010. The margin decline in the first quarter of 2011 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,

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including Taiwan and China. Ocean cargo rates have increased approximately 20-25% from the prior year. This has resulted in a significant increase in the landed cost of our products. The Company initiated pricing action in the latter part of the first quarter of 2011 to recover a portion of the increased product costs.

Expenses

Operating expenses for the first quarter of 2011 were \$52.9 million compared to \$46.4 million for the first quarter of 2010. The following changes in underlying trends impacted the change in operating expenses:

- Warehouse and delivery expense was \$13.0 million, or 11.7% of net sales, in the first quarter of 2011 compared to \$11.8 million, or 10.9% of net sales in the first quarter of 2010. Outbound and inter-branch freight expense, the largest component of warehouse and delivery expense, increased from 4.3% of net sales in the first quarter of 2010 to 4.9% of net sales in the first quarter of 2011. The 2011 freight costs included the negative impact of higher fuel surcharges and lower average customer order sizes.
- General and administrative (“G&A”) expenses of \$7.5 million in the first quarter of 2011 were \$1.3 million higher than the first quarter of 2010. The increase in G&A expenses was primarily the result of an increase of \$0.7 million in legal and professional costs together with the increased G&A expenses associated with the Servalite and TagWorks acquisitions.
- No stock compensation expense was recorded in the first quarter of 2011. The stock compensation expense of the Successor is dependent upon the valuation of underlying shares due to the classification of liability based awards. The stock compensation expense of the Predecessor was \$1.4 million in the first quarter of 2010.
- Acquisition and integration expense of \$1.3 million in the first quarter of 2011 represents charges for banking, legal and other professional fees incurred in connection with the Merger Transaction, Servalite acquisition, TagWorks acquisition and the start-up of operations for Hillman Australia. There were no acquisition and integration expenses in the first quarter of 2010.
- Amortization expense was \$4.7 million in the first quarter of 2011, or an estimated annual rate of \$18.8 million. The amortization expense of \$1.6 million in the first quarter of 2010 amounted to an estimated annual amount of approximately \$6.4 million. The higher annual rate of amortization expense for the 2011 period was due to the increase in intangible assets, subject to amortization, acquired as a result of the Merger Transaction, Servalite acquisition and TagWorks acquisition.
- Interest expense, net, was \$9.1 million in the first quarter of 2011, or an estimated annual rate of approximately \$36.4 million. The interest expense was \$4.2 million for the first quarter of 2010, or an estimated annual rate of approximately \$16.8 million. The increase in estimated annual interest expense was primarily the result of the higher level of debt outstanding as a result of the Merger Transaction, Servalite acquisition and TagWorks acquisition.
- The Successor incurred no interest expense on mandatorily redeemable preferred stock and management purchased options in the first quarter of 2011 as a result of their redemption in connection with the Merger Transaction. The interest expense on these securities was \$3.2 million for the first quarter of 2010.

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Income Taxes

The Company recorded an income tax benefit of (\$4.2) million on a pre-tax loss of (\$9.1) million in the first quarter of 2011, compared to an income tax provision of \$1.2 million on a pre-tax loss of (\$0.3) million in the first quarter of 2010. The effective income tax rates were 46.0% and -398.1% for the three months ended March 31, 2011 and 2010, respectively. In the Successor period ended March 31, 2011, the effective income tax rate differed from the federal statutory rate primarily due to a current period charge caused by the effect of changes in certain state income tax rates on the company's deferred tax assets and liabilities. The remaining differences between the effective income tax rate and the federal statutory rate in the three month period ended March 31, 2011 was primarily due to state and foreign income taxes.

In the Predecessor period ended March 31, 2010, 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 decreased the effective income tax rate from the federal statutory rate by -378.2% in the three month period ended March 31, 2010. The remaining difference between the effective income tax rate and the federal statutory rate in the three-month period ended March 31, 2010 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 three months ended March 31, 2011 (Successor) and the three months ended March 31, 2010 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities.

Operating Activities

Net cash used by operating activities for the quarter ended March 31, 2011 of \$8.9 million was the result of the net loss adjusted for non-cash charges of \$0.6 million for depreciation, amortization, deferred taxes, and deferred financing which was offset by cash related adjustments of \$9.5 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In the first three months of 2011, routine operating activities used cash through an increase in accounts receivable of \$7.0 million, inventories of \$5.2 million and other assets of \$1.6 million. This was partially offset by an increase in accounts payable of \$1.9 million, accrued liabilities of \$1.3 million and other of \$1.1 million. 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.

Net cash used for operating activities for the quarter ended March 31, 2010 of \$2.1 million was the result of the net loss adjusted for non-cash charges of \$9.6 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 \$11.7 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In the first quarter of 2010, routine operating activities used cash through an increase in accounts receivable of \$11.5 million and a decrease in accrued liabilities of \$6.0 million. This was partially offset by an increase in accounts payable of \$4.9 million and decreases in inventories of \$0.3 million and other of \$0.6 million. The increase in accounts receivable was the result of the seasonal increase in sales for the latter part of the first quarter. The decrease in accrued liabilities was the result of routine payment of prior year end accrued payroll and bonus amounts.

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Investing Activities

Net cash used for investing activities was \$44.5 million for the quarter ended March 31, 2011. The Company used \$40.4 million for the acquisition of TagWorks. Capital expenditures for the three months totaled \$4.1 million, consisting of \$1.5 million for key duplicating machines, \$1.1 million for engraving machines and \$1.5 million for computer software and equipment.

Net cash used for investing activities was \$3.0 million for the quarter ended March 31, 2010. Capital expenditures for the quarter totaled \$3.0 million, consisting of \$2.2 million for key duplicating machines, \$0.2 million for engraving machines and \$0.6 million for computer software and equipment.

Financing Activities

Net cash provided by financing activities was \$49.6 million for the quarter ended March 31, 2011. The net cash provided by financing activities was primarily related to the issuance of \$50.0 million in 10.875% Senior Notes together with the \$4.6 million note premium. This was partially offset by net cash used of \$3.0 million for repayments on the revolving credit facility, \$1.3 million in financing fees on the 10.875% Senior Notes and \$0.7 million in principal payments on the senior term loans.

Net cash used for financing activities was \$0.1 million for the quarter ended March 31, 2010. The net cash used was primarily related to the principal payments on capitalized lease obligations.

Liquidity

Management believes projected cash flows from operations and revolver availability will be sufficient to fund working capital and capital expenditure needs for the next 12 months.

The Company's working capital (current assets minus current liabilities) position of \$102.7 million as of March 31, 2011, represents a decrease of \$17.7 million from the December 31, 2010 level of \$120.4 million as follows:

(dollars in thousands)	Amount
Decrease in cash and cash equivalents	\$ (3,829)
Increase in accounts receivable, net	7,787
Increase in inventories, net	6,242
Increase in other current assets	1,251
Decrease in deferred taxes	(1,026)
Increase in accounts payable	(2,445)
Increase in additional acquisition consideration	(24,408)
Decrease in accrued salaries and wages	2,800
Decrease in accrued pricing allowances	264
Increase in accrued income and other taxes	(260)
Increase in accrued interest	(5,988)
Decrease in other accrued liabilities	1,915
Net decrease in working capital for the quarter ended March 31, 2011	\$(17,697)

The decrease in the Company's working capital as of March 31, 2011 was primarily the result of the March 16, 2011 acquisition of TagWorks which included \$24,408 in additional acquisition consideration as a reduction to working capital.

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Contractual Obligations

The Company's contractual obligations in thousands of dollars as of March 31, 2011:

Contractual Obligations	Total	Payments Due			
		Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Junior Subordinated Debentures (1)	\$115,730	\$ —	\$ —	\$ —	\$115,730
Senior Term Loans	287,825	2,900	5,800	5,800	273,325
Bank Revolving Credit Facility	9,000	—	—	—	9,000
10.875% Senior Notes	200,000	—	—	—	200,000
Additional Acquisition Consideration	24,408	24,408	—	—	—
Interest Payments (2)	228,507	36,207	71,739	71,159	49,402
Operating Leases	40,490	8,169	9,892	5,047	17,382
Deferred Compensation Obligations	3,609	227	454	454	2,474
Capital Lease Obligations	179	38	71	60	10
Purchase Obligations	788	350	438	—	—
Other Obligations	1,846	1,053	634	159	—
Uncertain Tax Position Liabilities	4,433	—	1,438	—	2,995
Total Contractual Cash Obligations (3)	\$916,815	\$73,352	\$90,466	\$82,679	\$670,318

- (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 5.00% per the April 18, 2011 amendment to the Senior Facilities which consisted of a EuroDollar minimum floor rate of 1.50% plus EuroDollar Margin of 3.50%.
- (3) All of the contractual obligations noted above are reflected on the Company's condensed consolidated balance sheet as of March 31, 2011 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 March 31, 2011, the Company had no material purchase commitments for capital expenditures.

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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 March 31, 2011, the Company had \$15.1 million available under its secured credit facilities. The Company had approximately \$297.0 million of outstanding debt under its secured credit facilities at March 31, 2011, consisting of \$287.8 million in a term loan, \$9.0 million in revolving credit borrowings and \$0.2 million in capitalized lease obligations. The term loan consisted of a \$287.8 million Term B-2 Loan at a three (3) month LIBOR rate plus margin of 5.50%. The revolver borrowings (the "Revolver") consisted of \$9.0 million currently at a three (3) month LIBOR rate plus margin of 5.50%. The capitalized lease obligations were at various interest rates.

At March 31, 2011 and December 31, 2010, the Company borrowings were as follows:

<u>(dollars in thousands)</u>	March 31, 2011			December 31, 2010		
	<u>Facility Amount</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>	<u>Facility Amount</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
Term B-2 Loan		\$ 287,825	5.50%		\$ 288,550	5.50%
Revolving credit facility	\$30,000	9,000	5.50%	\$30,000	12,000	5.50%
Capital leases & other obligations		156	various		164	various
Total secured credit		296,981			300,714	
10.875% Senior notes		200,000	10.875%		150,000	10.875%
Total borrowings		<u>\$ 496,981</u>			<u>\$ 450,714</u>	

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 due 2018. On March 16, 2011, Hillman Group completed an offering of \$50.0 million aggregate principal amount of Hillman Group's 10.875% Senior Notes due 2018. Hillman Group received a premium of \$4.6 million on the \$50.0 million note offering and used the net proceeds to fund the acquisition of TagWorks, to repay a portion of indebtedness under its revolving credit facility and to pay related fees, expenses and other related payments. The 10.875% Senior Notes are guaranteed by Hillman Companies, Hillman Investment Company and all of the domestic subsidiaries of Hillman Group. 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.

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The Company's Senior Facilities require the maintenance of a secured leverage ratio which 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 covenant, as amended on April 18, 2011, with the Senior Facilities requirement for the twelve trailing months ended March 31, 2011:

<u>(dollars in thousands)</u>	<u>Actual</u>	<u>Ratio Requirement</u>
<u>Secured Leverage Ratio</u>		
Senior term loan balance	\$287,825	
Revolver	9,000	
Capital leases and other credit obligations	156	
Total debt	<u>\$296,981</u>	
Adjusted EBITDA (1)	\$ 89,420	
Leverage ratio (must be below requirement)	<u>3.32</u>	<u>4.75</u>

- (1) Adjusted EBITDA is defined as income from operations of \$842, plus depreciation of \$18,439, amortization of \$16,481, stock compensation expense of \$17,626, restructuring costs of \$2,706, acquisition and integration costs of \$23,751, management fees of \$187, foreign exchange (gains) or losses of (\$461) and the pro-form EBITDA from the acquisitions of Servalite and TagWorks of \$9,849.

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 March 31, 2011, 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, 2010. 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 and the collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statements of operations.

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

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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 \$555 thousand as of March 31, 2011 and \$520 thousand as of December 31, 2010.

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 \$8.1 million as of March 31, 2011 and \$11.0 million as of December 31, 2010. In the quarter ended March 31, 2011, the Company wrote-off \$2.9 million in previously identified excess and obsolete inventory.

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 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 charges were recorded in the three month periods ended March 31, 2011 and 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 quarters ended March 31, 2011 and 2010.

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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 March 31, 2011, 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 March 31, 2011, 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.

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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 a forward Interest Rate Swap Agreement ("2010 Swap") with a two-year term for a notional amount of \$115.0 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. This interest rate swap qualifies for hedge accounting based on the shortcut method under ASC 815, Derivatives and Hedging.

Based on the Company's exposure to variable rate borrowings at March 31, 2011, 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 \$3.0 million.

The Company is exposed to foreign exchange rate changes of the Australian, Canadian and Mexican currencies as it impacts the \$9.4 million net asset value of its Australian, Canadian and Mexican subsidiaries as of March 31, 2011. Management considers the Company's exposure to foreign currency translation gains or losses to be immaterial.

Item 4.

Controls and Procedures

Disclosure Controls and Procedures

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 March 31, 2011, 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.

Changes in Internal Control over Financial Reporting

There were 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 March 31, 2011 and 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. A claim construction hearing on the Company's patent infringement claim against Hy-Ko Products occurred in September 2010 and a ruling is expected in the first half of 2011.

In its antitrust claim against the Company, Hy-Ko Products is seeking monetary damages which would be trebled under the antitrust laws, interest and attorney's fees as well as injunctive relief. The antitrust claim against the Company has been stayed pending the resolution of the patents claim against Hy-Ko Products. 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

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Item 6. – Exhibits.

- a) Exhibits, including those incorporated by reference.
 - 4.1 Registration Rights Agreement, dated March 16, 2011, by and among The Hillman Group, Inc., the Guarantors listed on Schedule I thereto, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated. (1) (Exhibit 4.13)
 - 4.2 * Second Supplemental Indenture governing the 10.875% Senior Notes due 2018, dated April 1, 2011, by and among The Hillman Group, Inc., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee.
 - 10.1 * Amendment No. 1 to Credit Agreement, dated as of December 22, 2010, among The Hillman Companies, Inc., The Hillman Group, Inc., OHCP HM Merger Sub Corp., certain subsidiaries of OHCP HM Merger Sub Corp. and Barclays Bank PLC, as Administrative Agent.
 - 10.2 Purchase Agreement (in relation to \$50,000,000 aggregate principal amount of initial notes), dated as of March 11, 2011, by and among The Hillman Group, Inc., the Guarantors listed on Schedule II thereto and the Initial Purchasers thereunder. (1) (Exhibit 10.42)
 - 10.3 * Amendment No. 2 to Credit Agreement, dated as of April 18, 2011, among OHCP HM Acquisition Corp., The Hillman Companies, Inc., The Hillman Group, Inc., the Lenders (as defined in the Credit Agreement), Barclays Bank PLC, as Administrative Agent and, for purposes of Section 6 and 7 thereof, certain subsidiaries of OHCP HM Acquisition Corp., as Guarantors.
 - 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.
- ⁽¹⁾ Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2010.

SIGNATURES

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

THE HILLMAN COMPANIES, INC.

/s/ JAMES P. WATERS

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

/s/ HAROLD J. WILDER

Harold J. Wilder
Controller
(Chief Accounting Officer)

DATE: May 13, 2011

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this "*Second Supplemental Indenture*"), dated as of April 1, 2011, among TAGWORKS, L.L.C., an Arizona limited liability company (the "*Guaranteeing Subsidiary*"), a subsidiary of The Hillman Group, Inc. (or its permitted successor), a Delaware corporation (the "*Company*"), the Company, the other Guarantors (as defined in the Indenture referred to herein) and Wells Fargo Bank, National Association, as trustee under the Indenture referred to below (the "*Trustee*").

WITNESSETH

WHEREAS, the Company, the other Guarantors and the Trustee have heretofore entered into an indenture (the "*Indenture*"), dated as of May 28, 2010, as amended and supplemented by the First Supplemental Indenture thereto dated as of December 29, 2010 (the "*First Supplemental Indenture*"), providing for the issuance of 10.875% Senior Notes due 2018 (the "*Notes*");

WHEREAS, the Company has acquired all of the issued and outstanding stock of the Guaranteeing Subsidiary;

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*");

WHEREAS, pursuant to Section 4.17 of the Indenture, the Guaranteeing Subsidiary, as a new Domestic Subsidiary, is required to enter into this Second Supplemental Indenture as a Guarantor; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Second Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.
3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company, the Guaranteeing Subsidiary or the other Guarantors, as such, will have any liability for any obligations of the Company, the Guaranteeing Subsidiary or the other Guarantors under the Notes, the Indenture, the First Supplemental Indenture, this Second Supplemental Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their

creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SECOND SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary, the Company and the other Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first above written.

Dated: April 1, 2011

TAGWORKS, L.L.C.

By: The Hillman Group, Inc., its sole member

By: /s/ James P. Waters

Name: James P. Waters

Title:

THE HILLMAN GROUP, INC.
THE HILLMAN COMPANIES, INC.
HILLMAN INVESTMENT COMPANY
ALL POINTS INDUSTRIES, INC.
SERV-A-LITE PRODUCTS, INC.
SUNSUB C INC.

By: /s/ James P. Waters

Name: James P. Waters

Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: /s/ Raymond Delli Colli

Name: Raymond Delli Colli

Title: Vice President

[Second Supplemental Indenture]

**AMENDMENT NO. 1 TO
CREDIT AGREEMENT**

Dated as of December 22, 2010

AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment") among THE HILLMAN COMPANIES, INC., a Delaware corporation ("Holdings"), THE HILLMAN GROUP, INC., a Delaware corporation ("HGI") and together with Holdings, the "Borrower"), OHCP HM Acquisition Corp., a Delaware corporation ("OH Holdings") as a Credit Party and a Guarantor, certain subsidiaries of Holdings as Guarantors and BARCLAYS BANK PLC, as Administrative Agent.

PRELIMINARY STATEMENTS:

(1) The Borrower, OH Holdings, Hillman Investment Company, the banks and other financial institutions from time to time party thereto (collectively, the "Lenders"), the Administrative Agent and the other parties from time to time party thereto have entered into a Credit Agreement, dated as of May 28, 2010 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Borrower, OH Holdings and the Administrative Agent are entering into this Amendment to correct an ambiguity, defect or inconsistency as permitted by Section 10.03 of the Credit Agreement.

(3) Each of the Guarantors has guaranteed the Guaranty Obligations of the Borrower under the Credit Agreement and, in connection with this Amendment, wishes to reaffirm all obligations owing by it thereunder and under any Finance Document to which it is a party.

SECTION 1. Amendment to Section 6.06(a) of the Credit Agreement Section 6.06(a) of the Credit Agreement is, effective as of the First Amendment Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 4, hereby amended by amending and restating the second sentence thereof as follows:

(a) "The Collateral Agent shall be named as loss payee or mortgagee, as its interest may appear, with respect to all such property and casualty policies and additional insured with respect to all such other policies (other than workers' compensation, employee health and directors and officers policies), and (i) each provider of any property or casualty insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that if such insurance carrier shall have received written notice from the Collateral Agent of the occurrence and continuance of an Event of Default, such insurance carrier shall pay all proceeds otherwise payable to Holdings or one or more of its Subsidiaries under such policies directly to the Collateral Agent (which agreement shall be evidenced by a "standard" or "New York" lender's loss payable endorsement in the name of the Collateral Agent on Accord Form 27) and (ii) that each provider of any insurance (other than

workers' compensation, employee health and directors and officers policies) shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that it will give the Collateral Agent 30 days' prior written notice before any such policy or policies shall be altered or canceled (which agreement shall be evidenced by a "standard" or "New York" lender's loss payable or additional insured endorsement, as applicable, in the name of the Collateral Agent on Accord Form 25 or 27, as applicable) and that no act or default of any Group Company or any other Person shall affect the rights of the Collateral Agent or the Lenders under such policy or policies.

SECTION 2. Representations and Warranties. Each of the Credit Parties party hereto hereby represents and warrants to the Administrative Agent that the following statements are true and correct in all material respects:

(a) Each of the Credit Parties party hereto has the corporate, partnership, limited liability company or other necessary power and authority, and the legal right, to execute, deliver and perform this Amendment and the Credit Agreement as amended by this Amendment (as so amended, the "Amended Credit Agreement"), and has taken all necessary action to authorize the execution and delivery of this Amendment and performance of the Amended Credit Agreement;

(b) No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the execution, delivery, performance, validity or enforceability of this Amendment and the Amended Credit Agreement, except for consents, authorizations, notices and filings which have been obtained or made.

(c) This Amendment and the Amended Credit Agreement constitute the legal, valid and binding obligation of each Credit Party party hereto enforceable against such Credit Party in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) that rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability (regardless of whether enforcement is sought by proceedings in equity or at law);

(d) Neither the execution and delivery by any Credit Party of this Amendment, nor the consummation of the transactions contemplated herein, nor performance of and compliance with the terms and provisions of the Amended Credit Agreement by such Credit Party, nor the exercise of remedies by the Agents and the Lenders hereunder or thereunder, will (i) violate or conflict with any provision of the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other organizational or governing documents of such Credit Party, (ii) violate, contravene or conflict with any Law applicable to it or its properties, (iii) violate, contravene or conflict with contractual provisions of, cause an event of default under, or give rise to material increased, additional, accelerated or guaranteed, rights of any Person under, any indenture, loan agreement, mortgage, deed of trust or other instrument, material contract or material lease to which it is a party or by which it may be bound or (iv) result in or require the creation of any Lien upon or with respect to its properties except pursuant to the Finance Documents;

(e) All of the representations and warranties set forth in Article V of the Credit Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation and warranty that is already qualified by materiality) on and as of the First Amendment Effective Date as if made as of such date except to the extent they expressly relate to an earlier date; and

(f) No Default or Event of Default exists or will result from the consummation of the transactions contemplated by this Amendment.

SECTION 3. Reaffirmation. Each Guarantor hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement effected pursuant to this Amendment. Each Guarantor hereby (i) acknowledges and reaffirms all obligations owing by it to the Agents and the Lenders under any Finance Document to which it is a party and represents and warrants that, after giving effect to this Amendment, all of its representations and warranties contained in the Finance Documents to which such Guarantor is a party are true, accurate and complete in all material respects except that such materiality qualifier shall not be applicable to any representation and warranty that is already qualified by materiality) on and as of the First Amendment Effective Date as if made as of such date except to the extent they expressly relate to an earlier date, (ii) agrees that each Finance Document to which it is a party is and shall remain in full force and effect and shall not be impaired or otherwise affected by the execution of this Amendment and (iii) ratifies and reaffirms the validity and enforceability of all of the liens and security interests heretofore granted by it, pursuant to and in connection with the Security Agreement and any other Finance Document to which such Guarantor is a party, to the Collateral Agent, on behalf and for the benefit of the Finance Parties referred to therein, as collateral security for the Guaranty Obligations of such Guarantor, and acknowledges that all of such liens and security interests, and all collateral heretofore pledged as security for such obligations, continues to be and remain collateral for such obligations from and after the First Amendment Effective Date. Although each of the Guarantors have been informed of the matters set forth herein and have acknowledged and agreed to same, each of the Guarantors understands that the Borrower, OH Holdings, the Agents and the Lenders, as applicable, shall have no obligation to inform the Guarantors of such matters in the future or to seek the Guarantors' acknowledgement or agreement to future amendments, waivers, or modifications, and nothing herein shall create such a duty.

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Finance Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Finance Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

SECTION 4. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written (the "First Amendment Effective Date") when, and only when, the Administrative Agent shall have

received a counterpart signature page to this Amendment executed by the Borrower, OH Holdings and the Guarantors.

SECTION 5. Reference to and Effect on the Credit Agreement and the Finance Documents

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in each of the other Finance Documents to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) Except as expressly amended hereby, all of the terms of the Credit Agreement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Finance Documents, nor constitute a waiver of any provision of any of the Finance Documents.

(d) This Amendment is a Finance Document.

SECTION 6. Costs, Expenses.

The Borrower agrees to pay or reimburse all reasonable and documented out-of-pocket costs and expenses incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, all reasonable and documented fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 10.04 of the Credit Agreement.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

SECTION 8. Governing Law. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York without regard to principles of conflicts of laws that would result in the application of any law other than the law of the State of New York.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the First Amendment Effective Date.

THE HILLMAN COMPANIES, INC.
as Borrower

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

THE HILLMAN GROUP, INC.
as Borrower

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

OHCP HM ACQUISITION CORP.
as a Credit Party and Guarantor

By: /s/ Kevin Mailender
Name: Kevin Mailender
Title: Assistant Secretary

HILLMAN INVESTMENT COMPANY
as a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

Signature Page – Amendment No. 1

THE HILLMAN GROUP, INC.
as a Guarantor

By: /s/ James P. Waters

Name: James P. Waters
Title: Chief Financial Officer

ALL POINTS INDUSTRIES, INC.
as a Guarantor

By: /s/ James P. Waters

Name: James P. Waters
Title: Chief Financial Officer

SUNSUB C INC.
as a Guarantor

By: /s/ James P. Waters

Name: James P. Waters
Title: Chief Financial Officer

BARCLAYS BANK PLC
as Administrative Agent

By: /s/ Noam Azachi

Name: Noam Azachi

Title: Assistant Vice President

Signature Page – Amendment No. 1

**AMENDMENT NO. 2 TO
CREDIT AGREEMENT**

This **AMENDMENT NO. 2 TO CREDIT AGREEMENT** (this "Amendment") is dated as of April 18, 2011 and is among OHCP HM ACQUISITION CORP. ("OH Holdings"), THE HILLMAN COMPANIES, INC. ("Holdings"), THE HILLMAN GROUP, INC. ("HGI") and together with Holdings, the "Borrower"), the Lenders (as defined in the Credit Agreement referred to below) party hereto, BARCLAYS BANK PLC, as Administrative Agent, and, for purposes of Sections 6 and 7 hereof, certain subsidiaries of OH Holdings as Guarantors.

RECITALS:

WHEREAS, the Borrower, the Lenders, and Barclays Bank PLC, as Administrative Agent, Issuing Lender and Swingline Lender, are parties to a Credit Agreement dated as of May 28, 2010 (as amended by Amendment No. 1 to Credit Agreement dated as of December 22, 2010 and as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, as contemplated by Section 10.03 of the Credit Agreement, the Borrower has requested that the Lenders amend certain terms of the Credit Agreement as hereinafter provided, and the Lenders party hereto have agreed to amend the Credit Agreement subject to the satisfaction of the conditions precedent to effectiveness set forth in Sections 4(a) and 4(b) hereof, as applicable.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. Defined Terms. Except as otherwise defined in this Amendment, capitalized terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement. As used herein, "Lead Arrangers" means Barclays Capital, the investment banking division of Barclays Bank PLC and Morgan Stanley Senior Funding, Inc., in their respective capacities as joint lead arrangers for this Amendment and Barclays Capital, the investment banking division of Barclays Bank PLC and Morgan Stanley Senior Funding, Inc., GE Capital Markets, Inc., in their respective capacities as joint bookrunners for this Amendment.

Section 2. Initial Amendments to the Credit Agreement. Subject to the satisfaction of the conditions set forth in Section 4(a) hereof, effective as of the Initial Second Amendment Effective Date (as defined in Section 4(a) hereof), the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended as follows:

(i) the definition of "Consolidated EBITDA" is hereby amended by:

(A) replacing the word "and" immediately prior to clause (N) in the first paragraph thereof with ",";

(B) adding the words "and (O) fees and out-of-pocket expenses of the Borrower and its Consolidated Subsidiaries incurred in connection with the Second Amendment" immediately after the words "Closing Date" at the end of clause (N) in the first paragraph thereof; and

(C) adding the word "Total" immediately after the word "the" and prior to the words "Leverage Ratio" in the second line of the last paragraph thereof;

(ii) the definition of "Permitted Business Acquisition" is hereby amended as follows:

(A) clause (v) thereof is hereby amended and restated in its entirety to read as follows:

(v) (A) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to such Business Acquisition and (B) Holdings shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate demonstrating that, after giving effect to such Business Acquisition on a Pro-Forma Basis, (a) the Secured Leverage Ratio as of the date of such Business Acquisition and as of the last day of the most recently ended fiscal quarter of Holdings and its Consolidated Subsidiaries shall not be greater than 4.00:1.00 and (b) the Total Leverage Ratio as of the date of such Business Acquisition and as of the last day of the most recently ended fiscal quarter of Holdings and its Consolidated Subsidiaries shall not be greater than 6.00:1.00; and

(B) clause (vi) thereof is amended by replacing the words "; and" at the end thereof with "."; and

(C) clause (vii) thereof is deleted in its entirety;

(iii) the definition of "Pro-Forma Basis" is hereby amended by:

(A) replacing the reference to "Section 6.01(c)" therein with a reference to "Section 6.01(d)";

(B) replacing the words "second sentence" therein with the words "third paragraph";

(C) (a) replacing the word "covenants" with the word "covenant" and (b) adding the words "or of the Interest Coverage Ratio, Secured Leverage Ratio or the Total Leverage Ratio with respect to any other provision hereof" after the reference to "Section 7.16" in the third sentence therein; and

(D) adding the words "shall be taken into account" immediately after the word "Adjustments" at the end of clause (v) therein;

(iv) the definition of "Pro-Forma Compliance Certificate" is hereby amended by replacing the reference to "Section 6.01(c)" therein with a reference to "Section 6.01(d)"; and

(v) the following defined term is added in proper alphabetical sequence:

"Second Amendment" means Amendment No. 2 to Credit Agreement, dated as of April 18, 2011, among OH Holdings, Holdings, HGI, the other Credit Parties party thereto, the Lenders party thereto and the Administrative Agent.

(b) Section 2.09(b)(ii) of the Credit Agreement is hereby amended by replacing the words “, (B) and (C)” therein with the words “and (B)”;

(c) Section 2.10(d) of the Credit Agreement is hereby amended by:

(i) adding the words “and repaying such Lender’s outstanding Loans, such Lender’s pro-rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements and all accrued interest, fees and other amounts owing to such Lender hereunder, in each case,” immediately after the word “Commitment” in clause (x) in the first sentence thereof;

(ii) adding the words “, its outstanding Loans and its pro-rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements” immediately after the word “Commitment” in clause (y) in the first sentence thereof;

(iii) adding the words “and, in each such case, satisfying the conditions set forth below” immediately after the reference to Section 10.06” in the first sentence thereof;

(iv) replacing the words “clause (2) above” in the second sentence thereof with the words “this Section 2.10(d)”;

(v) replacing the words “all LC Disbursements that have been funded by (and not reimbursed to) it under Section 2.05” in clause (i)(A) therein with the words “its pro-rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements”;

(vi) adding the following new paragraph immediately prior to the last paragraph thereof:

Notwithstanding the foregoing, in the case of the replacement of a Lender pursuant to this Section 2.10(d), upon (i) payment of all amounts owing to such replaced Lender as set forth in clauses (i) and (ii) above, such Lender shall, without any further consent or other action by it, cease to constitute a Lender hereunder; provided that the provisions of this Agreement (including the provisions of Article III and Sections 10.04 and 10.05) shall continue to govern the rights and obligations of a replaced Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such replaced Lender while it was a Lender. Each Lender agrees that if the Borrower exercises its right hereunder to replace a Lender pursuant to and in accordance with this Section 2.10(d), such replaced Lender shall, promptly after receipt of written notice from the Borrower of its election to exercise such right, execute and deliver all documentation necessary to effectuate such assignment in accordance with Section 10.06. In the event that a replaced Lender does not comply with the requirements of the immediately preceding sentence within one Business Day after receipt of such notice, each Lender hereby authorizes and directs the Administrative Agent to execute and deliver such documentation as may be required to give effect to an assignment in accordance with Section 10.06 on behalf of a replaced Lender and any such documentation so executed by the Administrative Agent shall be effective for purposes of documenting an assignment pursuant to Section 10.06.

(vii) replacing the words “and LC Obligations held by such Lender” in clause (i)(A) in the last paragraph thereof with the words “held by such Lender and such Lender’s pro-

rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements”;

(d) Section 2.15(a) of the Credit Agreement is hereby amended by:

(i) deleting the words “for all such New Term Loan Commitments not in excess of \$100,000,000 in the aggregate and” and the words “(or such lesser amount that shall constitute the difference between \$100,000,000 and all such New Term Loan Commitment obtained prior to such date)” in the first paragraph thereof; and

(ii) amending and restating clause (iv) in the second paragraph thereof in its entirety to read as follows:

(iv) the Secured Leverage Ratio as of the Increased Amount Date and as of the last day of the most recently ended fiscal quarter of Holdings and its Consolidated Subsidiaries, calculated on a Pro-Forma Basis after giving effect to any such New Term Loan Commitments (and assuming that all such New Term Loan Commitments have been fully drawn), shall not be greater than 4.00:1.00;

(e) Section 4.02(d) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(d) Availability: Secured Leverage Ratio. Immediately after giving effect to the making of a Revolving Loan or Swingline Loan (and the application of the proceeds thereof) or to the issuance of a Letter of Credit, as the case may be, (i) the sum of the Revolving Loans outstanding plus the amount of all LC Obligations outstanding plus all Swingline Loans outstanding shall not exceed the Revolving Committed Amount, (ii) the amount of all LC Obligations outstanding shall not exceed the LC Committed Amount, (iii) the sum of all Swingline Loans outstanding shall not exceed the Swingline Committed Amount and (iv) the Secured Leverage Ratio, calculated on a Pro-Forma Basis, shall not be greater than 4.00:1.00.

(f) Section 6.01(d) of the Credit Agreement is hereby amended by replacing the word “covenants” therein with the word “covenant”;

(g) Section 7.01 of the Credit Agreement is hereby amended by:

(i) amending and restating clause (iv) thereof in its entirety to read as follows:

(iv) Debt of HGI or its Subsidiaries (A) secured by Liens permitted by clauses (xi), (xii) and (xiii) of Section 7.02, (B) acquired or assumed in a Permitted Business Acquisition or in connection with the acquisition of assets or (C) issued to a seller of assets or a Person that is the subject of a Permitted Business Acquisition or that is otherwise incurred to fund consideration payable in a Permitted Business Acquisition (and for no other purpose) in a transaction permitted by this Agreement; provided that (x) no Default or Event of Default shall have occurred and be continuing immediately before or immediately after giving effect to the issuance or other incurrence of any such Debt and any related Permitted Business Acquisition (if any) and (y) Holdings shall have delivered to the Administrative Agent a Pro-Forma Compliance Certificate demonstrating that, after giving effect to the issuance or other incurrence of any such Debt and any

related Permitted Business Acquisition (if any) on a Pro-Forma Basis, (a) the Secured Leverage Ratio as of the date of such issuance or other incurrence and any such related Permitted Business Acquisition (if any) shall not be greater than 4.00:1.00 and (b) the Total Leverage Ratio as of the date of such issuance or other incurrence and any such related Permitted Business Acquisition (if any) shall not be greater than 6.00:1.00;

(ii) replacing clause (xi) thereof with “(xi) [reserved]”;

(iii) deleting the word “and” at the end of clause (xvii) thereof;

(iv) amending and restating clause (xviii) thereof in its entirety to read as follows:

(xviii) Debt of Foreign Subsidiaries of HGI in an aggregate principal amount not to exceed \$1,000,000 at any time outstanding; and

(v) adding the following new clause (xix) immediately after clause (xviii) therein:

(xix) unsecured Debt of HGI and Guaranty Obligations of Holdings or any of its Subsidiaries in respect thereof; provided that, immediately prior to and immediately after giving effect to the incurrence of any unsecured Debt pursuant to this clause (xix), (A) no Default or Event of Default shall have occurred and be continuing and (B) the Total Leverage Ratio as of the date of incurrence of such unsecured Debt and as of the last day of the most recently ended fiscal quarter of Holdings and its Consolidated Subsidiaries, calculated on a Pro-Forma Basis, shall not be greater than 6.00:1.00.

(h) Section 7.05(xiv) of the Credit Agreement is hereby amended by (i) replacing the words “all of the financial covenants set forth in Section 7.16(a)” therein with the words “the financial covenant set forth in Section 7.16” and (ii) replacing the reference to “Section 6.01(c)” therein with a reference to “Section 6.01(d)”;

(i) Section 7.08(d)(i) of the Credit Agreement is hereby amended by replacing the words “ending during any period described below, in each case” therein with “;” and replacing the words and the table after the words “will not be less than” therein with “2.25:1.00.”;

(j) Section 7.16 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.16 Financial Covenant. The Secured Leverage Ratio as of the last day of any fiscal quarter of Holdings and its Consolidated Subsidiaries, for the period of four consecutive fiscal quarters of Holdings and its Consolidated Subsidiaries then ended, taken as a single accounting period, will not be greater than 4.75:1.00.

(k) Section 8.03 of the Credit Agreement is hereby amended by replacing the words “financial covenants” in each instance such words appear therein with the words “financial covenant”.

Section 3. Subsequent Amendments to the Credit Agreement Subject to the satisfaction of the conditions set forth in Section 4(b) hereof, effective as of the Final Second Amendment Effective Date (as defined in Section 4(b) hereof), the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended as follows:

(i) clause (I) of the definition of "Adjusted Eurodollar Rate" is hereby amended by replacing "1.75% per annum" therein with the following: "(A) with respect to Revolving Loans comprised of Eurodollar Loans, 1.75% per annum and (B) with respect to Term Loans comprised of Eurodollar Loans, 1.50% per annum";

(ii) the definition of "Applicable Margin" is hereby amended and restated in its entirety to read as follows:

"Applicable Margin" means for purposes of calculating the applicable interest rate for any day for any Loan, (i) in the case of Revolving Loans comprised of (a) Eurodollar Loans, 3.75% per annum or (b) Base Rate Loans, 2.75% per annum and (ii) in the case of Term Loans comprised of (a) Eurodollar Loans, 3.50% per annum and (b) Base Rate Loans, 2.50% per annum.

(iii) clause (iii) of the definition of "Base Rate" is hereby amended by replacing "2.75%" therein with the following: "(a) with respect to Revolving Loans comprised of Base Rate Loans, 2.75% per annum and (b) with respect to Term Loans comprised of Base Rate Loans, 2.50% per annum";

(iv) the following defined term is added in proper alphabetical sequence:

"Final Second Amendment Effective Date" means April 18, 2011.

(b) Section 2.11 of the Credit Agreement is hereby amended by adding the following new clause (d) immediately after clause (c) therein:

(d) Prepayment Premium. In the event that, at any time during the period from and after the Final Second Amendment Effective Date to and including the first anniversary of the Final Second Amendment Effective Date, all or any portion of the Term Loans is either repriced (or effectively refinanced with senior secured loan proceeds) at a lower interest cost to the Borrower through any amendment of this Agreement or otherwise, the Borrower agrees to pay to each Term Lender, on the date of such repricing (or effective refinancing with senior secured loan proceeds), a prepayment premium in an amount equal to 1.00% of the stated principal amount of such Term Lender's Term Loans repriced (or effectively refinanced).

Section 4. Effectiveness.

(a) The effectiveness of the amendments to the Credit Agreement set forth in Section 2 of this Amendment is subject to the satisfaction of the following conditions precedent (the date of such satisfaction, the "Initial Second Amendment Effective Date"):

(i) the Borrower and the Required Lenders shall have executed and delivered counterparts of this Amendment to the Administrative Agent;

(ii) the Borrower shall have paid all fees and expenses due and payable under the Finance Documents and set forth in an invoice delivered to the Borrower at least one Business Day prior to the Initial Second Amendment Effective Date;

(iii) the Borrower shall have paid to the Lead Arrangers all fees and expenses payable to the Lead Arrangers in connection with this Amendment;

(iv) each of the representations and warranties contained in Section 7 of this Amendment shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation and warranty that is already qualified by materiality) at and as if made as of such date except to the extent they expressly relate to an earlier date; and

(v) no Default or Event of Default shall have occurred and be continuing.

(b) The effectiveness of the amendments to the Credit Agreement set forth in Section 3 of this Amendment is subject to the satisfaction of the following conditions precedent (the date of such satisfaction, the "Final Second Amendment Effective Date"):

(i) the Initial Second Amendment Effective Date shall have occurred;

(ii) each of the Lenders holding Term Loans shall have executed and delivered counterparts of this Amendment to the Administrative Agent or if any such Lender has failed to consent to this Amendment (each such Lender, a "Non-Consenting Lender"), then (A) each Non-Consenting Lender shall have assigned (or the Administrative Agent on behalf of such Non-Consenting Lender shall have assigned) in accordance with Section 2.10(d) of the Credit Agreement, as amended by the amendments thereto set forth in Section 2(c) hereof, its Commitment, its outstanding Loans and its pro-rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements to one or more existing Lenders or Eligible Assignees pursuant to Section 10.06 of the Credit Agreement, for an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, such Non-Consenting Lender's outstanding Loans, (y) the amount of such Non-Consenting Lender's pro-rata share (computed in accordance with its Revolving Commitment Percentage) of all non-reimbursed LC Disbursements, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to such Non-Consenting Lender pursuant to Section 2.11 of the Credit Agreement and (B) each of the existing Lenders or Eligible Assignees to which any such assignment shall have been made shall have executed this Amendment;

(iii) each of the representations and warranties contained in Section 7 of this Amendment shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation and warranty that is already qualified by materiality) at and as if made as of such date except to the extent they expressly relate to an earlier date; and

(iv) no Default or Event of Default shall have occurred and be continuing.

Section 5. Costs and Expenses. Without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay or reimburse all of the Administrative Agent's reasonable and documented out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Amendment and the other instruments and documents to be delivered

hereunder in accordance with the terms of Section 10.04 of the Credit Agreement, including all reasonable and documented fees, disbursements and other charges of Latham & Watkins LLP, counsel for the Administrative Agent.

Section 6. Consent and Affirmation of the Credit Parties

(a) Each Credit Party (prior to and after giving effect to this Amendment) hereby consents to the amendment of the Credit Agreement effected hereby (the Credit Agreement as amended by this Amendment, the "Amended Credit Agreement") and confirms and agrees that, notwithstanding the effectiveness of this Amendment, each Finance Document to which such Credit Party is a party is, and the obligations of such Credit Party contained in the Amended Credit Agreement, this Amendment or in any other Finance Document to which it is a party are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, in each case as amended by this Amendment. For greater certainty and without limiting the foregoing, each Credit Party hereby confirms that the existing security interests granted by such Credit Party in favor of the Collateral Agent, for the benefit of the Secured Parties (as defined in each of the Security Agreement and the Pledge Agreement), pursuant to the Finance Documents in the Collateral described therein shall continue to secure the obligations of the Credit Parties under the Amended Credit Agreement and the other Finance Documents as and to the extent provided in the Finance Documents. Each Subsidiary Guarantor reaffirms and agrees that its guarantee of the obligations of the Credit Parties under the Amended Credit Agreement and the Finance Documents is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects.

(b) Each Subsidiary Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Subsidiary Guarantor is not required by the terms of the Credit Agreement, the Amended Credit Agreement or any other Finance Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, the Amended Credit Agreement, this Amendment or any other Finance Document shall be deemed to require the consent of such Subsidiary Guarantor to any future amendments to the Amended Credit Agreement.

Section 7. Representations and Warranties. Each Credit Party hereby represents and warrants, on and as of the date hereof, the Initial Second Amendment Effective Date and the Final Second Amendment Effective Date, that:

(a) All of the representations and warranties made by the Credit Parties in the Finance Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation and warranty that is already qualified by materiality) at and as if made as of such date except to the extent they expressly relate to an earlier date.

(b) Each Credit Party has the corporate, partnership, limited liability company or other necessary power and authority, and the legal right, to execute, deliver and perform this Amendment and the Amended Credit Agreement and, in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary action to authorize the borrowings and other extensions of credit on the terms and conditions of this Amendment and the consummation of the transactions contemplated hereby and to authorize the execution, delivery and performance of this Amendment and the Amended Credit Agreement.

(c) No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder or

with the execution, delivery, performance, validity or enforceability of this Amendment or the Amended Credit Agreement, except for consents, authorizations, notices and filings which have been obtained or made.

(d) This Amendment and the Amended Credit Agreement have been duly executed and delivered on behalf of such Person. This Amendment and the Amended Credit Agreement constitute a legal, valid and binding obligation of such Credit Party enforceable against each such Person in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) that rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability (regardless of whether enforcement is sought by proceedings in equity or at law).

(e) Neither the execution and delivery by any Credit Party of this Amendment or the Amended Credit Agreement, nor the consummation of the transactions contemplated herein, nor performance of and compliance with the terms and provisions of the Amended Credit Agreement by such Credit Party, nor the exercise of remedies by the Agents and the Lenders hereunder or thereunder, will (i) violate or conflict with any provision of the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other organizational or governing documents of such Credit Party, (ii) violate, contravene or conflict with any Law applicable to it or its properties, (iii) violate, contravene or conflict with contractual provisions of, cause an event of default under, or give rise to material increased, additional, accelerated or guaranteed, rights of any Person under, any indenture, loan agreement, mortgage, deed of trust or other instrument, material contract or material lease to which it is a party or by which it may be bound or (iv) result in or require the creation of any Lien (other than the Lien of the Collateral Documents) upon or with respect to its properties, except in the case of clause (iii) for such violations as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

Section 8. Reference to and Effect on the Credit Agreement

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement.

(b) The Credit Agreement as specifically amended by this Amendment is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. This Amendment shall be a "Finance Document" for purposes of the definition thereof in the Credit Agreement.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Finance Documents, nor constitute a waiver of any provision of any of the Finance Documents.

Section 9. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart. Delivery by facsimile or other electronic means of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment.

Section 10. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK.

Section 11. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Amendment.

Section 12. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

OHCP HM ACQUISITION CORP.,
as OH Holdings and a Guarantor

By: /s/ Kevin Mailender
Name: Kevin Mailender
Title: Authorized Signatory

THE HILLMAN COMPANIES, INC.,
as Borrower and a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

THE HILLMAN GROUP, INC. ,
as Borrower and a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

HILLMAN INVESTMENT COMPANY,
as a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

Signature Page to Amendment No. 2

ALL POINTS INDUSTRIES, INC.,
as a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

SUNSUB C INC.,
as a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

TAGWORKS, L.L.C.,
as a Guarantor

By: /s/ James P. Waters
Name: James P. Waters
Title: Chief Financial Officer

Signature Page to Amendment No. 2

BARCLAYS BANK PLC,
as Administrative Agent and a Lender

By: /s/ Noam Azachi

Name: Noam Azachi

Title: Assistant Vice President

Signature Page to Amendment No. 2

By signing below you have indicated your consent to this
Amendment

_____ ,
as a Lender

By: _____
Name:
Title:

For Lenders requiring a second signature block:

By: _____
Name:
Title:

Signature Page to First Amendment

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: May 13, 2011

/s/ Max W. Hillman
Max W. Hillman
Chief Executive Officer

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: May 13, 2011

/s/ James P. Waters

James P. Waters
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, (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: May 13, 2011

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, (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: May 13, 2011