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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 June 30, 2011

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Title of Class	Name of Each Exchange on Which Registered
11.6% Junior Subordinated Debentures	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 August 15, 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)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,038	$ 7,585
Restricted investments	227	227
Accounts receivable	73,549	56,510
Inventories	103,343	97,701
Deferred income taxes	8,717	9,377
Other current assets	5,208	3,401
Total current assets	194,082	174,801
Property and equipment	69,328	52,512
Goodwill	451,052	439,589
Other intangibles	385,744	363,076
Restricted investments	3,478	3,251
Deferred income taxes	449	379
Deferred financing fees	15,611	14,322
Investment in trust common securities	3,261	3,261
Other assets	2,017	1,587
Total assets	$1,125,022	$1,052,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 30,004	$ 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	24,548	—
Accrued expenses:		
Salaries and wages	5,224	6,078
Pricing allowances	6,002	5,355
Income and other taxes	2,380	2,039
Interest	1,959	1,409
Deferred compensation	227	227
Other accrued expenses	5,606	7,899
Total current liabilities	78,880	54,361
Long term senior term loans	284,200	285,650
Bank revolving credit	13,444	12,000
Long term capitalized lease and other obligations	119	134
Long term senior notes	204,488	150,000
Junior subordinated debentures	115,624	115,837
Deferred compensation	3,478	3,251
Deferred income taxes	126,195	129,284
Other non-current liabilities	3,550	2,283
Total liabilities	829,978	752,800

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)	June 30, 2011	December 31, 2010
Common stock with put options:		
Common stock, $.01 par, 5,000 shares authorized, 198.3 issued and outstanding at June 30, 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 June 30, 2011	—	—
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized, 4,801.7 issued and outstanding at June 30, 2011	—	—
Additional paid-in capital	296,544	296,394
Accumulated deficit	(13,788)	(8,038)
Accumulated other comprehensive income (loss)	41	(625)
Total stockholders' equity	282,797	287,731
Total liabilities and stockholders' equity	$1,125,022	$1,052,778

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

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

	Successor		Predecessor
	Three Months Ended June 30, 2011	One Month Ended June 30, 2010	Two Months Ended May 28, 2010
Net sales	$ 135,396	$ 47,700	$ 77,256
Cost of sales (exclusive of depreciation and amortization shown separately below)	66,225	23,022	37,835
Selling, general and administrative expenses	41,921	14,299	42,562
Acquisition and integration	490	10,403	11,311
Depreciation	5,802	1,522	2,993
Amortization	5,336	1,515	1,071
Management and transaction fees to related party	—	—	187
Other (income) expense, net	(73)	136	227
Income (loss) from operations	15,695	(3,197)	(18,930)
Interest expense, net	11,448	3,619	4,147
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	—	2,242
Interest expense on junior subordinated debentures	3,153	1,051	2,102
Investment income on trust common securities	(94)	(31)	(63)
Income (loss) before income taxes	1,188	(7,836)	(27,358)
Income tax provision (benefit)	2,056	(2,037)	(3,719)
Net loss	$ (868)	$ (5,799)	$ (23,639)

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

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

	Successor		Predecessor
	Six Months Ended June 30, 2011	One Month Ended June 30, 2010	Five Months Ended May 28, 2010
Net sales	$ 246,690	$ 47,700	$ 185,716
Cost of sales (exclusive of depreciation and amortization shown separately below)	121,881	23,022	89,773
Selling, general and administrative expenses	84,367	14,299	82,850
Acquisition and integration	1,780	10,403	11,342
Depreciation	10,241	1,522	7,283
Amortization	10,077	1,515	2,678
Management and transaction fees to related party	—	—	438
Other (income) expense, net	(438)	136	114
Income (loss) from operations	18,782	(3,197)	(8,762)
Interest expense, net	20,525	3,619	8,327
Interest expense on mandatorily redeemable preferred stock and management purchased options	—	—	5,488
Interest expense on junior subordinated debentures	6,305	1,051	5,254
Investment income on trust common securities	(189)	(31)	(158)
Loss before income taxes	(7,859)	(7,836)	(27,673)
Income tax benefit	(2,109)	(2,037)	(2,465)
Net loss	$ (5,750)	$ (5,799)	$ (25,208)

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)

	Successor		Predecessor
	Six Months Ended June 30, 2011	One Month Ended June 30, 2010	Five Months Ended May 28, 2010
Cash flows from operating activities:			
Net loss	$ (5,750)	$ (5,799)	$ (25,208)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	20,318	3,037	9,961
Dispositions of property and equipment	45	—	74
Deferred income tax benefit	(2,288)	(2,107)	(1,921)
Deferred financing and original issue discount amortization	983	172	515
Interest on mandatorily redeemable preferred stock and management purchased options	—	—	5,488
Stock-based compensation expense	—	—	19,053
Other non-cash interest and change in value of interest rate swap	1,204	—	—
Changes in operating items:			
Accounts receivable	(16,304)	266	(16,816)
Inventories	(4,143)	(2,512)	2,959
Other assets	(2,020)	(569)	124
Accounts payable	1,058	7,016	1,830
Other accrued liabilities	(1,609)	(6,582)	4,352
Other items, net	932	(82)	(894)
Net cash used for operating activities	(7,574)	(7,160)	(483)
Cash flows from investing activities:			
TagWorks acquisition	(40,359)	—	—
Payment for Quick Tag license	—	(11,500)	—
Capital expenditures	(8,596)	(1,349)	(5,411)
Net cash used for investing activities	(48,955)	(12,849)	(5,411)
Cash flows from financing activities:			
Borrowings of senior term loans	—	290,000	—
Repayments of senior term loans	(1,450)	(148,306)	(9,544)
Borrowings of revolving credit loans	9,444	600	—
Repayments of revolving credit loans	(8,000)	(600)	—
Principal payments under capitalized lease obligations	(15)	(6)	(459)
Repayments of unsecured subordinated notes	—	(49,820)	—
Borrowings of senior notes	50,000	150,000	—
Premium on senior notes	4,625	—	—
Financing fees, net	(2,622)	(15,729)	—
Purchase predecessor equity securities	—	(506,407)	—
Proceeds from sale of successor equity securities	—	308,641	—
Net cash provided by (used for) financing activities	51,982	28,373	(10,003)
Net (decrease) increase in cash and cash equivalents	(4,547)	8,364	(15,897)
Cash and cash equivalents at beginning of period	7,585	1,267	17,164
Cash and cash equivalents at end of period	$ 3,038	$ 9,631	$ 1,267

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	—	—	(5,750)	—	$ (5,750)	(5,750)
Issuance of 150 shares of Holdco common stock (2)	—	150	—	—	—	150
Change in cumulative foreign translation adjustment (1)	—	—	—	42	42	42
Change in derivative security value (1)	—	—	—	624	624	624
Comprehensive loss					$ (5,084)	
Balance at June 30, 2011	$ —	$296,544	$ (13,788)	$ 41		$ 282,797

(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 June 30, 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 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'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 HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation (continued):

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

	Amount
Cash paid as merger consideration	$ 715,736
Cash paid for Quick Tag license and related patents	11,500
Fair value of consideration transferred	$ 727,236
Cash	$ 1,267
Accounts Receivable, net	68,573
Inventory, net	79,297
Other current assets	11,816
Property and equipment	53,607
Goodwill	431,926
Intangible assets	366,400
Other non-current assets	3,644
Total assets acquired	1,016,530
Less:	
Accounts payable	(21,021)
Deferred income taxes	(133,249)
Junior subordinated debentures	(105,443)
Junior subordinated debentures premium	(7,378)
Other liabilities assumed	(22,203)
Net assets acquired	$ 727,236

The following table indicates the pro-forma financial statements of the Company for the three and six months ended June 30, 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 June 30, 2011	(Unaudited) Six Months Ended June 30, 2011	(Unaudited) Three Months Ended June 30, 2010	(Unaudited) Six Months Ended June 30, 2010
Net Sales	$ 135,396	$249,778	$ 135,513	$ 252,086
Net (Loss) Income	(868)	(6,649)	809	(649)

The pro-forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro-forma results are not necessarily indicative of the operating results that would have occurred if the acquisition had been effective January 1, 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 HILLMAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation (continued):

The accompanying unaudited condensed consolidated financial statements present information in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by generally accepted accounting principles for complete financial statements. Management believes the financial statements include all normal recurring accrual adjustments necessary for a fair presentation. Operating results for the six month Successor period ended June 30, 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 $584 at June 30, 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 $5,739 and $10,902 in the Successor three and six month periods ended June 30, 2011, respectively. The Successor shipping and handling costs included in SG&A were $1,999 for the one month period ended June 30, 2010. The Predecessor shipping and handling costs included in SG&A were $3,153 and $7,398 for the two and five month periods ended May 28, 2010, respectively.

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.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this Update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This Update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. The amendments in this Update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operations or financial condition.

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

3. Recent Accounting Pronouncements (continued):

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income," requiring most entities to present items of net income and other comprehensive income either in one continuous statement—referred to as the statement of comprehensive income—or in two separate, but consecutive, statements of net income and other comprehensive income. The new requirements are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on our consolidated results of operation 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 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	4,180
Intangibles	9,100
Total assets acquired	23,073
Less:	
Liabilities assumed	1,713
Total purchase price	$21,360

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.

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

4. Acquisitions (continued):

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 $24,548 at June 30, 2011 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 the 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 note offering to fund the TagWorks Acquisition, 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 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	18,544
Goodwill	14,943
Intangibles	29,740
Total assets acquired	65,289
Less:	
Liabilities assumed	522
Total purchase price	$64,767

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.

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

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 changes upon completion of the independent appraisals. Other intangibles as of June 30, 2011 and December 31, 2010 consist of the following:

	Estimated Useful Life (Years)	June 30, 2011	December 31, 2010
Customer relationships	20	$320,300	$ 295,120
Trademarks - All Others	Indefinite	48,800	48,871
Trademarks - TagWorks	5	240	—
Patents	5-20	20,200	15,900
Quick Tag license	6	11,500	11,500
Laser Key license	5	1,250	1,250
Non-compete agreements	5.5-10	4,200	1,104
Intangible assets, gross		406,490	373,745
Less: Accumulated amortization		20,746	10,669
Other intangibles, net		$385,744	$ 363,076

Intangible assets are amortized over their useful lives. The Successor's amortization expense for amortizable assets was $5,336 and $10,077 for the three and six month periods ended June 30, 2011, respectively. The Successor's amortization expense for amortizable assets for the one month ended June 30, 2010 was $1,515. The Predecessor's amortization expense for amortizable assets was $2,678 for the five months ended May 28, 2010. The amortization expense for amortizable assets of the Successor for the year ended December 31, 2011 is estimated to be $20,294. For the years ended December 31, 2012, 2013, 2014, 2015, and 2016, the Successor's amortization expense for amortizable assets is estimated to be $20,675, $20,675, $20,675, $20,014 and $18,087, 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 $1,863 recorded for such risk insurance reserves is adequate as of June 30, 2011, but due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

As of June 30, 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 $1,727 recorded for such group health insurance reserves is adequate as of June 30, 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 latter 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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

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 and six month periods ended June 30, 2011. The Successor has no management fee charges for the one month period ended June 30, 2010. The Predecessor has recorded aggregate management and transaction fee charges and expenses from CHS and OTPP of $187 and $438 for the two and five month periods ended May 28, 2010, respectively.

Gregory Mann and Gabrielle Mann are employed by the All Points subsidiary of Hillman. All Points leases an industrial warehouse and office facility from companies under the control of the Manns. The Predecessor and Successor have recorded rental expense for the lease of this facility on an arm's length basis. The Successor recorded rental expense for the lease of this facility in the amount of $82 and $165 for the three and six month periods ended June 30, 2011, respectively. The Successor recorded rental expense for the lease of this facility in the amount of $28 for the one month period ended June 30, 2010. The Predecessor recorded rental expense for the lease of this facility in the amount of $55 and $138 for the two and five month periods ended May 28, 2010, respectively.

8. Income Taxes:

The Company's policy is to estimate income taxes for interim periods based on estimated annual effective tax rates. These are derived, in part, from expected pre-tax income. However, the income tax provision for the two and five month Predecessor periods ended May 28, 2010 and the one month Successor period ended June 30, 2010 were 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 / (benefit) recorded for the five and two month Predecessor periods ended May 28, 2010 and the one month Successor period ended June 30, 2010 were calculated by multiplying the pre-tax loss, adjusted for permanent book-versus-tax basis differences, by the statutory income tax rate. In the three and six month periods ended June 30, 2011, the Company applied an estimated annual effective tax rate to the interim period pre-tax earnings / (loss) to calculate the income tax provision / (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 rate was 26.8% for the six month period ended June 30, 2011. The effective income tax rates were 26.0% and 8.9% for the one month Successor period ended June 30, 2010 and the five month Predecessor period ended May 28, 2010 respectively. The differences between the effective income tax rate and the federal statutory rate in the six month period ended June 30, 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 five month Predecessor period ended May 28, 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 the six month period ended June 30, 2011, the one month Successor period ended June 30, 2010 and the five month Predecessor period ended May 28, 2010 were affected by state and foreign income taxes.

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

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 10.875% Senior Notes 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 June 30, 2011, the Company had $12,056 available under the Revolver.

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. As the modification of the Senior Facilities agreement was not substantial, the unamortized debt issuance costs will be amortized over the term of the amended Senior Facilities.

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

10. Common and Preferred Stock:

The Hillman Companies has one class of Common Stock, with 5,000 shares authorized and issued as of June 30, 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 June 30, 2011.

The Hillman Companies has one class of Preferred Stock, with 5,000 shares authorized and none issued as of June 30, 2011.

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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 (the "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 (the "2010 Swap") with a two-year term for a notional amount of $115,000. The forward start date of the 2010 Swap was 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 initially designated as an effective cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement which modified the interest rate on the Senior Facilities. The critical terms for the 2010 Swap no longer matched the terms of the amended Senior Facilities and the 2010 Swap was de-designated. As a result, $643 of previously unrecognized losses recorded as a component of other comprehensive income were recognized as interest expense in the quarter ended June 30, 2011.

At June 30, 2011, the fair value of the 2010 Swap was $(1,489) and was reported on the condensed consolidated balance sheet in other non-current liabilities with an interest charge recorded in the statement of operations for the change in fair value since the date the 2010 Swap was de-designated. As of December 31, 2010, the fair value of the 2010 Swap of $(1,016) was reported on the condensed consolidated balance sheet in other non-current liabilities with a related deferred tax asset of $392 and an unrealized loss of $(624) recorded as a component of other comprehensive income in stockholders' equity.

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

13. Fair Value Measurements:

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

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

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

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

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

The following tables set forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the periods ended June 30, 2011 and December 31, 2010, by level, within the fair value hierarchy:

	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Trading securities	$3,705	$ —	$ —	$ 3,705
Interest rate swap	—	(1,489)	—	(1,489)

	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 six months ended June 30, 2011, the unrealized gains on these securities of $132 were recorded by the Successor as other income. For the five months ended May 28, 2010, the unrealized gains on these securities of $16 were recorded by the Predecessor as other income. For the one month ended June 30, 2010, the unrealized losses on these securities of $46 were recorded by the Successor as other expense. 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 June 30, 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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(dollars in thousands)

14. Acquisition and Integration Expenses:

For the six months ended June 30, 2011, the Company incurred $1,780 of expenses 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.

For the five months ended May 28, 2010, the Predecessor incurred expenses of $11,342 primarily for investment banking, legal and advisory fees related to the sale of the Company. In the one month period ended June 30, 2010, the Successor incurred expenses of $10,403 for legal, consulting, accounting and other advisory services in connection with the acquisition of the Company.

15. Subsequent Events:

The Company's management has evaluated potential subsequent events for recording and disclosure in this Quarterly Report on Form 10-Q for the quarter ended June 30, 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 June 30, 2011
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ —	$ 118,841	$ 12,003	$ 4,552	$ —	$ 135,396
Cost of sales	—	58,041	5,623	2,552	9	66,225
Selling, general and administrative expenses	26	37,658	2,766	1,471	—	41,921
Acquisition and integration expense	—	396	—	94	—	490
Depreciation	—	4,658	1,126	18	—	5,802
Amortization	4,609	120	607	—	—	5,336
Intercompany administrative (income) expense	—	(60)	—	60	—	—
Other (income) expense, net	(26)	35	—	(82)	—	(73)
Income (loss) from operations	(4,609)	17,993	1,881	439	(9)	15,695
Intercompany interest (income) expense	(3,058)	3,058	—	—	—	—
Interest expense, net	(107)	11,556	(1)	—	—	11,448
Interest expense on junior subordinated debentures	3,153	—	—	—	—	3,153
Investment income on trust common securities	(94)	—	—	—	—	(94)
Income (loss) before equity in subsidiaries' income	(4,503)	3,379	1,882	439	(9)	1,188
Equity in subsidiaries' income (loss)	5,014	1,635	—	—	(6,649)	—
Income (loss) before income taxes	511	5,014	1,882	439	(6,658)	1,188
Income tax provision (benefit)	1,370	—	531	155	—	2,056
Net income (loss)	$ (859)	$ 5,014	$ 1,351	$ 284	$(6,658)	$ (868)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	19	—	19
Change in derivative security value	—	643	—	—	—	643
Total comprehensive income (loss)	$ (859)	$ 5,657	$ 1,351	$ 303	$(6,658)	$ (206)

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 two months ended May 28, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ —	$ 72,885	$ 2,834	$ 1,537	$ —	$ 77,256
Cost of sales	—	35,097	2,029	744	(35)	37,835
Selling, general and administrative expenses	17,561	23,865	538	598	—	42,562
Non-recurring expense	—	11,311	—	—	—	11,311
Depreciation	—	2,960	13	20	—	2,993
Amortization	1,065	—	6	—	—	1,071
Intercompany administrative (income) expense	—	(40)	—	40	—	—
Management and transaction fees to related party	187	—	—	—	—	187
Other (income) expense, net	65	(1)	—	163	—	227
Income (loss) from operations	(18,878)	(307)	248	(28)	35	(18,930)
Intercompany interest (income) expense	(2,039)	2,038	—	—	1	—
Interest expense, net	(65)	4,211	—	2	(1)	4,147
Interest on mandatorily redeemable preferred stock and management purchased options	2,242	—	—	—	—	2,242
Interest expense on junior subordinated debentures	2,102	—	—	—	—	2,102
Investment income on trust common securities	(63)	—	—	—	—	(63)
Income (loss) before equity in subsidiaries' income	(21,055)	(6,556)	248	(30)	35	(27,358)
Equity in subsidiaries' income (loss)	(6,446)	110	—	—	6,336	—
Income (loss) before income taxes	(27,501)	(6,446)	248	(30)	6,371	(27,358)
Income tax provision (benefit)	(3,827)	—	97	11	—	(3,719)
Net income (loss)	$ (23,674)	$ (6,446)	$ 151	$ (41)	$6,371	$ (23,639)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	54	—	54
Change in derivative security value	—	1,151	—	—	—	1,151
Total comprehensive income (loss)	$ (23,674)	$ (5,295)	$ 151	$ 13	$6,371	$ (22,434)

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 one month ended June 30, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ —	$ 44,543	$ 2,090	$ 1,067	$ —	$ 47,700
Cost of sales	—	21,098	1,458	470	(4)	23,022
Selling, general and administrative expenses	(46)	13,638	344	363	—	14,299
Acquisition and integration	—	10,403	—	—	—	10,403
Depreciation	—	1,510	7	5	—	1,522
Amortization	1,515	—	—	—	—	1,515
Intercompany administrative (income) expense	—	(20)	—	20	—	—
Other (income) expense, net	46	10	—	80	—	136
Income (loss) from operations	(1,515)	(2,096)	281	129	4	(3,197)
Intercompany interest (income) expense	(1,019)	1,020	—	—	(1)	—
Interest expense, net	(36)	3,654	—	—	1	3,619
Interest on mandatorily redeemable preferred stock and management purchased options	—	—	—	—	—	—
Interest expense on junior subordinated debentures	1,051	—	—	—	—	1,051
Investment income on trust common securities	(31)	—	—	—	—	(31)
Income (loss) before equity in subsidiaries' income	(1,480)	(6,770)	281	129	4	(7,836)
Equity in subsidiaries' income (loss)	(6,510)	260	—	—	6,250	—
Income (loss) before income taxes	(7,990)	(6,510)	281	129	6,254	(7,836)
Income tax provision (benefit)	(2,187)	—	111	39	—	(2,037)
Net income (loss)	$ (5,803)	$ (6,510)	$ 170	$ 90	$6,254	$ (5,799)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(2)	—	(2)
Change in derivative security value	—	—	—	—	—	—
Total comprehensive income (loss)	$ (5,803)	$ (6,510)	$ 170	$ 88	$6,254	$ (5,801)

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 six months ended June 30, 2011
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Net sales	$ —	$218,310	$ 19,879	$ 8,501	$ —	$ 246,690
Cost of sales	—	107,562	9,594	4,769	(44)	121,881
Selling, general and administrative expenses	132	75,060	5,975	3,200	—	84,367
Acquisition and integration expense	—	1,646	—	134	—	1,780
Depreciation	—	8,882	1,323	36	—	10,241
Amortization	9,217	120	740	—	—	10,077
Intercompany administrative (income) expense	—	(120)	—	120	—	—
Other (income) expense, net	(132)	82	2	(390)	—	(438)
Income (loss) from operations	(9,217)	25,078	2,245	632	44	18,782
Intercompany interest (income) expense	(6,116)	6,116	—	—	—	—
Interest expense, net	(213)	20,739	(1)	—	—	20,525
Interest expense on junior subordinated debentures	6,305	—	—	—	—	6,305
Investment income on trust common securities	(189)	—	—	—	—	(189)
Income (loss) before equity in subsidiaries' income	(9,004)	(1,777)	2,246	632	44	(7,859)
Equity in subsidiaries' income (loss)	138	1,915	—	—	(2,053)	—
Income (loss) before income taxes	(8,866)	138	2,246	632	(2,009)	(7,859)
Income tax provision (benefit)	(3,072)	—	707	256	—	(2,109)
Net income (loss)	$ (5,794)	$ 138	$ 1,539	$ 376	$(2,009)	$ (5,750)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	42	—	42
Change in derivative security value	—	624	—	—	—	624
Total comprehensive income (loss)	$ (5,794)	$ 762	$ 1,539	$ 418	$(2,009)	$ (5,084)

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 five months ended May 28, 2010
(Amounts in thousands)

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

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 June 30, 2011
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 409	$ 1,458	$ 1,170	$ —	$ 3,038
Restricted investments	227	—	—	—	—	227
Accounts receivable	—	67,710	10,879	(5,040)	—	73,549
Inventories	—	87,810	11,500	4,327	(294)	103,343
Deferred income taxes	7,772	—	1,460	195	(710)	8,717
Other current assets	—	3,753	751	704	—	5,208
Total current assets	8,000	159,682	26,048	1,356	(1,004)	194,082
Intercompany notes receivable	105,446	—	—	—	(105,446)	—
Intercompany interest receivable	6,116	—	—	—	(6,116)	—
Investments in subsidiaries	(627,916)	96,978	—	—	530,938	—
Property and equipment	—	51,236	17,812	280	—	69,328
Goodwill	430,435	1,213	19,124	—	280	451,052
Other intangibles	347,764	—	38,100	—	(120)	385,744
Restricted investments	3,478	—	—	—	—	3,478
Deferred income taxes	25,103	—	(507)	449	(24,596)	449
Deferred financing fees	—	15,611	—	—	—	15,611
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	1,213	25	779	—	2,017
Total assets	$ 301,687	$ 325,933	$100,602	$ 2,864	$ 393,936	$1,125,022
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ —	$ 28,629	$ 1,077	$ 298	$ —	$ 30,004
Current portion of senior term loans	—	2,900	—	—	—	2,900
Current portion of capitalized lease and other obligations	—	30	—	—	—	30
Additional acquisition consideration	—	24,548	—	—	—	24,548
Accrued expenses:						
Salaries and wages	—	4,723	325	176	—	5,224
Pricing allowances	—	5,324	38	640	—	6,002
Income and other taxes	(203)	1,491	243	849	—	2,380
Interest	—	1,959	—	—	—	1,959
Deferred compensation	227	—	—	—	—	227
Other accrued expenses	—	5,173	147	286	—	5,606
Total current liabilities	24	74,777	1,830	2,249	—	78,880

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 June 30, 2011
(Amounts in thousands)

	Successor					
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Intercompany interest payable	—	6,116	—	—	(6,116)	—
Long term senior term loans	—	284,200	—	—	—	284,200
Bank revolving credit	—	13,444	—	—	—	13,444
Long term portion of capitalized leases	—	119	—	—	—	119
Long term senior notes	—	204,488	—	—	—	204,488
Junior subordinated debentures	115,624	—	—	—	—	115,624
Deferred compensation	3,478	—	—	—	—	3,478
Deferred income taxes, net	151,510	—	54	—	(25,369)	126,195
Accrued dividends on preferred stock	—	—	—	—	—	—
Other non-current liabilities	—	3,670	—	—	(120)	3,550
Total liabilities	270,636	692,260	1,884	2,249	(137,051)	829,978
Common stock with put options:						
Common stock, $.01 par, 5,000 shares authorized, 198.3 issued and outstanding at June 30, 2011	12,247	—	—	—	—	12,247
Commitment and Contingencies						
Stockholders' Equity						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at June 30, 2011	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,801.7 issued and outstanding at June 30, 2011	—	—	65	—	(65)	—
Additional paid-in capital	133,529	(149,859)	96,913	341	215,620	296,544
Accumulated deficit	(114,725)	(216,468)	1,740	714	314,951	(13,788)
Accumulated other comprehensive loss	—	—	—	(440)	481	41
Total stockholders' equity	18,804	(366,327)	98,718	615	530,987	282,797
Total liabilities and stockholders' equity	$ 301,687	$ 325,933	$100,602	$ 2,864	$ 393,936	$1,125,022

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					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 1	$ 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					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)						
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 six months ended June 30, 2011
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ (5,932)	$ (1,777)	$ 1,539	$ 376	$ 44	$ (5,750)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	9,217	9,002	2,063	36	—	20,318
Dispositions of property and equipment	—	42	3	—	—	45
Deferred income tax provision (benefit)	(3,372)	392	732	(40)	—	(2,288)
Deferred financing and original issue discount amortization	(213)	1,196	—	—	—	983
Other non-cash interest and change in value of interest rate swap	—	1,204	—	—	—	1,204
Changes in operating items:						
Accounts receivable	—	(14,425)	17	(1,896)	—	(16,304)
Inventories	—	(3,386)	230	(943)	(44)	(4,143)
Other assets	—	(584)	(3,192)	1,756	—	(2,020)
Accounts payable	—	1,196	(104)	(34)	—	1,058
Other accrued liabilities	80	4,887	(1,119)	659	(6,116)	(1,609)
Other items, net	220	(5,926)	489	33	6,116	932
Net cash provided by (used for) operating activities	—	(8,179)	658	(53)	—	(7,574)
Cash flows from investing activities:						
TagWorks acquisition	—	(40,359)	—	—	—	(40,359)
Capital expenditures	—	(8,201)	(319)	(76)	—	(8,596)
Net cash used for investing activities	—	(48,560)	(319)	(76)	—	(48,955)
Cash flows from financing activities:						
Repayments of senior term loans	—	(1,450)	—	—	—	(1,450)
Borrowings of revolving credit loans	—	9,444	—	—	—	9,444
Repayments of revolving credit loans	—	(8,000)	—	—	—	(8,000)
Principal payments under capitalized lease obligations	—	(15)	—	—	—	(15)
Borrowings of senior notes	—	50,000	—	—	—	50,000
Premium on senior notes	—	4,625	—	—	—	4,625
Financing fees, net	—	(2,622)	—	—	—	(2,622)
Net cash provided by financing activities	—	51,982	—	—	—	51,982
Net (decrease) increase in cash and cash equivalents	—	(4,757)	339	(129)	—	(4,547)
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	$ 1	$ 409	$ 1,458	$ 1,170	$ —	$ 3,038

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 five months ended May 28, 2010
(Amounts in thousands)

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

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

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

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the one month ended June 30, 2010
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consol-idating Adjust-ments	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 707	$ (6,770)	$ 170	$ 90	$ 4	$ (5,799)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,515	1,510	7	5	—	3,037
Deferred income tax provision (benefit)	(2,202)	—	90	5	—	(2,107)
Deferred financing and original issue discount amortization	(35)	207	—	—	—	172
Changes in operating items:						
Accounts receivable	—	822	(447)	(109)	—	266
Inventories	—	(2,259)	(290)	41	(4)	(2,512)
Other assets	—	(1,150)	311	282	(12)	(569)
Accounts payable	—	6,671	327	18	—	7,016
Other accrued liabilities	9	(5,831)	86	174	(1,020)	(6,582)
Other items, net	(86,509)	(210,375)	—	(12)	296,814	(82)
Net cash provided by (used for) operating activities	(86,515)	(217,175)	254	494	295,782	(7,160)
Cash flows from investing activities:						
Payment for Quick Tag license	(11,500)	—	—	—	—	(11,500)
Capital expenditures	—	(1,349)	—	—	—	(1,349)
Net cash used for investing activities	(11,500)	(1,349)	—	—	—	(12,849)
Cash flows from financing activities:						
Borrowings of senior term loans	—	290,000	—	—	—	290,000
Repayments of senior term loans	—	(148,306)	—	—	—	(148,306)
Borrowings of revolving credit loans	—	600	—	—	—	600
Repayments of revolving credit loans	—	(600)	—	—	—	(600)
Principal payments under capitalized lease obligations	—	(6)	—	—	—	(6)
Repayments of unsecured subordinated notes	—	(49,820)	—	—	—	(49,820)
Borrowings of senior notes	—	150,000	—	—	—	150,000
Refinancing fees	—	(15,729)	—	—	—	(15,729)
Purchase predecessor equity securities	(506,407)	—	—	—	—	(506,407)
Proceeds from sale of successor equity securities	308,641	—	—	—	—	308,641
Net cash provided by (used for) financing activities	(197,766)	226,139	—	—	—	28,373
Net increase (decrease) in cash and cash equivalents	(295,781)	7,615	254	494	295,782	8,364
Cash and cash equivalents at beginning of period	(209,265)	210,190	206	136	—	1,267
Cash and cash equivalents at end of period	$ (505,046)	$ 217,805	$ 460	$ 630	$295,782	$ 9,631

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 in addition to the consolidated statements and notes thereto included in the Company's annual report filed on Form 10-K for the year ended December 31, 2010.

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 the caption "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 risks and uncertainties discussed under the caption "Risk Factors" set forth in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010; 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 improvement centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Australia, Latin America and the Caribbean. Product lines include 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 June 30, 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 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 $50.0 million aggregate principal amount of its 10.875% Senior Notes due 2018. The Hillman Group previously issued $150.0 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.

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.

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 $115.0 million. The forward start date of the 2010 Swap was 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.

The 2010 Swap was initially designated as an effective cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement which modified the interest rate on the Senior Facilities. The critical terms for the 2010 Swap no longer matched the terms of the amended Senior Facilities and the 2010 Swap was de-designated. As a result, $643 of previously unrecognized losses recorded as a component of other comprehensive income were recognized as interest expense in the quarter ended June 30, 2011.

Recent Developments

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.

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 June 30, 2011, the Successor period of May 29 – June 30, 2010 and the Predecessor period of April 1 – May 28, 2010.

(dollars in thousands)	Successor Three Months Ended June 30, 2011 Amount	% of Total	Successor One Month Ended June 30, 2010 Amount	% of Total	Predecessor Two Months Ended May 28, 2010 Amount	% of Total
Net sales	$ 135,396	100.0%	$ 47,700	100.0%	$ 77,256	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	66,225	48.9%	23,022	48.3%	37,835	49.0%
Selling	21,213	15.7%	7,193	15.1%	12,722	16.5%
Warehouse & delivery	14,049	10.4%	5,046	10.6%	8,121	10.5%
General & administrative	6,659	4.9%	2,060	4.3%	4,093	5.3%
Stock compensation expense	—	0.0%	—	0.0%	17,626	22.8%
Acquisition and integration expense (a)	490	0.4%	10,403	21.8%	11,311	14.6%
Depreciation	5,802	4.3%	1,522	3.2%	2,993	3.9%
Amortization	5,336	3.9%	1,515	3.2%	1,071	1.4%
Management and transaction fees to related party	—	0.0%	—	0.0%	187	0.2%
Other (income) expense, net	(73)	-0.1%	136	0.3%	227	0.3%
Income (loss) from operations	15,695	11.6%	(3,197)	-6.7%	(18,930)	-24.5%
Interest expense, net	11,448	8.5%	3,619	7.6%	4,147	5.4%
Interest expense on mandatorily redeemable preferred stock & management purchased options	—	0.0%	—	0.0%	2,242	2.9%
Interest expense on junior subordinated notes	3,153	2.3%	1,051	2.2%	2,102	2.7%
Investment income on trust common securities	(94)	-0.1%	(31)	-0.1%	(63)	-0.1%
Income (loss) before income taxes	1,188	0.9%	(7,836)	-16.4%	(27,358)	-35.4%
Income tax provision (benefit)	2,056	1.5%	(2,037)	-4.3%	(3,719)	-4.8%
Net loss	$ (868)	-0.6%	$ (5,799)	-12.2%	$ (23,639)	-30.6%

(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.

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, a reduced level of consumer spending 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 further 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 six 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 half 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 June 30, 2011 vs Predecessor Period of the One Month Ended June 30, 2010

Revenues

Net sales for the three months ended June 30, 2011 were $135.4 million, or $2.12 million per ship day, compared to net sales for the one month period ended June 30, 2010 (the "June 2010 Period") of $47.7 million, or $1.99 million per ship day. The increase in revenue of $87.7 million was directly attributable to comparing operating results of 64 ship days in the three month period ended June 30, 2011 to the results from 24 ship days in the one month June 2010 Period. The sales per ship day of $2.12 million in the second quarter of 2011 were approximately 6.5% more than the sales per ship day of $1.99 million in the June 2010 Period. Excluding the second quarter net sales of $7.8 million for the newly acquired Servalite and TagWorks businesses, the 2011 second quarter net sales per ship day were also $1.99 million.

Expenses

Operating expenses for the three months ended June 30, 2011 were substantially more than the operating expenses for the one month June 2010 Period. The increase in operating expenses is primarily due to the longer 64 ship day period for the three months ended June 30, 2011 compared to the 24 ship day period for the one month June 2010 Period. The following changes in underlying trends impacted the change in operating expenses:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 48.9% in second quarter of 2011 compared to 48.3% in the June 2010 Period. The rate increase in the second 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, 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.
- Selling expense was $21.2 million, or 15.7% of net sales in the three months ended June 30, 2011 compared to $7.2 million, or 15.1% of net sales in the June 2010 Period. The higher costs for new displays, travel and auto were the primary reasons that selling expense increased as a percentage of sales.
- Warehouse and delivery expense was $14.0 million, or 10.4% of net sales, in the second quarter of 2011 compared to $5.0 million, or 10.6% of net sales in the June 2010 Period. Outbound and inter-branch freight expense, the largest component of warehouse and delivery expense, remained at 4.6% of net sales in the second quarter of 2011 and the June 2010 Period.
- General and administrative ("G&A") expenses were $6.7 million, or 4.9% of net sales in the second quarter of 2011 compared to $2.1 million, or 4.3% of net sales in the June 2010. The increase in G&A expenses as a percentage of net sales was primarily the result of an increase in professional fees and restructuring costs associated with moving the key packaging operation.
- Acquisition and integration expense of $0.5 million in the second 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. The $10.4 million in the June 2010 Period represent charges for legal professional, diligence and other expenses incurred in connection with the Merger Transaction.
- Amortization expense was $5.3 million in the second quarter of 2011, or an estimated annual amount of $21.3 million. The amortization expense of $1.5 million in the June 2010 Period amounted to an estimated annual amount of approximately $18.0 million. The higher estimated annual amount of amortization expense for the 2011 period was due to the increase in intangible assets, subject to amortization, acquired as a result of the Servalite and TagWorks acquisitions.
- Interest expense, net, was $11.4 million in the second quarter of 2011, or an estimated annual rate of approximately $45.6 million. The interest expense was $3.6 million in the June 2010 Period, or an estimated annual rate of approximately $43.2 million. The increase in estimated annual interest expense was primarily the result of the higher level of debt outstanding as a result of the TagWorks acquisition.

Successor Period of the Three Months Ended June 30, 2011 vs Predecessor Period of the Two Months Ended May 28, 2010

Revenues

Net sales for the three months ended June 30, 2011 were $135.4 million, or $2.12 million per ship day, compared to net sales for the two month period ended May 28, 2010 (the "May 2010 Period") of $77.3 million, or $1.93 million per ship day. The increase

in revenue of $58.1 million was directly attributable to comparing operating results of 64 ship days in the three month period ended June 30, 2011 to the results from 40 ship days in the two month May 2010 Period. The sales per ship day of $2.12 million in the second quarter of 2011 were approximately 9.8% more than the sales per ship day of $1.93 million in the June 2010 Period. Excluding the second quarter net sales of $7.8 million for the newly acquired Servalite and TagWorks businesses, the 2011 second quarter net sales per ship day was $1.99 million, an increase of 3.1% from the May 2010 Period.

Expenses

Operating expenses for the three months ended June 30, 2011 were substantially more than the operating expenses for the two month May 2010 Period. The increase in operating expenses is primarily due to the longer 64 ship day period for the three months ended June 30, 2011 compared to the 40 ship day period for the two month May 2010 Period. The following changes in underlying trends impacted the change in operating expenses:

- Selling expense was $21.2 million, or 15.7% of net sales in the three months ended June 30, 2011 compared to $12.7 million, or 16.5% of net sales in the May 2010 Period. When expressed as a percentage of sales, the costs for sales reps, employee benefits, and new displays were lower than the prior year period.
- Warehouse and delivery expense was $14.0 million, or 10.4% of net sales, in the second quarter of 2011 compared to $8.1 million, or 10.5% of net sales in the May 2010 Period. Outbound and inter-branch freight expense, the largest component of warehouse and delivery expense, increased to 4.5% of net sales in the second quarter of 2011 from 4.4% in the May 2010 Period. This increase in the second quarter of 2011 was partially offset by reductions in shipping supplies and employee benefit cost expressed as a percentage of sales.
- G&A expenses were $6.7 million, or 4.9% of net sales in the second quarter of 2011 compared to $4.1 million, or 5.3% of net sales in the May 2010 Period. The decrease in G&A expenses in the second quarter of 2011 expressed as a percentage of net sales was primarily due to adjustments to bonuses and profit sharing for below plan results.
- Acquisition and integration expense of $0.5 million in the second 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. The $11.3 million in the May 2010 Period represent charges for legal, professional, diligence and other expenses incurred in connection with the Merger Transaction.
- Stock compensation expenses from stock options primarily related to the 2004 Merger Transaction resulted in a charge of $17.6 million in the May 2010 period. The change in the fair value of the Class B Common Stock is included in stock compensation expense and this resulted in an additional charge of $13.4 million. The significant increase in the fair value of the Class B Common Stock in this predecessor period resulted from the acquisition price paid by OHCP for the Company. In addition, a stock compensation charge of $3.7 million was recorded for the increase in the fair value of the common stock options. There was no stock compensation expense in the second quarter of 2011.
- Amortization expense was $5.3 million in the second quarter of 2011, or an estimated annual amount of $21.3 million. The amortization expense of $1.1 million in the May 2010 Period amounted to an estimated annual amount of approximately $6.6 million. The higher estimated annual amount 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 together with the Servalite and TagWorks acquisitions.
- Interest expense, net, was $11.4 million in the second quarter of 2011, or an estimated annual rate of approximately $45.6 million. The interest expense was $4.1 million in the May 2010 Period, or an estimated annual rate of approximately $24.6 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 and the TagWorks acquisition.

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 six months ended June 30, 2011, the Successor period of May 29 – June 30, 2010 and the Predecessor period of January 1 – May 28, 2010.

(dollars in thousands)	Successor Six Months Ended June 30, 2011 Amount	% of Total	Successor One Month Ended June 30, 2010 Amount	% of Total	Predecessor Five Months Ended May 28, 2010 Amount	% of Total
Net sales	$ 246,690	100.0%	$ 47,700	100.0%	$ 185,716	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	121,881	49.4%	23,022	48.3%	89,773	48.3%
Selling	43,116	17.5%	7,193	15.1%	33,568	18.1%
Warehouse & delivery	27,084	11.0%	5,046	10.6%	19,945	10.7%
General & administrative	14,167	5.7%	2,060	4.3%	10,284	5.5%
Stock compensation expense	—	0.0%	—	0.0%	19,053	10.3%
Acquisition and integration expense (a)	1,780	0.7%	10,403	21.8%	11,342	6.1%
Depreciation	10,241	4.2%	1,522	3.2%	7,283	3.9%
Amortization	10,077	4.1%	1,515	3.2%	2,678	1.4%
Management and transaction fees to related party	—	0.0%	—	0.0%	438	0.2%
Other (income) expense, net	(438)	-0.2%	136	0.3%	114	0.1%
Income (loss) from operations	18,782	7.6%	(3,197)	-6.7%	(8,762)	-4.7%
Interest expense, net	20,525	8.3%	3,619	7.6%	8,327	4.5%
Interest expense on mandatorily redeemable preferred stock & management purchased options	—	0.0%	—	0.0%	5,488	3.0%
Interest expense on junior subordinated notes	6,305	2.6%	1,051	2.2%	5,254	2.8%
Investment income on trust common securities	(189)	-0.1%	(31)	-0.1%	(158)	-0.1%
(Loss) income before income taxes	(7,859)	-3.2%	(7,836)	-16.4%	(27,673)	-14.9%
Income tax benefit	(2,109)	-0.9%	(2,037)	-4.3%	(2,465)	-1.3%
Net loss	$ (5,750)	-2.3%	$ (5,799)	-12.2%	$ (25,208)	-13.6%

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

Successor Period of Six Months Ended June 30, 2011 vs Successor Period of May 28 – June 30, 2010

Revenues

Net sales for the six month period ended June 30, 2011 (the "2011 Period") were $246.7 million, or $1.91 million per ship day, compared to net sales of $47.7 million, or $1.99 million per ship day for the one month June 2010 Period. The increase in revenues of $199.0 million was directly attributable to comparing operating results of 129 ship days in the 2011 period to the results from 24 ship days in the June 2010 Period. However, the sales per ship day of $1.99 million in the June 2010 Period was approximately 4.2% higher than the sales per ship day of $1.91 million in the 2011 Period. The higher sales per day for the June 2010 Period was the result of higher seasonal sales per day during the month of June 2010 as compared to the average sales per day for the January through June period of 2011.

Expenses

Operating expenses for the six month period ended June 30, 2011 were substantially more than the operating expenses for the one month period ended June 30, 2010. The increase in operating expenses is primarily due to the longer 129 ship day period in the 2011 Period compared to the 24 day ship period in the June 2010 Period. The following changes in underlying trends also impacted the change in operating expenses:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 49.4% in the 2011 Period compared to 48.3% in the June 2010 Period. The rate increase in the six months 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, 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.
- Selling expense was $43.1 million, or 17.5% of net sales in the 2011 Period compared to $7.2 million, or 15.1% of net sales in the June 2010 period. When expressed as a percentage of sales, the costs for sales salaries, employee benefits, and new displays were higher in the 2011 Period than the June 2010 Period.
- Warehouse and delivery expense was $27.1 million, or 11.0% of net sales, in the 2011 Period compared to $5.0 million, or 10.6% of net sales in the June 2010 Period. Freight expense, the largest component of warehouse and delivery expense, increased from 4.6% of net sales in the June 2010 Period to 4.7% of net sales in the 2011 Period.
- G&A expenses were $14.2 million, or 5.7% of net sales in the 2011 Period compared to $2.1 million, or 4.3% of net sales in the June 2010. The increase in G&A expenses as a percentage of net sales was primarily the result of an increase in professional fees and restructuring costs associated with moving the key packaging operation.
- Acquisition and integration expense of $10.4 million in the June 2010 Period represents charges for legal, professional, diligence and other expenses incurred by the Successor in connection with the Merger Transaction. The Company incurred $1.8 million in the 2011 Period 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.
- Amortization expense was $10.1 million in the 2011 Period, or an estimated annual rate of $20.2 million compared to $1.5 million in the June 2010 Period, or an estimated annual amount of $18.0 million. The higher estimated annual amount of amortization expense in the 2011 Period was the result of the increase in intangible assets subject to amortization acquired in the acquisitions of Servalite and TagWorks.

- Interest expense, net, was $20.5 million in the 2011 Period, or an estimated annual rate of $41.0 million compared to $3.6 million in the June 2010 Period, or an estimated annual rate of approximately $43.2 million.

Successor Period of Six Months Ended June 30, 2011 vs Predecessor Period of January 1 – May 28, 2010

Revenues

Net sales for the six month period ended June 30, 2011 were 246.7 million, or 1.91 million per ship day compared to net sales of $185.7 million, or $1.77 million per ship day for the period of January 1 – May 28, 2010 (the "2010 five month period"). The increase in revenues of $61.0 million was directly attributable to comparing operating results of 129 shipping days in the 2011 Period to the results from 105 shipping days in the 2010 five month period. The sales per shipping day of $1.91 million in the 2011 Period was approximately 8.0% higher than the sales per shipping day of $1.77 million in the 2010 five month period. The increase in sales per day for the 2011 Period month period was the result of higher seasonal sales per day during the June period included in the first half of 2011 together with the additional sales provided by the acquisitions of Servalite and TagWorks as compared to the average sales per day for the January to May period in 2010.

Expenses

Operating expenses for six month period ended June 30, 2011 were substantially more than the operating expenses for the 2010 five month period after excluding $30.4 million of stock compensation, acquisition and integration expense incurred in connection with the Merger Transaction during the 2010 five month period. The longer 129 ship day period in the 2011 Period provided certain unfavorable operating expense variances as compared to the 105 ship day period in the 2010 five month period. The following changes in underlying trends also impacted the change in operating expenses:

- The Company's cost of sales percentage (excluding depreciation and amortization) was 49.4% in the 2011 Period compared to 48.3% in the 2010 five month period. The rate increase in the six months 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, 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.
- Selling expense was $43.1 million, or 17.5% of net sales in 2011 Period compared to $33.6 million, or 18.1% of net sales in the 2010 five month period. When expressed as a percentage of sales, the costs for service reps, employee benefits, and new displays were higher in the 2011 Period than the 2010 five month period.
- Warehouse and delivery expense was $27.1 million, or 11.0% of net sales, in the 2011 Period compared to $19.9 million, or 10.7% of net sales, in the 2010 five month period. Freight expense, the largest component of warehouse and delivery expense, increased from 4.3% of net sales in the 2010 five month period to 4.7% of net sales in the 2011 Period.
- Stock compensation expenses from stock options primarily related to the 2004 Merger Transaction resulted in a charge of $19.1 million in the 2010 five month period. The change in the fair value of the Class B Common Stock is included in stock compensation expense and this resulted in an additional charge of $13.9 million. The significant increase in the fair value of the Class B Common Stock in this predecessor period resulted from the acquisition price paid by OHCP for the Company. In addition, a stock compensation charge of $3.7 million was recorded for the increase in the fair value of the common stock options. There was no stock compensation expense in the first half of 2011.

- Acquisition and integration expense of $11.3 million in the 2010 five month period represents charges for investment banking, legal and other expenses incurred in connection with the Merger Transaction. The Company incurred $1.8 million in the 2011 Period 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.
- Interest expense, net, was $20.5 million in the 2011 Period, or an estimated annual rate of $41.0 million compared to $8.3 million in the 2010 five month period, or an estimated annual rate of $19.9 million. The increase in interest expense for the 2011 Period was primarily the result of the higher level of debt outstanding as a result of the Merger Transaction and the TagWorks acquisition.
- The Successor incurred no interest expense on mandatorily redeemable preferred stock and management purchased options as a result of their redemption in connection with the Merger Transaction. The interest expense on these securities was $5.5 million for the 2010 five month period.

Income Taxes

In the six month and three month periods ended June 30, 2011, the Company recorded an income tax (benefit) / provision of ($2.1) and $2.1 million on a pre-tax (loss) / income of ($7.9) and $1.2 million, respectively. In the five month and two month Predecessor periods ended May 28, 2010 and the one month Successor period ended June 30, 2010, the Company recorded an income tax (benefit) of ($2.5), ($3.7) and ($2.0) million on a pre-tax (loss) of ($27.7), ($27.4) and ($7.8) million, respectively. The effective income tax rates were 26.8% and 173.1% for the six and three month periods ended June 30, 2011. In the five month and two month Predecessor periods ended May 28, 2010 and the one month Successor period ended June 30, 2010, the effective income tax rates were 8.9%, 13.6% and 26.0% respectively.

In the six month and three month periods ended June 30, 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 effective income tax rate in the three month period ended June 30, 2011 was also affected by the change in the second quarter of the estimated annual effective tax rate used to compute the interim tax provision as required by ASC 740-270, the accounting guidance established for computing income taxes in interim periods. The net effect of the change was recorded in the current period as required by the accounting standard. The remaining differences between the effective income tax rate and the federal statutory rate in the six and three month periods ended June 30, 2011 was primarily due to state and foreign income taxes.

In the five month and two month Predecessor periods ended May 28, 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. In the two month Predecessor period ended May 28, 2010, the Company recognized an increase in its reserve for uncertainty in accounting for income taxes as well as a net decrease in valuation reserves recorded against certain deferred tax assets. The remaining difference between the effective income tax rate and the federal statutory rate in the five and two month Predecessor periods ended May 28, 2010 and the one-month Successor period ended June 30, 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 six months ended June 30, 2011 (Successor), the one month ended June 20, 2010 (Successor) and the five months ended May 28, 2010 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities.

Operating Activities

Net cash used by operating activities for the six months ended June 30, 2011 of $7.6 million was the result of the net loss adjusted for non-cash items of $14.5 million for depreciation, amortization, deferred taxes, and deferred financing which was offset by cash related adjustments of $22.1 million for routine operating activities represented by changes in accounts receivable, inventories, accounts payable, accrued liabilities and other assets. In the first six months of 2011, routine operating activities used cash through an increase in accounts receivable of $16.3 million, inventories of $4.1 million, other assets of $2.0 million and a decrease in other accrued liabilities of $1.6 million. This was partially offset by an increase in accounts payable of $1.0 million and other of $0.9 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.

Excluding $17.5 million in cash used for the Merger Transaction, net cash provided by operating activities for the six months ended June 30, 2010 of $9.8 million was the result of the net loss adjusted for non-cash items of $11.0 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 $1.2 million for routine operating activities represented by changes in inventories, accounts receivable, accounts payable, accrued liabilities and other assets. In the first six months of 2010, routine operating activities used cash through an increase in accounts receivable of $16.5 million and other of $1.3 million. This was partially offset by an increase in accounts payable of $8.8 million, an increase in accrued liabilities of $7.4 million, a decrease in inventories of $0.4 million. The increase in accounts receivable was the result of the seasonal increase in sales for the latter part of the second quarter.

Investing Activities

Net cash used for investing activities was $49.0 million for the six months ended June 30, 2011. The Company used $40.4 million for the acquisition of TagWorks. Capital expenditures for the six months totaled $8.6 million, consisting of $4.7 million for key duplicating machines, $2.2 million for engraving machines, $1.3 million for computer software and equipment and $0.4 million for machinery and equipment.

The Company used cash of $11.5 million from the Merger Transaction to purchase the licensing rights and related patents for the Quick Tag business. Excluding the $11.5 million used for the Quick Tag acquisition, net cash used for investing activities was $6.8 million for the six months ended June 30, 2010. Capital expenditures for the six months totaled $6.8 million, consisting of $4.6 million for key duplicating machines, $0.6 million for engraving machines, and $1.6 million for computer software and equipment.

Financing Activities

Net cash provided by financing activities was $52.0 million for the six months ended June 30, 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. In addition, the Company borrowed $1.4 million net cash on the revolving credit facility. This was partially offset by net cash used for payments of $2.6

million in financing fees on the 10.875% Senior Notes and amendment to the Credit Facilities together with $1.45 million in principal payments on the senior term loans.

Excluding $29.0 million in cash provided by borrowings related to the Merger Transaction, net cash used for financing activities was $10.6 million for the six months ended June 30, 2010. The net cash used was primarily related to the principal payments on the senior term loans of $9.5 million and further payments of $0.6 million on the revolving credit facility and $0.5 million 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 $115.2 million as of June 30, 2011, represents a decrease of $5.2 million from the December 31, 2010 level of $120.4 million as follows:

(dollars in thousands)

	Amount
Decrease in cash and cash equivalents	$ (4,547)
Increase in accounts receivable, net	17,039
Increase in inventories, net	5,642
Increase in other current assets	1,807
Decrease in deferred taxes	(660)
Increase in accounts payable	(1,580)
Increase in additional acquisition consideration	(24,548)
Decrease in accrued salaries and wages	854
Increase in accrued pricing allowances	(647)
Increase in accrued income and other taxes	(341)
Increase in accrued interest	(550)
Decrease in other accrued liabilities	2,293
Net decrease in working capital for the quarter ended June 30, 2011	$ (5,238)

The decrease in the Company's working capital as of June 30, 2011 was primarily the result of the March 16, 2011 acquisition of TagWorks which included $24,548 in additional acquisition consideration as a reduction to working capital.

Contractual Obligations

The Company's contractual obligations in thousands of dollars as of June 30, 2011:

		Payments Due			
Contractual Obligations	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Junior Subordinated Debentures (1)	$115,624	$ —	$ —	$ —	$115,624
Senior Term Loans	287,100	2,900	5,800	278,400	—
Bank Revolving Credit Facility	12,000	—	—	12,000	—
10.875% Senior Notes	200,000	—	—	—	200,000
Additional Acquisition Consideration	24,548	24,548	—	—	—
KeyWorks License Agreement	4,854	500	1,000	1,000	2,354
Interest Payments (2)	220,252	36,076	71,767	70,111	42,298
Operating Leases	38,918	7,998	9,234	4,907	16,779
Deferred Compensation Obligations	3,705	227	454	454	2,570
Capital Lease Obligations	170	38	70	60	2
Purchase Obligations	700	350	350	—	—
Other Obligations	1,864	1,119	596	149	—
Uncertain Tax Position Liabilities	4,440	—	1,438	—	3,002
Total Contractual Cash Obligations (3)	$914,175	$73,756	$90,709	$367,081	$382,629

(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% as of June 30, 2011 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 June 30, 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 June 30, 2011, the Company had no material purchase commitments for capital expenditures.

Off-Balance Sheet Arrangements

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

Borrowings

As of June 30, 2011, the Company had $12.1 million available under its secured credit facilities. The Company had approximately $299.2 million of outstanding debt under its secured credit facilities at June 30, 2011, consisting of $287.1 million in a term loan, $12.0 million in revolving credit borrowings and $0.1 million in capitalized lease obligations. The term loan consisted of a $287.1 million Term B-2 Loan at a three (3) month LIBOR rate plus margin of 5.00%. The revolver borrowings (the "Revolver") consisted of $12.0 million currently at a three (3) month LIBOR rate plus margin of 5.50%. The capitalized lease obligations were at various interest rates.

At June 30, 2011 and December 31, 2010, the Company borrowings were as follows:

	June 30, 2011			December 31, 2010		
(dollars in thousands)	Facility Amount	Outstanding Amount	Interest Rate	Facility Amount	Outstanding Amount	Interest Rate
Term B-2 Loan		$287,100	5.00%		$288,550	5.50%
Revolving credit facility	$30,000	12,000	5.50%	$30,000	12,000	5.50%
Capital leases & other obligations		149	various		164	various
Total secured credit		299,249			300,714	
10.875% Senior notes		200,000	10.875%		150,000	10.875%
Total borrowings		$499,249			$450,714	

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, as amended, provide borrowings at interest rates based on a EuroDollar rate plus a margin of 3.50%, or a Base Rate plus a margin of 2.50%. The EuroDollar rate is subject to a minimum floor of 1.50% and the Base Rate is subject to a minimum floor of 2.50%.

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 its 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.

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 June 30, 2011:

(dollars in thousands)	Actual	Ratio Requirement
Secured Leverage Ratio		
Senior term loan balance	$287,100	
Revolver	12,000	
Capital leases and other credit obligations	149	
Total debt	$299,249	
Adjusted EBITDA (1)	$ 89,529	
Leverage ratio (must be below requirement)	3.34	4.75

(1) Adjusted EBITDA is defined as income from operations of $38,158, plus depreciation of $19,726, amortization of $19,737, restructuring costs of $3,188, acquisition and integration costs of $2,527, foreign exchange (gains) or losses of ($786) and the pro-forma EBITDA from the acquisitions of Servalite and TagWorks of $6,979.

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 June 30, 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 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 Company writes off individual accounts receivable when collection becomes improbable. The allowance for doubtful accounts was $584 thousand as of June 30, 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 $7.4 million as of June 30, 2011 and $11.0 million as of December 31, 2010. In the six months ended June 30, 2011, the Company wrote-off $4.1 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. The Company considers TagWorks (see Note 4 – Acquisitions) as one reporting unit and the remaining operations a second reporting unit for goodwill impairment testing purposes. 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 six month periods ended June 30, 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 six month periods ended June 30, 2011 and 2010.

Risk Insurance Reserves:

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

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 (the "2008 Swap") with a three year term for a notional amount of $50 million. The 2008 Swap fixed the interest rate at 3.41% plus applicable 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 (the "2010 Swap") with a two-year term for a notional amount of $115.0 million. The 2010 Swap was effective 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.

The 2010 Swap was initially designated as an effective cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the credit agreement and as a result the 2010 Swap was de-designated to an ineffective cash flow hedge.

Based on the Company's exposure to variable rate borrowings at June 30, 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 $1.8 million.

The Company is exposed to foreign exchange rate changes of the Australian, Canadian and Mexican currencies as it impacts the $10.5 million net asset value of its Australian, Canadian and Mexican subsidiaries as of June 30, 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 June 30, 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 June 30, 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 latter 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 from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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.
10.1 *	OHCP HM Acquisition Corp. 2010 Stock Option Plan, adopted as of May 28, 2010.
10.2 *	Form of Option Award Agreement – Max Hillman and Richard Hillman.
10.3 *	Form of Option Award Agreement – All Recipients.
10.4 *	Stock Purchase Agreement, dated as of December 29, 2010, by and among The Hillman Group, Inc., Thomas Rowe and Mary Jennifer Rowe.
10.5 *	Development Alliance Agreement, dated as of March 10, 2011, by and among Keyworks-KeyExpress, LLC, The Hillman Group, Inc and the persons identified as Members on the signature pages thereto.
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.
101**	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed with the SEC on August 15, 2011, formatted in eXtensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011, the one month ended June 30, 2010 and the two and five months ended May 28, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011, the one month ended June 30, 2010 and the five months ended May 28, 2010, (iv) Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2011 and (v) Notes to Condensed Consolidated Financial Statements.

* Filed herewith.

** This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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SIGNATURES

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

THE HILLMAN COMPANIES, INC.

/s/ JAMES P. WATERS	/s/ HAROLD J. WILDER
James P. Waters	**Harold J. Wilder**
Vice President - Finance	**Controller**
(Chief Financial Officer)	**(Chief Accounting Officer)**

DATE: August 15, 2011

OHCP HM ACQUISITION CORP.

2010 STOCK OPTION PLAN

(Effective as of May 28, 2010)

1. **Purpose**

The purpose of the Plan is to provide a means through which the Company and its Subsidiaries may attract able persons to enter and remain in the employ and service of the Company and its Subsidiaries and to provide a means whereby employees, directors and Consultants of the Company and its Subsidiaries can acquire and maintain Common Stock ownership, thereby strengthening their commitment to the welfare of the Company and its Subsidiaries and promoting an identity of interest between stockholders and these employees, directors and Consultants.

The Plan provides for the grant of Options to purchase Common Stock.

2. **Definitions**

The following definitions shall be applicable throughout the Plan.

(a) "Affiliate" with respect to any Person, means any other Person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control," when used with respect to any specified Person, means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have correlative meanings.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" with respect to any Participant, has the same meaning as "Cause", "Just Cause" or any term of like import set forth in any employment, consulting or similar agreement between such Participant and the Company or any of its Subsidiaries. Absent such term in any such agreement, and in the case of other Participants who do not have such an agreement, "Cause" shall mean the following: (A) the Participant's conviction of, or pleading guilty or no contest to, a felony or a crime involving moral turpitude, or other material act or omission involving dishonesty or fraud, (B) the Participant's conduct that brings or is reasonably likely to bring the Company or any of its Affiliates into public disgrace or disrepute and that affects the Company's or any Affiliate's business in any material way, (C) the Participant's failure to perform duties (other than as a result of his incapacity due to physical or mental illness or injury) as reasonably directed by the Company (which, if curable, is not cured within 14 days after notice thereof is provided to the Participant) (D) the Participant's gross negligence, willful malfeasance, material act of disloyalty or other conduct materially injurious with respect to the Company or its Affiliates or (E) the Participant's willful and repeated failure to follow the reasonable and lawful

instructions of the Board or his or her direct superiors. Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

(d) "Change in Control" has the meaning set forth in the Stockholders' Agreement.

(e) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(f) "Committee" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board.

(g) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(h) "Company" means OHCP HM Acquisition Corp., a Delaware corporation.

(i) "Consultant" means any consultant or advisor to the Company or any of its Subsidiaries who may be offered securities registrable on Form S-8 under the Securities Act or pursuant to an offer that is exempt from registration requirements under Section 5 of the Securities Act under Rule 701 promulgated under the Securities Act.

(j) "Date of Grant" means the date on which the granting of an Option is authorized by the Committee or such other subsequent date as may be specified in such authorization.

(k) "Effective Date" means May 28, 2010.

(l) "Eligible Person" means any (i) individual regularly employed by the Company or any of its Subsidiaries who satisfies all of the requirements of Section 6 of the Plan; (ii) director of the Company or any of its Subsidiaries; or (iii) Consultant to the Company or any of its Subsidiaries.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Exercise Price" means the exercise price for an Option as described in Section 7(a) of the Plan.

(o) "Fair Market Value" on a given date means, except as otherwise determined by the Committee: (i) if the Common Stock is listed on a national securities exchange, the closing sale price reported as having occurred on the primary exchange with which the Common Stock is listed and traded on such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was

reported; (ii) if the Common Stock is not listed on any national securities exchange but is quoted in an inter-dealer quotation system on a last sale basis, the average between the closing bid price and ask price reported on such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; (iii) if Fair Market Value cannot be determined under clause (i) or (ii) above, or if the Committee determines in its sole discretion that the shares of Common Stock are too thinly traded for Fair Market Value to be determined pursuant to clause (i) or (ii), the fair market value as determined in good faith by the Committee in its sole discretion; or (iv) if the Common Stock is not listed on a national securities exchange or quoted in an inter-dealer quotation system on a last sale basis, the amount determined in good faith by the Committee, in its sole discretion, to be the fair market value. Fair Market Value is intended to be not less than fair market value as determined for purposes of Section 409A of the Code.

(p) "Fiscal Year" shall mean the fiscal year of the Company, which on the date hereof is the period beginning on January 1 and ending on December 31.

(q) "Initial Public Offering" means the consummation of an initial underwritten public offering by the Company (or any corporate successor of the Company) of its Common Stock (or a successor security) pursuant to a registration statement (other than a registration statement relating solely to an employee benefit plan) that has been filed under the Securities Act and declared effective by the Securities and Exchange Commission.

(r) "OH" means Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P.

(s) "OH Affiliates" means OH, any related OH partnership or any other member of the OH Investor Group that is an Affiliate of OH or Oak Hill Capital Management, LLC.

(t) "OH Investor Group" means OH, related Oak Hill partnerships and their respective limited partners and Affiliates.

(u) "Option" means an award granted under Section 7 of the Plan.

(v) "Option Period" means the term of the Option described in Section 7(c) of the Plan.

(w) "Participant" means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Option pursuant to Section 7 of the Plan.

(x) "Permitted Transferee" has the meaning set forth in the Stockholders' Agreement.

(y) "Person" means an individual or a corporation, association, partnership, limited liability company, joint venture, organization, business, trust or any other entity or organization, including a government or any subdivision or agency thereof.

(z) "Plan" means this OHCP HM Acquisition Corp. 2010 Stock Option Plan.

(aa) "Repurchase Payment" has the meaning set forth in Section 7(f).

(bb) "Repurchase Right" shall have the meaning set forth in Section 7(f).

(cc) "Retirement" means a Participant's retirement from employment with the Company or any of its Subsidiaries at age 61 or thereafter.

(dd) "Securities Act" means the Securities Act of 1933, as amended.

(ee) "Securities Laws" means the Exchange Act, the Securities Act and state securities and "blue sky" laws, all as now enacted or as the same may from time to time be amended, and the applicable rules and regulations promulgated thereunder.

(ff) "Stock Option Agreement" means the agreement between the Company and a Participant who has been granted an Option pursuant to Section 7 of the Plan, which defines the rights and obligations of the parties as required in Section 7(d) of the Plan.

(gg) "Stockholders' Agreement" means the Stockholders' Agreement, dated as of May 28, 2010, by and among the Company, Oak Hill Capital Partners III, L.P. and the other investors and individuals executing the Stockholders' Agreement from time to time, as such agreement is amended, supplemented or otherwise modified from time to time.

(hh) "Subsidiaries" has the meaning set forth in the Stockholders' Agreement.

(ii) "transfer" has the meaning set forth in the Stockholders' Agreement.

(jj) "12h-1(f) Exemption" means the exemption from registration under Section 12(g) of the Exchange Act by operation of Rule 12h-1(f) of the Exchange Act.

3. **Effective Date, Duration and Expiration Date**

The Plan is effective as of the Effective Date. The expiration date of the Plan, on and after which no Options may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that the administration of the Plan shall continue in effect until all matters relating to obligations in respect of Options previously granted have been settled.

4. **Administration**

(a) The Committee shall administer the Plan. The majority of the members of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present or acts approved in writing by a majority of the Committee shall be deemed the acts of the Committee.

(b) Subject to the provisions of the Plan and applicable law, the Committee shall have the power, in addition to other express powers and authorizations conferred on the Committee by the Plan, to: (i) designate Participants after consultation with the Chief Executive Officer; (ii) determine the number of shares of Common Stock to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with Options, including the treatment of any fractional shares; (iii) determine the terms and conditions of any Options; (iv) determine whether, to what extent, under what circumstances and in what amounts Options may be settled or exercised in cash, shares of Common Stock, other securities, other Options or other property, or canceled, forfeited or suspended and the method or methods by which Options may be settled, exercised, canceled, forfeited or suspended; (v) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan and any instrument or agreement relating to, or Option granted under, the Plan; (vi) accelerate the vesting or exercisability of Options; (vii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (viii) make any other determination and take any other action specified under the Plan or that the Committee deems necessary or desirable for the administration of the Plan.

(c) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Option or any documents evidencing any and all Options granted pursuant to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all parties, including, without limitation, the Company, any Affiliate of the Company, any Participant, any holder of any Option and any stockholder.

5. **Grant of Options; Shares Subject to the Plan**

The Committee may, from time to time, grant Options to one or more Eligible Persons;provided, however, that:

(a) Subject to Section 9 of the Plan, the aggregate number of shares of Common Stock in respect of which Options may be granted under the Plan is 34,293.469 shares;

(b) In the event any Option shall be surrendered, terminate, expire or be forfeited, the number of shares of Common Stock no longer subject thereto shall thereupon be released and shall thereafter be available for new grants under the Plan;

(c) Common Stock delivered by the Company in settlement of Options granted under the Plan may be authorized and unissued Common Stock or Common Stock held in the treasury of the Company or may be purchased on the open market or by private purchase;

(d) As a condition precedent to the Company's grant of an Option under the Plan, the Participant must enter into a Stock Option Agreement;

(e) As a condition precedent to the Participant's exercise of an Option under the Plan, the Participant must enter into the Stockholders' Agreement; and

(f) No Option granted under the Plan shall be an incentive stock option under Section 422 of the Code.

6. **Eligibility**

Participation shall be limited to Eligible Persons who have been selected by the Committee to participate in the Plan and entered into a Stock Option Agreement and the Stockholders' Agreement.

7. **Terms of Options**

The Committee is authorized to grant one or more Options to any Eligible Person. Each Option so granted shall be subject to the following conditions, or to such other conditions as may be reflected in the applicable Stock Option Agreement. In all events, the provisions in the applicable Stock Option Agreement shall control the terms of the Option issued pursuant thereto. If there shall be a conflict between the provisions of the Plan and such Stock Option Agreement, the provisions of the Plan shall control.

(a) **Exercise Price.** The Exercise Price per share of Common Stock for each Option shall be set by the Committee at the time of grant but shall not be less than the Fair Market Value of one share of Common Stock on the Date of Grant.

(b) **Manner of Exercise and Form of Payment.** No shares of Common Stock shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate exercise price therefor is received by the Company. Options which have become exercisable may be exercised by delivery of written notice of exercise to the Committee accompanied by payment of the Exercise Price. Unless otherwise specifically provided in the applicable Stock Option Agreement, the Exercise Price shall be payable in cash (by certified check or wire transfer) or by such other method as the Committee may allow, including, without limitation, by means of a "net exercise" procedure approved by the Committee.

(c) **Vesting, Option Period and Expiration.** Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the "Option Period"), all as set forth in the applicable Stock Option Agreement; provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may in its sole discretion accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of any such Option other than with respect to exercisability. If an Option is exercisable in installments, such installments or portions thereof which become exercisable shall remain exercisable until the Option expires.

(d) **Stock Option Agreement — Other Terms and Conditions.** Each Option granted under the Plan shall be evidenced by a Stock Option Agreement, which shall contain such provisions as may be determined by the Committee and, except as may be specifically stated otherwise in such Stock Option Agreement, which shall be subject to the following terms and conditions:

(i) Each Option or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof.

(ii) Each share of Common Stock purchased through the exercise of an Option shall be paid for in full at the time of the exercise. Each Option shall cease to be exercisable as to any share of Common Stock when the Participant purchases the share or when the Option expires.

(iii) Subject to Section 8(l) of the Plan, Options shall not be transferable by the Participant except by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by the Participant.

(iv) Each Stock Option Agreement may contain a provision that, upon demand by the Committee, the Participant shall deliver to the Committee at the time of any exercise of an Option a written representation and warranty that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and any other representations and warranties deemed necessary by the Committee to ensure compliance with all applicable Securities Laws. Upon such demand, delivery of such representations and warranties prior to the delivery of any shares issued upon exercise of an Option shall be a condition precedent to the right of the Participant or such other person to purchase any shares. In the event certificates for Common Stock are delivered under the Plan with respect to which such representations and warranties has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and warranties and to restrict transfer in the absence of compliance with applicable Securities Laws.

(e) **Voluntary Surrender.** The Committee may permit the voluntary surrender of all or any portion of any Option, if any, granted under the Plan to

be conditioned upon the granting to the Participant of a new Option for the same or a different number of shares as the Option surrendered or require such voluntary surrender as a condition precedent to a grant of a new Option to such Participant. Such new Option shall be exercisable at an Exercise Price, during an Option Period and in accordance with any other terms or conditions specified by the Committee at the time the new Option is granted, all determined in accordance with the provisions of the Plan without regard to the Exercise Price, Option Period or any other terms and conditions of the Option surrendered.

8. **General**

(a) **Additional Provisions of an Option.** Options granted to a Participant under the Plan also may be subject to such other provisions (whether or not applicable to Options granted to any other Participant) as the Committee determines appropriate including, without limitation, provisions to assist the Participant in financing the purchase of Common Stock upon the exercise of Options (provided, that the Committee determines that providing such financing does not violate the Sarbanes-Oxley Act of 2002), provisions for the forfeiture of or restrictions on resale or other disposition of shares of Common Stock acquired under any Option, provisions giving the Company the right to repurchase shares of Common Stock acquired under any Option in the event the Participant elects to dispose of such shares or terminate employment, provisions allowing the Participant to elect to defer the receipt of payment in respect of Options for a specified period or until a specified event and provisions to comply with Securities Laws and federal, state, provincial, territorial, local or foreign tax withholding requirements. Any such provisions shall be reflected in the applicable Stock Option Agreement.

(b) **Privileges of Common Stock Ownership.** Except as otherwise specifically provided in the Plan, no Person shall be entitled to the privileges of ownership in respect of shares of Common Stock which are subject to Options hereunder until such shares have been issued to that person.

(c) **Government and Other Regulations.** The obligation of the Company to make payment of Options in Common Stock or otherwise shall be subject to all applicable laws, rules and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Option to the contrary, the Company shall be under no obligation to offer to sell or to sell and shall be prohibited from offering to sell or selling any shares of Common Stock pursuant to an Option unless such shares have been properly registered for sale pursuant to the Securities Laws or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company may, but shall be under no obligation to, register for sale under the Securities Laws any of the shares of Common Stock to be offered or sold under the Plan. If the shares of Common Stock offered for sale or sold under the Plan are offered or sold pursuant to an exemption from registration under the Securities Laws, the Company may restrict the transfer of such shares and may legend the Common Stock certificates representing such

shares in such manner as it deems advisable to ensure the availability of any such exemption.

(d) **Tax Withholding.**

(i) A Participant may be required to pay to the Company or any Subsidiary, and the Company or any Subsidiary shall have the right and is hereby authorized to withhold from any shares of Common Stock or other property deliverable under any Option or from any compensation or other amounts owing to a Participant, the amount (in cash, Common Stock or other property) of any required tax withholding and payroll taxes in respect of an Option, its exercise or any payment or transfer under an Option or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(ii) Without limiting the generality of clause (i) above, unless otherwise provided in a Stock Option Agreement, the Committee shall have the authority to require that a Participant satisfy the withholding liability by payment in cash or by certified check and may also allow a Participant to satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability) by any other method permitted by the Committee, including, without limitation, by means of a "net exercise" procedure approved by the Committee.

(e) **Claim to Options and Employment Rights.** No employee of the Company or any of its Subsidiaries, or other Person, shall have any claim or right to be granted an Option under the Plan or, having been selected for the grant of an Option, to be selected for a grant of any other Option. There is no obligation for uniformity of treatment of Participants regarding the number of Options granted, the manner in which grants are made or the terms or conditions of any Options. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Company or any of its Subsidiaries.

(f) **No Liability of Committee Members.** No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his behalf in his capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or willful bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Amended and Restated Certificate of Incorporation or Amended and

Restated By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(g) **Funding.** No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(h) **No Trust or Fund Created** Neither the Plan nor any grant made under the Plan shall create or be construed to create a trust or a fiduciary relationship between the Company or any of its Subsidiaries and a Participant or any other Person.

(i) **Reliance on Reports.** Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Company or any of its Affiliates and upon any other information furnished in connection with the Plan by any person or persons other than himself.

(j) **Expenses.** The expenses of administering the Plan shall be borne by the Company and its Affiliates.

(k) **Termination of Employment.** For all purposes herein, a person who transfers from employment or service with the Company to employment or service with a Subsidiary or vice versa shall not be deemed to have terminated employment or service with the Company or a Subsidiary.

(l) **Transferability**.

(i) Each Option shall be exercisable only by the Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative. No Option may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution (provided that any such transferee shall be bound by and hold the Option pursuant to the terms and conditions of the Stockholders' Agreement, the Plan, and any applicable Stock Option Agreement), and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or an Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(ii) Notwithstanding subparagraph (i), the Committee may in the Stock Option Agreement or at any time after the Date of Grant in an amendment to a Stock Option Agreement provide that an Option may be transferred by a Participant without consideration, subject to such rules as the Committee may adopt consistent with any applicable Stock Option Agreement to preserve the purposes of the Plan, to a Permitted Transferee; provided that the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of the Plan and any applicable Stock Option Agreement.

(iii) The terms of any Option transferred in accordance with the immediately preceding subparagraph shall apply to the Permitted Transferee and any reference in the Plan or in a Stock Option Agreement to a Participant shall be deemed to refer to the Permitted Transferee, except that (w) Permitted Transferees shall not be entitled to transfer any Option, other than by will or the laws of descent and distribution; (x) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the shares of Common Stock to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Stock Option Agreement, that such a registration statement is necessary or appropriate; (y) neither the Committee nor the Company shall be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise but shall continue to provide the Participant with all notices hereunder; and (z) the consequences of the termination of the Participant's employment by, or services to, the Company or an Affiliate under the terms of the Plan and the applicable Stock Option Agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Stock Option Agreement.

(iv) Notwithstanding anything to the contrary in the Plan, the Stockholders' Agreement, any Stock Option Agreement or any charter, by-laws or other instrument or document governing or applicable to the Options or shares of Common Stock, if and to the extent the Committee determines that it is necessary to rely on the 12h-1(f) Exemption with respect to the Options outstanding under the Plan, each Option, including any Option granted prior to, on or after the date of any such determination by the Committee, shall be subject to the following conditions: (A) the Options and, prior to exercise, the shares of Common Stock to be issued upon exercise of the Options shall be restricted as to transfer by the Participant other than to persons who are Permitted Transferees, or to an executor or guardian of the Participant upon the death or Disability of the Participant until the Company becomes subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is no longer relying on the 12h-1(f) Exemption; provided that the Participant may transfer the Options to the Company, or in connection with a Change in Control or other acquisition

transaction involving the Company, if, after such transaction, the Options no longer will be outstanding, and the Company no longer will be relying on the 12h-1(f) Exemption; and (B) the Options, and the shares of Common Stock issuable upon exercise of such Options, will be restricted as to any pledge, hypothecation or other transfer, including any short position, any "put equivalent position" (as defined in Rule 16a-1(h) of the Exchange Act), or any "call equivalent position" (as defined in Rule 16a-1(b) of the Exchange Act) by the Participant prior to exercise of an Option, except in the circumstances permitted in paragraph (iv) above, until the Company becomes subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is no longer relying on the 12h-1(f) Exemption.

(m) **No Limit on Other Compensation Arrangements**. Nothing contained in the Plan shall prevent the Company or any Subsidiary from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, securities and other types of awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(n) **Special Incentive Compensation**. By acceptance of a grant hereunder, each Participant shall be deemed to have agreed that such award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement, life insurance, disability, severance or other employee benefit plan of the Company or any Affiliate of the Company. In addition, each beneficiary of a deceased Participant shall be deemed to have agreed that such grant will not affect the amount of any life insurance coverage, if any, provided by any Person on the life of the Participant which is payable to such beneficiary under any life insurance plan covering employees.

(o) **Governing Law**. The Plan shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its choice of law provisions that would cause the law of another jurisdiction to apply.

(p) **Severability**. If any provision of the Plan or any award made hereunder is, becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or award, or would disqualify the Plan or any award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the award, such provision shall be stricken as to such jurisdiction, Person or award and the remainder of the Plan and any such award shall remain in full force and effect.

(q) **Headings**. Headings are used herein solely as a convenience to facilitate reference and shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(r) **Interpretation**. The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(s) **Gender**. Except where otherwise indicated by the context, any masculine term used herein shall also include the feminine.

(t) **Amendment to Stockholders' Agreement**. Neither the adoption of this Plan nor any award made hereunder shall restrict in any way the adoption of any amendment, supplement or other modification of the Stockholders' Agreement in accordance with the terms of such agreement.

(u) **Conflict Between the Plan and the Stockholders' Agreement** The Plan and any award made hereunder are subject to the Stockholders' Agreement, the terms and provisions of which are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Stockholders' Agreement, the Committee shall resolve any such conflict in its sole discretion.

(v) **Financial Information.** If the Company is relying on the 12h-1(f) Exemption, until the Company becomes subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is no longer relying on the 12h-1(f) Exemption, the Company will, subject to the last sentence of this Section 8(v), provide to each Participant the information described in Rule 701(e)(3), (4) and (5) under the Securities Act (described below), every six months with the financial statements required to be provided thereunder being not more than 180 days old and with such information provided either by physical or electronic delivery to each Participant or by written notice to each Participant of the availability of the information on an Internet site that may be password-protected and of any password needed to access the information. The information described in Rule 701(e)(3), (4), and (5) consists of (A) information about the risks associated with investment in Options and the shares of Common Stock purchased upon exercise of an Option, and (B) the Company's financial statements required to be furnished by Part F/S of Form 1-A under Regulation A of the Securities Act. The Company may request that the Participant agree to keep the information to be provided pursuant to this Section 8(v) confidential and shall not be required to provide such information if a Participant does not agree to keep the information confidential.

9. **Changes in Capital Structure**

(a) In order to prevent substantial enlargement or dilution of a Participant's rights in a manner inconsistent with the purposes of the Plan, the Committee shall make such equitable adjustments or substitutions as it deems necessary or appropriate to any Option, including without limitation, as to the number and kind of shares subject to the Option, the Exercise Price per share or other consideration subject to the Option, (i) in the event of changes affecting the outstanding shares of Common Stock, the capital structure of the Company or the Company's business by reason of stock or extraordinary cash dividends, stock splits, reverse stock splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant

changes in capitalization, or sale of Company assets occurring after the Date of Grant of any such Options, or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan.

(b) The manner and extent of any adjustments and substitutions contemplated by Section 9(a) shall be determined by the Committee in its sole discretion acting reasonably and in good faith. The determination of the Committee regarding any adjustment or substitution will be final and conclusive.

(c) Without limiting any other provision of this Section 9, in the event of any of the following:

(i) a merger or consolidation involving the Company;

(ii) a sale of all or substantially all of the assets of the Company and its Subsidiaries on a consolidated basis;

(iii) a sale of all or substantially all of the outstanding shares of Common Stock of the Company and its Subsidiaries on a consolidated basis;

(iv) a sale (by merger or otherwise) of all of the interests of the OH Investor Group in the Company or of all or substantially all of the assets of the Company;

(v) the reorganization, capital restructuring, liquidation, dissolution or winding up of the Company;

(vi) a Change in Control; or

(vii) the Company (or applicable Person) enters into a written agreement to undergo an event described in clauses (i), (ii), (iii), (iv) or (v) above,

then the Committee may, in its sole discretion, provide for a substitution or assumption of the Options, accelerate the exercisability of, or termination of, the Options, provide for a period of time for exercise prior to the occurrence of such event or cancel all or any portion of any outstanding Options and, if applicable, cause the holders thereof to be paid, in cash or Common Stock or other equity interests, securities or property, or any combination thereof, the intrinsic value, if any, of such Options based upon the price per share of Common Stock received or to be received by other stockholders of the Company in the event. Such intrinsic value shall be limited to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the shares of Common Stock underlying the Options over the aggregate Exercise Price (it being understood that, in such event, any Option having an Exercise Price equal to, or in excess of, the Fair Market Value of one share of Common Stock subject thereto may be canceled and terminated without payment or consideration therefor). Following payment of the intrinsic value of

any Option in accordance with this Section 9, such Option shall automatically terminate and cease to be outstanding without any further action by the Committee or the holder of such Option. Payments to be made in connection with the cancellation of an Option may be subject to further vesting to the extent the Option was not previously vested. The terms of this Section 9 may be varied by the Committee in any particular Stock Option Agreement.

(d) The terms of this Section 9 may be varied by the Committee in any particular Award Agreement.

(e) In the event of any issuances of share capital to any OH Affiliate for which such Affiliate does not pay Fair Market Value, the Committee, in its sole discretion acting reasonably in good faith, shall equitably adjust any outstanding Awards to reflect such issuance.

10. **Nonexclusivity of the Plan**

The adoption of this Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

11. **Amendments and Termination**

(a) **Amendment and Termination of the Plan**. The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan; and provided further that, subject to Section 4(b), any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder of any Option theretofore granted shall not to that extent be effective without the consent of the affected Participant or holder.

(b) **Amendment of Stock Option Agreements**. The Committee may, to the extent consistent with the terms of any Stock Option Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Option theretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any Participant in respect of any Option theretofore granted shall not to that extent be effective without the consent of the affected Participant.

12. **Effect of Change in Control**

A Participant's Stock Option Agreement may include specific provisions relating to the effect of a Change in Control including, without limitation, provisions that accelerate the exercisability of an Option in connection with a Change in Control.

13. **Misconduct of Grantee**

Notwithstanding anything to the contrary in the Plan, the Committee, in its sole discretion, may establish procedures, at or before the time that an Option is granted (or, with the consent of the Participant, after such time), in the applicable Stock Option Agreement or in a separate agreement, providing for the forfeiture or cancellation of such Option (whether vested or unvested), or the disgorgement of gains from the exercise, vesting or settlement of the Option, in each case to be applied if the Participant engages in conduct detrimental to the Company. For purposes of this Plan, conduct detrimental to the Company shall include Participant's breaches of any restrictive covenants on competition, solicitation of employees or clients, or confidential information, and may include conduct that the Committee in its sole discretion determines (x) to be injurious or prejudicial to any interest of the Company or any of its Affiliates, or (y) to otherwise violate a policy, procedure or rule applicable to the Participant with respect to the Company or any of its Affiliates, or if the Participant's employment with the Company and its Affiliates is terminated for Cause. Notwithstanding any of the foregoing to the contrary, the Company shall retain the right to bring an action at equity or law to enjoin Participant's misconduct and recover damages resulting from such misconduct.

14. **Code Section 409A**

(a) Without limiting the generality of the foregoing, to the extent applicable, notwithstanding anything herein to the contrary, this Plan and Options issued hereunder are intended to be exempt from the requirements of Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date ("Section 409A"). To the extent applicable, the Plan and the Options granted under the Plan shall be interpreted in accordance with this intent. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any shares of Common Stock issued or amounts payable hereunder will be subject to additional tax under Section 409A, prior to delivery to such Participant of such shares or payment to such Participant of such amount, the Company shall (a) adopt such amendments to the Plan and Options and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Options hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of such additional tax under Section 409A.

(b) In the event that it is reasonably determined by the Committee that, as a result of Section 409A, payments in respect of any Option under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Stock Option Agreement, as the case may be, without causing the Participant holding such Option to be subject to taxation under Section 409A, the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A.

* * *

OHCP HM ACQUISITION CORP.
2010 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement") dated as of November , 2010, between OHCP HM Acquisition Corp., a Delaware corporation (the "Company"), and [ ] (the "Optionee").

W I T N E S S E T H:

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. Grant of Stock Option.

(a) The Company grants to the Optionee as of November , 2010, (the "Date of Grant") the right and option (the "Stock Option") to purchase [ ], shares of common stock of the Company, par value $0.01 per share ("Common Stock") (such shares of Common Stock, the "Option Shares"), at the exercise price per share specified below. The Stock Option shall vest and become exercisable as to (i) [ ] Option Shares in accordance with Section 2(a) hereof (the "Service Options"), (ii) [ ] Option Shares in accordance with Section 2(b) hereof (the "Performance Options"), and (iii) [ ] Option Shares in accordance with Section 2(c) hereof (the "Outcome-Based Options").

(b) The Exercise Price, being the price at which the Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Stock Option, shall be $1,000.00 per share.

(c) Unless earlier terminated pursuant to the terms of this Agreement or the OHCP HM Acquisition Corp. 2010 Stock Option Plan (as amended, supplemented, or otherwise modified from time to time, the "Plan"), the Stock Option shall expire on the tenth anniversary of the Date of Grant (the "Option Period").

(d) The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan, and any capitalized terms not defined herein shall have the meaning set forth in the Plan.

(e) The Stock Option is not intended to be treated as an "incentive stock option," as such term is defined in Section 422 of the Code.

(f) As a condition precedent to the Optionee's exercise of the Stock Option pursuant to this Agreement, the Optionee shall execute the Stockholders' Agreement and shall have all of the rights and obligations of a Stockholder described therein in respect of any shares of Common Stock that may be acquired by the Optionee pursuant to exercise of the Stock Option. Any shares of Common Stock purchased by the

Optionee upon exercise of the Stock Option shall be subject to all terms of the Stockholders' Agreement.

2. Vesting of the Stock Option.

(a) Service Options. Except as provided in Sections 2(d) and 4 hereof, twenty percent (20%) of the Service Options shall vest and become exercisable on each of the first five anniversaries of May 28, 2010, subject to the Optionee's continued employment with the Company or a Subsidiary on each such date.

(b) Performance Options.

(i) Except as may otherwise be provided herein, twenty percent (20%) of the Performance Options shall become vested and exercisable with respect to each of the fiscal years ending on December 31, 2010, 2011, 2012, 2013 and 2014, subject to the Optionee's continued employment with the Company and its Affiliates on each such date, *if and only if* the Committee determines that the performance goal with respect to such year set forth on Exhibit A attached hereto (each such performance goal, individually, a "Performance Goal" and collectively, the "Performance Goals"), has been attained by the Company; provided, that the Performance Options scheduled to vest for such fiscal year shall only become vested and exercisable on the "Determination Date" for such year (as defined below). For purposes of this Agreement, with respect to each fiscal year of the Company, the "Determination Date" shall mean the date on which the Committee determines that the Performance Goal for such year has been attained by the Company, which date shall be no later than 15 days following the date on which the Company's audited financial statements with respect to such fiscal year are delivered to the Board.

(ii) Catch-Up. Notwithstanding Section 2(b)(i) hereof, subject to the Optionee's continued employment with the Company and its Affiliates and except as may otherwise be provided in Section 2(d) hereof, the Performance Options scheduled to vest with respect to any prior fiscal year that failed to vest pursuant to Section 2(b)(i) hereof because the Performance Goal for that fiscal year was not attained, shall vest and become exercisable on the Determination Date for a later fiscal year *if and only if* the Committee determines that the Company has achieved the cumulative performance goal set forth on Exhibit A attached hereto through the end of such fiscal year (the "Cumulative Performance Goal").

(c) Outcome-Based Options.

(i) Subject to the Optionee's continuous employment with the Company and its Affiliates through the consummation of a Change in Control (except as may otherwise be provided in Section 2(c)(iv) hereof), 50% of the Outcome-Based Options shall become vested

and exercisable *if and only if* the Committee determines that the OH IRR (as defined below) calculated immediately following such Change in Control equals or exceeds 15%; provided, however, that if the vesting of such Outcome-Based Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 15%, then such vesting of the portion of the Outcome-Based Options (as well as similar outcome-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 15%.

(ii) Subject to the Optionee's continuous employment with the Company and its Affiliates through the consummation of a Change in Control (except as may otherwise be provided in Section 2(c)(iv) hereof), the remaining 50% of the Outcome-Based Options shall become vested and exercisable *if and only if* the Committee determines that the OH IRR calculated immediately following such Change in Control equals or exceeds 20%; provided, however, that if the vesting of such Outcome-Based Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 20%, then such vesting of the portion of the Outcome-Based Options (as well as similar outcome-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 20%.

(iii) All Outcome-Based Options that do not become vested and exercisable in connection with a Change in Control in accordance with this Section 2(c) shall immediately be canceled and terminated without payment or consideration therefor upon consummation of such Change in Control.

(iv) If the Optionee's employment is terminated for any reason other than for Cause or due to the Optionee's Retirement, all Outcome-Based Options shall remain outstanding and eligible to vest in accordance with this Section 2(c) during the twelve month period which commences of the date of termination (the "Post-Termination Period"); provided, however, that if a Change in Control is not consummated during the Post-Termination Period all Outcome-Based Options shall immediately be canceled and terminated without payment or consideration therefor upon expiration of the Post-Termination Period.

(d) Accelerated Vesting.

(i) Notwithstanding the foregoing provisions of Section 2, upon the consummation of a Change in Control, subject to the Optionee's continued employment or service with the Company or any of its Subsidiaries on the date of such Change in Control, the entire unvested portion of the Service Options shall become immediately vested and exercisable, *if and only if* the Committee determines that the OH IRR calculated immediately following such Change in Control equals or exceeds 15%; provided, however, that if the vesting of such Service Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 15%, then such vesting of the portion of the Service Options (as well as similar service-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 15%.

(ii) Notwithstanding the foregoing provisions of Section 2, upon the consummation of a Change in Control, subject to the Optionee's continued employment or service with the Company or any of its Subsidiaries on the date of such Change in Control, all unvested Performance Options that have not yet become eligible to vest on the date of such Change in Control shall become immediately vested and exercisable, *if and only if* the Committee determines that the OH IRR (as defined below) calculated immediately following such Change in Control equals or exceeds 20%; provided, however, that if the vesting of such Performance Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 20%, then such vesting of the portion of the Performance Options (as well as similar performance-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 20%.

(iii) All Service Options and Performance Options that do not become vested and exercisable in connection with a Change in Control in accordance with this Section 2(d) shall immediately be canceled and terminated without payment or consideration therefor upon consummation of such Change in Control.

(e) OH IRR. For purposes of this Section 2, "OH IRR" shall mean the discount rate (compounded annually) that causes (i) the present value as of May 28, 2010, of all amounts actually received by the OH Investor Group in respect of its shares of Company Common Stock to equal (ii) the present value as of May 28, 2010, of all investments in the Company made by the OH Investor Group. For purposes of

calculating amounts actually received by the OH Investor Group, (1) the present value of any contingent or delayed consideration will be deemed to have been paid at the time of consummation of the Change in Control, such present value to be determined by the Committee in good faith taking into account such factors as it determines are relevant, including both the time and probability of payment of such consideration, and (2) the present value of any non-cash consideration received by the OH Investor Group shall be determined by the Committee in good faith. Notwithstanding anything in this Section 2(e) to the contrary, all determinations made by the Committee shall be final, conclusive and binding upon all parties, including, without limitation, the OH Investor Group and the Optionee.

3. Exercisability of the Stock Option.

(a) The portion of the Stock Option as to which the Optionee is vested shall be exercisable by delivery to the Company of a written or electronic notice stating the number of whole shares of Common Stock to be purchased pursuant to this Agreement and accompanied by payment of the full purchase price of the shares of Common Stock to be purchased. Fractional share interests shall be disregarded for this purpose except they may be accumulated.

(b) The Exercise Price shall be paid in cash (by certified check or wire transfer) or by such other method as the Committee may allow, including, without limitation, by means of a "net exercise" procedure approved by the Committee.

(c) The Stock Option may be exercised at any time or from time to time with respect to the portion thereof that is exercisable for the full amount of Common Stock subject thereto.

(d) Each share of Common Stock purchased through the exercise of any portion of the Stock Option shall be paid for in full at the time of the exercise. The Stock Option shall cease to be exercisable as to any share of Common Stock when the Optionee purchases the share or when the Stock Option expires.

(e) Subject to Section 5 below, the Stock Option may not be transferred by the Optionee except by will or the laws of descent and distribution and shall be exercisable during the Optionee's lifetime only by the Optionee.

4. Termination of Employment.

(a) Subject to Section 2(c)(iv) hereof, if the Optionee's employment is terminated for any reason, the portion of the Stock Option, if any, which is unvested at the time of such termination will be forfeited and canceled in its entirety upon such termination of employment.

(b) If the Optionee's employment is terminated for any reason other than for Cause or due to the Optionee's Retirement, the portion of the Stock Option, if any, which is or becomes exercisable at the time of such termination may be exercised

at any time prior to the earlier of (a) the expiration of the Post-Termination Period and (b) the expiration date of the Stock Option.

(c) If the Optionee's employment is terminated due to the Optionee's Retirement, the portion of the Stock Option, if any, which is or becomes exercisable at the time of such termination may be exercised at any time prior to the expiration date of the Stock Option. For purposes of this Agreement and with respect to the Stock Option granted hereby, the term "Retirement" shall have the meaning set forth in the Plan.

(d) If the Optionee's employment is terminated by the Company for Cause, the Optionee's entire Stock Option (whether or not vested) shall be forfeited and canceled in its entirety upon such termination of employment. For purposes of this Agreement and with respect to the Stock Option granted hereby, the term "Cause" shall have the meaning set forth in the Plan.

(e) Nothing in this Agreement or the Plan shall confer upon the Optionee any right to continue in the employ or service of the Company or any of its Subsidiaries or Affiliates or interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate the Optionee's employment or service at any time. The Optionee acknowledges that he was not induced to enter into this Agreement by expectation of employment, appointment or engagement, or continued employment, appointment or engagement, of such individual by the Company as an employee, executive officer or Consultant, as applicable.

5. Nontransferability of the Stock Option.

Unless otherwise permitted by the Committee, the Stock Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Optionee other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

6. Rights as a Stockholder.

The Optionee or a transferee of the Stock Option shall have no rights as a stockholder with respect to any Option Share covered by such Stock Option unless, until and to the extent that (i) the Stock Option shall have been exercised pursuant to its terms and (ii) the Company shall have issued and delivered to the Optionee the Option Share underlying such Stock Option. Adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), or distribution of other rights made prior to such time, only as provided in the Plan or otherwise set forth herein. The Option Shares shall be subject to the terms and conditions set forth in the Stockholders' Agreement.

7. Payment of Transfer Taxes, Fees and Other Expenses.

The Optionee shall be solely responsible for taxes (including, without limitation, applicable federal, state, provincial, territorial, local or foreign income, social security, estate or excise taxes) that may be payable as a result of the Optionee's participation in the Plan or as a result of the exercise of the Stock Option and/or the sale, disposition or transfer of any shares of Common Stock acquired upon the Optionee's exercise of the Stock Option.

8. Government and Other Regulations.

(a) The Optionee understands that the neither the Stock Option nor the Option Shares have been, and may not be, registered under the Securities Act, and applicable state securities laws and, accordingly, the Stock Option is being granted to him only pursuant to exemptions from registration under the Securities Act and applicable state securities laws.

(b) The Optionee represents and warrants that he is an "accredited investor," as defined in Rule 501 of Regulation D under the Securities Act or has been advised by the Company that the grant of the Stock Option to him is being made pursuant to Rule 701 under the Securities Act.

(c) The Optionee understands and agrees that, unless the Company has filed a registration statement on Form S-8 (or successor or other applicable Form) under the Securities Act covering the Option Shares, any Option Shares he receives when he exercises the Stock Option will constitute "restricted securities" under the Securities Act and may not be pledged, re-offered or resold in the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Optionee, accordingly, agrees that all resales of Option Shares acquired upon exercise of the Stock Option may only be made (i) after the filing of a registration statement covering such Option Shares on a Form S-8 (or successor or other applicable Form), on whatever exchange in the United States such Option Shares may then be trading or (ii) if no such registration statement has been filed, only in accordance with and pursuant to an applicable exemption from registration under the Securities Act. Promptly following an Initial Public Offering, the Company shall register, or shall cause to be registered, on a Form S-8 (or successor or other applicable form) all shares of Common Stock acquired by the Optionee pursuant to the Plan.

9. Taxes and Withholding.

As a condition of the exercise of the Stock Option, prior to the delivery of a certificate or certificates representing any share of Common Stock and immediately following the exercise of any Stock Option, the Optionee must pay to the Company in cash any amount that the Company determines it is required to withhold under any applicable and federal, state, provincial, territorial, local or foreign tax laws upon the exercise of such Stock Option and the transfer of such share of Common Stock; provided,

that the Optionee may satisfy such withholding obligation by any other method permitted by the Committee including, without limitation, by means of a "net exercise" procedure approved by the Committee. The Optionee and the Company hereby acknowledge that the Company and its Affiliates shall have the right and are authorized to withhold from any shares of Common Stock or other property deliverable under the Stock Option or from any compensation or other amounts owing to the Optionee the amount (in cash, Common Stock or other property) of any required tax withholding and payroll taxes in respect of a Stock Option, its exercise or any payment or transfer under this Agreement and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Optionee hereby acknowledges that the Company has recommended that the Optionee consult with a tax advisor before taking any action with respect to any award the Optionee receives under the Plan.

10. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Optionee: to Optionee personally or mailed to Optionee at his last known address, as reflected in the Company's records.

If to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: General Counsel

and

Oak Hill Capital Partners
One Stamford Plaza
263 Tresser Blvd., 15th Floor
Stamford, CT 06901
Fax: (203) 724–2815
Attn: Tyler J. Wolfram

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Section 10. Notice and communications shall be effective when actually received by the addressee.

11. Stockholders' Agreement. Neither the adoption of the Plan nor the grant of the Stock Option pursuant to this Agreement shall restrict in any way the adoption of any amendment, supplement or other modification of the Stockholders' Agreement in accordance with the terms of such agreement.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its choice of law provisions, that would cause the law of another jurisdiction to apply.

13. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; SELECTION OF FORUM. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED BY THIS AGREEMENT, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (OR, IF SUBJECT MATTER JURISDICTION IN THAT COURT IS NOT AVAILABLE, IN ANY STATE COURT LOCATED WITHIN MANHATTAN, NEW YORK) (ANY SUCH COURT, THE "CHOSEN COURT") AND (I) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS, (II) WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS, (III) WAIVES ANY OBJECTION THAT ANY CHOSEN COURT IS AN INCONVENIENT FORUM OR DOES NOT HAVE JURISDICTION OVER ANY PARTY HERETO, (IV) IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL AND (V) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING SHALL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH SECTION 10.

14. Stock Option Subject to Plan and Stockholders' Agreement. By entering into this Agreement, the Optionee agrees and acknowledges that (i) the Optionee has received and read a copy of the Plan and the Stockholders' Agreement and (ii) the Stock Option is subject to the Plan and Stockholders' Agreement, the terms and provisions of which are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan and/or the Stockholders' Agreement, the term or provision contained in the Plan shall control over both the Stockholders' Agreement and this Agreement. In the event of a conflict between any term or provision contained herein and a term or provision of the Stockholders' Agreement, the term or provision contained in the Stockholders' Agreement shall control over this Agreement.

15. Certain Specific Acknowledgements. Without limiting the provisions of Section 6 or 14, the Optionee acknowledges that the Stock Option is subject to Plan and Stockholders' Agreement provisions under which (a) in certain circumstances an adjustment may be made to the number of shares of Common Stock underlying the Stock Option; and (b) the Committee has full discretion to interpret and administer the Plan and this Agreement and its judgments are final. This Agreement, the Plan, and the Stockholders' Agreement, including all exhibits thereto, contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

16. Successors. Except as otherwise provided hereunder, this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.

17. Severability.

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If the final judgment of a court of competent jurisdiction declares that any provision of this Agreement is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the provision, to delete specific words or phrases and to replace any invalid or unenforceable provision with a provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable provision, and this Agreement shall be enforceable as so modified.

18. Headings.

The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

19. Amendment.

This Agreement may not be modified, amended or waived to the extent it would impair the rights of the Optionee, except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement or of any subsequent breach by such party of a provision of this Agreement. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Stock Option theretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Stock Option theretofore granted shall not to that extent be effective without the consent of the Optionee.

20. Term.

The term of this Agreement is ten years from the Date of Grant, unless terminated prior to such date in accordance with the provisions herein.

21. Counterparts.

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, as of the date first above written, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Optionee has hereunto set the Optionee's hand.

OHCP HM ACQUISITION CORP.

By: _____
Name:
Title:

OPTIONEE

By: _____
Name:

[Signature Page to Stock Option Award Agreement]

Exhibit A

Fiscal Year	Performance Goal	Cumulative Performance Goal
2010	$85,000,000 of Adjusted EBITDA	$85,000,000 of Adjusted EBITDA
2011	$92,000,000 of Adjusted EBITDA	$177,000,000 of Adjusted EBITDA
2012	$100,000,000 of Adjusted EBITDA	$277,000,000 of Adjusted EBITDA
2013	$110,000,000 of Adjusted EBITDA	$387,000,000 of Adjusted EBITDA
2014	$120,000,000 of Adjusted EBITDA	$507,000,000 of Adjusted EBITDA

"Adjusted EBITDA" shall mean annual Adjusted EBITDA (net of the payment of management incentive bonuses) calculated consistently with the Company's historical practice and equitably adjusted, at the sole discretion of the Committee, for extraordinary or non-recurring items (including one-time transaction fees and expenses), corporate mergers and acquisitions, and changes in corporate accounting policies.

OHCP HM ACQUISITION CORP.
2010 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement") dated as of November , 2010, between OHCP HM Acquisition Corp., a Delaware corporation (the "Company"), and [ ] (the "Optionee").

W I T N E S S E T H:

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. Grant of Stock Option.

(a) The Company grants to the Optionee as of November , 2010, (the 'Date of Grant") the right and option (the "Stock Option") to purchase [ ], shares of common stock of the Company, par value $0.01 per share ("Common Stock") (such shares of Common Stock, the 'Option Shares"), at the exercise price per share specified below. The Stock Option shall vest and become exercisable as to (i) [ ] Option Shares in accordance with Section 2(a) hereof (the "Service Options"), (ii) [ ] Option Shares in accordance with Section 2(b) hereof (the "Performance Options"), and (iii) [ ] Option Shares in accordance with Section 2(c) hereof (the "Outcome-Based Options").

(b) The Exercise Price, being the price at which the Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Stock Option, shall be $1,000.00 per share.

(c) Unless earlier terminated pursuant to the terms of this Agreement or the OHCP HM Acquisition Corp. 2010 Stock Option Plan (as amended, supplemented, or otherwise modified from time to time, the "Plan"), the Stock Option shall expire on the tenth anniversary of the Date of Grant (the 'Option Period").

(d) The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan, and any capitalized terms not defined herein shall have the meaning set forth in the Plan.

(e) The Stock Option is not intended to be treated as an "incentive stock option," as such term is defined in Section 422 of the Code.

(f) As a condition precedent to the Optionee's exercise of the Stock Option pursuant to this Agreement, the Optionee shall execute the Stockholders' Agreement and shall have all of the rights and obligations of a Stockholder described therein in respect of any shares of Common Stock that may be acquired by the Optionee pursuant to exercise of the Stock Option. Any shares of Common Stock purchased by the

Optionee upon exercise of the Stock Option shall be subject to all terms of the Stockholders' Agreement.

2. Vesting of the Stock Option.

(a) Service Options. Except as provided in Sections 2(d) and 4 hereof, twenty percent (20%) of the Service Options shall vest and become exercisable on each of the first five anniversaries of May 28, 2010, subject to the Optionee's continued employment with the Company or a Subsidiary on each such date.

(b) Performance Options.

(i) Except as may otherwise be provided herein, twenty percent (20%) of the Performance Options shall become vested and exercisable with respect to each of the fiscal years ending on December 31, 2010, 2011, 2012, 2013 and 2014, subject to the Optionee's continued employment with the Company and its Affiliates on each such date, *if and only if* the Committee determines that the performance goal with respect to such year set forth on Exhibit A attached hereto (each such performance goal, individually, a "Performance Goal" and collectively, the "Performance Goals"), has been attained by the Company; provided, that the Performance Options scheduled to vest for such fiscal year shall only become vested and exercisable on the "Determination Date" for such year (as defined below). For purposes of this Agreement, with respect to each fiscal year of the Company, the "Determination Date" shall mean the date on which the Committee determines that the Performance Goal for such year has been attained by the Company, which date shall be no later than 15 days following the date on which the Company's audited financial statements with respect to such fiscal year are delivered to the Board.

(ii) Catch-Up. Notwithstanding Section 2(b)(i) hereof, subject to the Optionee's continued employment with the Company and its Affiliates and except as may otherwise be provided in Section 2(d) hereof, the Performance Options scheduled to vest with respect to any prior fiscal year that failed to vest pursuant to Section 2(b)(i) hereof because the Performance Goal for that fiscal year was not attained, shall vest and become exercisable on the Determination Date for a later fiscal year *if and only if* the Committee determines that the Company has achieved the cumulative performance goal set forth on Exhibit A attached hereto through the end of such fiscal year (the "Cumulative Performance Goal").

(c) Outcome-Based Options.

(i) Subject to the Optionee's continuous employment with the Company and its Affiliates through the consummation of a Change in Control (except as may otherwise be provided in Section 2(c)(iv) hereof), 50% of the Outcome-Based Options shall become vested

and exercisable *if and only if* the Committee determines that the OH IRR (as defined below) calculated immediately following such Change in Control equals or exceeds 15%; provided, however, that if the vesting of such Outcome-Based Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 15%, then such vesting of the portion of the Outcome-Based Options (as well as similar outcome-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 15%.

(ii) Subject to the Optionee's continuous employment with the Company and its Affiliates through the consummation of a Change in Control (except as may otherwise be provided in Section 2(c)(iv) hereof), the remaining 50% of the Outcome-Based Options shall become vested and exercisable *if and only if* the Committee determines that the OH IRR calculated immediately following such Change in Control equals or exceeds 20%; provided, however, that if the vesting of such Outcome-Based Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 20%, then such vesting of the portion of the Outcome-Based Options (as well as similar outcome-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 20%.

(iii) All Outcome-Based Options that do not become vested and exercisable in connection with a Change in Control in accordance with this Section 2(c) shall immediately be canceled and terminated without payment or consideration therefor upon consummation of such Change in Control.

(iv) If the Optionee's employment is terminated for any reason other than for Cause or due to the Optionee's Retirement, all Outcome-Based Options shall remain outstanding and eligible to vest in accordance with this Section 2(c) during the twelve month period which commences of the date of termination (the "Post-Termination Period"); provided, however, that if a Change in Control is not consummated during the Post-Termination Period all Outcome-Based Options shall immediately be canceled and terminated without payment or consideration therefor upon expiration of the Post-Termination Period.

(d) Accelerated Vesting.

(i) Notwithstanding the foregoing provisions of Section 2, upon the consummation of a Change in Control, subject to the Optionee's continued employment or service with the Company or any of its Subsidiaries on the date of such Change in Control, the entire unvested portion of the Service Options shall become immediately vested and exercisable, *if and only if* the Committee determines that the OH IRR calculated immediately following such Change in Control equals or exceeds 15%; provided, however, that if the vesting of such Service Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 15%, then such vesting of the portion of the Service Options (as well as similar service-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 15%.

(ii) Notwithstanding the foregoing provisions of Section 2, upon the consummation of a Change in Control, subject to the Optionee's continued employment or service with the Company or any of its Subsidiaries on the date of such Change in Control, all unvested Performance Options that have not yet become eligible to vest on the date of such Change in Control shall become immediately vested and exercisable, *if and only if* the Committee determines that the OH IRR (as defined below) calculated immediately following such Change in Control equals or exceeds 20%; provided, however, that if the vesting of such Performance Options, taken together with the vesting of all other outstanding options to purchase shares of Company Common Stock held by employees of the Company and its Subsidiaries, would cause the OH IRR to drop below 20%, then such vesting of the portion of the Performance Options (as well as similar performance-based options granted to other employees), shall be reduced in a fair and equitable manner as determined in the sole discretion of the Committee so that the OH IRR does not drop below 20%.

(iii) All Service Options and Performance Options that do not become vested and exercisable in connection with a Change in Control in accordance with this Section 2(d) shall immediately be canceled and terminated without payment or consideration therefor upon consummation of such Change in Control.

(e) OH IRR. For purposes of this Section 2, "OH IRR" shall mean the discount rate (compounded annually) that causes (i) the present value as of May 28, 2010, of all amounts actually received by the OH Investor Group in respect of its shares of Company Common Stock to equal (ii) the present value as of May 28, 2010, of all investments in the Company made by the OH Investor Group. For purposes of

calculating amounts actually received by the OH Investor Group, (1) the present value of any contingent or delayed consideration will be deemed to have been paid at the time of consummation of the Change in Control, such present value to be determined by the Committee in good faith taking into account such factors as it determines are relevant, including both the time and probability of payment of such consideration, and (2) the present value of any non-cash consideration received by the OH Investor Group shall be determined by the Committee in good faith. Notwithstanding anything in this Section 2(e) to the contrary, all determinations made by the Committee shall be final, conclusive and binding upon all parties, including, without limitation, the OH Investor Group and the Optionee.

3. Exercisability of the Stock Option.

(a) The portion of the Stock Option as to which the Optionee is vested shall be exercisable by delivery to the Company of a written or electronic notice stating the number of whole shares of Common Stock to be purchased pursuant to this Agreement and accompanied by payment of the full purchase price of the shares of Common Stock to be purchased. Fractional share interests shall be disregarded for this purpose except they may be accumulated.

(b) The Exercise Price shall be paid in cash (by certified check or wire transfer) or by such other method as the Committee may allow, including, without limitation, by means of a "net exercise" procedure approved by the Committee.

(c) The Stock Option may be exercised at any time or from time to time with respect to the portion thereof that is exercisable for the full amount of Common Stock subject thereto.

(d) Each share of Common Stock purchased through the exercise of any portion of the Stock Option shall be paid for in full at the time of the exercise. The Stock Option shall cease to be exercisable as to any share of Common Stock when the Optionee purchases the share or when the Stock Option expires.

(e) Subject to Section 5 below, the Stock Option may not be transferred by the Optionee except by will or the laws of descent and distribution and shall be exercisable during the Optionee's lifetime only by the Optionee.

4. Termination of Employment.

(a) Subject to Section 2(c)(iv) hereof, if the Optionee's employment is terminated for any reason, the portion of the Stock Option, if any, which is unvested at the time of such termination will be forfeited and canceled in its entirety upon such termination of employment.

(b) If the Optionee's employment is terminated for any reason other than for Cause, the portion of the Stock Option, if any, which is or becomes exercisable at the time of such termination may be exercised at any time prior to the

earlier of (a) the expiration of the Post-Termination Period and (b) the expiration date of the Stock Option.

(c) If the Optionee's employment is terminated by the Company for Cause, the Optionee's entire Stock Option (whether or not vested) shall be forfeited and canceled in its entirety upon such termination of employment. For purposes of this Agreement and with respect to the Stock Option granted hereby, the term "Cause" shall have the meaning set forth in the Plan.

(d) Nothing in this Agreement or the Plan shall confer upon the Optionee any right to continue in the employ or service of the Company or any of its Subsidiaries or Affiliates or interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate the Optionee's employment or service at any time. The Optionee acknowledges that he was not induced to enter into this Agreement by expectation of employment, appointment or engagement, or continued employment, appointment or engagement, of such individual by the Company as an employee, executive officer or Consultant, as applicable.

5. Nontransferability of the Stock Option.

Unless otherwise permitted by the Committee, the Stock Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Optionee other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

6. Rights as a Stockholder.

The Optionee or a transferee of the Stock Option shall have no rights as a stockholder with respect to any Option Share covered by such Stock Option unless, until and to the extent that (i) the Stock Option shall have been exercised pursuant to its terms and (ii) the Company shall have issued and delivered to the Optionee the Option Share underlying such Stock Option. Adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), or distribution of other rights made prior to such time, only as provided in the Plan or otherwise set forth herein. The Option Shares shall be subject to the terms and conditions set forth in the Stockholders' Agreement.

7. Payment of Transfer Taxes, Fees and Other Expenses.

The Optionee shall be solely responsible for taxes (including, without limitation, applicable federal, state, provincial, territorial, local or foreign income, social security, estate or excise taxes) that may be payable as a result of the Optionee's participation in the Plan or as a result of the exercise of the Stock Option and/or the sale,

disposition or transfer of any shares of Common Stock acquired upon the Optionee's exercise of the Stock Option.

8. Government and Other Regulations.

(a) The Optionee understands that the neither the Stock Option nor the Option Shares have been, and may not be, registered under the Securities Act, and applicable state securities laws and, accordingly, the Stock Option is being granted to him only pursuant to exemptions from registration under the Securities Act and applicable state securities laws.

(b) The Optionee represents and warrants that he is an "accredited investor," as defined in Rule 501 of Regulation D under the Securities Act or has been advised by the Company that the grant of the Stock Option to him is being made pursuant to Rule 701 under the Securities Act.

(c) The Optionee understands and agrees that, unless the Company has filed a registration statement on Form S-8 (or successor or other applicable Form) under the Securities Act covering the Option Shares, any Option Shares he receives when he exercises the Stock Option will constitute "restricted securities" under the Securities Act and may not be pledged, re-offered or resold in the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Optionee, accordingly, agrees that all resales of Option Shares acquired upon exercise of the Stock Option may only be made (i) after the filing of a registration statement covering such Option Shares on a Form S-8 (or successor or other applicable Form), on whatever exchange in the United States such Option Shares may then be trading or (ii) if no such registration statement has been filed, only in accordance with and pursuant to an applicable exemption from registration under the Securities Act. Promptly following an Initial Public Offering, the Company shall register, or shall cause to be registered, on a Form S-8 (or successor or other applicable form) all shares of Common Stock acquired by the Optionee pursuant to the Plan.

9. Taxes and Withholding.

As a condition of the exercise of the Stock Option, prior to the delivery of a certificate or certificates representing any share of Common Stock and immediately following the exercise of any Stock Option, the Optionee must pay to the Company in cash any amount that the Company determines it is required to withhold under any applicable and federal, state, provincial, territorial, local or foreign tax laws upon the exercise of such Stock Option and the transfer of such share of Common Stock; provided, that the Optionee may satisfy such withholding obligation by any other method permitted by the Committee including, without limitation, by means of a "net exercise" procedure approved by the Committee. The Optionee and the Company hereby acknowledge that the Company and its Affiliates shall have the right and are authorized to withhold from any shares of Common Stock or other property deliverable under the Stock Option or from any compensation or other amounts owing to the Optionee the amount (in cash,

Common Stock or other property) of any required tax withholding and payroll taxes in respect of a Stock Option, its exercise or any payment or transfer under this Agreement and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Optionee hereby acknowledges that the Company has recommended that the Optionee consult with a tax advisor before taking any action with respect to any award the Optionee receives under the Plan.

10. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Optionee: to Optionee personally or mailed to Optionee at his last known address, as reflected in the Company's records.

If to the Company:

The Hillman Group, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: General Counsel

and

Oak Hill Capital Partners
One Stamford Plaza
263 Tresser Blvd., 15th Floor
Stamford, CT 06901
Fax: (203) 724–2815
Attn: Tyler J. Wolfram

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Section 10. Notice and communications shall be effective when actually received by the addressee.

11. Stockholders' Agreement. Neither the adoption of the Plan nor the grant of the Stock Option pursuant to this Agreement shall restrict in any way the adoption of any amendment, supplement or other modification of the Stockholders' Agreement in accordance with the terms of such agreement.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its choice of law provisions, that would cause the law of another jurisdiction to apply.

13. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; SELECTION OF FORUM. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED BY THIS AGREEMENT, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (OR, IF SUBJECT MATTER JURISDICTION IN THAT COURT IS NOT AVAILABLE, IN ANY STATE COURT LOCATED WITHIN MANHATTAN, NEW YORK) (ANY SUCH COURT, THE "CHOSEN COURT") AND (I) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS, (II) WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS, (III) WAIVES ANY OBJECTION THAT ANY CHOSEN COURT IS AN INCONVENIENT FORUM OR DOES NOT HAVE JURISDICTION OVER ANY PARTY HERETO, (IV) IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL AND (V) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING SHALL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH SECTION 10.

14. Stock Option Subject to Plan and Stockholders' Agreement. By entering into this Agreement, the Optionee agrees and acknowledges that (i) the Optionee has received and read a copy of the Plan and the Stockholders' Agreement and (ii) the Stock Option is subject to the Plan and Stockholders' Agreement, the terms and provisions of which are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan and/or the Stockholders' Agreement, the term or provision contained in the Plan shall control over both the Stockholders' Agreement and this Agreement. In the event of a conflict between any term or provision contained herein and a term or provision of the Stockholders' Agreement, the term or provision contained in the Stockholders' Agreement shall control over this Agreement.

15. Certain Specific Acknowledgements. Without limiting the provisions of Section 6 or 14, the Optionee acknowledges that the Stock Option is subject to Plan and Stockholders' Agreement provisions under which (a) in certain circumstances an adjustment may be made to the number of shares of Common Stock underlying the Stock Option; and (b) the Committee has full discretion to interpret and administer the Plan and this Agreement and its judgments are final. This Agreement, the Plan, and the Stockholders' Agreement, including all exhibits thereto, contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

16. Successors. Except as otherwise provided hereunder, this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.

17. Severability.

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If the final judgment of a court of competent jurisdiction declares that any provision of this Agreement is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the provision, to delete specific words or phrases and to replace any invalid or unenforceable provision with a provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable provision, and this Agreement shall be enforceable as so modified.

18. Headings.

The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

19. Amendment.

This Agreement may not be modified, amended or waived to the extent it would impair the rights of the Optionee, except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement or of any subsequent breach by such party of a provision of this Agreement. The Committee may, to the extent consistent with the terms of this Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Stock Option theretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of the Optionee in respect of any Stock Option theretofore granted shall not to that extent be effective without the consent of the Optionee.

20. Term.

The term of this Agreement is ten years from the Date of Grant, unless terminated prior to such date in accordance with the provisions herein.

21. Counterparts.

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, as of the date first above written, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Optionee has hereunto set the Optionee's hand.

OHCP HM ACQUISITION CORP.

By: _____
Name:
Title:

OPTIONEE

By: _____
Name:

[Signature Page to Stock Option Award Agreement]

Exhibit A

Fiscal Year	Performance Goal	Cumulative Performance Goal
2010	$85,000,000 of Adjusted EBITDA	$85,000,000 of Adjusted EBITDA
2011	$92,000,000 of Adjusted EBITDA	$177,000,000 of Adjusted EBITDA
2012	$100,000,000 of Adjusted EBITDA	$277,000,000 of Adjusted EBITDA
2013	$110,000,000 of Adjusted EBITDA	$387,000,000 of Adjusted EBITDA
2014	$120,000,000 of Adjusted EBITDA	$507,000,000 of Adjusted EBITDA

"Adjusted EBITDA" shall mean annual Adjusted EBITDA (net of the payment of management incentive bonuses) calculated consistently with the Company's historical practice and equitably adjusted, at the sole discretion of the Committee, for extraordinary or non-recurring items (including one-time transaction fees and expenses), corporate mergers and acquisitions, and changes in corporate accounting policies.

Exhibit 10.4

EXECUTION COPY

STOCK PURCHASE AGREEMENT

by and among

THE HILLMAN GROUP, INC.,

THOMAS ROWE

and

MARY JENNIFER ROWE

December 29, 2010

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of December 29, 2010, is made by and among The Hillman Group, Inc., a Delaware corporation (the "Purchaser"), Thomas Rowe and Mary Jennifer Rowe (together with Thomas Rowe, the "Sellers"). Capitalized terms used have the meanings set forth in ARTICLE IX (Definitions).

WHEREAS, the Sellers own 100% of the issued and outstanding shares of common stock, no par value per share (the "Shares"), of Serv-A-Lite Products, Inc., an Illinois corporation (the "Company");

WHEREAS, the Sellers desire to sell to the Purchaser, and the Purchaser desires to purchase from the Sellers, all of the Shares owned by the Sellers on the terms and subject to the conditions set forth herein;

WHEREAS, simultaneously with the execution of this Agreement, the Company and the Sellers have entered into a consulting agreement, a copy of which is attached hereto as Exhibit A (the "Consulting Agreement"), with respect to the Sellers provision of services to the Company after the date hereof on the terms and subject to the conditions set forth therein;

WHEREAS, simultaneously with the execution of this Agreement, the Company, on the one hand, and the Sellers (the "Headquarters Landlord"), have entered into a lease agreement, a copy of which is attached hereto as Exhibit B (the "Headquarters Lease"), with respect to the Company's headquarters located at 3451 Morton Drive, East Moline, Illinois on the terms and subject to the conditions set forth therein; and

WHEREAS, simultaneously with the execution of this Agreement, the Company and the Sellers (the "Packaging Facility Landlord") have entered into a lease agreement, a copy of which is attached hereto as Exhibit C (the "Packaging Facility Lease"), with respect to the packaging facility located at 4307 49th Avenue, Moline, Illinois on the terms and subject to the conditions set forth therein.

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

ARTICLE I

PURCHASE AND SALE OF SHARES

1.01 Purchase and Sale of Shares. Upon the terms and subject to the conditions set forth in this Agreement, the Sellers shall sell, assign, transfer and convey to the Purchaser, free and clear of any Liens, and the Purchaser shall purchase and acquire from the Sellers, all of the Shares owned by the Sellers in exchange for a cash payment at the Closing equal to the Estimated Purchase Price, which shall be subject to adjustment following the Closing pursuant to Section 2.04.

1.02 Calculation of Estimated Purchase Price and Final Purchase Price.

(a) For purposes of this Agreement, the term "Estimated Purchase Price" means (i) $21,355,000.00 (the "Transaction Price"), minus (ii) the amount of the Estimated Indebtedness, plus (iii) the amount, if any, by which the Estimated Net Working Capital exceeds the Target Net Working Capital, minus (iv) the amount, if any, by which the Estimated Net Working Capital is less than the Target Net Working Capital, minus (v) the amount of the Estimated Transaction Expenses.

(b) For purposes of this Agreement, the term "Final Purchase Price" means (i) the Transaction Price, minus (ii) the amount of Indebtedness as finally determined pursuant to Section 2.04 (Purchase Price Adjustments), plus (iii) the amount, if any, by which the Net Working Capital exceeds the Target Net Working Capital as finally determined pursuant to Section 2.04 (Purchase Price Adjustments), minus (iv) the amount, if any, by which the Net Working Capital is less than the Target Net Working Capital as finally determined pursuant to Section 2.04 (Purchase Price Adjustments), minus (v) the amount of Transaction Expenses as finally determined pursuant to Section 2.04 (Purchase Price Adjustments).

ARTICLE II

THE CLOSING; PURCHASE PRICE ADJUSTMENT

2.01 The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Califf & Harper, P.C., 506 15th Street, Suite 600, Moline, Illinois 61265, at 10:00 a.m. local time on the date hereof, or at such other time or place as the Purchaser and the Sellers mutually agree. The date and time of the Closing are referred to herein as the "Closing Date."

2.02 Deliveries. At the Closing:

(a) the Purchaser, the Sellers and the Escrow Agent shall execute and deliver the Escrow Agreement;

(b) the Company and the Headquarters Landlord shall execute and deliver the Headquarters Lease;

(c) the Company and the Packaging Facility Landlord shall execute and deliver the Packaging Facility Lease; and

(d) the Sellers shall deliver to the Purchaser each of the following:

(i) all minute books, ownership records, stock books, ledgers and registers, and corporate seals, as applicable, relating to the organization, ownership and maintenance of the Company that are not otherwise located at the facilities of the Company;

(ii) certified copies of the Articles of Incorporation and bylaws of the Company;

(iii) a certificate or certificates, in compliance with Section 1445 of the Code and the Treasury Regulations promulgated thereunder, certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code;

(iv) stock certificates representing all of the issued and outstanding Shares, in each case duly endorsed for transfer or accompanied by duly executed stock powers; and

(v) copies of written resignation letters from each of the members of the board of directors and each officer of the Company specified by the Purchaser at least three (3) Business Days prior to the Closing Date, effective as of the Closing.

2.03 The Closing Transactions. Subject to the terms and conditions set forth in this Agreement, the parties hereto shall consummate the following transactions (the "Closing Transactions") on the Closing Date:

(a) the Purchaser shall deposit $250,000.00 (the "Purchase Price Adjustment Escrow Amount") into an escrow account (including any interest or earnings thereon, the "Purchase Price Adjustment Escrow Account") designated and established pursuant to the terms and conditions of an escrow agreement (the "Escrow Agreement")

(b) by and among the Purchaser, the Sellers and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), a copy of which is attached hereto as Exhibit D;

(c) the Purchaser shall deposit $1,250,000.00 (the "Indemnity Escrow Amount," and together with the Purchase Price Adjustment Escrow Amount, the "Escrow Amount") into an escrow account (including any interest or earnings thereon, the "Indemnity Escrow Account") designated and established pursuant to the terms and conditions of the Escrow Agreement;

(d) in accordance with Section 1.01 (Purchase and Sale of Shares), the Purchaser shall deliver to the Sellers the Estimated Purchase Price minus the Escrow Amount (as determined in accordance with Section 1.02(a)), by wire transfer of immediately available funds to a bank account designated in writing by the Sellers at least two Business Days before the Closing Date;

(e) the Purchaser shall repay, or cause to be repaid, on behalf of the Company, the Indebtedness listed on the Indebtedness Schedule, by wire transfer of immediately available funds to the account(s) designated by the holders of such Indebtedness; provided, that the Sellers shall have delivered, or the Sellers shall have caused the Company to deliver, to the Purchaser prior to the Closing Date appropriate payoff letters from the holders of Indebtedness listed on the Indebtedness Schedule and shall have made arrangements reasonably satisfactory to the Purchaser for such holders of Indebtedness listed on the Indebtedness Schedule to deliver all related Lien releases to the Purchaser at the Closing; and

(f) simultaneously with the Closing, the Purchaser shall pay, or cause to be paid, on behalf of the Sellers or the Company (as applicable), the Estimated Transaction Expenses by wire transfer of immediately available funds as directed by the Sellers.

2.04 Purchase Price Adjustments.

(a) At least five (5) days prior to the Closing Date, the Sellers shall have caused the Chief Financial Officer of the Company to prepare and deliver to the Purchaser his good faith calculation of the estimate of the Estimated Purchase Price, including (i) Indebtedness as of the close of business on the Closing Date (the "Estimated Indebtedness"), (ii) Net Working Capital (the "Estimated Net Working Capital"), and (iii) Transaction Expenses as of the close of business on the Closing Date (the "Estimated Transaction Expenses"), each being prepared in accordance with the Balance Sheet and Working Capital Schedule Rules and being in form and substance reasonably satisfactory to Purchaser.

(b) As promptly as practicable, but in no event later than one hundred and twenty (120) days after the Closing Date, the Purchaser shall in good faith prepare and deliver to the Sellers a certificate setting forth the Purchaser's calculation of the Final Purchase Price including Indebtedness as of the close of business on the Closing Date, Net Working Capital and Transaction Expenses as of the close of business on the Closing Date (the "Preliminary Statement"). The Preliminary Statement shall be prepared in accordance with the Balance Sheet and Working Capital Rules.

(c) During the 30-calendar day period following receipt of the Preliminary Statement, the Purchaser shall permit, and shall cause the Company to permit, the Sellers and their representatives (subject to the execution of a customary confidentiality and indemnification agreement) to have full access to the books, records and other documents (including work papers) pertaining to or used in connection with the preparation of the Preliminary Statement and provide the Sellers with copies thereof (as reasonably requested by the Sellers). The Preliminary Statement shall become final and binding upon the parties hereto on the thirtieth (30th) calendar day following the date on which the Preliminary Statement is delivered to the Sellers, unless the Sellers, within thirty (30) days after the Sellers' receipt of the Preliminary Statement, notifies the Purchaser in writing of its objections thereto (an "Objection Notice"). Any Objection Notice shall (i) specify in reasonable detail the nature of any disagreement so asserted and (ii) only include good faith disagreements based on calculations of Indebtedness and Net Working Capital not being calculated in accordance with the Balance Sheet and Working Capital Schedule Rules and whether the expenses included as Transaction Expenses constitute Transactions Expenses. If an Objection Notice is received by the Company in a timely manner, then the Preliminary Statement (as revised in accordance with this sentence) shall become final and binding upon the parties hereto on the earlier of (i) the date on which the Company and the Sellers resolve in writing any differences they have with respect to the matters specified in the Objection Notice and (ii) the date on which any disputed matters are finally resolved in writing by the Valuation Firm (as defined below) pursuant to subsection (d) below. If an Objection Notice is delivered to the Purchaser, then the Purchaser and the Sellers shall negotiate in good faith to resolve any such objections. In the event that the Purchaser and the Sellers are unable to resolve all such objections within fifteen (15) days after the Purchaser's receipt of such Objection Notice, the Purchaser and the Sellers shall submit such remaining disagreements to the Chicago, Illinois offices of PricewaterhouseCoopers LLP (the "Valuation Firm").

(d) The Purchaser and the Sellers shall use their respective reasonable efforts to retain the Valuation Firm no later than five (5) Business Days following the expiration of such

15-day period and shall cause the Valuation Firm to resolve all remaining disagreements with respect to the Preliminary Statement as soon as practicable, but in any event shall direct the Valuation Firm to render a determination within sixty (60) days after its retention. The Valuation Firm shall consider only those items and amounts which are identified in the Objection Notice as being items and amounts to which the Purchaser and the Sellers have been unable to agree. In resolving any disputed item, the Valuation Firm may not assign a value to any item greater than the greatest value for such item claimed by either party or less than the smallest value for such item claimed by either party. The Valuation Firm's determination shall be based solely on written materials submitted by the Purchaser and the Sellers (*i.e.*, not on independent review) and on the applicable provisions and definitions included in this Agreement. The determination of the Valuation Firm shall be conclusive and binding upon the parties hereto. Judgment may be entered upon the determination of the Valuation Firm in any court having jurisdiction over the party against which such determination is to be enforced.

(e) The costs and expenses of the Valuation Firm shall be borne by the Purchaser, on the one hand, and the Sellers, on the other hand, based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party such that the prevailing party pays the lesser proportion of such costs and expenses. For example, if the Purchaser claims the appropriate adjustments are $1,000 less than the amount determined by the Sellers, and the Sellers contest only $500 of the amount claimed by the Purchaser, and if the Valuation Firm ultimately resolves the dispute by awarding the Purchaser $300 of the $500 contested, then the costs and expenses of the Valuation Firm will be allocated 60% (*i.e.*, 300 ÷ 500) to the Sellers and 40% (*i.e.*, 200 ÷ 500) to the Purchaser.

(f) If, after taking into account the adjustments contemplated by Sections 2.04(b)-(e) (Purchase Price Adjustments) above, the Final Purchase Price is greater than the Estimated Purchase Price (such excess, the "Company Adjustment Amount"), then (i) the Purchaser and the Sellers shall promptly (but in any event within five (5) Business Days) cause the Escrow Agent to deliver to the Sellers by wire transfer of immediately available funds the Purchase Price Adjustment Escrow Account and (ii) the Purchaser shall promptly (but in any event within five (5) Business Days) deliver to the Sellers by wire transfer of immediately available funds an amount equal to the Company Adjustment Amount.

(g) If, after taking into account the adjustments contemplated by Sections 2.04(b)-(e) (Purchase Price Adjustments) above, the Final Purchase Price is less than the Estimated Purchase Price (such shortfall, the "Purchaser Adjustment Amount"), then the Purchaser and the Sellers shall promptly (but in any event within five (5) Business Days) cause the Escrow Agent (i) to deliver to the Purchaser to the extent of the Purchase Price Adjustment Escrow Account the Purchaser Adjustment Amount; provided that if the Purchase Price Adjustment Escrow Amount is insufficient to pay the Purchaser Adjustment Amount in full, the Sellers shall be personally liable for such shortfall, and (ii) to deliver to the Sellers the amount, if any, remaining in the Purchase Price Adjustment Escrow Account following the payment set forth in the immediately preceding clause (i).

(h) All payments (the "Purchase Price Adjustments") made pursuant to this Section 2.04 shall be treated by all parties for Tax purposes as adjustments to the transaction price.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers, jointly and severally, represent and warrant to the Purchaser as of the date hereof that:

3.01 Authorization; No Breach. The Sellers have the legal capacity to execute and deliver this Agreement and the other Transaction Documents to which he or she is a party and to consummate the transactions contemplated hereby. The execution, delivery and performance by the Sellers of this Agreement and the other Transaction Documents to which he or she is a party and the consummation of the transactions contemplated hereby and thereby do not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien upon any assets of the Sellers under, or require any authorization, consent, approval, exemption or other action by or notice to any court or other governmental body under, any indenture, mortgage, lease, loan agreement or other agreement or instrument to which the Sellers are bound, or any Laws, statute, rule or regulation or order, judgment or decree to which the Sellers are subject, except as would not reasonably be expected to, individually or in the aggregate, be material to the Sellers. This Agreement and the other Transaction Documents to which the Sellers are a party have been duly executed and delivered by the Sellers and assuming due authorization, execution and delivery by the other parties of this Agreement and such other Transaction Documents, this Agreement and such other Transaction Documents constitute a legally valid and binding obligation of the Sellers, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

3.02 Governmental Consents, etc. The execution and delivery by the Sellers of this Agreement do not, and the performance of his or her obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except for applicable requirements, if any, under federal or state securities or "blue sky" Laws.

3.03 Title to Shares. The Sellers own 100% of the issued and outstanding Shares and has good and valid title to such Shares free and clear of all Liens. Upon delivery to the Purchaser at the Closing of stock certificates representing such Shares, good and valid title to such Shares will pass to the Purchaser, free and clear of any Liens. Such Shares are not subject to any contract, agreement, arrangement, note, bond, mortgage, leases, sublease or other agreement restricting or otherwise relating to the voting, distribution rights or disposition of such Shares.

3.04 Litigation. There are no Actions, suits or proceedings pending or, to the Sellers' knowledge, overtly threatened against or affecting the Sellers at law or in equity, or before or by any Governmental Entity, which would reasonably be expected, individually or in the aggregate, to materially impair the Sellers' performance under this Agreement or the consummation of the transactions contemplated hereby. The Sellers are not subject to any outstanding judgment, order or decree of any Governmental Entity.

3.05 Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Sellers.

3.06 No Other Representations and Warranties. Except as expressly set forth in thisARTICLE III, the Sellers make no representation or warranty, express or implied, at law or in equity, in respect of the Sellers or any of his or her Affiliates (other than the Company) or any of their respective assets, liabilities or operations, on which the Purchaser may rely, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES AS TO THE COMPANY

The Sellers, jointly and severally, represent and warrant to the Purchaser that the statements in thisARTICLE IV are correct and complete as of the date hereof, except as set forth in the schedules accompanying this Agreement (each, a "Schedule" and, collectively, the "Disclosure Schedules"). The Disclosure Schedules have been arranged for purposes of convenience in separately titled sections corresponding to the sections of this ARTICLE IV; however, each section of the Disclosure Schedules shall be deemed to incorporate by reference all information disclosed with respect to any other section of the Disclosure Schedules to which the relevance of such fact or item would be readily apparent on its face to a third party without further investigation, or knowledge, of other facts, circumstances, events, changes or conditions, or the need to examine any underlying documentation. Except as set forth in this ARTICLE IV, the inclusion of any information in any Schedule attached hereto shall not be deemed to be an admission or acknowledgment by the Company or the Sellers, in and of itself, that such information is material to or outside the ordinary course of the business of the Company. Capitalized terms used in the Disclosure Schedules and not otherwise defined therein have the meanings given to them in this Agreement.

4.01 Organization and Corporate Power. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Illinois, and the Company has all requisite corporate power and authority and all governmental approvals, authorizations, licenses and Permits necessary to own, lease and operate its properties and to carry on its businesses as now conducted, except where the failure to hold such authorizations, licenses and Permits has not been, and would not reasonably be expected to, individually or in the aggregate, be material to the Company. Except as set forth in the Organization and Corporate Power Schedule, the Company is qualified to do business and is in good standing in every jurisdiction in which its ownership of property or the conduct of business as now conducted requires it to qualify, except where the failure to be so qualified has not had and would not have, individually or in the aggregate, a Material Adverse Effect.

4.02 No Subsidiaries. The Company has no Subsidiaries or any direct or indirect equity ownership in any Person and does not have any right or obligation to acquire, directly or indirectly, any outstanding equity interest in any Person.

4.03 Authorization; No Breach. The execution, delivery and performance of the Transaction Documents by the Company and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action, and no other corporate proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement and the other Transaction Documents. Except as set forth on the Authorization Schedule, the execution, delivery and performance of the Transaction Documents by the Company and the consummation of the transactions contemplated hereby and thereby do not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien upon any assets of the Company under, or require any authorization, consent, approval, exemption or other action by or notice to any court or other governmental body under, the provisions of the Company's certificates or articles of incorporation or bylaws, as applicable, or any indenture, mortgage, lease, loan agreement or other agreement or instrument to which the Company is bound, or any Laws, statute, rule or regulation or order, judgment or decree to which the Company is subject, except as would not reasonably be expected to, individually or in the aggregate, be material to the Company. The Transaction Documents to which the Company is a party have been duly executed and delivered by the Company and assuming due authorization, execution and delivery by the other parties of the Transaction Documents, and such Transaction Documents constitute a legally valid and binding obligation of the Company, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

4.04 Capital Stock.

(a) The authorized number of Shares is ten thousand and there are no other authorized shares of capital stock or other equity interests of the Company. As of the date hereof, three thousand Shares are issued and outstanding and are owned of record by the Sellers. All of the outstanding shares of capital stock or other equity interests of the Company (i) are duly authorized, validly issued, fully paid and non-assessable, (ii) are free and clear of any Lien and (iii) were issued in compliance with applicable state and federal securities Laws or exemptions therefrom and not in violation of any preemptive or similar rights. Except as set forth on the Capital Stock Schedule, (i) no shares of capital stock or other equity interests of the Company are reserved for issuance or are held as treasury shares; (ii) the Company does not have any outstanding options, warrants, rights, calls, conversion rights, rights of exchange, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities or other plans or commitments, contingent or otherwise, relating to the capital stock or other equity interests of the Company that would obligate the Company to (A) issue, transfer or sell any shares of capital stock or other equity interests of the Company or securities convertible into or exchangeable for such shares or equity interests, (B) redeem or otherwise acquire any such shares or capital stock or other equity interests or (C) provide a material amount of funds to, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Person; (iii) there are no outstanding agreements of the Company, the Sellers, or any other Person to purchase, redeem or otherwise acquire any outstanding shares of capital stock or other equity interests of the Company, or securities or obligations of any kind convertible into any shares of the capital stock or other equity interests of the Company; (iv) there are no outstanding or authorized equity equivalents, stock appreciation, phantom stock, stock plans or similar rights

with respect to the Company; (v) there are no voting trusts, proxies, registration rights agreements or any other agreements or understanding relating to the voting, disposition or dividends with respect to the equity securities or equity interests of the Company, or agreements among the Sellers and any other Person relating to the management of the Company or any equity interest of the Company; (vi) the Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have a right to vote (or convertible into or exercisable for securities having the right to vote); and (vii) there are no declared or accrued unpaid dividends with respect to any capital stock of the Company.

4.05 Financial Statements; Indebtedness; Internal Controls.

(a) The Financial Statements Schedule consists of true, correct and complete copies of: (i) the Company's unaudited consolidated balance sheet as of September 30, 2010 (the "Latest Balance Sheet") and the related statement of income for the nine-month period then ended and (ii) the Company's reviewed consolidated balance sheet and statements of income and cash flows for the fiscal years ended December 31, 2008 and December 31, 2009 (the financial statements referred to in clause (ii) are referred to herein, as the "Reviewed Financial Statements" and, together with the financial statements referred to in clause (i), the "Financial Statements"). Except as set forth on Financial Statements Schedule, the Financial Statements have been prepared in accordance with the books and records of the Company and GAAP applied on a consistent basis throughout the periods included and present fairly in all material respects the consolidated financial condition and results of operations of the Company as of the times and for the periods referred to therein.

(b) Except as set forth in the Indebtedness Schedule, the Company does not have any outstanding Indebtedness or any liability or obligation of any nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due) except for (i) liabilities reflected on the Latest Balance Sheet, (ii) liabilities incurred in the ordinary course of business consistent with past practice since the date of the Latest Balance Sheet and which, individually or in the aggregate, are not material to the Company (none of which is a liability for breach of contract, breach of warranty, tort or infringement by the Company) and (iii) liabilities disclosed on any Schedule to this Agreement (none of which is a liability for breach of contract, breach of warranty, tort or infringement by the Company). Except as set forth in the Financial Statements, the Company does not maintain any "off-balance-sheet arrangements" within the meaning of Item 303 of Regulation S-K of the Securities and Exchange Commission.

4.06 Absence of Certain Developments. Since the date of the Latest Balance Sheet, there has not been any effect, event, fact, circumstance, condition, development or change that, individually or in the aggregate, has had a Material Adverse Effect. Except as set forth on the Developments Schedule, since the date of the Latest Balance Sheet, (i) the business of the Company has been conducted only in the ordinary and usual course and in a manner consistent with past practices and (ii) the Company has not taken any of the following actions:

(a) issued, sold, pledged, encumbered or delivered any shares of capital stock (or options or other securities convertible into or exchangeable or exercisable for, with or without additional consideration, such capital stock);

(b) split, combined or reclassified any shares of its capital stock or declared, set aside or paid any dividends or made any other distributions (whether in cash, stock or other property) in respect of such shares;

(c) amended the certificate of incorporation or bylaws (or equivalent governing documents) of the Company;

(d) made any redemption, purchased or otherwise acquired for any consideration any outstanding shares of its capital stock or securities carrying the right to acquire or which are convertible into or exchangeable or exercisable for, with or without additional consideration, such capital stock;

(e) incurred, assumed, guaranteed, prepaid or otherwise became liable for any Indebtedness (directly, contingently or otherwise), except borrowings permitted under the Company's existing lines of credit set forth on the Indebtedness Schedule;

(f) made any loans or advances of borrowed money or capital contributions to, or equity investments in, any other Person, other than the extension of trade credit to customers and suppliers in the ordinary course of business consistent with past practice;

(g) created any Subsidiary or made any acquisition or disposition of stock;

(h) bought, sold, leased, assigned, transferred, or otherwise acquired or disposed of, pledged or encumbered property or assets or equity interests of any Person, business or division, except acquisitions or dispositions of inventory and equipment in the ordinary course of business consistent with past practice;

(i) entered into or adopted a plan or agreement of recapitalization, reorganization, merger or consolidation, or adopted a plan or complete or partial liquidation or dissolution;

(j) (A) created, granted, assumed or suffered to be incurred any Lien (other than Permitted Liens) of any kind on any of its properties or assets or (B) made any commitment for any capital expenditure to be made on or following the date hereof other than capital expenditures that are not in excess of those forecasted in the Company's current operating budget previously provided to the Purchaser or failed to make any capital expenditure in the ordinary course of business or within the time period contemplated by such budget;

(k) amended, renewed or terminated, or agreed to a release, waiver, modification or termination of, any Company Contract (other than terminations of Company Contracts as a result of the expiration of the term of such Company Contract);

(l) except for the sale of inventory in the ordinary course of business, (A) sold, assigned, transferred, leased or otherwise disposed of, or agreed to sell, assign, transfer, lease or otherwise dispose of, any material assets or (B) acquired, sold, assigned, transferred, leased or otherwise disposed of any real property or any interest in real property;

(m) leased, licensed, or otherwise granted to any other Person or parties the right to use or occupy any portion of the Leased Real Property other than in the ordinary course of business or as a result of the expiration of such leases;

(n) amended, renewed, or terminated any Real Property Lease;

(o) except as otherwise required by Law or an existing Plan, taken any action with respect to the grant of any severance or termination pay that will become due and payable on or after the Closing Date that is not a Transaction Expense; (ii) except in the ordinary course of business consistent with past practice, adopted, entered into, amended or terminated any Plan or increased the compensation or fringe benefits of any present or former director, officer or employee of the Company;

(p) made any change in the key management structure of the Company, including the hiring or termination of any employee at the senior management level or above, or entered into, amended, adopted, terminated, increased the payments to or benefits under, or supplemented any Plan or other employment, severance, retirement, employee benefits, profit-sharing, bonus, deferred compensation, savings, insurance, pension, or other agreement or plan, or made any change in the compensation, severance or termination benefits payable or to become payable to any employees of the Company (other than planned annual increases in the rates of compensation in the ordinary course of business consistent with past practice);

(q) amended, renewed or terminated, or agreed to a release, waiver, modification or termination of, an agreement (other than terminations as a result of the expiration of such agreement), or entered into a new transaction or agreement, with an Affiliate;

(r) cancelled, reduced or allowed to lapse any insurance covering the Company;

(s) changed any of its Tax or accounting principles, methods or practices other than as required by GAAP;

(t) cancelled, waived or settled any claims or rights in excess of $50,000.00 related to the Company or settled or compromised any Action involving potential Losses (as determined by the Company in good faith) in excess of $50,000.00;

(u) taken any action which would materially interfere with the consummation of the transactions contemplated by this Agreement or materially delay the consummation of such transaction; or

(v) committed, authorized or agreed to take any of the foregoing actions.

4.07 Title to Properties.

(a) The Company has good and marketable title to, or hold pursuant to valid and enforceable leasehold interests in, (i) all of their respective personal property shown to be owned or leased by it on the Latest Balance Sheet, and (ii) upon the entering into of the Headquarters Lease and the Packaging Facility Lease, all Leased Real Property, each of the foregoing (i) and (ii) free and clear of all Liens, except for Permitted Liens.

(b) Except as set forth on the Lease Schedule, the Leased Real Property consists of the real property described in each of the Headquarters Lease and the Packaging Facility Lease and no other real property. The Leased Real Property is owned in fee by the Sellers, subject only to Permitted Liens.

(c) The Leased Real Property constitutes all of the real property utilized by the Company in the operation of its business and the Company (i) is not a party to any agreement or option to purchase any real property or interest therein, or (ii) does not own in fee any real property.

(d) The Company has not entered into any lease, sublease, license, concessions or other agreement granting to any other Person or parties the right to use or occupy any portion of the Leased Real Property; and

(e) The Company has not received any notice of any and to the knowledge of the Company, there are no existing, pending, threatened or contemplated condemnation, eminent domain or similar proceeding affecting the Leased Real Property or any portion thereof or of any sale or other disposition of the Leased Real Property or any portion thereof in lieu of condemnation.

(f) On the date hereof, all leases covering the Leased Real Property in effect prior to Closing shall be terminated and be of no further force and effect except for the lease set forth on the Lease Schedule (which is a month to month lease). The Sellers agree that the Company shall have no further liabilities or obligations under such leases other than the obligation to pay the 2010 real estate taxes payable in 2011. An estimate of the 2010 real estate taxes based on the 2009 real estate taxes has been accrued as a current liability as part of the Net Working Capital.

4.08 Tax Matters. Except as set forth on the Taxes Schedule:

(a) All Tax Returns required to be filed by or with respect to the Company have been properly prepared and timely filed, and all such Tax Returns (including information provided therewith or with respect thereto) are true, complete and correct in all material respects. The Company has fully and timely paid all Taxes owed by them (whether or not shown on any Tax Return), and the Reviewed Financial Statements reflect an adequate reserve (excluding any reserve for deferred Taxes) for all Taxes payable by the Company for all taxable periods and portions thereof accrued through the date of the Reviewed Financial Statements and since the date of the Reviewed Financial Statements, the Company has not incurred any Tax liabilities other than Taxes relating to ordinary course operations conducted by the Company. The Company has withheld from their respective employees, independent contractors, stockholders, creditors, and third parties and have fully and timely paid to the appropriate Governmental Entity proper and accurate amounts in all respects for all periods ending on or before the Closing Date in compliance with all Tax withholding and remitting provisions of applicable Laws and have complied in all respects with all Tax information reporting provisions of all applicable Laws.

(b) No audit or other proceeding by any Governmental Entity is pending or threatened in writing with respect to any Taxes due from or with respect to the Company, no

Governmental Entity has given notice of any intention to assert any deficiency or claim for additional Taxes against the Company, and no claim has been made by any Governmental Entity in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. All deficiencies for Taxes asserted or assessed against the Company have been fully and timely paid, settled or properly reflected in the Reviewed Financial Statements.

(c) There are no outstanding agreements extending or waiving the statutory period of limitations applicable to any claim for, or the period for the collection or assessment or reassessment of, Taxes due from the Company for any taxable period and no request for any such waiver or extension is currently pending.

(d) The Company has given or otherwise made available to the Purchaser or its representative true, correct and complete copies of all material Tax Returns, examination reports and statements of deficiencies for taxable periods, or transactions consummated, for which the applicable statutory periods of limitations have not expired.

(e) The Company has not constituted a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of shares qualifying for tax-free treatment under Section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the acquisition of the Shares of the Sellers. The Company has not distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 361 of the Code.

(f) To Company's knowledge, the Company has not (i) participated in a reportable transaction within the meaning of Treas. Reg. §1.6011-4 (or any similar provision of state, local or foreign Tax law) or (B) taken any reporting position on a Tax Return, which reporting position (i) if not sustained would be reasonably likely, absent disclosure, to give rise to a penalty for substantial understatement of federal income Tax under Section 6662 of the Code (or any similar provision of state, local, or foreign Tax law), and (ii) has not adequately been disclosed on such Tax Return in accordance with Section 6662(d)(2)(B) of the Code (or any similar provision of state, local, or foreign Tax law).

(g) There are no Liens for Taxes upon the assets or properties of the Company, except for statutory Liens for current Taxes not yet due.

(h) The Company is not a party to any agreement relating to the sharing, allocation or indemnification of Taxes, or any similar agreement, contract or arrangement, (collectively, "Tax Sharing Agreements") or has any liability for Taxes of any Person under Treasury Regulation § 1.1502-6, Treasury Regulation § 1.1502-78 or similar provision of state, local or foreign Tax law, as a transferee or successor, by contract, or otherwise.

(i) The Company will not be required to include in a taxable period ending after the Closing Date taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to

exclude from the determination of taxable income in a taxable period ending after the Closing Date any deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date) as a result of the installment method of accounting, the completed contract method of accounting, the long-term contract method of accounting, the cash method of accounting, Section 481 of the Code or Section 108(i) of the Code or comparable provisions of state, local or foreign Tax law, or for any other reason.

(j) Any adjustment of Taxes of the Company made by the IRS, which adjustment is required to be reported to the appropriate state, local, or foreign Governmental Entities, has been so reported.

(k) Within the last five (5) years, and to the knowledge of the Company the Company has not executed or entered into a closing agreement pursuant to Section 7121 of the Code or any similar provision of state, local or foreign Tax law, and the Company is not subject to any private letter ruling of the IRS or comparable ruling of any other Governmental Entity.

(l) The Company has been a validly electing S corporation (an "S Corporation") within the meaning of Sections 1361 and 1362 of the Code (and under any analogous state or local Tax law) at all times since November 1, 1987 and will be an S Corporation through the taxable year that ends as a result of the Closing.

(m) The Company will not be obligated to pay any Tax under Section 1374 of the Code in connection with the transactions contemplated by this Agreement (including with respect to the Section 338(h)(10) Election).

4.09 Contracts and Commitments

(a) The Contracts Schedule sets forth a correct and complete list of the following Contracts (the Contracts within any of the following categories whether or not set forth on such list, the "Company Contracts") (other than any Contract set forth on the Employee Benefits Schedule and Insurance Schedule, each of which are not Company Contracts):

(i) collective bargaining agreement or contract with any labor union;

(ii) all bonds, notes, debentures, loan or credit agreements or loan commitments, indentures, mortgages, guarantees, pledges or other Contracts evidencing or governing Indebtedness or placing a Lien on any assets;

(iii) all exchange traded or over-the-counter swap, forward, future, option, cap, floor or collar financial Contracts, or any other interest rate or foreign currency protection Contract;

(iv) all limited liability company agreements, partnership, joint venture or other similar agreements or arrangements;

(v) all leases or other agreements under which the Company is lessee of, or holds or operates any personal property owned by any other party, for which the annual rental exceeds $50,000.00;

(vi) all leases or other agreements under which the Company is lessor of or permits any third party to hold or operate any property, real or personal, for which the annual rental payment exceeds $50,000.00;

(vii) all Contracts or group of related Contracts with the same party for the purchase of products or services, under which the undelivered balance of such products and services has a selling price in excess of $50,000.00;

(viii) all Contracts or group of related Contracts with the same party for the sale of products or services under which the undelivered balance of such products or services has a sales price in excess of $50,000.00;

(ix) all Contracts that purport to limit or restrict the Company or its Affiliates from (A) engaging in any line of business, (B) competing with any Person or operating in any location or (c) soliciting or hiring any employee or consultant;

(x) all Contracts that are terminable upon, or prohibit assignment upon, a change of control or ownership of the Company;

(xi) all Contracts with Governmental Entities;

(xii) all Contracts for capital expenditures requiring the payment by the Company of an amount in excess of $25,000.00 individually or $50,000.00 in the aggregate;

(xiii) all Contracts granting to any Person (other than the Company) an option or a first refusal, first-offer or similar preferential right to purchase or acquire any material assets of the Company;

(xiv) all Contracts that contain most favored nation or other similar provisions with any third party requiring that a third party be offered terms or concessions at least as favorable to those offered to one or more other Persons;

(xv) all Contracts entered into within the preceding five (5) years, or not yet consummated, involving the sale or purchase of substantially all of the assets or capital stock of any Person, or a merger, consolidation, business combination or similar extraordinary transaction;

(xvi) any acquisition Contract pursuant to which the Company has continuing indemnification, “earn-out” or other contingent payment obligations;

(xvii) all Contracts under which the Company is the licensor or licensee of material Intellectual Property rights;

(xviii) all Contracts with Material Customers and Material Vendors (other than purchase orders);

(xix) all Contracts involving any resolution of settlement of any actual or threatened Action or other dispute with a value of greater than $50,000.00;

(xx) all Contracts (other than those described in subsections (i) through (xix) of this Section 4.09(a)), in each case, involving annual consideration payable to or from the Company of an amount reasonably likely to exceed $50,000.00; and

(xxi) any Contract or commitment to enter into any one of the foregoing.

(b) When requested by Purchaser, correct and complete copies of all Company Contracts, including all amendments, modifications and supplements thereof, will be made available to the Purchaser. Each Company Contract is valid, binding and enforceable in accordance with its terms with respect to the Company, and to the knowledge of the Company, each other party to such Company Contracts. Except as set forth on the Contracts Schedule, (i) there is no existing default or breach of the Company, under any Company Contract, and to the knowledge of the Company, there is no default by any other party to any Company Contract and (ii) no counterparty to any Company Contract has threatened, or to the knowledge of the Company, intends not to fully perform its obligations under any Company Contract or to terminate or seek to materially modify any Company Contract.

4.10 Customers and Suppliers.

(a) The Customers Schedule sets forth a true and complete list, by dollar volume paid for the twelve (12) months ended June 30, 2010, of the twenty (20) largest customers of the Company (the "Material Customers"). Since July 1, 2010, no Material Customer (i) has threatened to cancel or otherwise terminate, or to the knowledge of the Company, intends to cancel or otherwise terminate, the relationship of such Person with the Company or (ii) has decreased materially or threatened to decrease or limit materially or, to the knowledge of the Company, intends to modify materially its relationship with the Company or intends to decrease or limit materially, its usage or purchase of the services or products of the Company.

(b) The Vendors Schedule sets forth a true and complete list, by dollar volume paid for the twelve (12) months ended June 30, 2010, of the ten (10) largest vendors to the Company (the "Material Vendors"). Since July 1, 2010, no Material Vendor (i) has threatened to cancel or otherwise terminate, or to the knowledge of the Company, intends to cancel or otherwise terminate, the relationship of such Person with the Company or (ii) has decreased materially or threatened to decrease or limit materially or, to the knowledge of the Company, intends to modify materially its relationship with the Company or intends to decrease or limit materially, its provision of services or products to the Company.

4.11 Intellectual Property. All of the registered and material unregistered Intellectual Property owned by the Company (collectively, "Company Intellectual Property") are set forth on the Intellectual Property Schedule. All of the registrations, issuances and applications set forth on the Intellectual Property Schedule are valid, in full force and effect and have not expired or been cancelled, abandoned or otherwise terminated, and payment of all renewal and maintenance fees and expenses in respect thereof, and all filings related thereto, have been duly made. The Company owns and possesses all right, title and interest in and to the Company Intellectual Property free and clear of all Liens. Except as set forth on the Intellectual Property Schedule: (i) the Company owns all right, title and interest in and to, or have the right to use, the material Intellectual Property used in the conduct of the Company's businesses as

presently conducted; (ii) the Company has not received any written notices of, and no claim or Action is pending that allege, any material infringement or misappropriation from any third party within the past thirty-six (36) months with respect to Intellectual Property; (iii) the Company is not currently infringing or misappropriating the Intellectual Property of any other Person in any material respect; and (iv) to the knowledge of the Company, no third party is infringing or misappropriating the Company Intellectual Property in any material respect. To the Company's knowledge, all software material to the business of the Company (i) performs in material conformance with its documentation, (ii) is free from any material software defect, and (iii) does not contain any virus, software routine or hardware component designed to permit unauthorized access or to disable or otherwise harm any computer, systems or software, or any software routine designed to disable a computer program automatically with the passage of time or under the positive control of a Person other than an authorized licensee or owner of the software. The representations and warranties set forth in this Section 4.11 and, with respect to Intellectual Property licenses in Section 4.09(a)(xvii) (Contracts and Commitments) are the only representations and warranties being made as to the Company in this Agreement with respect to Intellectual Property, including with respect to infringement, misappropriation or other violation of any Intellectual Property of any Person.

4.12 Litigation. The Litigation Schedule sets forth a correct and complete list of (a) all Actions pending or, to the knowledge of the Company, threatened against the Company, any of its property, or any of its directors and officers in their capacity as such and (b) all judgments, decrees, injunctions, rules or orders of any court or arbitration panel to which the Company is subject.

4.13 Product Warranties. Except as set forth on theWarranty Schedule, there are no claims outstanding against the Company in excess of $25,000.00 individually or $50,000.00 in the aggregate to return products by reason of alleged overshipments, early or late shipments, defective delivery, defective merchandise or otherwise, and there is no Action pending, or to the Company's knowledge threatened, against the Company under any product warranty, nor, to the Company's knowledge, is there any basis upon which any claim could validly be made. The Warranty Schedule lists all product warranty and product liability claims in excess of $25,000.00 that have been asserted against the Company within the preceding five (5) years, indicating for each claim whether it has been resolved or remains outstanding and, if resolved, the manner and cost of resolution.

4.14 Governmental Consents, etc. The execution and delivery by the Company of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity other than notification to the Internal Revenue Service of the company's termination of S Corporation status.

4.15 Employee Benefit Plans.

(a) Section (a) of the Employee Benefits Schedule sets forth a true, complete and correct list of each "employee benefit plan" (as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and each other employee benefit plan, program, agreement or arrangement, whether or not subject to ERISA,

and whether written or oral, formal or informal, including each pension, profit-sharing, savings, retirement, employment, consulting, severance pay, termination, executive compensation, incentive compensation, deferred compensation, bonus, stock purchase, stock option, phantom stock or other equity-based compensation, change-in-control, retention, salary continuation, vacation, sick leave, disability, death benefit, group insurance, hospitalization, medical, dental, life, educational assistance or fringe benefit plan, program, policy, practice, agreement or arrangement, including each plan of a similar nature maintained in jurisdictions outside of the United States and which are not subject to ERISA (including with respect to independent contractors of the Company), that is (i) sponsored, maintained or contributed to by the Company or any of its ERISA Affiliates (as defined below) or for which the Company or any of its ERISA Affiliates has any obligation to maintain, sponsor or contribute, or (ii) with respect to which the Company or any of its ERISA Affiliates has any direct or indirect liability, whether contingent or otherwise (the "Plans"). Each Plan that is intended to meet the requirements of a "qualified plan" under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") has received a favorable determination letter from the Internal Revenue Service ("IRS") or is in the form of a prototype plan with respect to which the IRS has issued a favorable opinion letter, in each case, to the effect that the Plan satisfies the requirements of Section 401(a) of the Code and that its related trust is exempt from taxation under Section 501(a) of the Code and there are no facts or circumstances that would reasonably be expected to cause the loss of such qualification. Each Plan has been established and administered in all material respects in accordance with its terms and the requirements of the Code, ERISA and other applicable Laws.

(b) With respect to each Plan, (i) all material required contributions have been made or properly accrued, (ii) there are no Actions, suits or claims pending, or to the Company's knowledge, threatened, other than routine claims for benefits, except as would not, individually or in the aggregate, reasonably be expected to result in a material liability, (iii) there have been no non-exempt and uncorrected "prohibited transactions" (as that term is defined in Section 406 of ERISA or Section 4975 of the Code) or breaches of fiduciary duty (as determined under ERISA) and (iv) all reports, returns, notices and other documentation that are required to have been filed with or furnished to the IRS, the Department of Labor or any other governmental authority, or to the participants or beneficiaries of such Plan, have been filed or furnished on a timely basis. No event has occurred and no condition exists that would, either directly or by reason of the affiliation of the Company with any other Person which, together with the Company would be treated as a single employer under Section 4001 of ERISA or Section 414 of the Code (each an "ERISA Affiliate"), subject the Company to any material Tax, fine, Lien, penalty or other liability imposed by ERISA, the Code, or other applicable Laws. Each Plan providing for deferred compensation that constitutes a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code and applicable regulations) for any service provider to the Company (i) complies with the requirements of Section 409A of the Code and the regulations promulgated thereunder or (ii) is exempt from compliance under the "grandfather" provisions of IRS Notice 2005-1 and applicable regulations, and has not been "materially modified" (within the meaning of IRS Notice 2005-1 and Treas. Reg. §1.409A-6(a)(4)) since October 3, 2004.

(c) With respect to each Plan, the Company has furnished to the Purchaser, or provided the Purchaser with access to, the most recent copies of the following documents (as

applicable): (i) Plan document, (ii) summary plan description, (iii) determination letter received from the IRS**,** (iv) IRS Form 5500 annual report and (v) actuarial report.

(d) Except as set forth on Section (d) of the Employee Benefits Schedule, neither the Company nor any of its ERISA Affiliates contributes to or has in the past six (6) years sponsored, maintained, contributed to or had any liability with respect to any "defined benefit plan" (as defined in Section 3(35) of ERISA), plan subject to Section 412 of the Code or Section 302 of ERISA, or "multiemployer plan" (as defined in Section 3(37) of ERISA). None of the Plans is subject to Title IV of ERISA. The Company has not incurred any current or projected liability in respect of post-employment health, medical or life insurance benefits for any current or former employees of the Company, except as may be required under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA"), and at the expense of the employee.

(e) Except as set forth on section (e) of the Employee Benefits Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will cause or result in (either alone or in combination with another event) (i) the acceleration of vesting in, or timing of payment of, any compensation or benefits under any Plan or otherwise materially accelerate or increase any obligation under any Plan, (ii) severance pay or any increase in severance pay upon any termination of employment after the date of this Agreement, (iii) any payment, compensation or benefit becoming due, or increase in the amount of any payment, compensation or benefit due, to any current or former employee of the Company, (iv) any limitation or restriction on the right of the Company to merge, amend or terminate any of the Plans or (v) the payment of any amount that could, individually or in combination with any other such payment, constitute an "excess parachute payment," as defined in Section 280G(b)(1) of the Code.

4.16 Compliance with Laws. The Company is in material compliance with all applicable Laws and regulations of foreign, federal, state and local governments and all agencies thereof and there is no investigation or review pending or to the knowledge of the Company, threatened with respect to a material violation of any applicable Laws. Notwithstanding the foregoing, no representations and warranties are being made under this Section 4.16 with respect to subject matters expressly addressed in any other section of this ARTICLE IV with respect to Taxes, Intellectual Property, litigation and environmental.

4.17 Environmental Matters. Except as specifically identified on the Environmental Matters Schedule:

(a) the Company is and has been in material compliance with all Environmental Laws;

(b) the Company has obtained and possesses all Environmental Permits required in connection with owning or operating their properties or for their operations, the Company is and has been in material compliance with such Environmental Permits and all such Environmental Permits are in full force and effect and will remain so after consummation of the transactions contemplated hereby;

(c) there are no events, conditions or circumstances, including, without limitation, the presence of pollutants or contaminations at any Leased Real Property, that could reasonably be expected to result in material liability to the Company pursuant to Environmental Laws; and

(d) the Company is not subject to any Action arising under Environmental Laws, including any investigatory, remedial or corrective obligation, relating to the Company or its facilities and arising under Environmental Laws which has not been fully resolved.

This Section 4.17 constitutes the sole and exclusive representations and warranties as to the Company with respect to matters arising under Environmental Laws.

4.18 Affiliated Transactions. Other than the Transaction Documents, except as set forth on theAffiliated Transactions Schedule, no officer, director, stockholder or Affiliate of any of the foregoing or the Company or any individual in such officer's, director's or stockholder's immediate family is a party to or otherwise has any interest or benefit in any agreement, contract, commitment or transaction with the Company or has any material interest in any property used by the Company which will not be terminated on the Closing Date.

4.19 Insurance. A true and complete list of all insurance policies ("Insurance Policies") carried by, or for the benefit of, the Company, specifying the insurer, the amount of and nature of coverage, the risk insured against, the deductible or self insured retention (if any) and the date through which coverage shall continue by virtue of premiums already paid is set forth on the Insurance Schedule. The Insurance Policies are of the types and in amounts customarily carried against risks of a character and in such amounts as are usually insured against by similarly situated companies in the same or similar business. All Insurance Policies are in full force and effect and are valid, outstanding and enforceable, and all premiums due thereon have been paid in full. The Company has not received any written notice from or on behalf of any insurance carrier issuing policies or binders relating to or covering the Company that could reasonably be likely to be followed by a written notice of cancellation or nonrenewal of existing policies or binders. The Company has complied in all material respects with the provisions of each Insurance Policy under which it is the insured party. Any claims, or circumstances which might give rise to a claim, under the Insurance Policies has been reported and filed in a timely fashion. The Company has made available to the Purchaser loss-runs for the last three (3) years in respect of the Company. All proceedings listed on the Litigation Schedule have been timely reported to all applicable insurance carriers.

4.20 Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Company.

4.21 Employees.

(a) The Company is not a party to or bound by any collective bargaining agreement, nor in the five years preceding the date of this Agreement has it experienced any strikes, material employee disruptions or unfair labor practices claims. The Company in the five years preceding the date of this Agreement has not committed any material unfair labor practice. The Company has not received written notice of pending or threatened changes of employment

status with respect to (including resignation of) any employee member of the senior management team of the Company. To the Company's knowledge, no organizational effort is presently being made or threatened by or on behalf of any labor union or other organized labor with respect to employees of the Company. No individual who has performed services for the Company has been improperly excluded from participation in any Plan, and the Company does not have any direct or indirect liability, whether actual or contingent, with respect to any misclassification of any person as an independent contractor rather than as an employee, or with respect to any employee leased from another employer. The Company is not, or has not been, in material violation of any applicable Laws, including all such Laws relating to terms and conditions of employment, labor relations, wages and hours, equal employment opportunities, fair employment practices, immigration, and occupational health and safety.

(b) There has been no "mass layoff" or "plant closing" (as defined by the Worker Adjustment and Retraining Notification Act of 1988 (29 USC § 2101 et seq.) and any similar state or local laws (collectively, "WARN")) with respect to the Company within the past 6 months. The Company has not incurred any liability under WARN that remains unsatisfied. To the extent that, after the Closing, the Purchaser operates the Company in the same manner operated during the six-month period prior to the Closing, the Purchaser will not incur any liability under WARN or any other similar applicable Law as a result of any layoffs or other employment terminations made by the Company during such six-month period prior to the Closing.

(c) The Employees Schedule sets forth a true, correct and complete list of the name, position, job location, salary or wage rate, bonus opportunity, date of hire, full- or part-time status and "exempt" or "non-exempt" status and opportunity, for each employee and independent contractor of the Company.

4.22 No Other Representations and Warranties. Except as expressly set forth in this ARTICLE IV, the Sellers make no representation or warranty, express or implied, at law or in equity, in respect of the Company or any of his or her Affiliates (other than the Sellers) or any of his or her respective assets, liabilities or operations, on which the Purchaser may rely, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Sellers as of the date hereof that:

5.01 Organization and Corporate Power. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, with full corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is a party and the transactions contemplated by this Agreement and perform its obligations hereunder and thereunder, except where the failure to be so qualified has not had and would not, individually or in the aggregate, have a material adverse effect on the Purchaser's ability to consummate the transactions contemplated by this Agreement.

5.02 Authorization. The execution, delivery and performance of this Agreement and the other Transaction Documents by the Purchaser and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action, and no other corporate proceedings on their part are necessary to authorize the execution, delivery or performance of this Agreement. This Agreement and the other Transaction Documents to which the Purchaser is a party have been duly executed and delivered by the Purchaser and assuming that this Agreement and such other Transaction Documents are a valid and binding obligation of the Sellers, this Agreement and such other Transaction Documents constitute a valid and binding obligation of the Purchaser, enforceable in accordance with its terms.

5.03 No Violation. The Purchaser is not subject to or obligated under its certificate or articles of incorporation, its bylaws (or similar organizational documents), any applicable Laws, or rule or regulation of any governmental authority, or any agreement or instrument, or any license, franchise or Permit, or subject to any order, writ, injunction or decree, which would be breached or violated in any material respect by the Purchaser's execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby.

5.04 Governmental Consents, etc. The execution and delivery by the Purchaser of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except for applicable requirements, if any, under federal or state securities or "blue sky" Laws.

5.05 Litigation. There are no Actions, suits or proceedings pending or, to the Purchaser's knowledge, overtly threatened against or affecting the Purchaser at law or in equity, or before or by any Governmental Entity, which would reasonably be expected, individually or in the aggregate, to materially impair the Purchaser's performance under this Agreement or the consummation of the transactions contemplated hereby. The Purchaser is not subject to any outstanding judgment, order or decree of any Governmental Entity.

5.06 Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Purchaser.

5.07 Investment Representation. The Purchaser is acquiring the Shares of the Sellers for its own account with the present intention of holding such securities for investment purposes and not with a view to, or for sale in connection with, any distribution of such securities in violation of any federal or state securities Laws. The Purchaser is an "accredited investor" as defined in Regulation D under the Securities Act. The Purchaser acknowledges that it is informed as to the risks of the transactions contemplated hereby and of the ownership of Shares. The Purchaser acknowledges that the Shares have not been registered under the Securities Act or any state or foreign securities Laws and that the Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of unless such transfer, sale, assignment, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and the Shares are registered under any applicable state or

foreign securities Laws or sold pursuant to an exemption from registration under the Securities Act and any applicable state or foreign securities Laws.

5.08 Financial Capacity. The Purchaser has sufficient cash to make payment of all amounts to be paid by it hereunder on and after the Closing Date.

5.09 No Other Representations and Warranties. Except as expressly set forth in thisARTICLE V, the Purchaser makes no representation or warranty, express or implied, at law or in equity, in respect of the Purchaser or any of its Affiliates or any of their respective assets, liabilities or operations, on which the Sellers may rely, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE VI

COVENANTS OF THE PARTIES

6.01 Access to Books and Records. For a period of three (3) years after the Closing, upon reasonable advance notice, the Purchaser shall, and shall cause the Company to, provide the Sellers and his or her agents with reasonable access (for the purpose of examining and copying), during normal business hours, without unreasonably interfering with the operation of the business of the Company, to the employees, offices, books and records of the Company with respect to periods or occurrences on or prior to the Closing Date that the requesting Sellers reasonably need (i) to comply with reporting, disclosure, filing or other legal requirements imposed on the Sellers (including under applicable securities Laws) by a Governmental Entity having jurisdiction over the Sellers; (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy Tax, audit, accounting, claims, regulatory, litigation or other similar legal requirements or (iii) to comply with its obligation under this Agreement; provided, however, that in the event that the Purchaser or the Company determines that any such provision of information could be commercially detrimental, violate any Law or agreement, or waive any attorney-client or other similar privilege, the Purchaser, the Company and the Sellers shall take all reasonable measures (including the execution of customary confidentiality agreements) to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

6.02 Non-Compete. In partial consideration for entering into this Agreement for the sale of the Shares owned by the Sellers, each of the Sellers agrees with the Purchaser that, for a period of sixty (60) months following the Closing Date (the "Restricted Period"), he or she will not, without the prior written consent of the Purchaser, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other Person (other than as a consultant of the Company pursuant to the Consulting Agreement), compete with the Company in North America; provided, however, that nothing herein shall limit the right of the Sellers to own not more than 3% of any of the debt or equity securities of any business organization that is then filing reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. The parties hereto agree that the provisions of this Section 6.02 are an integral part of this Agreement and that the Purchaser would not be entering into this Agreement without the provisions of this Section 6.02. If the final judgment of a court of competent

jurisdiction declares that any term or provision of this Section 6.02 is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of such term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. The parties hereto recognize and agree that immediate irreparable damages for which there is not adequate remedy at law would occur in the event that the provisions of this Section 6.02 are not performed in accordance with the specific terms hereof or are otherwise breached. It is accordingly agreed that in the event of a failure by the Sellers to perform his or her obligations under this Section 6.02, the Purchaser shall be entitled to specific performance through injunctive relief, without the necessity of posting a bond, to prevent breaches of the provisions and to enforce specifically the provisions of this Section 6.02, in addition to any other remedy to which such party may be entitled, at law or in equity.

6.03 Non-Solicitation. As a separate and independent covenant, also in partial consideration of entering into this Agreement for the sale of the Shares owned by the Sellers, each of the Sellers agrees that during the Restricted Period he or she will not in any way, directly or indirectly (except in the course of performing his or her duties under the Consulting Agreement), call upon, solicit, advise or otherwise do, or attempt to do, any business that competes with the Company with any Person who is, or was, during the then most recent 12 month period, a customer or employee of the Company, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company, or solicit, induce, hire or attempt to solicit, induce or hire any of them to leave the employ of the Purchaser or the Company or violate the terms of their contracts, or any employment arrangements, with the Purchaser or the Company.

6.04 Confidentiality. Each of the Sellers acknowledges that he or she is in possession of confidential information concerning the Company and its businesses and operations (the "Confidential Information"); except that Confidential Information shall not include any such information that is or becomes generally available to the public other than as a result of disclosure of the Sellers in violation of this provision. Each of the Sellers agrees that, from and after the Closing, he or she shall, and shall cause his or her Affiliates, Related Persons and advisors ("Representatives") to, keep during the Restricted Period all such Confidential Information strictly confidential and use such Confidential Information only as consultant of the Company or for the purpose of fulfilling his or her obligations hereunder or enforcing his or her rights hereunder. Each of the Sellers acknowledges and agrees that the Confidential Information is proprietary and confidential in nature and may be disclosed to his or her Representatives only to the extent necessary for the Sellers and such Representatives to fulfill the Sellers' obligations hereunder or to enforce the Sellers' rights hereunder; provided, that the Sellers shall be responsible for any breach of those confidentiality provisions by the Sellers' Representatives following the Closing. If, following the Closing, the Sellers or any of his or her Representatives are legally required to disclose (after the Sellers have used his or her commercially reasonable efforts to avoid such disclosure and after promptly advising and consulting with the Purchaser about his intention to make, and the proposed contents of such, disclosure) any of the Confidential Information (whether by deposition, interrogatory, request for documents,

subpoena, civil investigative demand or similar process) (and other than to enforce his or her rights hereunder or other than for use as a consultant of the Company), the Sellers shall, or shall cause such Representative, to provide the Purchaser with prompt written notice of such request so that the Purchaser may seek an appropriate protective order or other appropriate remedy. If such protective order or remedy is not obtained, the Sellers or such Representative may disclose only that portion of the restricted Confidential Information which such Person is legally required to disclose, and the Sellers shall exercise his or her commercially reasonable efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information so disclosed. The Sellers further agree that, from and after the Closing Date, the Sellers and their Representatives, upon the request of the Purchaser, the Company shall promptly destroy all information and documents constituting or containing Confidential Information and shall certify such destruction to the Purchaser or the Company, other than information retained for purposes of monitoring or enforcing the Sellers rights hereunder or for taxes or other regulatory needs.

ARTICLE VII

INDEMNIFICATION

7.01 Survival of Representations, Warranties, Covenants, Agreements and Other Provisions. The representations and warranties set forth in ARTICLE III (Representations and Warranties of the Sellers), ARTICLE IV (Representations and Warranties as to the Company) and ARTICLE V (Representations and Warranties of the Purchaser) and any certificate delivered pursuant to this Agreement shall survive the Closing and shall terminate on the date which is eighteen (18) months after the date hereof, except that (i) the representations and warranties set forth in Section 4.08 (Tax Matters) shall survive the Closing and shall terminate on the date that is sixty (60) days after the expiration of the applicable statute of limitations (including all periods of extension, whether automatic or permissive); provided, however, if no statute of limitations is applicable to any Tax, then the indemnification provisions of this Article VII upon which the liability to which any claim under such Tax may relate shall terminate on the date which is thirty six (36) months after the date hereof, and (ii) the Fundamental Representations shall survive the Closing and shall terminate on the sixth anniversary of the Closing Date. Subject to Section 8.06 (Coordination; Survival), all covenants and agreements to be performed following the Closing shall expire in accordance with their terms. No claim for indemnification hereunder for breach of any representations, warranties, covenants, agreements and other provisions may be made after the expiration of the applicable survival period; provided that any representation, warranty, covenant, agreement or other provision in respect of which indemnity may be sought under Section 7.02 (Indemnification for the Benefit of the Purchaser) or under Section 7.03 (Indemnification by the Purchaser for the Benefit of the Sellers), and the indemnity with respect thereto, shall survive (with respect to any claim that has been made) the time at which it would otherwise terminate pursuant to this Section 7.01 if notice of a claim of breach thereof giving rise to such right shall have been given to the Person against whom such indemnity may be sought prior to such time.

7.02 Indemnification for the Benefit of the Purchaser.

(a) From and after the Closing (but subject to the limitations and other provisions of this ARTICLE VII), the Sellers, jointly and severally, shall indemnify and hold harmless in

respect of any loss (including diminution in value), liability, damage, settlement, fine, judgment or expense ("Losses") suffered or incurred by the Purchaser, the Company and their Affiliates, and their respective officers, directors, advisors and representatives, and each of their successors and permitted assigns (each a "Purchaser Indemnified Party", and collectively, the "Purchaser Indemnified Parties") (other than any Losses relating to Taxes, for which the indemnification provisions are set forth in Section 8.02(a) (Tax Indemnification)) to the extent arising from (i) a breach of any representation or warranty made by the Sellers in this Agreement or in any exhibit, Schedule or certificate delivered hereunder or (ii) a breach of any covenant, agreement or other provision set forth herein by the Sellers in any exhibit, Schedule or certificate delivered hereunder; provided, that no claims by a Purchaser Indemnified Party shall be asserted under Section 7.02(a)(i) unless and until the aggregate amount of Losses that would otherwise be payable hereunder exceeds on a cumulative basis an amount equal to $200,000.00 (the "Indemnification Threshold"), and then only to the extent such Losses exceed the Indemnification Threshold but in no event in excess of $2,500,000.00 (the "Cap"); provided, that the Indemnification Threshold and the Cap shall not apply to breaches of the Fundamental Representations. For the avoidance of doubt, the Cap shall apply to the total amount of Tax Losses and Losses (other than Losses in respect of breaches of Fundamental Representations).

(b) Notwithstanding anything to the contrary contained in this Agreement, a Purchaser Indemnified Party shall have no right to indemnification hereunder with respect to any Loss or alleged Loss to the extent such Loss or alleged Loss is included in the final calculation of the Purchase Price Adjustments.

(c) All indemnification payments made hereunder shall be treated by the parties as an adjustment to the proceeds received by the Sellers pursuant to ARTICLE II (The Closing; Purchase Price Adjustment) hereof.

(d) The Purchaser, on behalf of any Purchaser Indemnified Party or Tax Indemnified Purchaser Party (as defined below), shall have the right to recover against the Indemnity Escrow Account for any of such Person's Losses, pursuant to the terms of this Section 7.02 (Indemnification for the Benefit of the Purchaser), Section 8.02(a) (Tax Indemnification) and the Escrow Agreement. On the date that is eighteen (18) months following the date hereof, the Escrow Agent shall release to the Sellers all amounts then remaining in the Indemnity Escrow Account, less the aggregate amount of all claims made under Sections 7.02 (Indemnification for the Benefit of the Purchaser) and 8.02(a) (Tax Indemnification) (i) with respect to which an unresolved dispute between the Sellers, on the one hand, and a Purchaser Indemnified Party or Tax Indemnified Purchaser Party, as applicable, on the other hand, exists, and (ii) which have been finally resolved but have not yet been paid to the applicable Purchaser Indemnified Party or Tax Indemnified Purchaser Party. The foregoing provisions in this Section 7.02(d) shall in no way limit any Purchaser Indemnified Party's or Tax Indemnified Purchaser Party's right to indemnification as set forth in Sections 7.02 (Indemnification for the Benefit of the Purchaser) and 8.02(a) (Tax Indemnification).

7.03 Indemnification by the Purchaser for the Benefit of the Sellers. From and after the Closing, the Purchaser shall indemnify the Sellers and his or her Affiliates, and their respective officers, directors, partners, members, employees, agents, representatives, successors, heirs and permitted assigns (each a "Sellers Indemnified Party" and collectively, the "Sellers

Indemnified Parties") and hold them harmless against any Losses which the Indemnified Parties may suffer or sustain, as a result of: (a) any breach of any representation or warranty made by the Purchaser in this Agreement and (b) a breach of any covenant, agreement or other provision by the Purchaser under this Agreement; provided, that no claims by a Sellers Indemnified Party shall be asserted under Section 7.03(a) unless and until the aggregate amount of Losses that would otherwise be payable hereunder exceeds on a cumulative basis an amount equal to the Indemnification Threshold, and then only to the extent such Losses exceed the Indemnification Threshold but in no event in excess of an amount equal to the Indemnity Escrow Amount (as reduced from time to time). Any indemnification of the Sellers pursuant to this Section 7.03 shall be effected by wire transfer of immediately available funds to the Sellers within five (5) days after the final determination thereof.

7.04 Defense of Third-Party Claims. Any Person making a claim for indemnification underSection 7.02 (Indemnification for the Benefit of the Purchaser) or under Section 7.03 (Indemnification by the Purchaser for the Benefit of the Sellers) (an "Indemnitee") shall notify the indemnifying party (an "Indemnitor") of the claim in writing promptly, and in any event within five (5) days, after receiving written notice of any Action, lawsuit, proceeding, investigation or other third party claim against it (if by a third party), describing the claim, the amount thereof (if known and quantifiable) and the basis thereof; provided, that the delay of any Indemnitee in giving a notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the Indemnitor was materially prejudiced by such delay. Any Indemnitor shall be entitled to participate in the defense of such Action, lawsuit, proceeding, investigation or other claim giving rise to an Indemnitee's claim for indemnification at such Indemnitor's expense, and at its option shall, unless the Indemnitee has been advised in writing by counsel that there are one or more legal defenses available to such Indemnitee that are different from or additional to those available to an applicable Indemnitor or there is otherwise a conflict of interest that exists or is reasonably likely to exist that would make it inappropriate, in the reasonable judgment of the Indemnitee, for the same counsel to represent both the Indemnitee and the Indemnitor, in which event such Indemnitee shall be entitled, at the Indemnitor's cost and expense, to separate counsel of its own choosing (provided, that such cost and expense shall be limited to one firm of attorneys, together with appropriate local counsel, for any such claim), be entitled to assume the defense thereof by appointing a reputable counsel reasonably acceptable to the Indemnitee to be the lead counsel in connection with such defense; provided that (i) any Indemnitor shall continue to be entitled to assert any limitation on any claims contained herein; (ii) the Indemnitee shall be entitled to participate in the defense of such claim and to employ counsel of its choice for such purpose; and (iii) subject to the proviso above, the fees and expenses of such separate counsel shall be borne by the Indemnitee. If the Indemnitor shall control the defense of any such claim then the Indemnitor shall be entitled to settle such claim; provided that the Indemnitor shall obtain the prior written consent of the Indemnitee (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the Indemnitor shall not be entitled to assume the defense of any claim if the claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee and the Indemnitee shall be indemnified for all costs and expenses related to the defense or settlement of such claim subject to the limitations set forth in this Agreement. If the Indemnitor fails to notify the Indemnitee within fifteen (15) days after receipt of notice that the Indemnitor elects to defend the Indemnitee pursuant to this Section 7.04, or if the Indemnitor elects to defend the Indemnitee pursuant to thisSection 7.04 but fails

to diligently prosecute or settle the claim, which failure continues for ten (10) days after notice to the Indemnitor from the Indemnitee of such failure, then the Indemnitee against which such claim has been asserted will have the right to undertake, and the cost and expense thereof will constitute Losses, the defense, compromise or settlement of such claim on behalf of and for the account and risk of the Indemnitor; provided, however, that such claim shall not be compromised or settled without the prior written consent of the Indemnitee, which consent shall not be unreasonably withheld, conditioned or delayed.

7.05 Determination of Loss Amount. For purposes of this ARTICLE VII, the determination as to whether the breach of any representation or warranty has occurred and the amounts of such Losses suffered shall be made without regard to any materiality, Material Adverse Effect or similar materiality qualification contained in such representation or warranty giving rise to the claim for indemnity hereunder. The following shall apply to all Losses:

(a) The amount of any Purchaser or Sellers Losses payable hereunder shall be reduced by any insurance proceeds which the Indemnified Party actually collects with respect to the event or occurrence giving rise to such Purchaser's Losses or Sellers Losses net of any out-of-pocket costs and expenses paid to third parties (including, without limitation, reasonable costs and expenses of outside legal counsel) incurred in connection with the collection of such amounts. If the Indemnified Party both collects proceeds from any insurance company and receives a payment from the Indemnifying Party or the Escrow Account hereunder, and the sum of such proceeds, net of out-of-pocket collection costs and expenses, is in excess of the Purchaser Losses or Sellers Losses with respect to the matter that is the subject of the indemnity, then the Indemnified Party shall promptly refund to the Indemnifying Party or the Escrow Account, as the case may be, the amount of such excess.

(b) In no event shall the Purchaser Indemnified Parties be entitled to recover any Purchaser Losses with respect to any matter to the extent (and only to the extent) it was included in the calculation of Final Purchase Price including the final determination of Net Working Capital, Indebtedness and Transaction Expenses (all as of the Closing Date) including the amount of any reserves or accruals reflected as a current liability on the balance sheet used in preparing the final Net Working Capital which relate to the facts giving rise to such Purchaser Losses.

ARTICLE VIII

TAX MATTERS

8.01 Tax Returns.

(a) Responsibility for Filing Tax Returns. The Sellers shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for all periods ending prior to or including the Closing Date the due date of which (including extensions) is after the Closing Date. Each such Tax Return shall be prepared and filed in a manner consistent with past practice, except as otherwise required by applicable Laws. At least thirty (30) days prior to the

date on which each such Tax Return is filed, the Sellers shall submit such Tax Return to the Purchaser for the Purchaser's review. If the Purchaser disputes any item on such Tax Return, it shall notify the Sellers of such disputed item (or items) and the basis for its objection. The parties shall act in good faith to resolve any such dispute prior to the date on which the relevant Tax Return is required to be filed. If the parties cannot resolve any disputed item, the item in question shall be resolved by an independent accounting firm mutually acceptable to the Sellers and the Purchaser. The fees and expenses of such accounting firm shall be borne equally by the Sellers and the Purchaser.

(b) With respect to any Tax Returns filed with respect to any taxable periods (or portions thereof) ending on or before the Closing Date ("Pre-Closing Taxable Periods") the Sellers shall be responsible for the Pre-Closing Taxes due in respect of such Tax Returns, except to the extent the Pre-Closing Taxes were taken into consideration in calculating the Net Working Capital.

8.02 Tax Indemnification.

(a) Indemnification by the Sellers. From and after the Closing Date, the Sellers shall, jointly and severally, indemnify the Purchaser Indemnified Parties (each a "Tax Indemnified Purchaser Party" and collectively, the "Tax Indemnified Purchaser Parties") against and hold harmless from any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties (including, without limitation, reasonable fees for both in-house and outside counsel, accountants and other outside consultants) suffered or incurred (each a "Tax Loss" and collectively, the "Tax Losses") arising out of (i) Taxes payable by or with respect to the operations of the Company for periods or portions thereof ending on or before the Closing Date, other than any Section 338(h)(10) Tax Liability ("Pre-Closing Taxes"); (ii) Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company was a member prior to the Closing Date by reason of liability under Treasury Regulation §1.1502-6, Treasury Regulation §1.1502-78 or comparable provision of foreign, state or local Tax law; (iii) without duplication, Taxes imposed on a Tax Indemnified Purchaser Party as a result of a breach of a representation or warranty set forth in Section 4.08 (Tax Matters); provided, that for purposes of this Section 8.02(a)(iii) only, any breach of a representation, warranty, covenant or agreement shall be determined without reference to any materiality qualifier with respect thereto; (iv) Taxes arising out of any transactions contemplated by this Agreement (other than any Section 338(h)(10) Tax Liability); and (v) Taxes or other payments required to be paid after the date hereof by the Company to any party under any Tax Sharing Agreement (whether written or not) or by reason of being a successor-in-interest or transferee of another entity.

(b) Indemnification by the Purchaser. From and after the Closing Date, the Purchaser shall indemnify the Sellers Indemnified Parties (each a "Tax Indemnified Sellers Party" and collectively, the "Tax Indemnified Sellers Parties") against and hold harmless from any and all Tax Losses arising out of Taxes of the Company for periods or portions thereof beginning after the Closing Date ("Post-Closing Taxes") other than amounts for which a Tax Indemnified Purchaser Party is indemnified by the Sellers under Section 8.02(a) (Tax Indemnification by the Sellers).

8.03 Tax Indemnification Procedures.

(a) After the Closing, the Purchaser and the Sellers, as the case may be, shall promptly notify the other party in writing of any demand, claim or notice of the commencement of an audit received by such party from any Governmental Entity or any other Person with respect to Taxes for which such other party is liable pursuant to Section 8.02 (Tax Indemnification); provided, however, that a failure to give such notice will not affect such other party's rights to indemnification under this ARTICLE VIII, except to the extent that such party is actually prejudiced thereby. Such notice shall contain factual information (to the extent known) describing the asserted Tax liability and shall include copies of the relevant portion of any notice or other document received from any Governmental Entity or any other Person in respect of any such asserted Tax liability.

(b) Payment by an indemnitor of any amount due to an indemnitee under this ARTICLE VIII shall be made within ten (10) days following written notice by the indemnitee that payment of such amounts to the appropriate Governmental Entity or other applicable third party is due by the indemnitee, provided that the indemnitor shall not be required to make any payment earlier than five (5) Business Days before it is due to the appropriate Governmental Entity or applicable third party. In the case of a Tax that is contested in accordance with the provisions of Section 8.04, payment of such contested Tax will not be considered due earlier than the date a "final determination" to such effect is made by such Governmental Entity or a court. For this purpose, a "final determination" shall mean a settlement, compromise, or other agreement with the relevant Governmental Entity, whether contained in an Internal Revenue Service Form 870 or other comparable form, or otherwise, or such procedurally later event, such as a closing agreement with the relevant Governmental Entity, an agreement contained in Internal Revenue Service Form 870-AD or other comparable form, an agreement that constitutes a "determination" under Section 1313(a)(4) of the Code, a deficiency notice with respect to which the period for filing a petition with the Tax Court or the relevant state, local or foreign tribunal has expired or a decision of any court of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired.

8.04 Tax Contests; Cooperation.

(a) After the Closing Date, except as provided in Sections 8.04(b) and 8.04(c) (Tax Contests; Cooperation) below, the Purchaser shall control the conduct, through counsel of its own choosing, of any audit, claim for refund, or administrative or judicial proceeding involving any asserted Tax liability or refund with respect to the Company (any such audit, claim for refund, or proceeding relating to an asserted Tax liability referred to herein as a "Contest"), including with respect to the Section 338(h)(10) Election.

(b) In the case of a Contest after the Closing Date that relates solely to Taxes for which the Purchaser is indemnified under Section 8.02(a) (Tax Indemnification by the Sellers), the Sellers shall control the conduct of such Contest, but the Purchaser shall have the right to participate in such Contest at its own expense, and the Sellers shall not be able to settle, compromise and/or concede any portion of such Contest that is reasonably likely to affect the Tax liability of the Company for any taxable year (or portion thereof) beginning after the Closing Date without the reasonable consent of the Purchaser, which consent shall not be unreasonably

withheld, delayed or conditioned; provided, that if the Sellers fail to assume control of the conduct of any such Contest within a reasonable period following the receipt by the Sellers of notice of such Contest, the Purchaser shall have the right to assume control of such Contest and shall be able to settle, compromise and/or concede such Contest in its sole discretion.

(c) In the case of a Contest after the Closing Date that relates both to Taxes for which the Purchaser is indemnified under Section 8.02(a) (Tax Indemnification by the Sellers) and Taxes for which the Purchaser is not indemnified under Section 8.02(a) (Tax Indemnification by the Sellers), the Purchaser shall control the conduct of such Contest, but the Sellers shall have the right to participate in such Contest at its own expense, and the Purchaser shall not settle, compromise and/or concede such Contest without the consent of the Sellers, which consent shall not be unreasonably withheld, delayed or conditioned.

(d) The Purchaser and the Sellers agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to books and records) and assistance relating to the Company as is reasonably requested for the filing of any Tax Returns and the preparation, prosecution, defense or conduct of any Contest. The Purchaser and the Sellers shall reasonably cooperate with each other in the conduct of any Contest or other proceeding involving or otherwise relating to the Company (or its income or assets) with respect to any Tax and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 8.04(d). Any information obtained under this Section 8.04(d) shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or in the conduct of a Contest or other Tax proceeding.

8.05 Straddle Periods. For purposes of this Agreement, in the case of any Taxes payable by the Company with respect to any Tax period that begins before and ends after the Closing Date (a "Straddle Period"), the portion of any such Taxes that constitutes Pre-Closing Taxes shall: (i) in the case of Taxes that are either (x) based upon or related to income or receipts, or (y) imposed in connection with any sale, transfer or assignment or any deemed sale, transfer or assignment of property (real or personal, tangible or intangible), be deemed equal to the amount that would be payable if the Tax year or period ended on the Closing Date; and (ii) in the case of Taxes (other than those described in clause (i) above) that are imposed on a periodic basis with respect to the business or assets of the Company or otherwise measured by the level of any item, be deemed to be the amount of such Taxes for the entire Straddle Period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding Tax period) multiplied by a fraction the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period. For purposes of clause (i) of the preceding sentence, any exemption, deduction, credit or other item (including, without limitation, the effect of any graduated rates of Tax) that is calculated on an annual basis shall be allocated to the portion of the Straddle Period ending on the Closing Date on a pro rata basis determined by multiplying the total amount of such item allocated to the Straddle Period times a fraction, the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period. In the case of any Tax based upon or measured by capital (including net worth or long-term debt) or intangibles, any amount thereof required to be

allocated under this Section 8.05 shall be computed by reference to the level of such items on the Closing Date.

8.06 Coordination; Survival. Claims for indemnification with respect to Taxes shall be governed exclusively by this ARTICLE VIII and the provisions of ARTICLE VII (Indemnification) (other than the exception in clause (i) of the first sentence of Section 7.01 (Survival of Representations, Warranties, Covenants, Agreements and Other Provisions), Section 7.02(d) (Indemnification for the Benefit of the Purchaser) and Section 7.05 (Determination of Loss Amount)), shall not apply. The indemnification provisions of this ARTICLE VIII shall survive until the date which is sixty (60) days following the date upon which the liability to which any claim under such indemnification provisions may relate is barred by the applicable statute of limitations (including all periods of extension, whether automatic or permissive), provided, however, if no statute of limitations is applicable to any Tax, then the indemnification provisions of this Article VIII upon which the liability to which any claim under such Tax may relate shall terminate on the date which is thirty six (36) months after the date hereof. Any Tax matter as to which a claim has been asserted by written notice satisfying the requirements of Section 8.03 (Tax Indemnification Procedures) and within the time limitation applicable by reason of the immediately preceding sentence that is pending or unresolved at the end of such time limitation shall continue to be covered by this ARTICLE VIII notwithstanding such time limitations until such matter is finally terminated or otherwise resolved by the parties under this Agreement, by an arbitration or by a court of competent jurisdiction and any amounts payable hereunder are finally determined and paid. Notwithstanding anything else in this Article VIII and Article VII (Indemnification) to the contrary, all Tax Losses indemnified by Sellers under this Article VIII shall be included in the calculation of the Cap under Section 7.02(b) (Indemnification for the Benefit of the Purchaser).

8.07 Section 338(h)(10) Election.

(a) Upon the request of the Purchaser, the Sellers shall join with the Purchaser in making an election under Section 338(h)(10) of the Code and any corresponding or similar elections under state, local or foreign Tax Law (collectively, the "Section 338(h)(10) Election") with respect to the purchase and sale of the stock of the Company hereunder. Any such request shall be made by the Purchaser in writing no later than 90 days after the Closing Date. In the event Purchaser does not request that the Sellers join in making the Section 338(h)(10) Election, the remainder of the provisions of this Section 8.07 shall not apply.

(b) The Purchaser shall prepare and file all forms and documents required in connection with the Section 338(h)(10) Election. For the purpose of making the Section 338(h)(10) Election the Purchaser and the Sellers each shall execute two copies of Internal Revenue Service Form 8023 (or successor form) at least ten (10) days prior to the date such form is required to be filed. The Sellers shall execute (or cause to be executed) and deliver to the Purchaser such additional documents or forms as are reasonably requested to complete the Section 338(h)(10) Election at least ten days prior to the date such documents or forms are required to be filed.

(c) The Purchaser shall prepare a schedule setting forth (i) the "aggregate deemed sales price," within the meaning of Treasury Regulations Sections 1.338-4 (the "ADSP"), and (ii)

an allocation of the ADSP among the assets of the Company, which schedule shall be prepared in accordance with Section 338 of the Code and the applicable Treasury Regulations or comparable provisions of any other applicable Law (the "ADSP Allocation"). The Purchaser shall deliver a draft of the ADSP Allocation to the Sellers for the Sellers approval, which approval shall not be unreasonably withheld, delayed or conditioned. The Purchaser and the Sellers and their respective Affiliates shall be bound by the Section 338(h)(10) Election and the ADSP Allocation for all Tax purposes. The Purchaser and the Sellers shall file, and shall cause their respective Affiliates to file, all Tax Returns in a manner consistent with the Section 338(h)(10) Election and the ADSP Allocation and shall take no position contrary thereto unless required to do so by applicable Tax Laws or a final determination (as defined in Section 8.03(b)).

(d) No later than sixty (60) days after delivering the ADSP Allocation, the Sellers shall deliver to the Purchaser a schedule setting forth the Section 338(h)(10) Tax Liability and the Section 338(h)(10) Indemnification Amount (the "Section 338(h)(10) Tax Schedule"). The Purchaser shall cooperate with the Sellers in preparing such calculations and shall provide the Sellers and its attorneys, accountants and consultants, reasonable access to the supporting documentation for the calculation of the Section 338(h)(10) Tax Liability and the Section 338(h)(10) Indemnification Amount. If the Purchaser disagrees with the Sellers' calculation of the Section 338(h)(10) Tax Liability or the Section 338(h)(10) Indemnification Amount and the parties cannot resolve any disputed item within 30 days after the Sellers deliver the Section 338(h)(10) Tax Schedule, the item(s) in question shall be resolved by an independent accounting firm mutually acceptable to the Sellers and the Purchaser. The Purchaser shall pay the Sellers the amount of the Section 338(h)(10) Indemnification Amount (if any) no later than five (5) days prior to the due date for the filing of the United States federal income Tax Returns of the Sellers for the taxable year that includes the Closing Date (after giving effect to automatic extensions, but only if exercised by Sellers); provided, that if the independent accounting firm renders its decision after such date, the Purchaser shall not be required to pay the Section 338(h)(10) Indemnification Amount until three days after such firm renders its decision.

ARTICLE IX

DEFINITIONS

9.01 Definitions. For purposes of this Agreement, the following terms when used herein shall have the respective meanings set forth below:

"Accounting Methodology" means the accounting principles, methods and practices utilized in preparing the Reviewed Financial Statements, applied on a consistent basis.

"Action" means any action, claim, charge, complaint, inquiry, investigation, examination, hearing, petition, suit, arbitration, mediation or other proceeding, in each case before any Governmental Entity, whether civil, criminal, administrative or otherwise, in law or in equity.

"Affiliates" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the

possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

"Balance Sheet and Working Capital Schedule Rules" means, collectively, the Accounting Methodology and the rules set forth onExhibit E; provided that in the event of any conflict between the Accounting Methodology and the rules set forth on Exhibit E, the rules set forth onExhibit E shall apply.

"Business Day" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the city of New York, New York.

"Contract" means any contract, agreement, arrangement, note, bond, mortgage, leases, sublease, license or other agreement legally binding on the Company.

"Current Assets" means, as of any date, the consolidated current assets of the Company, which current assets shall include only the line items set forth on the Working Capital Schedule under the heading "Current Assets" or in the Balance Sheet and Working Capital Schedule Rules, and no other assets.

"Current Liabilities" means, as of any date, the consolidated current liabilities of the Company, which current liabilities shall include only the line items set forth on the Working Capital Schedule under the heading "Current Liabilities" or in the Balance Sheet and Working Capital Schedule Rules, and no other liabilities.

"Environmental Permits" means all Permits issued pursuant to Environmental Laws.

"Environmental Laws" means all federal, state, local and foreign Laws concerning pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of or exposure to any hazardous materials, substances or wastes, as such requirements are enacted and in effect on or prior to the Closing Date.

"Fundamental Representations" means Sections 3.01 (Authorization; No Breach), 3.03 (Title to Shares), 3.05 (Brokerage), 4.02 (No Subsidiaries), 4.03 (Authorization; No Breach), 4.04 (Capital Stock) and 4.20 (Brokerage).

"GAAP" means United States generally accepted accounting principles applied in a manner consistent with those used in preparing the Latest Balance Sheet.

"Governmental Entity" means any federal, national, state, foreign, provincial, local or other government or any governmental, regulatory, administrative or self-regulatory authority, agency, bureau, board, commission, court, judicial or arbitral body, department, political subdivision, tribunal or other instrumentality thereof.

"Indebtedness" means, without duplication, all obligations of the Company: (i) for borrowed money, whether current, short-term or long-term, secured or unsecured; (ii) evidenced

by bonds, debentures, notes or similar instruments; (iii) under conditional sale, title retention or similar agreements or arrangements creating an obligation of the Company with respect to the deferred purchase price of property (including "earn-out" payments, excluding accounts payable and other current liabilities incurred in the ordinary course of business); (iv) all guarantees by the Company on account of indebtedness of any other Person (including so called take or pay or keep well agreements); (v) all obligations, contingent or otherwise, of the Company as an account party in respect of letters of credit; (vi) all obligations, contingent or otherwise, of the Company in respect of bankers' acceptances; (vii) in respect of interest rate and currency obligation swaps, collars, caps, hedges or similar arrangements; (viii) in respect of any bank overdrafts; and (ix) in respect of any lease (or other arrangement conveying the right to use) real or personal property, or combination thereof, which liabilities are required to be classified and accounted for under GAAP as capital leases. For the avoidance of doubt, the term "Indebtedness" shall include any accrued interest on any of the foregoing and any prepayment penalties, premiums, breakage costs, fees and other costs and expenses associated with the repayment of any of the foregoing whether or not repaid at Closing.

"Intellectual Property" means any of the following, as they exist anywhere in the world, whether registered or unregistered: (a) patents, patentable inventions and other patent rights (including any divisions, continuations, continuations-in-part, reissues, reexaminations and interferences thereof); (b) trademarks, service marks, trade dress, trade names, taglines, brand names, logos and corporate names and all goodwill related thereto; (c) copyrights, mask works and designs; (d) trade secrets, know-how, inventions, processes, procedures, databases, confidential business information and other proprietary information and rights; (e) computer software programs, including all source code, object code, specifications, designs and documentation related thereto; and (f) domain names, Internet addresses and other computer identifiers.

"knowledge" means, with respect to Sellers, the actual knowledge of Thomas Rowe and Mary Jennifer Rowe and with respect to the Company, the actual knowledge of Thomas Rowe, Mary Jennifer Rowe and John Mitchell assuming the reasonable discharge of such Person's duties in a professional manner.

"Laws" means the common law and any law, treaty, statute, ordinance, zoning ordinance or variance, subdivision ordinance, rule, regulation, code, policy, executive order or other requirement or procedure enacted, adopted, promulgated or applied by any Governmental Entity, including any applicable order, judgment, injunction, awards, stipulations, Permits, opinions, decrees or writs.

"Leased Real Property" means all those parcels of real property or portions thereof, together with those buildings, structures, improvements and fixtures thereon, which the Company uses or occupies or has the right to use or occupy, now or in the future, pursuant to a lease, sublease or other agreement (each, a "Real Property Lease", which term shall for purposes of this Agreement, include the Headquarters Lease and Packaging Facility Lease).

"Liens" all mortgages, liens, pledges, security interests, charges, claims, leases, easements, covenants, rights of way, title defects, encroachments, adverse claims of ownership or use, encroachments and other survey defects, charges, options to purchase or lease or acquire

any interest, conditional sales agreement, restrictions (whether on voting, sale, transfer, disposition or otherwise) and encumbrances of any nature whatsoever.

"Material Adverse Effect" means any event, occurrence, circumstance, development, condition, fact, change or effect that has had, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the assets, liabilities, financial condition or results of operations of the Company or that materially impairs the ability of the Company to consummate the transactions contemplated by this Agreement, but shall exclude any event, occurrence, circumstance, development, condition, fact, change or effect resulting or arising from: (i) any change in any Laws or GAAP or any interpretation thereof, to the extent the Company is not disproportionately affected thereby relative to other Persons in the business in which the Company operates; (ii) any change in U.S. general economic conditions or economic, financial, market or political conditions, including interest rates, exchange rates, securities or commodity prices, in each case, to the extent the Company is not disproportionately affected thereby relative to other Persons in the business in which the Company operates; (iii) any change in the industries or markets in which the Company operates, but only (A) if such changes are not specifically related to the Company and (B) to the extent the Company is not disproportionately affected thereby relative to other Persons in the business in which the Company operates; (iv) the effect of any natural disaster, war, act of terrorism, civil unrest or similar event that does not disproportionately impact the Company relative to other Persons in the business in which the Company operates; (v) any action taken or any omission to act by the Company with the express written consent of the Purchaser.

"Net Working Capital" means the consolidated Current Assets of the Company as of the close of business on the Closing Date minus the consolidated Current Liabilities of the Company as of the close of business on the Closing Date, in each case without giving effect to the transaction contemplated by this Agreement.

"Permits" means any consents, authorizations, registrations, waivers, privileges, exemptions, qualifications, quotas, certificates, filings, franchises, licenses, notices, permits or rights.

"Permitted Liens" means (i) Liens securing liabilities which are reflected or reserved against in the Latest Balance Sheet to the extent so reflected and to the extent adequate reserves with respect thereto are maintained on the Company's books in accordance with GAAP, (ii) Liens for Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the Company's books in accordance with GAAP, (iii) to the extent not waived by Sellers under the Headquarters Lease or Packaging Facility Lease, statutory Liens of landlords with respect to the Leased Real Property, (iv) Liens of mechanics, materialmen, repairmen, and warehousemen incurred in the ordinary course of business and not yet delinquent or being contested in good faith and for which adequate reserves have been set aside in accordance with GAAP, (v) zoning, building, and other land-use laws regulating the use or occupancy of the Leased Real Property that are imposed by a governmental authority having jurisdiction over such Leased Real Property that, individually and in the aggregate, do not and would not materially detract from the value of the Leased Real Property and other property and assets of the Company or materially interfere with the use thereof as currently used, (vi) easements, covenants, conditions, restrictions, and

other similar non-monetary matters affecting title to the Leased Real Property incurred in the operation of the business of the Company that, individually and in the aggregate, do not and would not materially detract from the value of the Leased Real Property and other property and assets of the Company or materially interfere with the use thereof as currently used, (vi) Sellers' mortgages on the Leased Real Property, if any (viii) Liens arising under workers' compensation, unemployment insurance, social security, retirement and similar legislation, not yet delinquent or being contested in good faith and for which adequate reserves have been set aside in accordance with GAAP, (ix) non-exclusive licenses of Intellectual Property and (x) Liens set forth on the Permitted Liens Schedule.

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

"reasonable efforts" means reasonable efforts which are commercially reasonable under the circumstances.

"Related Person" means, with respect to any individual, a member of such individual's immediate family, which shall include such individual's spouse, parents, children, siblings, aunts, uncles, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law and sisters-in-law, and their respective descendants (whether lineal or adopted).

"Section 338(h)(10) Indemnification Amount" means the sum of (x) the Section 338(h)(10) Tax Liability plus (y) the gross-up amount that the Sellers would be required to receive so that after the payment of Taxes on the receipt of such amounts, the Sellers would receive a net amount equal to the Section 338(h)(10) Tax Liability; provided, that for purposes of determining the amount described in clause (y), the Sellers' receipt of the sum of the amounts described in clauses (x) and (y) shall be treated as an adjustment to the proceeds received by the Sellers pursuant to ARTICLE II (The Closing; Purchase Price Adjustment) hereof.

"Section 338(h)(10) Tax Liability" means an amount equal to the excess, if any, of (x) the Sellers' liability for Taxes resulting from the transactions pursuant to this Agreement if a Section 338(h)(10) Election is made over (y) the Sellers' liability for Taxes resulting from the transactions pursuant to this Agreement if a Section 338(h)(10) Election is not made. The determination of such amount shall (i) take into account the character of the income or gain recognized, (ii) be calculated based upon the Sellers' actual highest marginal combined federal, state, and local tax rates applicable to such income, assuming that each of the Sellers is an individual resident of East Moline, Illinois, which rates shall take into account the deductibility of state and local taxes, (iii) be calculated based upon the assumption that the Sellers' aggregate tax basis in his or her Shares equals the Company's aggregate tax basis in its assets, and (iv) be consistent with the ADSP Allocation.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" means any corporation or other organization, whether incorporated or unincorporated, (i) of which such party or any other Subsidiary of such party is a general

partner (excluding partnerships, the general partnership interest of which held by such party or any Subsidiary of such party do not have a majority of the voting interests in such partnership) or (ii) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or other body performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one of more of its Subsidiaries, or by such party and one or more of its Subsidiaries.

"Target Net Working Capital" means $12,450,000.

"Tax" or "Taxes" means (i) any and all federal, state, provincial, local, foreign and other taxes, levies, fees, imposts, duties, and similar governmental charges (including any interest, fines, assessments, penalties or additions to tax imposed in connection therewith or with respect thereto) including, without limitation (x) taxes imposed on, or measured by, income, franchise, profits or gross receipts, and (y) ad valorem, value added, capital gains, sales, goods and services, use, real or personal property, capital stock, license, branch, payroll, estimated withholding, employment, social security (or similar), unemployment, compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer and gains taxes, and customs duties, (ii) any and all liability for the payment of any items described in clause (i) above as a result of being (or ceasing to be) a member of an affiliated, consolidated, combined, unitary or aggregate group (or being included (or being required to be included) in any Tax Return related to such group and (iii) any and all liability for the payment of any amounts as a result of any express or implied obligation to indemnify any other person, or any successor or transferee liability, in respect of any items described in clause (i) or (ii) above.

"Tax Returns" means any return, report, information return or other document (including schedules or any related or supporting information) filed or required to be filed with any governmental entity or other authority in connection with the determination, assessment or collection of any Tax or the administration of any Laws, regulations or administrative requirements relating to any Tax.

"Transaction Documents" means this Agreement, the Consulting Agreement, the Headquarters Lease, the Packaging Facility Lease, the Escrow Agreement and the other instruments and documents contemplated hereby and thereby.

"Transaction Expenses" means (i) the fees and expenses of legal counsel, investment bankers, accountants and other advisors (including any representatives of legal counsel, investment bankers, accountants or other advisors) incurred by the Company prior to the Closing in connection with this Agreement and the consummation of the transactions contemplated hereby and (ii) any change of control bonus, transaction bonus, discretionary bonus (including the bonus payable to John Mitchell as set forth on the Developments Schedule), "stay put" or other compensatory payments to be made to employees of the Company at Closing as a result of the execution of this Agreement or consummation of the transactions contemplated hereby or at the discretion of the Company or the Sellers, in each case that remain unpaid as of immediately prior to the Closing.

"Transfer Taxes" means transfer, documentary, sales, use or registration tax, stamp tax, stock transfer tax, excise tax or other similar tax imposed on the Company or the Sellers as a result of the transactions contemplated by this Agreement, and any penalties or interest with respect to such taxes.

"Treasury Regulations" means the Treasury regulations promulgated under the Code.

9.02 Other Definitional Provisions.

(a) Accounting Terms. Accounting terms which are not otherwise defined in this Agreement have the meanings given to them under GAAP. To the extent that the definition of an accounting term defined in this Agreement is inconsistent with the meaning of such term under GAAP, the definition set forth in this Agreement will control.

(b) "Hereof," etc. The terms "hereof," "herein" and "hereunder" and terms of similar import are references to this Agreement as a whole and not to any particular provision of this Agreement. Section, clause, Schedule and Exhibit references contained in this Agreement are references to Sections, clauses, Schedules and Exhibits in or to this Agreement, unless otherwise specified.

(c) Successor Laws. Any reference to any particular Code section or any other Laws or regulation will be interpreted to include any revision of or successor to that section regardless of how it is numbered or classified.

9.03 Cross-Reference of Other Definitions. Each capitalized term listed below is defined in the corresponding Section of this Agreement:

Term	Section
ADSP	8.07(c)
ADSP Allocation	8.07(c)
Agreement	Preamble
Cap	7.02(a)
Closing	2.01
Closing Date	2.01
Closing Transactions	2.03
COBRA	4.15(d)
Code	4.15(a)
Company	Preamble
Company Adjustment Amount	2.04(f)
Company Contracts	4.09(a)
Company Intellectual Property	4.11
Confidential Information	6.04
Consulting Agreement	Recitals
Contest	8.04(a)
Disclosure Schedules	ARTICLE IV
Electronic Delivery	10.11

Term	Section
ERISA	4.15(a)
ERISA Affiliate	4.15(b)
Escrow Agent	2.03(a)
Escrow Agreement	2.03(a)
Escrow Amount	2.03(b)
Estimated Cash	2.04(a)
Estimated Indebtedness	2.04(a)
Estimated Net Working Capital	2.04(a)
Estimated Purchase Price	1.02(a)
Estimated Transaction Expenses	2.04(a)
Final Purchase Price	1.02(b)
Financial Statements	4.05(a)
Headquarters Landlord	Recitals
Headquarters Lease	Recitals
Indemnification Threshold	7.02(a)
Indemnitee	7.04
Indemnitor	7.04
Indemnity Escrow Account	2.03(b)
Indemnity Escrow Amount	2.03(b)
Insurance Policies	4.19
IRS	4.15(a)
Latest Balance Sheet	4.05(a)
Losses	7.02(a)
Material Customers	4.10(a)
Material Vendors	4.10(b)
Objection Notice	2.04(c)
Other Material	10.09
Packaging Facility Landlord	Recitals
Packaging Facility Lease	Recitals
Plans	4.15(a)
Post-Closing Taxes	8.02(b)
Pre-Closing Taxable Periods	8.01(b)
Pre-Closing Taxes	8.02(a)
Preliminary Statement	2.04(b)
Purchase Price Adjustment Escrow Account	2.03(a)
Purchase Price Adjustment Escrow Amount	2.03(a)
Purchase Price Adjustments	2.04(h)
Purchaser	Preamble
Purchaser Adjustment Amount	2.04(g)
Purchaser Indemnified Parties	7.02(a)
Purchaser Indemnified Party	7.02(a)
Representatives	6.04
Restricted Period	6.02
Reviewed Financial Statements	4.05(a)
S Corporation	4.08(l)
Schedule	ARTICLE IV

Term	Section
Section 338(h)(10) Election	8.07(a)
Sellers	Preamble
Sellers Indemnified Parties	7.03
Sellers Indemnified Party	7.03
Shares	Recitals
Straddle Period	8.05
Tax Indemnified Purchaser Parties	8.02(a)
Tax Indemnified Purchaser Party	8.02(a)
Tax Indemnified Sellers Parties	8.02(b)
Tax Indemnified Sellers Party	8.02(b)
Tax Loss	8.02(a)
Tax Losses	8.02(a)
Tax Sharing Agreements	4.08(h)
Transaction Price	1.02(a)
Valuation Firm	2.04(c)
WARN	4.21(b)

ARTICLE X

MISCELLANEOUS

10.01 Press Releases and Communications. Prior to Closing, no press release or public announcement related to this Agreement or the transactions contemplated herein, or any other public announcement, shall be issued or made by any party hereto without the approval of the Purchaser and the Sellers, unless required by Laws (in the reasonable opinion of counsel) in which case the Purchaser and the Sellers shall have the right, to the extent practicable, to review and comment on such press release or announcement prior to publication and the parties hereto shall use reasonable efforts to incorporate such comments therein.

10.02 Expenses. Except as otherwise provided herein, each party shall pay all of its own fees, costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, accountants, brokers or other representatives and consultants and appraisal fees, costs and expenses) incurred in connection with the negotiation of this Agreement and the other agreements contemplated hereby, the performance of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby; provided that the Sellers shall bear all Transaction Expenses, which the Purchaser shall pay on behalf of the Sellers and/or the Company as provided in Section 2.03(e) (The Closing Transactions). Notwithstanding the foregoing, (i) the Purchaser shall pay any and all expenses relating to surveys and title insurance, (ii) the Purchaser and the Sellers shall each be responsible for 50% of the Transfer Taxes, and (iii) the Purchaser and the Sellers shall each be responsible for 50% of the fees and expenses of the Escrow Agent relating to the Escrow Agreement.

10.03 Notices. All notices, requests, demands and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given (i) when personally delivered, (ii) when sent by facsimile (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any

non-Business Day), (iii) when sent by electronic mail (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iv) one (1) Business Day after being sent by reputable overnight express courier (charges prepaid) or (v) three (3) Business Days following mailing by certified or registered mail, postage prepaid and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the parties shall be sent to the addresses indicated below:

Notices to the Purchaser:

The Hillman Group, Inc.
c/o The Hillman Companies, Inc.
10590 Hamilton Avenue
Cincinnati, OH 45231
Facsimile: (513) 851-5531
Attention: Max W. Hillman, Jr.
James Waters

with a mandatory copy to (which shall not constitute notice to the Purchaser):

Oak Hill Capital Management, LLC
65 East 55th Street, 32nd Floor
New York, NY 10022
Facsimile: (212) 838-8411
Attention: John R. Monsky

with a mandatory copy to (which shall not constitute notice to the Purchaser):

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Facsimile: (212) 757-3990
Attention: Angelo Bonvino, Esq.

Notices to the Sellers:

Thomas Rowe
1814 1st Avenue
P.O. Box 549
Rapids City, Illinois 61278
E-mail: Roweqc@gmail.com

with a mandatory copy to (which shall not constitute notice to the Sellers):

Califf & Harper, P.C.
506 15th Street, Suite 600
Moline, Illinois 61265
Facsimile: (309) 764-7936
Attention: Harvey A. Levin

10.04 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties to this Agreement (whether by operation of Law or otherwise) without the prior written consent of the other parties to this Agreement and any purported assignment or other transfer without such consent shall be void and unenforceable. Notwithstanding the foregoing, the Purchaser may assign all or any part of this Agreement (i) to an Affiliate of the Purchaser provided that the Purchaser remains liable for its obligations hereunder, (ii) to any financing source providing financing for the transactions contemplated hereby or (iii) after the Closing, in connection with a merger, consolidation or sale of all or substantially all of the assets of the Purchaser or the Company.

10.05 Further Assurances. From time to time, as and when requested by any party hereto and at such party's expense, any other party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such requesting party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement.

10.06 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Laws, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Laws, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

10.07 Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any Person. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. The use of the word "including" herein shall mean "including without limitation" and, unless the context otherwise requires, "neither," "nor," "any," "either" and "or" shall not be exclusive. The specification of any dollar amount or the inclusion of any item in the representations and warranties contained in this Agreement or the Disclosure Schedules or the Exhibits attached hereto is not intended to imply that the amounts, or higher or lower amounts, or the items so included, or other items, are or are not required to be disclosed (including whether such amounts or items are required to be disclosed as material or threatened) or are within or outside of the ordinary course of business. The information contained in this Agreement and in the Disclosure Schedules and Exhibits hereto is disclosed solely for purposes of this Agreement, and no information contained herein or therein shall be deemed to be an admission by any party hereto

to any third party of any matter whatsoever (including any violation of Laws or breach of contract).

10.08 Amendment and Waiver. Any provision of this Agreement or the Disclosure Schedules or Exhibits hereto may be amended or waived only in a writing signed by the Purchaser and the Sellers. No waiver of any provision hereunder or any breach or default thereof shall extend to or affect in any way any other provision or prior or subsequent breach or default.

10.09 Complete Agreement. This Agreement and the documents referred to herein contain the complete agreement between the parties hereto and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way. The representations and warranties made by the Sellers in this Agreement, and in the Disclosure Schedules that accompany this Agreement, supersede, replace and nullify in every respect the data set forth in any other document, material or statement, whether written or oral, made available to the Purchaser (the "Other Material"), and the Purchaser shall not rely on any data contained in the Other Material for any purpose whatsoever, including as a promise, projection, guaranty, representation, warranty or covenant.

10.10 Third-Party Beneficiaries. Except as set forth inSections 7.02 (Indemnification for the Benefit of the Purchaser), 7.03 (Indemnification by the Purchaser for the Benefit of the Sellers) and 8.02 (Tax Indemnification), or as otherwise expressly provided herein, nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

10.11 Counterparts; Electronic Delivery. This Agreement, the other Transaction Documents and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "Electronic Delivery") shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto or thereto shall re-execute the original form of this Agreement and deliver such form to all other parties. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

10.12 Governing Law. All issues and questions (including any claims) concerning the construction, validity, interpretation and enforceability of this Agreement and the Exhibits and Schedules hereto shall be governed by, and construed in accordance with, the Laws of the State of Illinois, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Illinois or any other jurisdiction) that would cause the

application of the Laws of any jurisdiction other than the State of Illinois; provided, however, that any dispute or controversy under Section 2.04 (Purchase Price Adjustments) shall be resolved in the manner described therein.

10.13 Jurisdiction; Service of Process. Any Action or proceeding (whether in tort, contract or otherwise) arising out of or relating to this Agreement or any transaction contemplated hereby shall be brought or otherwise commenced exclusively in the federal and state courts located in Rock Island County, Illinois, and each of the parties (i) irrevocably submits to the exclusive jurisdiction of such courts in any such Action or proceeding, (ii) waives any objection it may now or hereafter have to venue or to convenience of forum, (iii) consents to service of process in any such proceeding in any manner permitted by the Laws of the State of Illinois, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 10.03 (Notices) is reasonably calculated to give actual notice, (iv) agrees that all claims in respect of the Action or proceeding shall be heard and determined only in any such court and (v) agrees not to bring any Action or proceeding arising out of or relating to this Agreement or any transaction contemplated hereby in any other court. The parties agree that any of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any Action or proceeding referred to in the first sentence of this Section 10.13 may be served on any party anywhere in the world.

10.14 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS OR HIS, AS THE CASE MAY BE, LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

* * * *

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

Purchaser: THE HILLMAN GROUP, INC.

By: /s/ James P. Waters
Name: James P. Waters
Its: Vice President, Secretary, Treasurer and Chief Financial Officer

/s/ Thomas Rowe
Sellers: THOMAS ROWE

/s/ Mary Jennifer Rowe
MARY JENNIFER ROWE

[Signature Page to Stock Purchase Agreement]

EXHIBIT A

CONSULTING AGREEMENT

See attached.

EXHIBIT B

HEADQUARTERS LEASE

See attached.

EXHIBIT C

PACKAGING FACILITY LEASE

See attached.

EXHIBIT D

ESCROW AGREEMENT

See attached.

EXHIBIT E

BALANCE SHEET AND WORKING CAPITAL SCHEDULE RULES

1. Cash shall be included as a Current Asset. Real Property taxes shall be included as a Current Liability.

2. Sellers' Estimated Transaction Expenses to extent accrued, but not paid shall be included as a Current Liability, but shall not be included in the Working Capital Schedule (being paid in accordance with Section 2.03(e) of the Agreement).

3. Inventory shall be calculated in accordance with FIFO.

DEVELOPMENT ALLIANCE AGREEMENT

THIS IS A DEVELOPMENT ALLIANCE AGREEMENT ("Agreement"), entered into this 10th day of March, 2011, by and among **KEYWORKS-KEYEXPRESS, LLC** ("KeyWorks"), a Nevada limited liability company having an address at 1016 W. University Ave., Suite 107, Flagstaff, Arizona 86001, **THE HILLMAN GROUP, INC.** ("Hillman"), a Delaware corporation having an address at 10590 Hamilton Ave., Cincinnati, Ohio 45231, and, solely for purposes of **Subsection 2.6 ("Additional Agreements")** and **Subsection 3.2 ("By Members")** and **SECTION 16 ("GENERAL")** the persons identified as Members on the signature pages hereto.

RECITALS

A. KeyWorks is in the business of designing and developing technology for use in key-duplicating kiosk devices, including without limitation do-it-yourself devices;

B. Hillman is involved in the key duplication business, and owns and markets the AXXESS Precision Key Duplication System®;

C. Hillman and KeyWorks now wish to work together to enhance Hillman's key duplication business pursuant to the terms of this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows.

AGREEMENT

1. DEFINITIONS. Capitalized terms used in this Agreement shall have the following meanings:

"Assigned Items" shall have the meaning assigned to it in **Subsection 9.1 ("Assignment").**

"Confidential Information" shall have the meaning assigned to it in **SECTION 10 ("CONFIDENTIAL INFORMATION").**

"Copyrights" shall mean, as they exist anywhere in the world, all copyrights and mask works, including all renewals and extensions thereof, copyright registrations and applications for registration thereof, and non-registered copyrights, and all rights therein provided by international treaties or otherwise, that are owned or held by KeyWorks, the Members or the Primary Subcontractors and which relate to the design, development, manufacture, marketing and servicing of Key Machines.

"Development Plan" shall have the meaning assigned to it in **Subsection 6.1(A) ("Traditional Market").**

"Disclosing Party" shall have the meaning assigned to it in **SECTION 10 ("CONFIDENTIAL INFORMATION").**

"Effective Date" shall mean the Closing Date as defined in the TagWorks Purchase Agreement.

"Existing IP" shall have the meaning assigned to it in **Subsection 2.2 ("Assignment by KeyWorks").**

"FastKey" shall mean Hillman's self-serve key-cutting product as exists as of the Effective Date, or as modified during the Term, but not to include any modifications, enhancements, updates or changes that include any Existing IP or any of the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement.

"Fee" shall mean any amounts payable to KeyWorks pursuant to this Agreement.

"Hillman Board" shall have the meaning assigned to it in **Subsection 4.2 ("ITAB").**

"***Intellectual Property***" shall mean, in any and all jurisdictions throughout the world: **(a)** all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations in part, revisions, extensions, and reexaminations thereof; **(b)** all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, brand names, designs, and rights in telephone numbers, together with all translations, adaptations, derivations, and combinations thereof, whether registered or unregistered, and all registrations and applications for registration thereof, and all goodwill associated therewith; **(c)** all copyrightable works, all copyrights, including all applications, registrations, renewals and extensions in connection therewith; **(d)** all mask works and all applications, registrations, and renewals in connection therewith;**(e)** all trade secrets, and, to the extent confidential, know-how, inventions, processes, procedures, customer lists and personally-identifiable information, databases, confidential business information, ideas, research and development, formulae, notes, technical data, designs, drawings, specifications, supplier lists; pricing and cost information, business and marketing plans and proposals and other confidential proprietary information and rights (whether or not patentable or subject to copyright, mask work, or trade secret protection); **(f)** all computer programs, whether in source code or object code form, all data, database specifications, designs and compilations, and all documentation relating to any of the foregoing; **(g)** all domain names (including any sub-domain names), internet addresses and other computer user identifiers and any proprietary rights in and to sites on the world wide web, including proprietary rights in and to any text, graphics, audio and video files and html or other code incorporated in such sites; **(h)** all advertising and promotional materials; and **(i)** all other proprietary rights substantially similar to the foregoing.

"ITAB" shall have the meaning assigned to it in **Subsection 4.2 ("ITAB").**

"Key" shall mean any key or key/sleeve unit that is cut with a Key Machine, including without limitation any Self-Serve Kiosk or any Non-Traditional Machine.

"Key Machines" shall mean key-duplicating kiosk devices, including without limitation Self-Serve Kiosks and Non-Traditional Machines.

"Knowledge" means, when used with respect to KeyWorks, the actual knowledge of the Members.

"Members" shall mean George Hagen, Mark Yeary, Michael Mueller, Richard McWilliams, Robert Semple and Kenneth Booth, Esq., who directly or indirectly hold membership interests in KeyWorks and such additional members of KeyWorks as shall from time to time exist.

"Minimum Fee" shall have the meaning assigned to it in **Subsection 11.1(A) ("Minimum Fee").**

"Non-Traditional Machine" shall have the meaning assigned to it in **Subsection 7.1(A) ("Non-Traditional Market").**

"Non-Traditional Market" shall mean non-traditional key-duplicating retail stores, such as Target, professional sports outlets, university bookstores and retail stores that once provided key-duplication services and have discontinued such service such as Things Remembered.

"***Noncompetition Agreement***" means a noncompetition agreement substantially in the form attached hereto as **EXHIBIT A ("NONCOMPETITION AGREEMENT").**

"NPDC" shall have the meaning assigned to it in **Subsection 4.3 ("NPDC").**

"Patents" shall mean those pending U.S. provisional patent applications described as such in **EXHIBIT B ("ASSIGNED ITEMS")** and all patents that may issue thereon.

"Primary Subcontractors" shall mean Ryan Hamblin and Carl Ito.

"Receiving Party" shall have the meaning assigned to it in **SECTION 10 ("CONFIDENTIAL INFORMATION").**

"Self-Serve Kiosk" shall have the meaning assigned to it in **Subsection 6.1 ("Development of Self-Serve Kiosk").**

"Specifications" shall have the meaning assigned to it in **Subsection 6.1(A) ("Traditional Market").**

"Strategy Session" shall have the meaning assigned to it in **Subsection 5.2(A) ("First Strategy Session").**

"*TagWorks"* shall mean TAGWORKS, L.L.C., an Arizona limited liability company.

"*TagWorks Purchase Agreement"* shall mean that certain Membership Interest Purchase Agreement, dated as of the date hereof, by and among Hillman, TagWorks, George L. Hagen, in his capacity as representative, and the sellers named therein.

"Term" shall have the meaning assigned to it in **SECTION 15 ("TERM AND TERMINATION").**

"Trade Secrets" shall mean certain non-public trade secret information known by KeyWorks, the Members and the Primary Subcontractors regarding the design, development, manufacture, marketing and servicing of Key Machines, including the information described in **Exhibit B ("ASSIGNED ITEMS")**

"Trademarks" shall mean those pending U.S. trademark applications described as such in **EXHIBIT B ("ASSIGNED ITEMS")** and all trademark registrations that may issue thereon, and all associated common law rights and all associated goodwill.

"Traditional Market" shall mean any or all of those entities described as such in **EXHIBIT C** ("**TRADITIONAL MARKET**").

"Traditional Market Additional Fees" shall mean Hillman's price increases following the Effective Date of keys or key/sleeve units that are cut with a key-duplicating kiosk device created using the Existing IP or any of the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement, including without limitation Self-Serve Kiosks and Non-Traditional Machines; provided, that "Traditional Market Additional Fees" shall not include any price increases related to increases in cost of goods (other than the roll-out of sleeved keys) and servicing costs, including without limitation the pass-through of commodity inflation.

2. INTELLECTUAL PROPERTY AND ASSIGNMENT.

2.1 Ownership. The parties hereby acknowledge that:

A. KeyWorks owns the Patents, the Trademarks, the Copyrights and the Trade Secrets; and

B. The Patents, the Trademarks, the Copyrights and the Trade Secrets were developed by KeyWorks at an expense of approximately one million dollars ($1,000,000).

C. Hillman owns FastKey, and notwithstanding anything to the contrary herein, including in **SECTION 11 ("FEES AND PAYMENT"),** in no event shall any amount be owed or paid to KeyWorks, the Members or any Primary Subcontractor with respect to any FastKey products or any keys cut with FastKey.

2.2 Assignment by KeyWorks. Upon the Effective Date and in consideration for the timely payment of Fees and other consideration, KeyWorks hereby irrevocably assigns to Hillman all its right, title and interest in and to the Patents, the Trademarks, the Copyrights and the Trade Secrets (collectively, the "Existing IP"). KeyWorks shall withdraw its intent-to-use Trademark applications if and when so directed by Hillman, in order to enable Hillman to file its own applications on the Trademarks.

2.3 Assignment by Members and Primary Subcontractors. Upon the Effective Date, KeyWorks shall ensure that each Member and each Primary Subcontractor shall irrevocably assign to Hillman his right, title and interest in and to the Existing IP pursuant to an

assignment agreement in form and substance mutually satisfactory to Hillman and KeyWorks, which shall be no less favorable to Hillman than the terms of the assignments to Hillman by KeyWorks pursuant to this Agreement.

2.4 Documentation. KeyWorks hereby agrees, and shall ensure that each Member and Primary Subcontractor so agrees, to sign all documents and take all steps at Hillman's expense as may be reasonably necessary to document the foregoing assignments. KeyWorks hereby grants, and shall ensure that each Member and each Primary Subcontractor shall grant, to Hillman a power of attorney, coupled with an interest, to execute any and all documents on their behalf and in their name for the purposes of carrying out the terms of the assignment contemplated by this **SECTION 2 ("INTELLECTUAL PROPERTY AND ASSIGNMENT"),** to take any and all appropriate actions and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the assignment contemplated by this **SECTION 2 ("INTELLECTUAL PROPERTY AND ASSIGNMENT").** With respect to any of the Existing IP, that, for any reason, is deemed not to qualify as works made for hire or are deemed not to be effectively assigned to Hillman hereunder, KeyWorks hereby grants, and shall ensure that each Member and each Primary Subcontractor shall grant, to Hillman a perpetual, worldwide, irrevocable, royalty-free, fully paid-up, exclusive license to use for any and all purposes and in any manner any such Existing IP.

2.5 Intellectual Property Expense. The parties hereby acknowledge that as part of the approximately one million dollar ($1,000,000) expense incurred by KeyWorks as described in **Subsection 2.1(B)** included certain legal fees and costs in the preparation and prosecution of the applications for the Patents and Trademarks. KeyWorks agrees that it shall be solely responsible for and shall pay the first fifty thousand dollars ($50,000) in attorneys' fees and costs in the prosecution of applications for the Patents and Trademarks after the Effective Date to KeyWorks' counsel, Kenneth Booth, Esq. of Booth Udall, LLP, or such other counsel as Hillman and KeyWorks shall jointly select. Hillman agrees that all such fees and costs in excess of fifty thousand dollars ($50,000) shall be borne solely by Hillman.

2.6 Additional Agreements. The Members hereby agree as follows:

A. The Members shall capitalize KeyWorks properly in order for KeyWorks to perform its obligations under this Agreement. In furtherance of, and without limiting the foregoing, following the Effective Date, the Members shall contribute at least $1,000,000 in the aggregate to KeyWorks no later than ten (10) days after the Effective Date. KeyWorks hereby agrees to expend such capital in a commercially reasonable manner in order to perform its obligations under this Agreement and to facilitate effective development activities and cooperation between the parties.

B. From the date hereof and through the Effective Date, KeyWorks shall not, without the prior written consent of Hillman (such consent not to be unreasonably withheld, delayed or conditioned), take or agree to take, or cause any of the Members to take or agree to take, any action that would reasonably be expected to delay or prevent the consummation of the

transactions contemplated by this Agreement or hinder the ability of the Members or KeyWorks to perform hereunder.

3. NONCOMPETITION.

3.1 By KeyWorks. In connection with the Fees payable hereunder, including the Minimum Fee, upon the Effective Date, KeyWorks hereby agrees that during the Term and during all periods during which Hillman or its affiliates are paying Fees that it shall not compete directly or indirectly with Hillman in the design, development, duplication, manufacture or marketing of: **(a)** keys and key-duplicating machines; **(b)** engraving devices or services; **(c)** tags; **(d)** letters, numbers or signs; or **(e)** fasteners. The parties hereto agree that the provisions of this **Subsection 3.1 ("By KeyWorks")** are an integral part of this Agreement and that neither party would be entering into this Agreement without the provisions of this **Subsection 3.1 ("By KeyWorks").**

3.2 By Members. In connection with the Fees payable hereunder, including the Minimum Fee, upon the Effective Date, each Member shall deliver to Hillman a Noncompetition Agreement signed by each such Member. The parties hereto agree that the provisions of this **Subsection 3.2 ("By Members")** are an integral part of this Agreement and that neither party would be entering into this Agreement without the provisions of this **Subsection 3.2 ("By Members").**

3.3 By Primary Subcontractors. In connection with the Fees payable hereunder, including the Minimum Fee, upon the Effective Date, KeyWorks shall deliver to Hillman Noncompetition Agreements signed by the Primary Subcontractors. The parties hereto agree that the provisions of this **Subsection 3.3 ("By Primary Subcontractors")** are an integral part of this Agreement and that neither party would be entering into this Agreement without the provisions of this **Subsection 3.3 ("By Primary Subcontractors").**

3.4 By Future Members. In connection with the Fees payable hereunder, including the Minimum Fee, from time to time during the Term and during all periods during which Hillman or its affiliates are paying Fees, KeyWorks shall deliver to Hillman Noncompetition Agreements signed by any new Members, which execution shall be a condition to the admission of such person as a member of KeyWorks. The parties hereto agree that the provisions of this **Subsection 3.4 ("By Future Members")** are an integral part of this Agreement and that neither party would be entering into this Agreement without the provisions of this **Subsection 3.4 ("By Future Members").**

3.5 Enforcement. The parties understand and agree that the enforcement of all agreements described in this **SECTION 3 ("NONCOMPETITION")** shall be the responsibility of Hillman; provided, however, that KeyWorks shall cooperate reasonably with Hillman in such regard, at Hillman's expense.

4. OBJECTIVES AND ORGANIZATION.

4.1 Objectives. The parties understand and agree that it is an objective of this Agreement for the parties to collaborate in the development of innovative and new Key Machine technologies for the Traditional Market and the Non-Traditional Market.

4.2 ITAB.

A. Responsibilities. In order to better reach the objectives described in **Subsection 4.1 ("Objectives"),** the parties hereby establish an "Innovation and Technology Advisory Board" ("ITAB") which shall have the power to: **(a)** approve or disapprove the development "roadmap" for Key Machines; **(b)** approve or disapprove of the development of potential Key Machines or Key Machines features; **(c)** approve or disapprove of budgets, schedules and financial matters for Key Machines; **(d)** approve or disapprove third party agreements and relationships regarding Key Machines; and **(e)** approve or disapprove marketing and support plans for Key Machines. The ITAB shall confer and meet regularly, in person, by telephone or video conference, as may be agreed to from time to time by the parties. The ITAB shall report to the board of directors of Hillman (the "Hillman Board"). Each party shall be free to replace any of its members of the ITAB upon reasonable notice to the other party after the earlier of: **(A)** completion of the alpha version of the Self-Serve Kiosk and beta version of the Non-Traditional Machine; or **(B)** thirty-six (36) months from the Effective Date.

B. Membership. The members of the ITAB shall be reasonably determined by Hillman from time to time. The initial members of the ITAB shall be as follows:

1. Mick Hillman (Hillman)

2. Dave Jones (Hillman)

3. Bob Caulk (Hillman)

4. Jim Waters (Hillman)

5. Maurice Andrien (Hillman)

6. George Hagen (KeyWorks)

4.3 NPDC.

A. Responsibilities. In order to assist and make recommendations to the ITAB, the parties hereby establish a "New Product Development Committee" ("NPDC") which shall report to the ITAB, and which shall have the power to: **(a)** propose to the ITAB the development "roadmap" for Key Machines; **(b)** propose to the ITAB the development of potential Key Machines or Key Machine features; **(c)** propose to the ITAB budgets, schedules and financial matters for Key Machines; **(d)** propose to the ITAB third party agreements and relationships regarding Key Machines; and **(e)** propose to the ITAB marketing and support plans for Key Machines. The NPDC shall confer and meet regularly, in person, by telephone or video conference, as may be agreed to from time to time by the parties. Each party shall be free to

replace any of its members of the NPDC upon reasonable notice to the other party after the earlier of: **(A)** completion of the alpha version of the Self-Serve Kiosk and beta version of the Non-Traditional Machine; or **(B)** thirty-six (36) months from the Effective Date.

B. Membership. The members of the NPDC shall be reasonably determined by Hillman from time to time. The initial members of the NPDC shall be as follows:

1. Scott Basham (Hillman)

2. Jim McGrane (Hillman)

3. Rob Lackman (Hillman)

4. Terry Rowe (Hillman)

5. Chip Church (Hillman)

6. Dan Smercina (Hillman)

7. George Hagen (KeyWorks)

8. Mike Mueller (KeyWorks)

9. Mark Yeary (KeyWorks)

5. STRATEGY SESSIONS.

5.1 Process. The ITAB and the NPDC shall operate under a formal innovation and new product development process as agreed to by the parties and directed towards Key Machines, and which shall consider, without limitation: **(a)** initial feasibility research and project authorization; **(b)** intellectual property and market analysis; **(c)** proof of concept; **(d)** pilot testing; and **(e)** new product launch. The duties and procedures of the ITAB and the NPDC may be modified from time to time in the ordinary course of business by the Hillman Board.

5.2 Purpose of Strategy Sessions.

A. First Strategy Session. The parties shall use their best efforts to ensure that the ITAB, the NPDC and other critical members of the Hillman and KeyWorks teams shall engage in a first strategy planning session (the "Strategy Session") to take place within thirty (30) days of the Effective Date. Such Strategy Sessions shall take place in the Phoenix, Arizona, metropolitan area, and shall be facilitated by an outside new products development group to be agreed to by the parties. The cost of such facilitator (which shall not exceed thirty thousand dollars ($30,000)) shall be shared equally by the parties. The Strategy Session shall focus on a "Stage Gate" or equivalent development process for the Self-Serve Kiosk. The objectives of the Strategy Session shall include: **(i)** establishing specific development goals; **(ii)** setting return on investment objectives; and **(iii)** setting key performance indicators.

B. Additional Strategy Sessions. The parties may agree from time to time upon additional Strategy Sessions for the Non-Traditional Machine and other development efforts in the future.

6. SELF-SERVE KIOSK.

6.1 Development of Self-Serve Kiosk.

A. Traditional Market.

1. Status. The parties understand and agree that the initial focus of the development process for the Self-Serve Kiosk shall be to integrate facilitating technology to cut the best-selling Keys; provided, however, that it is the intention of the parties that such technology will allow for easy expansion to include additional Keys for use with the Self-Serve Kiosk.

2. Development Planning Process. Subject to successful completion of the first Strategy Session, the parties shall establish and agree to in writing to a development plan (the "Development Plan") for the first Key Machine which shall be developed by the parties for the Traditional Market (the "Self-Serve Kiosk"). The specifications and features ("Specifications") thereof shall be subject to approval by the ITAB and the NPDC, and provided further that such Specifications shall first be provided to and approved by one (1) or more specific potential customers.

B. Development. All Intellectual Property developed by KeyWorks, its employees and independent contractors, the Members and the Primary Subcontractors in the development of the Self-Serve Kiosk shall be subject to **SECTION 9 ("INTELLECTUAL PROPERTY RIGHTS").**

C. Timing and Cost. The timing and cost of the development work to be carried out for the Self-Serve Kiosk pursuant to the Development Plan shall be subject to the "Stage Gating" procedure described in **Subsection 5.2(A) ("First Strategy Session")** and approved by the ITAB:

1. Alpha Version. Once the Development Plan for the Self-Serve Kiosk has been approved by the ITAB, the parties shall use their best efforts to complete development of an alpha-test version of the Self-Serve Kiosk within one hundred and eighty (180) days from such approval. Subject to the timely payment by Hillman of Fees, the cost of development of such alpha version shall be the responsibility of KeyWorks.

2. Later Versions. The parties hereby acknowledge that timely completion of other versions of the Self-Serve Kiosk, including without limitation beta test and commercial versions, shall depend in whole or in part on the decisions of corresponding customers. Where the alpha-test version of the Self-Serve Kiosk is approved by a corresponding customer, however, and where the ITAB and the NPDC have approved a pilot beta-test version, then KeyWorks shall provide the management and supervision to build, monitor and improve

such beta-test version of the Self-Serve Kiosk. In such case, Hillman shall provide all necessary materials and personnel to build such beta version and shall be responsible for all associated costs.

3. Manufacturer. KeyWorks shall, and shall ensure that each Member shall, be available to assist Hillman in devising a manufacturing strategy for Key Machines. It is further the expectation of the parties that Cline Labs Inc. shall be engaged as an engineering resource and potentially a manufacturing contractor.

6.2 Contributions. The parties understand and agree that each shall provide or license without charge all necessary hardware, software and Intellectual Property as is reasonably necessary or desirable to complete development of the Self-Serve Kiosk pursuant to the Development Plan.

7. Non-Traditional Machine.

7.1 Non-Traditional Machine.

A. Non-Traditional Market. Where the parties have agreed that reasonably sufficient progress has been made in the development and rollout of the Self-Serve Kiosk as described in **SECTION 6 ("SELF-SERVE KIOSK"),** then in such case the parties shall thereupon design and develop a Key Machine for the Non-Traditional Market (the "Non-Traditional Machine"), but that the Specifications thereof shall be subject to approval by the ITAB and the NPDC, and provided further that such Specifications shall first be provided to and approved by one (1) or more specific potential customers. The parties understand and agree that all development costs and expenses of such Non-Traditional Machines (including no more than one (1) alpha unit and between five (5) and ten (10) beta units) shall be paid by KeyWorks.

B. Development. All Intellectual Property developed by KeyWorks, its employees and independent contractors, the Members and the Primary Subcontractors in the development of such Non-Traditional Machine shall be subject to **SECTION 9 ("INTELLECTUAL PROPERTY RIGHTS").**

7.2 Contributions. The parties understand and agree that each shall provide or license without charge all necessary hardware, software and intellectual property as is reasonably necessary or desirable to complete development of the Non-Traditional Machine pursuant to its Development Plan.

8. MARKETING.

8.1 Traditional Market Accounts. Hillman shall be primarily responsible for marketing the Self-Serve Kiosk in the Traditional Market, but that KeyWorks shall reasonably assist with pilot testing and similar matters.

8.2 Non-Traditional Market Accounts. The parties shall coordinate efforts for marketing the Non-Traditional Machine in the Non-Traditional Market.

8.3 Expenses. After the Effective Date, Hillman shall ensure that TagWorks shall agree to allow KeyWorks to continue to occupy its current office space at TagWorks' facility in Tempe, Arizona, without charge until such time as TagWorks shall terminate such right on no less than six (6) months' written notice to KeyWorks. Otherwise, each party shall bear its own office and administrative costs.

8.4 Services. Prior to first sale of any Key Machines, the parties shall agree to a service plan to service such Key Machines in the field, and KeyWorks shall provide reasonable job training instructions and knowledge transfer to facilitate completion of such plan.

9. INTELLECTUAL PROPERTY RIGHTS.

9.1 Assignment. In consideration of Hillman's performance hereunder, KeyWorks hereby agrees, and shall ensure that each Member and each Primary Subcontractor shall agree, to disclose promptly and in writing and to irrevocably assign to Hillman all right, title and interest in and to all the following (the "Assigned Items"): **(a)** all Intellectual Property made, conceived, developed or reduced to practice by KeyWorks and its employees and independent contractors, or any such Member or Primary Subcontractor during the Term with respect to Keys or Key Machines; and **(b)** all information developed or learned by KeyWorks, or any such Member or Primary Subcontractor during the Term, regarding research, development, new products, marketing and selling Keys or Key Machines.

9.2 Continuing Assurances. KeyWorks hereby agrees, and shall ensure that each Member and each Primary Subcontractor shall agree, to cooperate with Hillman or its designees, both during and after the Term of this Agreement, in the procurement and maintenance of Hillman's rights described in **Subsection 9.1 ("Assignment"),** and to execute, when requested, any other documents reasonably necessary to document the corresponding assignments of the Assigned Items. KeyWorks hereby grants, and shall ensure that each Member and each Primary Subcontractor agrees to grant, to Hillman a power of attorney, coupled with an interest, to execute any and all documents on their behalf and in their name for the purposes of carrying out the terms of the assignment contemplated by this **SECTION 9 ("INTELLECTUAL PROPERTY RIGHTS"),** to take any and all appropriate actions and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the assignment contemplated by this **SECTION 9 ("INTELLECTUAL PROPERTY RIGHTS").** With respect to any of the Assigned Items, that, for any reason, are deemed not to qualify as works made for hire or are deemed not to be effectively assigned to Hillman hereunder, KeyWorks hereby grants, and shall ensure that each Member and each Primary Subcontractor agrees to grant, to Hillman a perpetual, worldwide, irrevocable, royalty-free, fully paid-up, exclusive license to use for any and all purposes and in any manner any such Assigned Items.

10. CONFIDENTIAL INFORMATION.

10.1 Protection. Each party (the "Disclosing Party") may from time to time during the Term disclose to the other party (the "Receiving Party") certain non-public information regarding the Disclosing Party's business, including technical, marketing, financial, personnel,

planning and other information ("Confidential Information"). The term "Confidential Information" expressly includes the Trade Secrets and the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement.

10.2 Confidential Nature of Terms of Agreement. Each party agrees not to disclose the terms of this Agreement to any third party except as required by law, stock listing rules or regulatory authority, in order to enforce such party's rights hereunder, or under obligation of confidence to employees, shareholders, advisors, attorneys, accountants or investment professionals.

10.3 Protection of Confidential Information. The Receiving Party shall not disclose the Confidential Information of the Disclosing Party, and shall not use the Confidential Information of the Disclosing Party for any purpose not expressly permitted by this Agreement. The Receiving Party shall limit the disclosure of the Confidential Information of the Disclosing Party to the employees, shareholders or agents of the Receiving Party who have a need to know such Confidential Information for purposes of this Agreement, and who are, with respect to the Confidential Information of the Disclosing Party, bound by confidentiality terms no less restrictive than those contained herein. The Receiving Party shall provide copies of such written agreements to the Disclosing Party upon request; provided, however, that such agreement copies shall themselves be deemed the Confidential Information of the Receiving Party.

10.4 Exceptions. Notwithstanding anything herein to the contrary, Confidential Information shall not be deemed to include any information which: **(a)** was already lawfully known to the Receiving Party without obligation of confidence at the time of disclosure by the Disclosing Party as reflected in the written records of the Receiving Party (other than Trade Secrets or the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement); **(b)** was or becomes lawfully known to the general public without breach of this Agreement; **(c)** is independently developed by the Receiving Party without access to, or use of, the Confidential Information; **(d)** is approved in writing by the Disclosing Party for disclosure by the Receiving Party; **(e)** is required to be disclosed in order for the Receiving Party to enforce its rights under this Agreement; or **(f)** is required to be disclosed by law or by the order of a court or similar judicial or administrative body; provided, however, that the Receiving Party shall notify the Disclosing Party of such requirement, and shall cooperate reasonably with the Disclosing Party, at the Disclosing Party's expense, in the obtaining of a protective or similar order with respect thereto.

10.5 Return of Confidential Information. The Receiving Party shall return to the Disclosing Party, destroy or erase all Confidential Information of the Disclosing Party in tangible form upon the expiration or termination of this Agreement, whichever comes first, and in both cases, the Receiving Party shall at the Disclosing Party's request certify in writing that it has done so.

11. FEES AND PAYMENT.

11.1 Fees. Hillman shall pay certain Fees to KeyWorks as follows:

A. Minimum Fee. Subject to **Subsection 15.4 ("Effect"),** Hillman shall pay a minimum Fee ("Minimum Fee") of five hundred thousand dollars ($500,000) per annual period commencing on the Effective Date (paid monthly in equal installments) for ten (10) years from the Effective Date of this Agreement. Except as provided in **Subsection 15.4 ("Effect"),** the parties understand and agree that such obligation shall survive for the full ten (10) year period, regardless of any expiration or termination of this Agreement. The parties further understand and agree that the Minimum Fee is not cumulative, and any actual Fees offset against it that exceed the Minimum Fee shall not be "rolled over" into any subsequent month or year. The Minimum Fee shall be offset by any amounts paid under **Subsection 11.1(B) ("Fee Calculation")** hereunder.

B. Fee Calculation. Subject to **Subsection 11.1(A) ("Minimum Fee")** and **Subsection 15.4 ("Effect"),** the Fee shall be calculated as follows:

1. Traditional Market. For all activities in the Traditional Market, the Fee shall be:

(a) One cent ($.01) for sales by Hillman of each key unit that is cut with a key-duplicating kiosk device created using the Existing IP or any of the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement, including without limitation any Self-Serve Kiosk or any Non-Traditional Machine; and

(b) Twenty-five percent (25%) of the Traditional Market Additional Fees.

2. Non-Traditional Market. For all activities in the Non-Traditional Market, the Fee shall be ten percent (10%) of all wholesale amounts owed or paid for keys or key/sleeve units that are cut with a key-duplicating kiosk device created using the Existing IP or any of the work or Intellectual Property carried out or created in whole or in part by KeyWorks, the Members or the Primary Subcontractors under this Agreement, including without limitation any Self-Serve Kiosk or any Non-Traditional Machine.

11.2 Payment. Hillman shall pay all Fees for the full Term of this Agreement, but, subject to **Section 15.4 ("Effect")**, Minimum Fees shall apply only for the first ten (10) years of the Term as described in **Subsection 11.1(A) ("Minimum Fee").** All Fees (including without limitation Minimum Fees) shall be paid on a monthly basis, fifteen (15) days in arrears, and all such Fee payments shall be accompanied by written documentation reasonably sufficient to explain the amount and calculation of such Fees. Any late payment of Fees shall bear interest at a rate of one and one-half percent (1.5%) for each month or partial month, or the highest rate allowed by law, whichever is lower. Any failure to pay Fees timely may also be deemed a material breach of this Agreement.

11.3 Other Keys. There shall be no Fee owed or paid on sales of any key (other than as provided in **Subsection 11.1(B)(1) ("Traditional Market")** and **Subsection 11.1(B)(2) ("Non-Traditional Market"))**, including without limitation any keys processed through the AXXESS system currently sold by Hillman or FastKey.

11.4 Audit. Hillman shall maintain complete, clear and accurate books and records describing: **(a)** all sales of Key Machines and Keys and any other keys subject to this Agreement; and **(b)** amounts owed or paid to KeyWorks with respect thereto. KeyWorks shall have the right to conduct an audit of all such books and records (through an independent third party auditor selected by KeyWorks), and to obtain true and correct photocopies thereof, during regular business hours at Hillman's offices and in such a manner as not to interfere unreasonably with Hillman's normal business activities. In no event shall such audits be conducted hereunder more frequently than once every twelve (12) calendar months. If any such audit shall have been determined to have resulted in an underpayment of Fees hereunder, Hillman shall promptly pay KeyWorks such underpaid amount, together with interest thereon at a rate of one and one-half percent (1.5%) per month or partial month during which each such amount was owed and unpaid, or the highest rate allowed by law, whichever is lower. If the amount of such underpayment exceeds seven and one half percent (7.5%) of amounts otherwise paid, then Hillman shall also immediately reimburse KeyWorks for KeyWorks' expenses associated with such audit. This **Subsection 11.4 ("Audit")** shall survive the expiration or termination of this Agreement.

12. RELATIONSHIP. KeyWorks' relationship with Hillman shall be that of an independent contractor and nothing in this Agreement shall be construed to create a partnership, joint venture, or employer-employee relationship. Neither KeyWorks nor Hillman is an agent of the other and neither is authorized to make any representation, contract or commitment on behalf of the other. KeyWorks, the Members and Primary Subcontractors shall not be entitled to any of the benefits which Hillman may make available to its employees, such as group insurance, profit-sharing or retirement benefits. KeyWorks shall be solely responsible for all tax returns and payments required to be filed with or made to any federal, state or local tax authority with respect to performance of services and receipt of fees under this Agreement. Hillman shall not withhold or make payments for Social Security, or any unemployment, disability or worker's compensation insurance on KeyWorks, the Members or Primary Subcontractors behalf.

13. REPRESENTATIONS AND WARRANTIES.

13.1 By KeyWorks. KeyWorks hereby represents and warrants that as of the date hereof and during the Term of this Agreement and thereafter: **(a)** the Existing IP and the Assigned Items as delivered by KeyWorks and each Member shall be original works of KeyWorks, the Members, and/or the Primary Subcontractors, as applicable; **(b)** all right, title and interest in the Existing IP and the Assigned Items is owned by KeyWorks and/or the Members and shall not be subject to any restrictions or to any mortgages, liens, pledges, security interests, encumbrances or encroachments; **(c)** neither KeyWorks nor any Member or Primary Subcontractor has granted or shall grant, directly or indirectly, any rights or interests whatsoever in the Existing IP and the Assigned Items to third parties; **(d)** KeyWorks has taken all reasonable

actions to maintain and protect each item of Existing IP;**(e)** the Existing IP is all of the Intellectual Property related to Keys and Key Machines that KeyWorks, the Members and/or the Primary Subcontractors have any right, title and interest in and to; **(f)** to the Knowledge of KeyWorks, use of the Existing IP as contemplated under this Agreement does not infringe or otherwise violate any Intellectual Property or other proprietary rights of any person, to the Knowledge of KeyWorks, there is no action pending or threatened alleging any infringement or violation or challenging KeyWorks' or any of the Members' rights in or to any Existing IP and, to the Knowledge of KeyWorks, there is no existing fact or circumstance that would be reasonably expected to give rise to any such action; **(g)** to the Knowledge of KeyWorks, no person is infringing or otherwise violating any Existing IP; **(h)** each present or past employee or contractor of KeyWorks who developed any Existing IP has executed a valid and enforceable contract with KeyWorks that conveys to KeyWorks any and all right, title and interest in and to all Intellectual Property developed by such person in connection with such person's employment or engagement by KeyWorks and true and correct copies of such agreements are included in **EXHIBIT D ("DEVELOPMENT AGREEMENTS")** hereto**; (i)** KeyWorks and each Member have full right and power to enter into and perform this Agreement without the consent of, or any notice to, any third party; **(j)** the execution, delivery and performance of this Agreement by KeyWorks and each Member does not conflict with or result in the breach of any agreement to which KeyWorks or any Member is bound or result in the loss of any rights in and to the Existing IP (other than pursuant to the assignment of the Existing IP to Hillman as provided in this Agreement); **(l)** all right, title and interest in and to the Existing IP and any Intellectual Property developed pursuant to this Agreement can be freely assigned and licensed without the consent of any third party; and **(m)** KeyWorks and each Member shall take all reasonable precautions to prevent injury to any persons (including employees of Hillman) or damage to property (including Hillman's property).

13.2 By Hillman. Hillman hereby represents and warrants as of the date hereof and during the Term of this Agreement and thereafter that:**(a)** Hillman has full right and power to enter into and perform this Agreement without the consent of, or any notice to, any third party; and **(b)** Hillman shall take all necessary precautions to prevent injury to any persons (including employees of KeyWorks) or damage to property (including Hillman's property).

13.3 Disclaimer. OTHER THAN AS STATED IN THIS SECTION 13 ("REPRESENTATIONS AND WARRANTIES") ALL GOODS AND SERVICES UNDER THIS AGREEMENT ARE PROVIDED ON AN "AS IS" BASIS, AND NEITHER PARTY MAKES ANY WARRANTIES TO THE OTHER PARTY OR ANY THIRD PARTY. EACH PARTY HEREBY DISCLAIMS ALL SUCH OTHER WARRANTIES, EXPRESS, IMPLIED, STATUTORY, ARISING FROM CUSTOM OR TRADE OR OTHERWISE AND INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OF THIRD PARTY RIGHTS.

14. LIMITATION OF LIABILITY. OTHER THAN FOR DAMAGES ARISING FROM A BREACH OF SECTION 10 ("CONFIDENTIAL INFORMATION") OR OF SECTION 3 ("NONCOMPETITION"), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE

OTHER PARTY OR ANY THIRD PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR SIMILAR DAMAGES (INCLUDING LOST PROFITS), REGARDLESS OF HOW ARISING AND REGARDLESS OF WHETHER NOTIFIED BEFOREHAND OF THE POSSIBILITY OF SUCH DAMAGES.

15. TERM AND TERMINATION.

15.1 Termination. The term of this Agreement ("Term") shall continue for seventeen (17) years from the Effective Date, unless earlier terminated by either party as hereinafter provided.

15.2 Material Breach. Either party may terminate this Agreement at any time upon delivery of written notice for the material breach hereof by the other party which breach has remained uncured for a period of thirty (30) days after the date of written notice thereof.

15.3 Termination Before Effective Date. In the event the TagWorks Purchase Agreement is terminated pursuant to its terms prior to the closing thereof, this Agreement shall automatically (without the action of any person) and simultaneously terminate (the "Pre-Closing Termination"). In the event of such Pre-Closing Termination, neither party shall have any liability to any other party pursuant to this Agreement (including any obligation to pay any Fees hereunder).

15.4 Effect. Subject to **Subsection 15.3 ("Termination Before Effective Date"),** where this Agreement has expired or been terminated for any reason, each party shall retain its rights existing at such date, and without limiting the generality of the foregoing, the obligation to pay Minimum Fees shall survive any such expiration or termination; provided that such Fees (including, without limitation, any Minimum Fee) shall not be payable if KeyWorks or any of the Members or any of the Primary Subcontractors breaches its or his obligations under **Subsection 2.6 ("Additional Agreements")** or **SECTION 3 ("NONCOMPETITION").** Subject to **Subsection 15.3 ("Termination Before Effective Date"),** where this Agreement has expired or been terminated, KeyWorks shall, and shall ensure that each Member and each Primary Contractor promptly assigns, to Hillman all right title and interest in and to any Intellectual Property owned or held by such party that is related to Keys or Key Machines developed pursuant to this Agreement to the extent any such Intellectual Property has not yet been assigned to Hillman as of the date of such expiration or termination.

16. GENERAL.

16.1 Law and Mediation.

A. Choice of Law. The substantive laws of the State of Delaware as apply to contracts entered into and performed in Delaware between Delaware residents shall apply to any

disputes arising hereunder and without regard to conflicts of law principles. The United Nations Convention for Contracts for the International Sale of Goods shall not apply to this Agreement.

B. Jurisdiction. Any dispute under this Agreement shall be subject to the sole jurisdiction of the State and Federal courts located in Wilmington, Delaware, and the parties hereby submit to the personal jurisdiction of such courts.

C. Mediation. Prior to the commencement of any litigation regarding any dispute under this Agreement, the complaining party shall offer the other party the opportunity to engage in non-binding mediation of no less than five (5) days, to take place in Phoenix, Arizona, before a neutral mediator, prior to the commencement of any legal proceedings. Where the parties agree to such mediation, the mediator's fee shall be shared equally by the parties.

D. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

16.2 Severability. In case any of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If any of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be

construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

16.3 Assignment.

A. Consent. Neither party shall assign any rights or obligations under this Agreement, either in whole or in part, without the prior, written consent of the other party, which shall not be unreasonably withheld. A change in control of the majority of equity ownership of KeyWorks shall be deemed an assignment hereunder; provided, however, that sales or purchases solely within the current membership group of KeyWorks shall not be deemed a change in control. Notwithstanding the foregoing, Hillman may assign this Agreement: **(a)** to an affiliate or; **(b)** after the Effective Date, in connection with a merger, consolidation or sale of all or substantially all of the assets of Hillman or TagWorks; provided, that in each case, Hillman remains liable for its obligations hereunder.

B. Effect. Where this Agreement has been assigned by KeyWorks (with Hillman's prior, written consent), both KeyWorks and the assignee shall remain fully responsible for performance under this Agreement.

16.4 Notices. All notices, requests and other communications under this Agreement shall be in writing, and shall be: **(a)** mailed by registered or certified mail, postage prepaid and return receipt requested; **(b)** delivered by hand; or **(c)** sent by facsimile or electronic mail (with hard copy to follow immediately pursuant to the means described in **Subsection 16.4(a)** and **Subsection 16.4(b)**) to the CEO of the party to whom such notice is required or permitted to be given. The mailing address for notice to either party shall be the address shown in the first paragraph of this Agreement. Any party may change its mailing address by notice as provided herein.

16.5 Injunctive Relief. Any breach of this Agreement by either party may result in irreparable and continuing damage for which there may be no adequate remedy at law, and either party shall therefore be entitled to obtain injunctive relief as well as such other and further relief as may be appropriate.

16.6 Survival. Subject to **Section 15.3 ("Termination Before Effective Date"),** the provisions of **SECTION 1 ("DEFINITIONS"), SECTION 9 ("INTELLECTUAL PROPERTY RIGHTS"), SECTION 10 ("CONFIDENTIAL INFORMATION"), SECTION 11 ("FEES AND PAYMENT"), SECTION 13 ("REPRESENTATIONS AND WARRANTIES"), SECTION 14 ("LIMITATION OF LIABILITY"), Subsection 15.4 ("Effect")** and **SECTION 16 ("GENERAL")** shall survive any expiration or termination of this Agreement.

16.7 Export and Compliance with Law. Neither party shall export, directly or indirectly, any U.S. source technical data or any products utilizing such data to countries outside the United States, which export may be in violation of the United States export laws or regulations. Each party agrees that its performance hereunder shall at all times comply with all applicable laws, rules, regulations or ordinances of the United States and all other jurisdictions.

16.8 Waiver. No waiver by either party of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by either party of any right under this Agreement shall be construed as a waiver of any other right. Neither party shall be required to give notice to enforce strict adherence to all terms of this Agreement.

16.9 Headings. The section headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or extent of such section or in any way affect this Agreement.

16.10 Entire Agreement. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between the parties. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the party affected.

16.11 Counterparts. This Agreement may be executed by the parties in separate counterparts and by facsimile, each of which, when so executed and delivered, shall be enforceable against the parties actually executing such counterparts, and all of which, when taken as a whole, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Development Alliance Agreement to be executed by their duly authorized representatives as of the Effective Date.

THE HILLMAN GROUP, INC.

BY: /s/ James P. Waters

TITLE: Chief Financial Officer

DATE: 3/10/11

KEYWORKS-KEYEXPRESS, LLC

BY: /s/ George L. Hagen

TITLE: Managing Member

DATE: 3/10/11

MEMBERS (SOLELY FOR PURPOSES OF SUBSECTION 2.6 ("ADDITIONAL AGREEMENTS"), SUBSECTION 3.2 ("BY MEMBERS") AND SECTION 16 ("GENERAL")):

GEORGE L. HAGEN

BY: /s/ George L. Hagen

TITLE: CEO & Managing Member

DATE: 3/10/11

ADDRESS:

MARK YEARY

BY: /s/ Mark Yeary

TITLE: Member

DATE: 3/10/11

ADDRESS:

MICHAEL MUELLER

BY: /s/ Michael Mueller

TITLE: Member

DATE: 3/10/11

ADDRESS:

RICHARD P. MCWILLIAM

BY: /s/ Richard P. McWilliam

TITLE: Member

DATE: 3/11/11

ADDRESS:

ROBERT SEMPLE

BY: /s/ Robert Semple

TITLE: Member

DATE: 3/10/11

ADDRESS:

KENNETH BOOTH, ESQ.

BY: /s/ Kenneth Booth

TITLE: Member

DATE: 3/10/11

ADDRESS:

EXHIBIT A
NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (this "Agreement") is entered into as of , 20 the ("Effective Date"), by and between **THE HILLMAN GROUP, INC.** ("Hillman") and the undersigned ("Developer").

RECITALS

A. Hillman has entered into that certain Development Alliance Agreement with KeyWorks-KeyExpress, LLC of which Developer is a member or subcontractor (the "Development Alliance Agreement").

B. Such Development Alliance Agreement calls for the execution of this Agreement by Hillman and Developer.

C. Capitalized terms used but not otherwise defined herein shall have the meanings provided for such terms under the Development Alliance Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and agreements in the Development Alliance Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Developer hereby covenants and agrees as follows:

1. General. Without the prior written consent of Hillman, Developer shall not during any period during which Hillman or its affiliates are paying "Fees" (as defined in the Development Alliance Agreement) to KeyWorks-KeyExpress, LLC, compete directly or indirectly with Hillman in the design, development, duplication, manufacture or marketing of: **(i)** keys and key-duplicating machines; **(ii)** engraving devices or services; **(iii)** tags; **(iv)** letters, numbers or signs; or **(v)** fasteners. Provided, however, that nothing herein shall be deemed to prevent Developer from acquiring through market purchases and owning, solely as an investment, less than three percent (3%) in the aggregate of the equity securities of any class of any issuer whose shares are registered under the Securities Exchange Act of 1934, as amended, and are listed or admitted for trading on any United States national securities exchange or are quoted on the National Association of Securities Dealers Automated Quotation System, or any similar system of automated dissemination of quotations of securities prices in common use, so long as Developer is not a member of any "control group" (within the meaning of the rules and regulations of the United States Securities and Exchange Commission) of any such issuer.

2. Notices. Any notice or other communication required or permitted to be given to any party hereunder shall be in writing and shall be given to such party at such party's address set forth below, or such other address as such party may hereafter specify by notice in writing to the other party. Any such notice or other communication shall be addressed as aforesaid and given

by: **(a)** certified mail, return receipt requested, with postage prepaid; **(b)** hand delivery; or **(c)** reputable overnight courier such as FedEx or DHL.

To Developer:

To Hillman:

3. Separate Covenants. This Agreement shall be deemed to consist of a series of separate covenants, one for each city, county and state included within the United States of America. The parties expressly agree that the character, duration and geographical scope of this Agreement are reasonable in light of the circumstances as they exist on the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of this Agreement is unreasonable in light of the circumstances as they then exist, then it is the intention and the agreement of Hillman and Developer that this Agreement shall be construed by the court in such a manner as to impose only those restrictions on the conduct of Hillman and Developer that are reasonable in light of the circumstances as they then exist and as are necessary to assure Hillman and its affiliates of the intended benefit of this Agreement. If, in any proceeding, a court shall refuse to enforce all of the separate covenants deemed included herein because, taken together, they are more extensive than necessary to assure Hillman and its affiliates of the intended benefit of this Agreement, it is expressly understood and agreed among the parties hereto that such covenants will remain in full force and effect, first, for the greatest time period and second, in the greatest geographical area that would not render them unenforceable and that would permit the remaining separate covenants to continue in full force and effect.

4. Severability. If any provision of this Agreement shall otherwise contravene or be invalid under the laws of any state, country or other jurisdiction where this Agreement is applicable but for such contravention or invalidity, such contravention or invalidity shall not invalidate all of the provisions of this Agreement but rather it shall be construed, insofar as the laws of that state or other jurisdiction are concerned, as not containing the provision or provisions contravening or invalid under the laws of that state or jurisdiction, and the rights and obligations created hereby shall be construed and enforced accordingly.

5. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws (without reference to choice or conflict of laws) of the State of Delaware, as apply to contracts entered into and performed in Delaware between Delaware residents.

6. Amendments and Waivers.

(a) This Agreement may be modified only by a written instrument duly executed by each party hereto that is affected by such modification.

(b) No waiver by a party of any default, misrepresentation or breach hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of a warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided under applicable law.

7. Entire Agreement. This Agreement contains the entire understanding of the parties and supersedes all prior agreements and understandings relating to the subject matter hereof.

8. Counterparts; Facsimile. This Agreement may be executed by the parties in separate counterparts and by facsimile, each of which, when so executed and delivered, shall be enforceable against the parties actually executing such counterparts, and all of which, when taken as a whole, shall constitute one and the same instrument.

9. Section Headings and References. The headings of each section, subsection or other subdivision of this Agreement are for reference only and shall not limit or control the meaning thereof. All references herein to a section are references to a section of this Agreement, unless otherwise specified and include all subparts thereof.

10. Assigns . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives and permitted assigns. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof nor any of the documents executed in connection herewith may be assigned by any party without the consent of the other parties; *provided, however,* that Hillman may assign its rights hereunder without the consent of Developer, to any existing or future lender to, or affiliate of, Hillman, and to any person, firm, partnership, corporation, association or other entity that acquires or succeeds to all or any part of the business of Hillman. No such assignment shall relieve the assigning party of its obligations hereunder if such assignee does not perform such obligations.

11. Expenses. Each party hereto shall pay his, her or its own expenses in connection with the negotiation and execution of this Agreement.

THE HILLMAN GROUP, INC.

BY: _____

TITLE: _____

DATE: _____

[Developer]

BY: _____

TITLE: _____

DATE: _____

EXHIBIT B

ASSIGNED ITEMS

1. PATENTS

Application No.	Title	Docket No.	Status
61/411,148	Key Duplication Machine Identification System	1178.003	Provisional filed 11/8/2010. Utility due by 11/8/2011.
61/364,644	Key Duplication Packaging and Standard Reference Features	1178.008	Provisional filed 7/15/2010. Utility due by 7/15/2011.
61/413,099	Key Duplication Machine Cutting System	1178.010	Provisional filed 11/12/2010. Utility due by 11/12/2011.
61/411,401	Two-Key Duplication ID and Cutting Machine with Specialized Clamp	1178.011	Provisional filed 11/08/2010. Utility due by 11/08/2011.
61/432,089	Key Duplication Identification Systems and Cutting Machines and Related Methods	1178.012	Provisional filed 1/12/2011. Utility due by 1/12/2012.

2. TRADE SECRETS

The Trade Secrets shall consist of information, including formulas, patterns, compilations, programs, devices, methods, techniques, and processes related to:

A. The design, development, commercialization, manufacture, sale and service of Keys and Key Machines;

B. The design, development, commercialization, manufacture, sale and service of key sleeves and related technologies; and

C. Marketing plans, customers and potential customers for Keys and Key Machines.

3. TRADEMARKS

Application No.	Title	Docket No.	Status
77/968,934	KEYWORKS	1178.004	Notice of Allowance on 10/12/2010 — Statement of Use or Extension of Time due by 4/12/2011.
77/968,974	KEYGEN	1178.005	Notice of Allowance on 10/19/2010 — Statement of Use or Extension of Time due by 4/19/2011.
77/968,978	KEYVO	1178.006	Notice of Allowance on 10/19/2010 — Statement of Use or Extension of Time due by 4/19/2011.
77/968,984	NUEKEY	1178.007	Notice of Allowance on 10/19/2010 — Statement of Use or Extension of Time due by 4/19/2011.
85/065,918	Key Express	1178.009	Office Action received — response due by 3/27/2011.

EXHIBIT C

TRADITIONAL MARKET

1. HOME DEPOT
2. WAL-MART
3. LOWE'S
4. MENARDS CORPORATE OFFICE
5. ORCHARD BUILDING SUPPLY
6. FRED MEYER CO.
7. KMART CORPORATION
8. SEARS
9. MEIJER INC
10. PEP BOYS
11. SUTHERLANDS LUMBER & SUPPLY
12. MILLS FLEET WHSL SPLY
13. CVS PHARMACY
14. LONGS DRUG STORES
15. BI MART CORP.
16. KROGER
17. BLAIN SUPPLY
18. MCCOY'S BUILDING SUPPLY CENTERS
19. CITY MILL
20. MINYARDS

EXHIBIT D

DEVELOPMENT AGREEMENTS

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Max W. Hillman, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 15, 2011

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James P. Waters, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 15, 2011

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 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: August 15, 2011

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 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: August 15, 2011