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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 September 30, 2014

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

On November 14, 2014, 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.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES

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

	Successor September 30, 2014	Predecessor December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,561	$ 34,969
Restricted investments	280	2,856
Accounts receivable, net	111,192	87,515
Inventories, net	199,873	177,580
Deferred income taxes	10,379	11,096
Other current assets	10,144	9,082
Total current assets	342,429	323,098
Property and equipment, net	92,482	95,818
Goodwill	791,093	466,227
Other intangibles, net	563,586	362,365
Restricted investments	1,797	1,530
Deferred financing fees, net	25,331	9,798
Investment in trust common securities	3,261	3,261
Other assets	1,367	2,759
Total assets	$ 1,821,346	$1,264,856
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 60,287	$ 44,369
Current portion of senior term loans	5,500	3,968
Current portion of capitalized lease and other obligations	266	219
Interest payable on junior subordinated debentures	1,019	—
Accrued expenses:		
Salaries and wages	5,682	11,864
Pricing allowances	7,464	6,210
Income and other taxes	3,488	3,121
Interest	9,324	2,674
Deferred compensation	280	2,856
Other accrued expenses	9,509	9,031
Total current liabilities	102,819	84,312
Long term senior term loans	544,500	377,641
Bank revolving credit	3,000	—
Long term capitalized lease and other obligations	401	337
Long term senior notes	330,000	271,750
Junior subordinated debentures	130,915	114,941
Deferred compensation	1,797	1,530
Deferred income taxes	178,025	120,060
Other non-current liabilities	4,482	15,391
Total liabilities	1,295,939	985,962

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)	Successor September 30, 2014	Predecessor December 31, 2013
Common stock with put options:		
Common stock, $.01 par, 5,000 shares authorized, none issued and outstanding at September 30, 2014 and 161.2 issued and outstanding at December 31, 2013	—	16,975
Commitments and contingencies (Note 6)		
Stockholders' Equity:		
Preferred Stock:		
Preferred stock, $.01 par, 5,000 shares authorized, none issued or outstanding at September 30, 2014 and at December 31, 2013	—	—
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized,issued and outstanding at September 30, 2014 and 4,838.8 issued and outstanding at December 31, 2013	—	—
Additional paid-in capital	544,265	292,989
Accumulated deficit	(13,978)	(26,199)
Accumulated other comprehensive loss	(4,880)	(4,871)
Total stockholders' equity	525,407	261,919
Total liabilities and stockholders' equity	$ 1,821,346	$1,264,856

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Net sales	$ 195,956	$ 192,382
Cost of sales (exclusive of depreciation and amortization shown separately below)	99,655	97,805
Selling, general and administrative expenses	57,990	58,619
Transaction, acquisition and integration expenses	79	1,362
Depreciation	7,948	5,759
Amortization	7,866	5,554
Management fees to related party	138	63
Other (income) expense	(1,026)	791
Income from operations	23,306	22,429
Interest expense, net	14,674	11,975
Interest expense on junior subordinated debentures	3,152	3,152
Investment income on trust common securities	(94)	(95)
Income before income taxes	5,574	7,397
Income tax provision	3,762	5,649
Net income	$ 1,812	$ 1,748
Net income (from above)	$ 1,812	$ 1,748
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(4,880)	1,959
Total other comprehensive (loss) income	(4,880)	1,959
Comprehensive (loss) income	$ (3,068)	$ 3,707

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

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

	Successor	Predecessor	
	Period from June 30, 2014 through September 30, 2014	Six Months Ended June 29, 2014	Nine Months Ended September 30, 2013
Net sales	$ 195,956	$357,377	$ 529,012
Cost of sales (exclusive of depreciation and amortization shown separately below)	99,655	183,342	271,789
Selling, general and administrative expenses	57,990	156,762	166,771
Transaction, acquisition and integration expenses	22,097	31,681	5,544
Depreciation	7,948	14,149	17,574
Amortization	7,866	11,093	16,559
Management fees to related party	138	15	63
Other (income) expense	(1,026)	(277)	2,926
Income (loss) from operations	1,288	(39,388)	47,786
Interest expense, net	14,674	23,150	36,030
Interest expense on junior subordinated debentures	3,152	6,305	9,457
Investment income on trust common securities	(94)	(189)	(284)
(Loss) income before income taxes	(16,444)	(68,654)	2,583
Income tax (benefit) provision	(2,466)	(24,128)	757
Net (loss) income	$ (13,978)	$ (44,526)	$ 1,826
Net (loss) income (from above)	$ (13,978)	$ (44,526)	$ 1,826
Other comprehensive loss:			
Foreign currency translation adjustments	(4,880)	(95)	(2,254)
Total other comprehensive loss	(4,880)	(95)	(2,254)
Comprehensive loss	$ (18,858)	$ (44,621)	$ (428)

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	
	Period from June 30, 2014 through September 30, 2014	Six Months Ended June 29, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities:			
Net (loss) income	$ (13,978)	$(44,526)	$ 1,826
Adjustments to reconcile net (loss) income to net cash (used for) provided by operating activities:			
Depreciation and amortization	15,814	25,242	34,133
Loss on dispositions of property and equipment	20	—	101
Deferred income taxes	7	(24,458)	(383)
Deferred financing and original issue discount amortization	1,250	1,374	1,854
Stock-based compensation expense	336	39,229	6,365
Other non-cash interest and change in value of interest rate swap	137	—	(391)
Changes in operating items:			
Accounts receivable	1,927	(25,267)	(26,723)
Inventories	(7,546)	(17,851)	(11,236)
Other assets	(10,044)	8,799	307
Accounts payable	488	20,811	5,770
Interest payable on junior subordinated debentures	—	1,019	1,019
Other accrued liabilities	(27,841)	31,183	5,478
Other items, net	907	(3,843)	2,533
Net cash (used for) provided by operating activities	(38,523)	11,712	20,653
Cash flows from investing activities:			
Paulin acquisition	—	—	(103,418)
Acquisition of Hillman Companies, Inc.	(729,616)	—	—
Capital expenditures	(6,140)	(12,933)	(27,317)
Net cash used for investing activities	(735,756)	(12,933)	(130,735)
Cash flows from financing activities:			
Borrowings of senior term loans	550,000	—	76,800
Repayments of senior term loans	(384,407)	(992)	(2,784)
Discount on senior term loans	—	—	(2,152)
Borrowings on revolving credit loans	16,000	—	—
Repayments of revolving credit loans	(13,000)	—	—
Principal payments under capitalized lease obligations	(47)	(84)	(73)
Borrowings of senior notes	330,000	—	—
Repayment of senior notes	(265,000)	—	—
Proceeds from exercise of stock options	—	474	—
Capital contribution from parent	543,929	—	—
Financing fees, net	(26,355)	—	—
Repayments of other credit obligations	—	—	(683)
Net cash provided by (used for) financing activities	751,120	(602)	71,108
Effect of exchange rate changes on cash	690	(116)	(202)
Net decrease in cash and cash equivalents	(22,469)	(1,939)	(39,176)
Cash and cash equivalents at beginning of period	33,030	34,969	65,548
Cash and cash equivalents at end of period	$ 10,561	$ 33,030	$ 26,372
Supplemental schedule of noncash activities:			
Fixed assets acquired under capital lease	$ —	$ 241	$ 214

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

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2013 - Predecessor	$ —	$ 292,989	$ (26,199)	$ (4,871)	$ 261,919
Net loss	—	—	(44,526)	—	(44,526)
FMV adjustment to common stock with put options (1)	—	(4,876)	—	—	(4,876)
Exercise of stock options	—	804	—	—	804
Change in cumulative foreign currency translation adjustment (2)	—	—	—	(95)	(95)
Balance at June 29, 2014 - Predecessor	—	288,917	(70,725)	(4,966)	213,226
Close Predecessor's stockholders' equity at merger date	—	(288,917)	70,725	4,966	(213,226)
Capital contribution from parent	—	542,929	—	—	542,929
Net loss	—	—	(13,978)	—	(13,978)
Stock based compensation	—	336	—	—	336
Sale of 1,000 shares to Board member	—	1,000	—	—	1,000
Change in cumulative foreign currency translation adjustment (2)	—	—	—	(4,880)	(4,880)
Balance at September 30, 2014 - Successor	$ —	$ 544,265	$ (13,978)	$ (4,880)	$ 525,407

(1) Management of the Predecessor Company controlled 161.2 shares of common stock at December 31, 2013. These shares contained a put feature that allowed redemption at the holder's option. Prior to the June 30, 2014 Merger Transaction, these shares were classified as temporary equity and adjusted to fair value.

(2) The cumulative foreign currency translation adjustment is the only item of other comprehensive loss.

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 June 30, 2014, affiliates of CCMP Capital Advisors, LLC ("CCMP") and Oak Hill Capital Partners ("OHCP"), together with certain current and former members of Hillman's management, consummated a merger transaction (the "Merger Transaction") pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of May 16, 2014. As a result of the Merger Transaction, The Hillman Companies, Inc. remained a wholly-owned subsidiary of OHCP HM Acquisition Corp., which changed its name to HMAN Intermediate II Holdings Corp. ("Predecessor Holdco"), and became a wholly-owned subsidiary of HMAN Group Holdings Inc. ("Successor Holdco" or "Holdco"). The total consideration paid in the Merger Transaction was approximately $1,504,498 including repayment of outstanding debt and including the value of the Company's outstanding junior subordinated debentures ($105,443 liquidation value at the time of the Merger Transaction).

Prior to the Merger Transaction, affiliates of OHCP owned 95.6% of the Predecessor Holdco's outstanding common stock and certain current and former members of management owned 4.4% of the Predecessor Holdco's outstanding common stock. Upon consummation of the Merger Transaction, affiliates of CCMP owned 80.4% of the Successor Holdco's outstanding common stock, affiliates of OHCP owned 16.9% of the Successor Holdco's outstanding common stock, and certain current and former members of management owned 2.7% of the Successor Holdco's outstanding common stock.

The Company's condensed consolidated balance sheet and its related statements of comprehensive loss, cash flows, and stockholders' equity for the periods presented prior to June 30, 2014 are referenced herein as the predecessor financial statements (the "Predecessor"). The Company's condensed consolidated balance sheet as of September 30, 2014 and its related statements of comprehensive loss, cash flows, and stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor").

The Successor Financial Statements reflect the preliminary allocation of the aggregate purchase price of approximately $1,504,498, including the value of the Company's junior subordinated debentures, to the assets and liabilities of Hillman based on fair values at the date of the Merger Transaction in accordance with ASC Topic 805, "Business Combinations." The Company is in the process of obtaining third-party valuations of certain assets held by the Company at the time of the Merger Transaction, including but not limited to customer relationships, patents, licenses, property and equipment, non-compete agreements and the corresponding impact of deferred income taxes. The Company is also in the process of finalizing its fair value evaluation of inventory. Thus, the allocation of the purchase price is subject to change. Any amounts attributable to such assets are expected to be finalized during 2014.

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 that the financial statements include all normal recurring accrual adjustments necessary for a fair presentation. Operating results for the nine month period ended September 30, 2014 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, 2013.

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

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

	Amount
Fair value of consideration transferred	$1,399,055
Cash	$ 28,695
Accounts Receivable	113,030
Inventory	194,611
Other current assets	22,250
Property and equipment	94,794
Goodwill	791,922
Intangible assets	572,500
Other non-current assets	3,481
Total assets	1,821,283
Less:	
Accounts payable	(65,009)
Deferred income taxes	(174,475)
Junior subordinated debentures	(105,443)
Junior subordinated debentures premium	(22,437)
Other liabilities	(54,864)
Net assets	$1,399,055

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

1. Basis of Presentation (continued):

The following table indicates the pro forma financial statements of the Company for the three and nine months ended September 30, 2013 and 2014, respectively (including transaction costs of $53,778 as discussed in Note 14). The pro forma financial statements give effect to the acquisition (the "Paulin Acquisition"), on February 19, 2013, of all of the issued and outstanding Class A common shares of H. Paulin & Co., Limited ("Paulin") and the Merger Transaction as if they had each occurred on January 1, 2013.

	Three Months Ended Sept. 30, 2014	Nine Months Ended Sept. 30, 2014	Three Months Ended Sept. 30, 2013	Nine Months Ended Sept. 30, 2013
Net Sales	195,956	553,333	192,382	544,942
Net Income (Loss)	3,336	(1,516)	155	(38,428)

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 Paulin Acquisition and Merger Transaction had been effective January 1, 2013, 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 and Paulin, the Company's financing arrangements related to the Merger Transaction, and certain purchase accounting adjustments.

Nature of Operations:

The Company is comprised of five separate business segments, the largest of which is (1) The Hillman Group, Inc. (the "Hillman Group") operating primarily in the United States. The other business segments consist of separate subsidiaries of Hillman Group operating in (2) Canada under the names The Hillman Group Canada ULC and H. Paulin & Co., (3) Mexico under the name SunSource Integrated Services de Mexico S.A. de C.V., (4) Florida under the name All Points Industries, Inc., and (5) Australia under the name The Hillman Group Australia Pty. Ltd. Hillman Group provides merchandising services and products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems, and accessories; builder's hardware; and identification items, such as tags and letters, numbers, and signs, to retail outlets, primarily hardware stores, home centers, and mass merchants, pet supply stores, grocery stores, and drug stores. The Canada segment also produces fasteners, stampings, fittings, and processes threaded parts for automotive suppliers, industrial Original Equipment Manufacturers ("OEMs"), and industrial distributors.

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

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, 2013. Policies included herein were updated for activity in the interim period.

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 which includes the aging of customer receivables and adjustments for any collectability concerns. 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 $776 at September 30, 2014 and $703 at December 31, 2013.

Property and Equipment and Accumulated Depreciation:

Property and equipment, including assets acquired under capital leases, are carried at cost and include expenditures for new facilities and major renewals. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is reflected in income from operations. The accumulated depreciation was $61,370 at December 31, 2013 and $5,005 at September 30, 2014, after adjustment to fair value in connection with the Merger Transaction.

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 comprehensive loss.

In the three month period ended September 30, 2014, the Successor’s shipping and handling costs were $7,797. In the six month period ended June 29, 2014, the Predecessor’s shipping and handling costs were $14,890. The Predecessor’s shipping and handling costs were $6,819 and $19,575 in the three and nine month periods ended September 30, 2013, respectively.

Use of Estimates in the Preparation of Financial Statements:

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

Reclassifications:

Certain amounts in the prior year financial statements were reclassified to conform to the current year’s presentation. These reclassifications had no impact on the prior periods’ net income or stockholders’ equity.

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

3. Recent Accounting Pronouncements:

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08,*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which stipulates that the disposal of a component of an entity is to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The pronouncement also removed the conditions that (a) the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014, with early adoption permitted. We do not believe the adoption of this guidance will have a significant impact on our Condensed Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. ASU 2014-09 is effective for us in the fiscal year ending December 31, 2017, and for interim periods within that year. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. Early application is not permitted. We are currently assessing the impact of implementing this guidance on our consolidated results of operations and financial condition.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The issue is the result of a consensus of the FASB Emerging Issues Task Force (EITF). The amendments in this ASU require that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 and can be either applied prospectively or retrospectively. Early adoption is permitted. We do not believe the adoption of this guidance will have a significant impact on our Condensed Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15,*Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the financial statements are available to be issued when applicable) and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter (our fiscal 2017). Early application is permitted. We do not believe the adoption of this guidance will have a significant impact on our Condensed Consolidated Financial Statements.

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

4. Acquisitions:

On February 19, 2013, the Company consummated the Paulin Acquisition to expand our presence in Canada. The aggregate purchase price of the Paulin Acquisition was $103,416 paid in cash. On March 31, 2013, H. Paulin & Co., Limited was amalgamated with The Hillman Group Canada ULC and continues as a division operating under the trade name of H. Paulin & Co.

Paulin is a leading Canadian distributor and manufacturer of fasteners, fluid system products, automotive parts, and retail hardware components. Paulin's distribution facilities are located across Canada in Vancouver, Edmonton, Winnipeg, Toronto, Montreal, and Moncton, as well as in Flint, Michigan and Cleveland, Ohio. Paulin's manufacturing facilities are located in Ontario, Canada. For the year ended December 31, 2013, the post-acquisition revenues of H. Paulin & Co., Limited were approximately $130,459 and the post-acquisition net income was approximately $3,009.

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

Accounts receivable	$ 17,259
Inventory	55,552
Other current assets	2,701
Property and equipment	16,121
Goodwill	11,687
Intangibles	18,967
Total assets acquired	122,287
Less:	
Deferred income taxes	5,437
Liabilities assumed	13,434
Total purchase price	$103,416

The excess of the purchase price over the net assets has been allocated to goodwill and intangible assets based upon an independent valuation appraisal. The Company made a Section 338(g) election which will impact the deductibility of goodwill for tax purposes.

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5. 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 assessed for impairment at least annually or more frequently if a triggering event occurs. If the carrying amount of a reporting unit is greater than the fair value, impairment may be present. ASC 350 permits an entity to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying the two-step goodwill impairment model. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. No impairment charges were recorded by the Company in 2014 or 2013.

Goodwill amounts by reporting unit are summarized as follows:

	Goodwill at December 31, 2013	Acquisitions (1)	Dispositions	Other (2)	Goodwill at September 30, 2014
United States, excluding All Points	$ 446,382	$ 325,141	$ —	$ —	$ 771,523
All Points	58	—	—	—	58
Canada	12,785	514	—	(619)	12,680
Mexico	7,002	—	—	(170)	6,832
Australia	—	—	—	—	—
Total	$ 466,227	$ 325,655	$ —	$ (789)	$ 791,093

(1) Changes in values primarily related to the Merger Transaction.
(2) These amounts relate to adjustments resulting from fluctuations in foreign currency exchange rates.

The Company also evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually or more frequently 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. ASC 350 permits an entity to assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before applying the two-step impairment model. In connection with the evaluation of indefinite-lived intangible assets, an independent appraiser assessed the value of the Company's intangible assets based on a relief from royalties, excess earnings, and lost profits discounted cash flow model. 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 by the Company in 2014 or 2013.

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5. Goodwill and Other Intangible Assets (continued):

Definite-lived intangible assets are amortized over their useful lives and are subject to impairment testing. The values assigned to intangible assets were determined by a preliminary appraisal. The intangible asset values may be adjusted by management for changes determined upon completion of work on the independent appraisal. Other intangibles, net, as of September 30, 2014 and December 31, 2013 consist of the following:

	Estimated Useful Life (Years)	September 30, 2014	Estimated Useful Life (Years)	December 31, 2013
Customer relationships	20	$ 449,219	20	$ 341,500
Trademarks - All Others	Indefinite	79,727	Indefinite	54,082
Trademarks - TagWorks	5	—	5	240
Patents	5-20	25,000	5-20	20,250
Quick Tag license	2	7,000	6	11,500
Laser Key license	1.5	1,500	5	1,250
KeyWorks license	6.5	4,000	10	4,100
Non-compete agreements	6.5	5,000	5-10	4,450
Intangible assets, gross		571,446		437,372
Less: Accumulated amortization		7,860		75,007
Other intangibles, net		$ 563,586		$ 362,365

The Successor's amortization expense, excluding the adjustments resulting from fluctuations in foreign currency exchange rates, for amortizable assets was $7,860 for the three months ended September 30, 2014. The Predecessor's amortization expense for amortizable assets was $5,554 for the three months ended September 30, 2013. The Successor's amortization expense for amortizable assets was $7,866, including the adjustments resulting from fluctuations in foreign currency exchange rates, for the three months ended September 30, 2014 and the Predecessor's expense was $11,093 for the six months ended June 29, 2014. The Predecessor's amortization expense for amortizable assets was $16,559 for the nine months ended September 30, 2013. The combination of the amortization expense for amortizable assets of the Successor and Predecessor for the year ended December 31, 2014 is estimated to be $26,556. For the years ended December 31, 2015, 2016, 2017, 2018, and 2019, the Successor's amortization expense for amortizable assets is estimated to be $30,927, $28,174, $26,424, $26,424, and $25,804, respectively.

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6. Commitments and Contingencies:

The Company self-insures our 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 the Company's management to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes the liability of approximately $1,713 recorded for such risk insurance reserves is adequate as of September 30, 2014.

As of September 30, 2014, the Company has provided certain vendors and insurers letters of credit aggregating $3,423 related to our product purchases and insurance coverage of product liability, workers' compensation, and general liability.

The Company self-insures our 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 $2,424 recorded for such group health insurance reserves is adequate as of September 30, 2014.

On October 1, 2013, Hillman Group filed a complaint against Minute Key Inc., a manufacturer of fully-automatic, self-service key duplication kiosks, in the United States District Court for the Southern District of Ohio (Western Division), seeking a declaratory judgment of non-infringement and invalidity of a U.S. patent issued to Minute Key Inc. on September 10, 2013. Hillman Group's filing against Minute Key Inc. was in response to a letter dated September 10, 2013 in which Minute Key Inc. alleged that Hillman Group's FastKey™ product infringes the newly-issued patent.

On October 23, 2013, Minute Key Inc. filed an answer and counterclaim against the Hillman Group alleging patent infringement. Minute Key Inc. also requested that the court dismiss the Hillman Group's complaint, enter judgment against the Hillman Group that we are willfully and deliberately infringing the patent, grant a permanent injunction, and award unspecified monetary damages to Minute Key Inc.

Minute Key Inc. later filed two motions on March 17, 2014 seeking to voluntarily withdraw its counterclaim alleging infringement by Hillman Group and also to dismiss Hillman Group's complaint for non-infringement and invalidity. Shortly after an April 23, 2014 court-ordered mediation, Minute Key Inc. provided Hillman Group with a covenant promising not to sue for infringement of two of its patents against any existing Hillman Group product, including the FastKey™ and Key Express™ products.

Hillman Group filed a motion on May 9, 2014 seeking to add additional claims to the case against Minute Key Inc. under Federal and Ohio state unfair competition statutes. These claims relate to Minute Key Inc.'s business conduct during competition with Hillman Group over a mutual client.

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6. Commitments and Contingencies (continued):

In an August 15, 2014 order, the court granted Minute Key Inc.'s March 17, 2014 motions to dismiss the claims relating to patent infringement, but also granted Hillman Group's May 9, 2014 motion to add its unfair competition claims.

Hillman Group formally amended its complaint to add the unfair competition claims on September 4, 2014, and Minute Key Inc. answered on September 29, 2014 without filing any counterclaims. Minute Key Inc. filed a motion on October 1, 2014 to move the case from Cincinnati to either the District of Colorado or the Western District of Arkansas. Hillman Group filed an opposition to the motion on October 27, 2014, seeking to maintain the action in the Southern District of Ohio. That motion remains pending before the court.

Because the lawsuit remains in a preliminary stage, it is not yet possible to assess the impact, if any, that the lawsuit will have on the Company. As a result of the Minute Key Inc. covenant not to sue, however, the Company's FastKey™ and Key Express™ products no longer face any threat of patent infringement liability from two of Minute Key Inc.'s patents. The scope of the lawsuit has changed from a bilateral dispute over patent infringement to a lawsuit solely about Minute Key Inc.'s business conduct. Hillman Group intends to continue to pursue this lawsuit vigorously and believes that it has meritorious claims for Minute Key Inc.'s unfair competition.

On July 14, 2014, PrimeSource Building Products, Inc., a supplier of products and materials in the building, construction, and do-it-yourself industries ("PrimeSource"), filed a complaint against Hillman Group in the United States District Court for the Northern District of Texas (Dallas Division) alleging trademark infringement, unfair competition, and unjust enrichment. On August 8, 2014, Hillman Group filed a motion to dismiss the complaint and, on August 29, 2014, PrimeSource filed an amended complaint. On September 12, 2014, Hillman Group filed a motion to dismiss the amended complaint and, on October 3, 2014, PrimeSource filed a response to the motion to dismiss the amended complaint. On October 17, 2014, Hillman Group filed a reply in support of its motion to dismiss the amended complaint. The motion to dismiss the amended complaint remains pending before the court.

In addition to its earlier-filed complaint, PrimeSource filed a motion for preliminary injunction on July 30, 2014. On August 20, 2014, Hillman Group filed a response in opposition to the motion for preliminary injunction and, on September 3, 2014, PrimeSource filed a reply in support of its motion for preliminary injunction. On October 1, 2014, Hillman Group filed a surreply in opposition to the motion for preliminary injunction. The motion for preliminary injunction remains pending before the court.

Because the lawsuit is in a preliminary stage, it is not yet possible to assess the impact or range of loss, if any, that the lawsuit will have on the Company. However, Hillman Group believes that it has meritorious defenses to the claims 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 the Company's management, the ultimate resolution of the pending litigation matters will not have a material adverse effect on the consolidated financial position, operations, or cash flows of the Company.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
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7. Related Party Transactions:

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 Company has recorded rental expense for the lease of this facility on an arm’s length basis. In the three month period ended September 30, 2014 the Successor’s rental expense for the lease of this facility was $82. In the six month period ended June 29, 2014 the Predecessor’s rental expense for the lease of this facility was $165. The Predecessor’s rental expense for the lease of this facility was $82 and $246 in the three and nine month periods ended September 30, 2013, respectively.

In connection with the Paulin Acquisition, the Company entered into three leases for five properties containing industrial warehouse, manufacturing plant, and office facilities on February 19, 2013. The owners of the properties under one lease are relatives of Richard Paulin, who is employed by The Hillman Group Canada ULC, and the owner of the properties under the other two leases is a company which is owned by Richard Paulin and certain of his relatives. The Company has recorded rental expense for the three leases on an arm’s length basis. In the three month period ended September 30, 2014 the Successor’s rental expense for these leases was $188. In the six month period ended June 29, 2014 the Predecessor’s rental expense for these leases was $376. The Predecessor’s rental expense for these facilities was $198 and $491 in the three and nine month periods ended September 30, 2013, respectively.

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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 or loss. Accordingly, the Company applied an estimated annual effective tax rate to the interim period pre-tax income / (loss) in the three month Successor period ended September 30, 2014, the three month and one day Successor period ended September 30, 2014, the six month Predecessor period ended June 29, 2014, and the three and nine month Predecessor periods ended September 30, 2013 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 rates were 67.5% and 76.4% for the three month Successor period ended September 30, 2014 and the three month Predecessor period ended September 30, 2013 respectively. The effective income tax rates were 15.0% for the three month and one day Successor period ended September 30, 2014, 35.1% for the six month Predecessor period ended June 29, 2014 and 29.3% for the nine month Predecessor period ended September 30, 2013.

The effective income tax rate differed from the federal statutory rate in the three month and one day Successor period ended September 30, 2014, and the six month Predecessor period ended June 29, 2014 primarily due to certain non-deductible costs associated with the Merger Transaction. The effective income tax rate also differed from the federal statutory rate in the six month Predecessor period ended June 29, 2014 due to a current period benefit 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 nine and three month Predecessor periods ended September 30, 2013 due in part to the reversal of a reserve recorded for unrecognized tax benefits due to the expiration of the statute of limitations for an earlier tax period. The effective income tax rate differed from the federal statutory rate in the nine month Predecessor period ended September 30, 2013 due in part to a benefit caused by the effect of changes in certain state income tax rates on the Company's deferred tax assets and liabilities and the reduction of valuation reserves related to certain deferred tax assets. The remaining differences between the federal statutory rate and the effective tax rate in the three month Successor period ended September 30, 2014, the three month and one day Successor period ended September 30, 2014, the six month Predecessor period ended June 29, 2014 and the three and nine month Predecessor periods ended September 30, 2013 were primarily due to state and foreign income taxes.

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9. Long-Term Debt:

Concurrent with the consummation of the Merger Transaction, Hillman Companies and certain of its subsidiaries closed on a $620,000 senior secured credit facility (the "Senior Facilities"), consisting of a $550,000 term loan and a $70,000 revolving credit facility ("Revolver"). The term loan portion of the Senior Facilities has a seven year term and the Revolver has a five year term. For the first fiscal quarter after June 30, 2014, the Senior Facilities provide term loan borrowings at interest rates based on a LIBOR plus a LIBOR Spread of 3.50%, or an Alternate Base Rate ("ABR") plus an ABR Spread of 2.50%. The LIBOR is subject to a minimum floor rate of 1.00% and the ABR is subject to a minimum floor of 2.00%. Additionally, the Senior Facilities provide Revolver borrowings at interest rates based on a LIBOR plus a LIBOR Spread of 3.25%, or an ABR plus an ABR Spread of 2.25%. There is no minimum floor rate for Revolver loans. After the initial fiscal quarter, the borrowing rate shall be adjusted quarterly on a prospective basis on each adjustment date based upon total leverage ratio for initial term loans and the senior secured leverage ratio for Revolver loans. For the fiscal quarter beginning after September 30, 2014, the term loan borrowings will be at an adjusted interest rate of 4.5% and the Revolver loans will be at an adjusted interest rate of 3.41%.

Concurrent with the consummation of the Merger Transaction, Hillman Group issued $330,000 aggregate principal amount of its senior notes due July 15, 2022 (the "6.375% Senior Notes"), which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust. Hillman Group pays interest on the 6.375% Senior Notes semi-annually on January 15 and July 15 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to a Senior Credit Agreement (the "Prior Credit Agreement"), consisting of a $30,000 revolving credit line and a $384,400 term loan. The facilities under the Prior Credit Agreement had a maturity date of May 28, 2017. In addition, the Company, through Hillman Group, had issued $265,000 in aggregate principal amount of 10.875% Senior Notes that were scheduled to mature on June 1, 2018. In connection with the Merger Transaction, both the Prior Credit Agreement and the 10.875% Senior Notes were repaid and terminated.

The Company pays interest to the Hillman Group Capital Trust ("Trust") on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105,443, or $12,231 per annum in the aggregate. The Trust will redeem the Trust Preferred Securities when the Junior Subordinated Debentures are repaid, or at maturity on September 30, 2027. 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 a Deferral Period, the Company is required to accrue the full amount of all interest payable, and such deferred interest payable would become immediately payable by the Company at the end of the Deferral Period. There were no deferrals of distribution payments to holders of the Trust Preferred Securities in 2014 or 2013.

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9. Long-Term Debt (continued):

The Senior Facilities 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 Company is also required to comply, in certain circumstances, with a senior secured net leverage ratio covenant. This covenant only applies if, at the end of a fiscal quarter, there are outstanding Revolver borrowings in excess of 35% of the total revolving commitments. As of September 30, 2014, the Revolver loan amount of $3,000 and outstanding letters of credit of approximately $3,423 represented 9% of total revolving commitments and this financial covenant was not in effect. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due. The Company was in compliance with all provisions and covenants of the Senior Facilities as of September 30, 2014.

Additional information with respect to the fair value of the Company's fixed rate senior notes and junior subordinated debentures is included in Note 13.

10. Common and Preferred Stock:

The Hillman Companies has one class of common stock, with 5,000 shares authorized, issued, and outstanding as of September 30, 2014. All outstanding shares of Hillman Companies common stock are owned by Successor Holdco.

Under the terms of the Stockholders Agreement for the Predecessor Holdco common stock, (the "Predecessor Stockholders Agreement"), management shareholders had the ability to put their shares back to Predecessor 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 the 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 161.2 shares of common stock held by management at December 31, 2013 were recorded outside permanent equity and were adjusted to the fair value of $16,975. The terms of the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (the "Successor Equity Incentive Plan") for Successor Holdco common stock does not grant put rights to management shareholders and no common stock held by management at September 30, 2014 is recorded outside permanent equity.

The Hillman Companies has one class of preferred stock, with 5,000 shares authorized and none issued or outstanding as of September 30, 2014.

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11. Stock-Based Compensation:

OHCP HM Acquisition Corp. 2010 Stock Option Plan

Effective May 28, 2010, the Predecessor established the OHCP HM Acquisition Corp. 2010 Stock Option Plan, as amended (the "Predecessor Option Plan"), pursuant to which Predecessor Holdco granted non-qualified stock options for the purchase of Predecessor Holdco common stock. Immediately prior to the consummation of the Merger Transaction, there were outstanding options to purchase 44,180 shares of Predecessor Holdco common stock. In connection with the Merger Transaction, the Predecessor Option Plan was terminated, and all options outstanding thereunder were cancelled. Upon consummation of the Merger Transaction, each outstanding option to purchase shares of Predecessor Holdco common stock was converted into the right to receive, in cash, a portion of the merger consideration in the Merger Transaction.

Option holders were not required by the terms of the Predecessor Option Plan or the Predecessor Stockholders Agreement to hold the shares for any period of time following exercise. Liability classification was required because this 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. Consistent with past practice, the Company has elected to use the intrinsic value method to value the options. Immediately prior to the cancelation of the Predecessor Option Plan, the stock option liability was $48,517.

HMAN Group Holdings Inc. 2014 Equity Incentive Plan

Effective June 30, 2014, Holdco established the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (the "2014 Equity Incentive Plan"), pursuant to which Holdco may grant options, stock appreciation rights, restricted stock, and other stock-based awards for up to an aggregate of 44,021.264 shares of its common stock. The 2014 Equity Incentive Plan is administered by a committee of the Holdco board of directors. Such committee determines the terms of each stock-based award grant under the 2014 Equity Incentive Plan, except that the exercise price of any granted options and the grant price of any granted stock appreciation rights may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant.

During the third quarter of 2014, Holdco granted a total of 35,817.010 non-qualified stock options with certain time-vesting and performance vesting conditions under the 2014 Equity Incentive Plan. The options were granted with an exercise price equal to the grant date fair value of the underlying securities. As of September 30, 2014, a total of 8,204.254 shares were available for future stock-based award grants.

The fair value of 18,208.5 time-vested options granted by Holdco was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield equaling 0%, risk-free interest rate of 2.1%, expected volatility assumed to be 32.0%, and expected term from 6.5 years to 6.75 years. The fair value of an option was $372.598.

Compensation expense of $336 was recognized in the accompanying condensed consolidated statements of operations for the three months ended September 30, 2014. As of September 30, 2014, there was $6,449 of unrecognized compensation expense for unvested common options. The expense will be recognized as a charge to earnings over a weighted average period of approximately 4.75 years.

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11. Stock-Based Compensation (continued):

Holdco also granted 17,608.5 performance-based stock options that ultimately vest depending upon satisfaction of conditions that only arise in the event of a sale of the Company. No compensation expense will be recognized on these stock options unless it becomes probable the performance conditions will be satisfied.

A summary of stock option activity for the three months ended September 30, 2014 is presented below:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2014	—			
Granted	35,817.01	$ 1,000		
Exercised or converted	—			
Forfeited or expired	—			
Outstanding at September 30, 2014	35,817.01	$ 1,000	9.75 years	$ —
Exercisable at September 30, 2014	—	$ —	—	$ —

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12. Derivatives and Hedging:

The Company uses derivative financial instruments to manage our exposures to (1) interest rate fluctuations on our floating rate senior debt; (2) price fluctuations in metal commodities used in our key products; and (3) fluctuations in foreign currency exchange rates. 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.

Interest Rate Swap Agreements -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 it terminated on May 31, 2013. The 2010 Swap fixed the interest rate at 2.47% plus the applicable interest rate margin.

The 2010 Swap was initially designated as a cash flow hedge. Effective April 18, 2011, the Company executed the second amendment to the Prior Credit Agreement which modified the interest rate on the prior senior facilities (the "Prior Senior Facilities"). The critical terms for the 2010 Swap no longer matched the terms of the amended Prior Senior Facilities and the 2010 Swap was de-designated.

The 2010 Swap had no value at September 30, 2014 or at December 31, 2013. Adjustments of $418 to the fair value of the 2010 Swap were recorded as a reduction in interest expense in the statement of condensed consolidated comprehensive loss for the favorable change in fair value from December 31, 2012 until its termination on May 31, 2013.

On September 3, 2014, the Company entered into a forward Interest Rate Swap Agreement (the "2014 Swap No. 1") with a three-year term for a notional amount of $90,000. The forward start date of the 2014 Swap No. 1 is October 1, 2015 and its termination date is September 30, 2018. The 2014 Swap No. 1 fixes the interest rate at 2.2% plus the applicable interest rate margin.

On September 3, 2014, the Company entered into a forward Interest Rate Swap Agreement (the "2014 Swap No. 2") with a three-year term for a notional amount of $40,000. The effective date of the 2014 Swap No. 2 is October 1, 2015 and its termination date is September 30, 2018. The 2014 Swap No. 2 fixes the interest rate at 2.2% plus the applicable interest rate margin.

The total fair value of the interest rate swaps was $137 as of September 30, 2014 and was reported on the condensed consolidated balance sheet in other non-current assets.

The Company's interest rate swap agreements did not qualify for hedge accounting treatment because they did not meet the provisions specified in ASC 815, Derivatives and Hedging ("ASC 815").

Interest Rate Cap Agreements -On May 20, 2013, the Company entered into an Interest Rate Cap Agreement (the "2013 Rate Cap No. 1") with a two-year term for a notional amount of $150,000 and the maximum LIBOR interest rate set at 1.25%. 2013 Rate Cap No. 1 became effective on May 28, 2013 and was terminated effective as of June 19, 2014.

On May 20, 2013, the Company entered into an Interest Rate Cap Agreement (the "2013 Rate Cap No. 2") with a two-year term for a notional amount of $75,000 and the maximum LIBOR interest rate set at 1.25%. 2013 Rate Cap No. 2 became effective on May 28, 2013 and was terminated effective as of June 19, 2014.

The fair value of the interest rate caps was zero and $53 as of September 30, 2014 and December 31, 2013, respectively. Prior to their termination on June 19, 2014, the interest rate caps were reported on the condensed consolidated balance sheets in other non-current assets.

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12. Derivatives and Hedging (continued):

The Company's interest rate cap agreements did not qualify for hedge accounting treatment because they did not meet the provisions specified in ASC 815, Derivatives and Hedging ("ASC 815").

Foreign Currency Forward Contract - During 2013, the Company entered into multiple foreign currency forward contracts (the "2013 FX Contracts") with maturity dates ranging from July 2013 to December 2014 and a total notional amount of C$44,591. The 2013 FX Contracts fixed the Canadian to U.S. dollar forward exchange rate at points ranging from 1.02940 to 1.08210. The purpose of the 2013 FX Contracts was to manage the Company's exposure to fluctuations in the exchange rate of the Canadian dollar.

During the first three quarters of 2014, the Company entered into multiple foreign currency forward contracts (the "2014 FX Contracts") with maturity dates ranging from March 2014 to September 2015. The 2014 FX Contracts fixed the Canadian to U.S. dollar forward exchange rate at points ranging from 1.06800 to 1.12670. The purpose of the 2014 FX Contracts is to manage the Company's exposure to fluctuations in the exchange rate of the Canadian dollar.

The total notional amount of contracts outstanding was C$29,115 and C$26,856 as of September 30, 2014 and December 31, 2013, respectively. The total fair value of the 2013 FX Contracts and 2014 FX Contracts was $782 and ($42) as of September 30, 2014 and December 31, 2013, respectively, and was reported on the condensed consolidated balance sheets in other current assets and liabilities. An increase in other income of $824 was recorded in the statement of comprehensive loss for the favorable change in fair value from December 31, 2013.

The Company's FX Contracts did not qualify for hedge accounting treatment because they did not meet the provisions specified in ASC 815. Accordingly, the gain or loss on these derivatives was recognized in current earnings.

The Company does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

Additional information with respect to the fair value of derivative instruments is included in Note 13.

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13. Fair Value Measurements:

The Company uses the accounting 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. Assets and liabilities carried at fair value are 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 period, by level, within the fair value hierarchy:

	As of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Trading securities	$2,077	$ —	$ —	$2,077
Interest rate swaps	—	137	—	137
Foreign exchange forward contracts	—	782	—	782

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Trading securities	$4,386	$ —	$ —	$4,386
Interest rate caps	—	53	—	53
Foreign exchange forward contracts	—	(42)	—	(42)

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

For the three months ended September 30, 2014 and 2013, the unrealized (losses) gains on these securities of ($4) and $148, respectively, were recorded as other income. For the nine months ended September 30, 2014 and 2013, the unrealized gains on these securities of $91 and $217, respectively, were recorded as other income. An offsetting entry for the same amount, adjusting the deferred compensation liability and compensation expense within SG&A, was also recorded.

The Company utilizes interest rate cap and interest rate swap contracts to manage our targeted mix of fixed and floating rate debt, and these contracts are valued using observable benchmark rates at commonly quoted intervals during the term of the cap and swap contracts.

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

13. Fair Value Measurements (continued):

Prior to their termination on June 19, 2014, the interest rate caps were reported on the condensed consolidated balance sheets in other non-current assets.

The Company utilizes foreign exchange forward contracts to manage our exposure to currency fluctuations in the Canadian dollar versus the U.S. dollar. The forward contracts were valued using observable benchmark rates at commonly quoted intervals during the term of the forward contracts.

As of September 30, 2014, the foreign exchange forward contracts were included in other current assets on the accompanying condensed consolidated balance sheet.

The fair value of the Company's fixed rate senior notes and junior subordinated debentures as of September 30, 2014 and December 31, 2013 were determined by utilizing current trading prices obtained from indicative market data. As a result, the fair value measurement of the Company's senior term loans is considered to be Level 2.

	September 30, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
6.375% Senior Notes	$330,000	$316,800	$ —	$ —
10.875% Senior Notes	—	—	271,750	285,538
Junior Subordinated Debentures	130,915	132,113	114,941	131,480

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short term maturity of these instruments and the carrying value of the variable rate senior term loans approximates fair value as the interest rate is variable and approximates current market rates (Level 2).

Additional information with respect to the derivative instruments is included in Note 12. Additional information with respect to the Company's fixed rate senior notes and junior subordinated debentures is included in Note 9.

14. Transaction, Acquisition, and Integration Expenses:

In the three month period ended September 30, 2014, the Successor incurred $79 in transaction expenses related to the Merger Transaction. In the one day period ended June 30, 2014, the Successor incurred $22,018 in transaction expenses primarily for legal, professional, and other advisory services in connection with the acquisition of the Company. The Successor transaction expenses include a payment of $15,000 to CCMP Capital Advisors for services related to the Merger Transaction.

In the six month period ended June 29, 2014, the Predecessor incurred $31,681 in transaction expenses primarily for investment banking, legal, and advisory services related to the Merger Transaction.

The Predecessor incurred $1,362 and $5,544 in the three and nine month periods ended September 30, 2013, respectively, for acquisition and integration costs related to the Paulin Acquisition.

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

15. Segment Reporting:

The Company's segment reporting structure uses the Company's management reporting structure as the foundation for how the Company manages our business. The Company periodically evaluates our segment reporting structure in accordance with ASC 350-20-55 and we have concluded that we have five reportable segments as of September 30, 2014. During 2013, the operations of the Paulin Acquisition were combined into the operations of the Canada segment. The United States segment, excluding All Points, and the Canada segment are considered material by the Company's management as of September 30, 2014. The segments are as follows:

- United States – excluding the All Points division
- All Points
- Canada
- Mexico
- Australia

The United States segment distributes fasteners and related hardware items, threaded rod, keys, key duplicating systems, accessories, and identification items, such as tags and letters, numbers, and signs to hardware stores, home centers, mass merchants, and other retail outlets primarily in the United States. This segment also provides innovative pet identification tag programs to a leading pet products retail chain using a unique, patent-protected/patent-pending technology and product portfolio.

The All Points segment is a Florida-based distributor of commercial and residential fasteners catering to the hurricane protection industry in the southern United States. All Points has positioned itself as a major supplier to manufacturers of railings, screen enclosures, windows, and hurricane shutters.

The Canada segment distributes fasteners and related hardware items, threaded rod, keys, key duplicating systems, accessories, and identification items, such as tags and letters, numbers, and signs to hardware stores, home centers, mass merchants, industrial distributors, automotive aftermarket distributors, and other retail outlets and industrial Original Equipment Manufacturers ("OEMs") in Canada. The Canada segment also produces fasteners, stampings, fittings, and processes threaded parts for automotive suppliers and industrial OEMs.

The Mexico segment distributes fasteners and related hardware items to hardware stores, home centers, mass merchants, and other retail outlets in Mexico.

The Australia segment distributes keys, key duplicating systems, and accessories to home centers and other retail outlets in Australia.

The Company uses profit or loss from operations to evaluate the performance of our segments. Profit or loss from operations is defined as income from operations before interest and tax expenses. Hillman accounts for intersegment sales and transfers as if the sales or transfers were to third parties, at current market prices. Segment revenue excludes sales between segments, which is consistent with the segment revenue information provided to the Company's chief operating decision maker. Segment income (loss) from operations for Mexico and Australia include insignificant costs allocated from the United States, excluding All Points segment, while the remaining operating segments do not include any allocations.

The transaction expenses incurred in connection with the Merger Transaction were recorded in the United States segment. For further information, see Note 14, Transaction, Acquisition, and Integration Expenses.

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

15. Segment Reporting (continued):

The table below presents revenues and income from operations for our reportable segments for the three and nine months ended September 30, 2014 and 2013.

	Successor	Predecessor
	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Revenues		
United States, excluding All Points	$ 151,167	$ 147,750
All Points	5,233	6,057
Canada	37,576	36,776
Mexico	1,775	1,583
Australia	205	216
Total revenues	$ 195,956	$ 192,382
Segment Income (Loss) from Operations		
United States excluding All Points	$ 19,069	$ 19,047
All Points	496	553
Canada	4,053	2,860
Mexico	86	64
Australia	(398)	(95)
Total income (loss) from operations	$ 23,306	$ 22,429

	Successor	Predecessor	
	Period from June 30, 2014 through September 30, 2014	Six Months Ended June 29, 2014	Nine Months Ended September 30, 2013
Revenues			
United States excluding All Points	$ 151,167	$ 269,009	$ 409,446
All Points	5,233	10,238	16,591
Canada	37,576	73,867	97,161
Mexico	1,775	3,620	5,253
Australia	205	643	561
Total revenues	$ 195,956	$ 357,377	$ 529,012
Segment Income (Loss) from Operations			
United States excluding All Points	$ (2,949)	$ (44,830)	$ 41,199
All Points	496	896	1,537
Canada	4,053	4,214	5,277
Mexico	86	446	576
Australia	(398)	(114)	(803)
Total income (loss) from operations	$ 1,288	$ (39,388)	$ 47,786

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

15. Segment Reporting (continued):

The tables below present assets and cash equivalents as of September 30, 2014 and December 31, 2013.

	Successor September 30, 2014	Predecessor December 31, 2013
Assets		
United States excluding All Points	$ 1,592,011	$ 936,008
All Points	9,074	8,379
Canada	201,731	300,906
Mexico	16,691	17,964
Australia	1,839	1,599
Total Assets	$ 1,821,346	$ 1,264,856

	Successor September 30, 2014	Predecessor December 31, 2013
Cash and cash equivalents		
United States excluding All Points	$ 5,154	$ 27,632
All Points	530	714
Canada	4,234	5,039
Mexico	632	1,570
Australia	11	14
Total Cash and cash equivalents	$ 10,561	$ 34,969

Item 2.

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

The following discussion provides information which the Company's 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 on Form 10-K for the year ended December 31, 2013.

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, as amended. 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, 2013 and updated in Item 1A of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014. 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 our 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, 2013 and in Item 1A of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014; they should not be regarded as a representation by the Company or any other individual. We undertake no obligation to update publicly 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. (the "Hillman Group"). Hillman Group sells our products to hardware stores, home 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; keys, key duplication systems, and accessories; builder's hardware; and identification items, such as tags and letters, numbers, and signs ("LNS"). The Company supports our product sales with services that include the design and installation of merchandising systems and maintenance of appropriate in-store inventory levels.

Merger Transaction

On June 30, 2014, affiliates of CCMP Capital Advisors, LLC ("CCMP") and Oak Hill Capital Partners ("OHCP"), together with certain current and former members of Hillman's management, consummated a merger transaction (the "Merger Transaction") pursuant to the terms and conditions of an Agreement and Plan of Merger dated as of May 16, 2014. As a result of the Merger Transaction, The Hillman Companies, Inc. remained a wholly-owned subsidiary of OHCP HM Acquisition Corp., which changed its name to HMAN Intermediate II Holdings Corp. ("Predecessor Holdco"), and became a wholly-owned subsidiary of HMAN Group Holdings Inc. ("Successor Holdco" or "Holdco"). The total consideration paid in the Merger Transaction was approximately $1.5 billion including repayment of outstanding debt and including the value of the Company's outstanding junior subordinated debentures ($105.4 million liquidation value at the time of the Merger Transaction).

Prior to the Merger Transaction, affiliates of OHCP owned 95.6% of the Predecessor Holdco's outstanding common stock and certain current and former members of management owned 4.4% of the Predecessor Holdco's outstanding common stock. Upon consummation of the Merger Transaction, affiliates of CCMP owned 80.4% of the Successor Holdco's outstanding common stock, affiliates of OHCP owned 16.9% of the Successor Holdco's outstanding common stock, and certain current and former members of management owned 2.7% of the Successor Holdco's outstanding common stock.

The Company's condensed consolidated balance sheet and its related statements of comprehensive loss, cash flows, and stockholders' equity for the periods presented prior to June 30, 2014 are referenced herein as the predecessor financial statements (the "Predecessor"). The Company's condensed consolidated balance sheet as of September 30, 2014 and its related statements of comprehensive loss, cash flows, and stockholders' equity for the periods presented subsequent to the Merger Transaction are referenced herein as the successor financial statements (the "Successor"). The Predecessor Financial Statements do not reflect certain transaction amounts that were incurred at the close of the Merger Transaction.

Financing Arrangements

Concurrent with the consummation of the Merger Transaction, Hillman Companies and certain of its subsidiaries closed on a $620.0 million senior secured credit facility (the "Senior Facilities"), consisting of a $550.0 million term loan and a $70.0 million revolving credit facility ("Revolver"). The term loan portion of the Senior Facilities has a seven year term and the Revolver has a five year term. For the first fiscal quarter after June 30, 2014, the Senior Facilities provide term loan borrowings at interest rates based on a LIBOR plus a LIBOR Spread of 3.50%, or an Alternate Base Rate ("ABR") plus an ABR Spread of 2.50%. The LIBOR is subject to a minimum floor rate of 1.00% and the ABR is subject to a minimum floor of 2.00%. Additionally, the Senior Facilities provide Revolver borrowings at interest rates based on a LIBOR plus a LIBOR

Spread of 3.25%, or an ABR plus an ABR Spread of 2.25%. There is no minimum floor rate for Revolver loans. After the initial fiscal quarter, the borrowing rate shall be adjusted quarterly on a prospective basis on each adjustment date based upon total leverage ratio for initial term loans and the senior secured leverage ratio for Revolver loans. For the fiscal quarter beginning after September 30, 2014, the term loan borrowings will be at an adjusted interest rate of 4.5% and the Revolver loans will be at an adjusted interest rate of 3.41%.

Concurrent with the consummation of the Merger Transaction, Hillman Group issued $330.0 million aggregate principal amount of its senior notes due July 15, 2022 (the "6.375% Senior Notes"), which are guaranteed by Hillman Companies and its domestic subsidiaries other than the Hillman Group Capital Trust. Hillman Group pays interest on the 6.375% Senior Notes semi-annually on January 15 and July 15 of each year.

Prior to the consummation of the Merger Transaction, the Company, through Hillman Group, was party to a Senior Credit Agreement (the "Prior Credit Agreement"), consisting of a $30.0 million revolving credit line and a $384.4 million term loan. The facilities under the Prior Credit Agreement had a maturity date of May 28, 2017. In addition, the Company, through Hillman Group, had issued $265.0 million in aggregate principal amount of 10.875% Senior Notes that were scheduled to mature on June 1, 2018. In connection with the Merger Transaction, both the Prior Credit Agreement and the 10.875% Senior Notes were repaid and terminated.

In September 1997, The Hillman Group Capital Trust, a Grantor trust (the "Trust"), completed a $105.4 million underwritten public offering of 4,217,724 11.6% Trust Preferred Securities. The Trust invested the proceeds from the sale of the preferred securities in an equal principal amount of 11.6% Junior Subordinated Debentures of Hillman due September 2027. 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 a Deferral Period, the Company is required to accrue the full amount of all interest payable, and such deferred interest payable would become immediately payable by the Company at the end of the Deferral Period.

The Senior Facilities 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 Company is also required to comply, in certain circumstances, with a senior secured net leverage ratio covenant. This covenant only applies if, at the end of a fiscal quarter, there are outstanding Revolver borrowings in excess of 35% of the total revolving commitments. As of September 30, 2014, the Revolver loan amount of $3.0 million and outstanding letters of credit of $3.4 million represented 9% of total revolving commitments and this financial covenant was not in effect. The occurrence of an event of default permits the lenders under the Senior Facilities to accelerate repayment of all amounts due. The Company was in compliance with all provisions and covenants of the Senior Facilities as of September 30, 2014.

Acquisitions

On February 19, 2013, the Company acquired all of the issued and outstanding Class A common shares of H. Paulin & Co., Limited (the "Paulin Acquisition"). The aggregate purchase price of the Paulin Acquisition was $103.4 million paid in cash. On March 31, 2013, H. Paulin & Co., Limited was amalgamated with The Hillman Group Canada ULC and continues as a division operating under the trade name of H. Paulin & Co. ("Paulin").

Paulin is a leading Canadian distributor and manufacturer of fasteners, fluid system products, automotive parts, and retail hardware components. Paulin's distribution facilities are located across Canada in Vancouver, Edmonton, Winnipeg, Toronto, Montreal, and Moncton, as well as in Flint, Michigan, and Cleveland, Ohio. Paulin's manufacturing facilities are located in Ontario, Canada. For the year ended December 31, 2013, the post-acquisition revenues of H. Paulin & Co., Limited were approximately $130.5 million and the post-acquisition net income was approximately $3.0 million.

Results of Operations

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 periods of the three months ended September 30, 2014, and three months ended September 30, 2013.

	Successor		Predecessor	
	Three Months ended September 30, 2014		Three Months ended September 30, 2013	
(dollars in thousands)	Amount	% of Total	Amount	% of Total
Net sales	$195,956	100.0%	$192,382	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	99,655	50.9%	97,805	50.8%
Selling	27,224	13.9%	26,883	14.0%
Warehouse & delivery	22,394	11.4%	21,225	11.0%
General & administrative	8,036	4.1%	8,987	4.7%
Stock compensation	336	0.2%	1,524	0.8%
Transaction, acquisition and integration (a)	79	0.0%	1,362	0.7%
Depreciation	7,948	4.1%	5,759	3.0%
Amortization	7,866	4.0%	5,554	2.9%
Management fees to related party	138	0.1%	63	0.0%
Other expense	(1,026)	-0.5%	791	0.4%
Income from operations	23,306	11.9%	22,429	11.7%
Interest expense, net	14,674	7.5%	11,975	6.2%
Interest expense on junior subordinated notes	3,152	1.6%	3,152	1.6%
Investment income on trust common securities	(94)	0.0%	(95)	0.0%
Income before income taxes	5,574	2.8%	7,397	3.8%
Income tax provision	3,762	1.9%	5,649	2.9%
Net income	$ 1,812	0.9%	$ 1,748	0.9%

(a) Represents expenses for investment banking, legal and other professional fees incurred in connection with the Merger Transaction and the Paulin Acquisition.

Current Economic Conditions

The Company's business is impacted by general economic conditions in the North American and international markets, particularly the U.S. and Canadian retail markets including hardware stores, home centers, mass merchants, and other retailers. In recent quarters, operations have been negatively impacted by the slow, uneven growth in the U.S. economy and the retail market we sell into. Although there have been certain signs of improvement in the economy and stabilization of domestic credit markets from the height of the financial crisis, general expectations do not call for significant economic growth to return in the near term and may have the effect of reducing consumer spending which could adversely affect our results of operations during the remainder of 2014 and 2015.

Hillman is exposed to the risk of unfavorable changes in foreign currency exchange rates for the U.S. dollar versus local currency of our suppliers located primarily in China and Taiwan. Hillman purchases a significant variety of our products for resale from multiple vendors located in China and Taiwan. The purchase price of these products is routinely negotiated in U.S. dollar amounts rather than the local currency of the vendors and our suppliers' profit margins decrease when the U.S. dollar declines in value relative to the local currency. This puts pressure on our suppliers to increase prices to us. The U.S. dollar declined in value relative to the Chinese renminbi by approximately 0.25% in 2012, declined by 2.94% in 2013, and has increased by 0.55% as of September 30, 2014. The U.S. dollar declined in value relative to the Taiwan dollar by approximately by 3.11% in 2012, increased by 3.75% in 2013, and has increased by 1.15% as of September 30, 2014.

In addition, the negotiated purchase price of our products may be dependent upon market fluctuations in the cost of raw materials such as steel, zinc, and nickel used by our vendors in their manufacturing processes. The final purchase cost of our products may also be dependent upon inflation or deflation in the local economies of vendors in China and Taiwan that could impact the cost of labor used in the manufacture of our products. The Company does identify the directional impact of changes in our product cost, but the quantification of each of these variable impacts cannot be measured as to the individual impact on our product cost with a sufficient level of precision. The Company has not taken significant pricing action since 2012, however, the Company may take future pricing action, when warranted, in an attempt to offset a portion of product cost increases. The ability of the Company's operating divisions to institute price increases and seek price concessions, as appropriate, is dependent on competitive market conditions.

The Three Month Successor Period Ended September 30, 2014 vs the Three Month Predecessor Period Ended September 30, 2013

Net Sales

Net sales for the third quarter of 2014 were $196.0 million, an increase of $3.6 million compared to net sales of $192.4 million for the third quarter of 2013. The increase in revenue was primarily the result of sales improvement of fastener products in our franchise and independent customers and key products in our national accounts customers together with the Paulin business which contributed approximately $0.9 million in incremental net sales to the third quarter of 2014.

Expenses

Operating expenses were higher for the three months ended September 30, 2014 than the three months ended September 30, 2013. The primary reason for the increase in operating expenses was the increase in incremental costs resulting from higher sales volume together with higher depreciation and amortization expense related to assets acquired in connection with the Merger Transaction. The following changes in underlying trends impacted the change in operating expenses:

- The Company's cost of sales was $99.7 million, or 50.9% of net sales, in the third quarter of 2014, an increase of $1.9 million compared to $97.8 million, or 50.8% of net sales, in the third quarter of 2013. The primary reason for the increase in cost of sales in the third quarter of 2014 was the increase in net sales of $3.6 million from the prior year period. An unfavorable sales mix of more threaded rod, builders hardware, and Paulin products caused the cost of sales expressed as a percentage of net sales to increase slightly from the prior year.
- Selling expense was $27.2 million, or 13.9% of net sales, in the third quarter of 2014, an increase of $0.3 million compared to $26.9 million, or 14.0% of net sales, in the third quarter of 2013. The increase in selling expense was the result of higher commissions on key vending sales and higher sales service payroll and payroll benefit related expenditures.
- Warehouse and delivery expense was $22.4 million, or 11.4% of net sales, in the third quarter of 2014, an increase of $1.2 million compared to warehouse and delivery expense of $21.2 million, or 11.0% of net sales, in the third quarter of 2013. In the third quarter of 2014, higher warehouse and delivery expenses were attributable to the higher sales volume and higher freight, delivery, and insurance costs.
- General and administrative ("G&A") expenses were $8.0 million in the third quarter of 2014, a decrease of $1.0 million compared to $9.0 million in the third quarter of 2013. The G&A expenses in the 2014 period were less than the prior year period as a result of an adjustment to management bonuses for the reduced earnings level anticipated this year.
- The stock compensation expense was $0.3 million in the third quarter of 2014. Stock compensation expense was $1.5 million in the third quarter of 2013 as a result of an increase in the fair value of the underlying common stock and further vesting of stock options.
- Acquisition and integration costs of $1.4 million in the third quarter of 2013 were the result of the Paulin Acquisition and integration.
- Depreciation expense was $7.9 million in the third quarter of 2014 compared to $5.8 million in the third quarter of 2013. The increase in depreciation relates primarily to the increasing placement of FastKey machines in Walmart stores during the first nine months of 2014 and the last three months of 2013.
- Amortization expense was $7.9 million in the third quarter of 2014 compared to $5.6 million in the third quarter of 2013. This increase was the result of an increase in intangible assets subject to amortization acquired in the Merger Transaction.
- Interest expense, net, was $14.7 million in the third quarter of 2014 compared to $12.0 million in the third quarter of 2013. The increase in interest expense in the third quarter of 2014 was primarily the result of interest expense during July of approximately $2.4 million on the 10.875% Senior Notes prior to their cancellation in connection with the Merger Transaction. This was in addition to the third quarter interest on the 6.375% Senior Notes acquired in connection with the Merger Transaction.

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Results of Operations (continued)

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 periods for three months ended September 30, 2014, the six months ended June 29, 2014, and nine months ended September 30, 2013.

	Successor		Predecessor			
	Period from June 30, 2014 through September 30, 2014		Six Months ended June 29, 2014		Nine Months ended September 30, 2013	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$195,956	100.0%	$357,377	100.0%	$529,012	100.0%
Cost of sales (exclusive of depreciation and amortization shown separately below)	99,655	50.9%	183,342	51.3%	271,789	51.4%
Selling	27,224	13.9%	55,312	15.5%	75,848	14.3%
Warehouse & delivery	22,394	11.4%	41,449	11.6%	58,380	11.0%
General & administrative	8,036	4.1%	20,772	5.8%	26,178	4.9%
Stock compensation expense	336	0.2%	39,229	11.0%	6,365	1.2%
Transaction, acquisition and integration (a)	22,097	11.3%	31,681	8.9%	5,544	1.0%
Depreciation	7,948	4.1%	14,149	4.0%	17,574	3.3%
Amortization	7,866	4.0%	11,093	3.1%	16,559	3.1%
Management fees to related party	138	0.1%	15	0.0%	63	0.0%
Other (income) expense	(1,026)	-0.5%	(277)	-0.1%	2,926	0.6%
Income (loss) from operations	1,288	0.7%	(39,388)	-11.0%	47,786	9.0%
Interest expense, net	14,674	7.5%	23,150	6.5%	36,030	6.8%
Interest expense on junior subordinated notes	3,152	1.6%	6,305	1.8%	9,457	1.8%
Investment income on trust common securities	(94)	0.0%	(189)	-0.1%	(284)	-0.1%
Loss before income taxes	(16,444)	-8.4%	(68,654)	-19.2%	2,583	0.5%
Income tax benefit	(2,466)	-1.3%	(24,128)	-6.8%	757	0.1%
Net (loss) income	$ (13,978)	-7.1%	$ (44,526)	-12.5%	$ 1,826	0.3%

(a) Represents expenses for investment banking, legal and other professional fees incurred in connection with the Merger Transaction and the Paulin Acquisition.

Predecessor Period of January 1 – June 29, 2014 vs Predecessor Period of the Nine Months Ended September 30, 2013

Net Sales

Net sales for the first six months of 2014 were $357.4 million, or $2.84 million per shipping day, compared to net sales of $529.0 million, or $2.78 million per shipping day for the first nine months of 2013. The decrease in revenue of $171.6 million was directly attributable to comparing operating results of 126 shipping days in the first six months of 2014 to the results from 190 shipping days in the first nine months of 2013. The sales per shipping day of $2.84 million in the first six months of 2014 was approximately 2.2% higher than the sales per shipping day of $2.78 million in the first nine months of 2013. The inclusion of the Paulin business in the entire first six months of 2014 and sales improvement of fastener and key products contributed to the higher average sales per day amount.

Expenses

Operating expenses for the six months ended June 29, 2014 were $182.0 million, after excluding transaction costs of $26.3 million, compared to $206.5 million for the first nine months of 2013. The decrease in operating expense is primarily due to the shorter 126 day ship period in the first six months of 2014 which provided favorable operating expense variances as compared to the 190 day ship period in the first nine months of 2013. The first six months of 2014 also includes a significant amount of operating expenses as a result of administrative, stock compensation, and transaction expense incurred in connection with the Merger Transaction. The following changes in underlying trends impacted the change in operating expenses:

- The Company's cost of sales was $183.3 million, or 51.3% of net sales, in the first six months of 2014, compared to $271.8 million, or 51.4% of net sales, in the first nine months of 2013. The primary reason for the decrease in cost of sales was the shorter 126 day ship period in the first six months of 2014. Purchasing efficiencies and stable inventory prices allowed the cost of sales expressed as a percentage of net sales to improve slightly from the prior year.
- Selling expense was $55.3 million, or 15.5% of net sales, in the first six months of 2014, a decrease of $20.5 million compared to $75.8 million, or 14.3% of net sales, in the first nine months of 2013. The selling expense expressed as a percentage on net sales increased in the first six months of 2014 compared to the first nine months of 2013 as a result of costs attributable to the new Paulin business, higher set up costs on customer displays, commissions on key vending sales, and sales service payroll and payroll benefit related expenditures.
- Warehouse and delivery expense was $41.4 million, or 11.6% of net sales, in the first six months of 2014, a decrease of $17.0 million compared to warehouse and delivery expense of $58.4 million, or 11.0% of net sales, in the first nine months of 2013. In the first six months of 2014, warehouse and delivery expense expressed as a percentage on net sales increased compared to the first nine months of 2013 as a result of expenses attributable to the new Paulin business together with higher freight rates.
- General and administrative ("G&A") expenses were $20.8 million, or 5.8% of net sales, in the first six months of 2014, a decrease of $5.4 million compared to $26.2 million in the first nine months of 2013.
- Stock compensation expenses from stock options primarily related to the Merger Transaction resulted in cost of $39.2 million in the first six months of 2014. The stock compensation expense was $6.4 million in the first nine months of 2013. The increase in stock compensation expense was the result of an increase in the fair value of the underlying common stock and accelerated vesting of stock options as a result of the Merger Transaction.
- Transaction expenses of $31.7 million in the first six months of 2014 represent costs for investment banking, legal, and other expenses incurred in connection with the Merger Transaction. Acquisition and integration costs were $5.5 million in the first nine months of 2013 as a result of the Paulin Acquisition and integration.
- Depreciation expense was $14.1 million in the first six months of 2014, a decrease of $3.4 million compared to $17.6 million in the first nine months of 2013. The decrease in depreciation expense was the result of the shorter 126 day period in the first six months of 2014 compared to the 190 day period in the first nine months of 2013.
- Interest expense, net, was $23.2 million in the first six months of 2014 compared to $36.0 million in the first nine months of 2013. The decrease in interest expense was the result of the shorter 126 day period in the first six months of 2014 compared to the 190 day period in the first nine months of 2013.

Successor Period of June 30 – September 30, 2014 vs Predecessor Period of the Nine Months Ended September 30, 2013

Net Sales

Net sales for the third quarter of 2014 were $196.0 million, or $3.11 million per shipping day, compared to net sales of $529.0 million, or $2.78 million per shipping day for the first nine months of 2013. The decrease in revenue of $333.1 million was directly attributable to comparing operating results of 63 shipping days in the third quarter of 2014 to the results from 190 shipping days in the first nine months of 2013. The sales per shipping day of $3.11 million in the third quarter of 2014 was approximately 11.9% higher than the sales per shipping day of $2.78 million in the first nine months of 2013. The increase in sales per day during the third quarter of 2014 was the result of higher seasonal sales per day during the July through September period as compared to the lower seasonal sales per day for the January through June period of 2013.

Expenses

Operating expenses for the third quarter of 2014 were $73.7 million compared to $206.5 million for the first nine months of 2013. The decrease in operating expense is primarily due to the shorter 63 day ship period in the third quarter of 2014 which provided favorable operating expense variances as compared to the 190 day ship period in the first nine months of 2013. The first nine months of 2013 includes a significant amount of operating expenses as a result of acquisition and integration expense from the Paulin Acquisition and stock compensation from vesting and an increase in the fair value of the underlying common stock. The following changes in underlying trends impacted the change in operating expenses:

- The Company's cost of sales was $99.7 million, or 50.9% of net sales, in the third quarter of 2014, compared to $271.8 million, or 51.4% of net sales, in the first nine months of 2013. The primary reason for the decrease in cost of sales was the shorter 63 day ship period in the third quarter of 2014. Purchasing efficiencies and stable inventory prices allowed the cost of sales expressed as a percentage of net sales to improve from the prior year.
- Selling expense was $27.2 million, or 13.9% of net sales, in the third quarter of 2014, a decrease of $48.6 million compared to $75.8 million, or 14.3% of net sales, in the first nine months of 2013. The selling expense expressed as a percentage on net sales decreased in the third quarter of 2014 compared to the first nine months of 2013 as a result of less sales travel and customer display expense.
- Warehouse and delivery expense was $22.4 million, or 11.4% of net sales, in the third quarter of 2014, a decrease of $36.0 million compared to warehouse and delivery expense of $58.4 million, or 11.0% of net sales, in the first nine months of 2013. In the third quarter of 2014, warehouse and delivery expense expressed as a percentage on net sales increased compared to the first nine months of 2013 primarily as a result of higher freight rates.
- General and administrative ("G&A") expenses were $8.0 million, or 4.1% of net sales, in the third quarter of 2014, a decrease of $18.1 million compared to $26.2 million, or 4.9% of net sales in the first nine months of 2013. The G&A expenses in the 2014 period were less than the prior year period expressed as a percentage of net sales as a result of an adjustment to management bonuses for the reduced earnings level anticipated in 2014.
- The stock compensation expense of $0.3 million was recorded in the third quarter of 2014 as compared to $6.4 million in the first nine months of 2013. The stock compensation expense recorded in the 2013 period was the result of an increase in the fair value of the underlying common stock and vesting of stock options.
- Transaction expenses of $22.1 million were recorded in the period from June 30, 2014 through September 30, 2014 for legal, professional, diligence, and other expenses incurred by the Successor in connection with the Merger Transaction compared to acquisition and integration costs of $5.5 million in the first nine months of 2013 as a result of the Paulin Acquisition and integration.

- Depreciation expense was $7.9 million in the third quarter of 2014, a decrease of $9.6 million compared to $17.6 million in the first nine months of 2013. The decrease in depreciation expense was the result of the shorter 63 day period in the third quarter of 2014 compared to the 190 day period in the first nine months of 2013.
- Interest expense, net, was $14.7 million in the third quarter of 2014 compared to $36.0 million in the first nine months of 2013. The decrease in interest expense was the result of the shorter 63 day period in the first six months of 2014 compared to the 190 day period in the first nine months of 2013.

The following table provides supplemental information regarding our net sales and profitability by operating segment for the three months ended September 30, 2014 and 2013; the period from June 30 through September 30, 2014; the six months ended June 29, 2014; and the nine months ended September 30, 2013 (in 000's):

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Period from June 30, through September 30, 2014	Six Months Ended June 29, 2014	Nine Months Ended September 30, 2013
Segment Revenues					
United States, excluding All Points	$151,167	$ 147,750	$ 151,167	$269,009	$409,446
All Points	5,233	6,057	5,233	10,238	16,591
Canada	37,576	36,776	37,576	73,867	97,161
Mexico	1,775	1,583	1,775	3,620	5,253
Australia	205	216	205	643	561
Total revenues	$195,956	$ 192,382	$ 195,956	$357,377	$529,012
Segment Income (Loss) from Operations					
United States, excluding All Points	$ 19,069	$ 19,047	$ (2,949)	$ (44,830)	$ 41,199
All Points	496	553	496	896	1,537
Canada	4,053	2,860	4,053	4,214	5,277
Mexico	86	64	86	446	576
Australia	(398)	(95)	(398)	(114)	(803)
Total income (loss) from operations	$ 23,306	$ 22,429	$ 1,288	$ (39,388)	$ 47,786

Three Month Successor Period Ended September 30, 2014 compared to the Three Month Predecessor Period Ended September 30, 2013

Revenues

Net sales for the three months ended September 30, 2014 increased $3.6 million compared to the net sales for the three months ended September 30, 2013. The U.S. and Canada operating segments generated increased net sales of $3.4 million and $0.8 million, respectively. The increase in U.S. net sales was primarily the result of higher fastener sales to our franchise and independent customers and higher key sales to our national accounts customers. The increase in Canada net sales was the result of higher sales of fastener product to our Paulin customers.

Expenses

Operating expenses were approximately $73.0 million in the three months ended September 30, 2014 compared to $72.1 million in the three months ended September 30, 2013. The moderate increase in operating expenses in the 2014 period resulted from higher depreciation and amortization expense which was partially offset by a lower amount of SG&A expense.

- Cost of sales for the U.S. segment was $71.3 million, or 47.2% of net sales, in the three months ended September 30, 2014 compared to $70.6 million, or 47.8% of net sales in the three months ended September 30, 2013. Cost of sales for the All Points segment was $3.7 million, or 71.1%

of net sales in the three months ended September 30, 2014 compared to $4.4 million, or 73.1% of net sales in the three months ended September 30, 2013. Cost of sales for the Canada segment was $23.5 million, or 62.4% of net sales in the three months ended September 30, 2014 compared to $21.7 million, or 59.1% of net sales in the three months ended September 30, 2013. The Canada segment cost of sales increased in the third quarter of 2014 as a result of higher U.S. dollar denominated product costs and unfavorable currency exchange rates between the Canadian dollar and U.S. dollar.

- Selling, general, and administrative ("SG&A") expense for the U.S. segment was $45.6 million in the three months ended September 30, 2014 compared to $46.0 million in the three months ended September 30, 2013. The net decrease in SG&A expense was due to lower management bonuses and lower stock compensation expense which was partially offset by an increase in freight, delivery and insurance costs. The SG&A expense of the Canada segment was $10.5 million in the three months ended September 30, 2014 compared to $10.9 million in the three months ended September 30, 2013. The net decrease in SG&A expense was a result of lower warehouse salaries and wages together with lower shipping supplies expense.
- Depreciation and amortization expense for the U.S. segment was $14.9 million in the three months ended September 30, 2014 compared to $10.6 million in the three months ended September 30, 2013. Depreciation and amortization expense in the Canada segment was $0.8 million in the three months ended September 30, 2014 compared to $0.6 million in the three months ended September 30, 2013. The primary reasons for the increased expense in the 2014 period was the increase in fixed assets subject to depreciation and the increase in intangible assets subject to amortization due to the Merger Transaction.

Predecessor Period of January 1 - June 29, 2014 vs Predecessor Period of the Nine Months Ended September 30, 2013

Revenues

Net sales for the first six months of 2014 were $357.4 million, or $2.84 million per shipping day, compared to net sales of $529.0 million, or $2.78 million per shipping day, for the nine months ended September 30, 2013. The decrease in revenue of $171.6 million was directly attributable to comparing operating results of 126 shipping days in the first six months of 2014 to the results from 190 shipping days in the first nine months of 2013. The U.S. operating segment net sales per shipping day of $2.1 million for the first six months of 2014 was less than $0.1 million or 0.9% less than net sales of $2.2 million per shipping day for the nine months ended September 30, 2013. The decrease in net sales on a per day basis in the six month 2014 period compared to the nine month 2013 period was primarily the result of the inclusion of the higher seasonal sales during the third quarter of 2013. The Canada operating segment net sales per shipping day of $586 thousand for the first six months of 2014 was $75 thousand or 14.6% more than net sales of $511 thousand per shipping day for the nine months ended September 30, 2013. The increase in net sales on a per day basis in the six month 2014 period compared to the nine month 2013 period was primarily the result of the inclusion of the Paulin net sales for the full six month 2014 period while the nine month 2013 period contained Paulin net sales for only 157 of the 190 shipping days. The revenue impact of the remaining operating segments was not material to the overall variance between the two periods.

Expenses

Operating expenses for the first six months of 2014 of $213.7 million contained Merger Transaction related expense of $39.2 million for stock compensation and $31.7 million for transaction expenses. The operating expenses for the 2014 period, excluding Merger Transaction related expenses of $70.9 million, were $142.8 million, or $1.1 million per shipping day, compared to operating expenses of $206.5 million, or $1.1 million per shipping day for the nine months ended September 30, 2013. The decrease in operating expenses, excluding the Merger Transaction expenses, was directly attributable to comparing operating results of 126 shipping days in the first six months of 2014 to the results from 190 shipping days in the first nine months of 2013.

- Cost of sales for the U.S. segment was $127.9 million, or 47.6% of net sales, in the first six months of 2014 compared to $196.9 million, or 48.1% of net sales, in the nine months ended September 30, 2013. The U.S. segment cost of sales expressed as a percentage of net sales decreased in the 2014 period compared to the 2013 period as a result of purchasing efficiencies and stable product costs. Cost of sales for the Canada segment was $45.9 million, or 62.2% of net sales, in the first six months of 2014 compared to $59.9 million, or 61.6% of net sales, in the nine months ended September 30, 2013. The Canada segment cost of sales expressed as a percentage of net sales increased in 2014 period compared to the 2013 period as a result of higher U.S. dollar denominated product costs and unfavorable currency exchange between the Canadian dollar and U.S. dollar. Cost of sales for the All Points segment was $7.2 million, or 70.7% of net sales, in the first six months of 2014 compared to $11.9 million, or 71.6% of net sales, in the nine months ended September 30, 2013. The All Points segment cost of sales expressed as a percentage of net sales decreased in the 2014 period compared to the 2013 period as a result of a favorable product mix.
- SG&A expense for the U.S. segment was $131.0 million in the first six months of 2014 compared to $134.2 million in the nine months ended September 30, 2013. Stock compensation expense related to the Merger Transaction was $39.6 million in the 2014 period compared to stock compensation expense of $6.4 million in the 2013 period. The decrease in SG&A expense in the 2014 period after excluding the stock compensation expense was the result of comparing a six month 2014 period to a nine month 2013 period.
- Depreciation and amortization expense for the U.S. segment was $23.4 million in the first six months of 2014 compared to $32.3 million in the nine months ended September 30, 2013. The shorter six month period in 2014 compared to the nine month period in 2013 was the primary reason for the decreased expense.

Successor Period of June 30 - September 30, 2014 vs Predecessor Period of the Nine Months Ended September 30, 2013

Revenues

Net sales for the three month period from June 30 to September 30, 2014 (the “June to September 2014 Period”) were $196.0 million, or $3.1 million per shipping day, compared to net sales of $529.0 million, or $2.8 million per shipping day, for the nine months ended September 30, 2013. The decrease in revenue of $333.0 million was directly attributable to comparing operating results of 63 shipping days in the June to September 2014 Period to the results from 190 shipping days in the first nine months of 2013. The U.S. operating segment net sales per shipping day of $2.4 million for the June to September 2014 Period were $245 thousand or 11.3% more than net sales of $2.2 million per shipping day for the nine months ended September 30, 2013. The increase in net sales on a per day basis in the June to September 2014 Period compared to the nine month 2013 period was primarily the result of the higher seasonal sales

during the summer months of the shorter June to September 2014 Period. The Canada operating segment net sales per shipping day of $0.6 million for the June to September 2014 Period were $85 thousand or 16.6% more than net sales of $0.5 million per shipping day for the nine months ended September 30, 2013. The increase in net sales on a per day basis in the June to September 2014 Period compared to the nine month 2013 period was primarily the result of the higher seasonal sales during the summer months of the shorter June to September 2014 Period. The revenue impact of the remaining operating segments was not material to the overall variance between the two periods.

Expenses

Operating expenses for the June to September 2014 Period of $96.0 million contained Merger Transaction related expense of $22.1 million. The operating expenses for the June to September 2014 Period, excluding Merger Transaction related expenses of $22.1 million, were $73.9 million, or $1.2 million per shipping day, compared to operating expenses of $206.5 million, or $1.1 million per shipping day, for the nine months ended September 30, 2013. The decrease in operating expenses, excluding the Merger Transaction expenses, was directly attributable to comparing operating results of 63 shipping days in the June to September 2014 Period to the results from 190 shipping days in the first nine months of 2013.

- Cost of sales for the U.S. segment was $71.3 million, or 47.2% of net sales, in the June to September 2014 Period compared to $196.9 million, or 48.1% of net sales, in the nine months ended September 30, 2013. The U.S. segment cost of sales expressed as a percentage of net sales decreased in the 2014 Period compared to the 2013 period as a result of purchasing efficiencies and stable product costs. Cost of sales for the Canada segment was $23.5 million, or 62.4% of net sales, in the June to September Period compared to $59.9 million, or 61.6% of net sales, in the nine months ended September 30, 2013. The Canada segment cost of sales expressed as a percentage of net sales increased in the June to September 2014 Period compared to the 2013 period as a result of higher U.S. denominated product costs and unfavorable currency exchange rates between the Canadian dollar and U.S. dollar. Cost of sales for the All Points segment was $3.7 million or 71.1% of net sales in the June to September 2014 Period compared to $11.9 million, or 71.6% of net sales, in the nine months ended September 30, 2013. The All Points segment cost of sales expressed as a percentage of net sales decreased in the 2014 period compared to the 2013 period as a result of a favorable product mix.
- SG&A expense for the U.S. segment was $45.9 million, or 30.4% of net sales in the June to September 2014 Period compared to $134.2 million or 32.8% of net sales in the nine months ended September 30, 2013. Transaction expense related to the Merger Transaction was $22.1 million in the 2014 period compared to Paulin Acquisition costs of $5.5 million together with stock compensation costs of $6.4 million in the 2013 period. The decrease in SG&A expense in the June to September 2014 Period after excluding the Merger Transaction and Paulin Acquisition expenses was the result of comparing a three month 2014 period to a nine month 2013 period.
- Depreciation and amortization expense for the U.S. segment was $14.9 million in the June to September 2014 Period compared to $32.3 million in the nine months ended September 30, 2013. The shorter three month period in 2014 compared to the nine month period in 2013 was the primary reason for the decreased expense.

Income Taxes

In the three month and one day Successor period ended September 30, 2014, the Company recorded an income tax benefit of ($2.5) million on a pre-tax loss of ($16.4) million. In the three month Successor period ended September 30, 2014, the company recorded a tax provision of $3.8 million on pre-tax income of $5.6 million. The effective income tax rates were 15.0% and 67.5% for the three month and one day Successor period ended September 30, 2014 and the three month Successor period ended September 30, 2014 respectively. In the six month Predecessor period ended June 29, 2014, the Company recorded an income tax benefit of ($24.1) million on a pre-tax loss of ($68.6) million. The effective income tax rate was 35.1% for the six month Predecessor period ended June 29, 2014.

In the nine month Predecessor period ended September 30, 2013, the Company recorded an income tax provision of $757 thousand on pre-tax income of $2.6 million. In the three month Predecessor period ended September 30, 2013, the Company recorded an income tax provision of $5.6 million on pre-tax income of $7.4 million. The effective income tax rates were 29.3% and 76.4% for the nine and three month Predecessor periods ended September 30, 2013, respectively.

The differences between the effective income tax rate and the federal statutory rate in the three month and one day Successor period ended September 30, 2014, and the six month Predecessor period ended June 29, 2014 were affected by certain non-deductible costs associated with the Merger Transaction. The difference between the effective income tax rate and the federal statutory rate in the six month Predecessor period ended June 29, 2014 was also affected by changes, in the second quarter, in certain state income tax rates used in computing the Company’s deferred tax assets and liabilities. The remaining differences between the federal statutory rate and the effective tax rate in the three month and one day Successor period ended September 30, 2014 and the three month Successor period ended September 30, 2014 was primarily due to state and foreign income taxes. The remaining difference between the effective income tax rate and the federal statutory rate in the six month Predecessor period ended June 29, 2014 was primarily due to state and foreign income taxes.

The differences between the effective income tax rate and the federal statutory rate in the nine month and three month Predecessor periods ended September 30, 2013 were affected by a reversal of a reserve recorded for unrecognized tax benefits due to the expiration of the statute of limitations from an earlier tax period. The difference was also due in part to a valuation reserve recorded to offset the deferred tax assets of a foreign subsidiary. The effective income tax rates in the nine month and three month Predecessor periods ended September 30, 2013 were affected by the change 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 effective income tax rate in the nine month Predecessor period ended September 30, 2013 was also affected by changes, recorded during the second quarter, in certain state income tax rates used in computing the Company’s deferred tax assets. The remaining differences between the effective income tax rate and the federal statutory rate in the nine month and three month Predecessor periods ended September 30, 2013 were primarily due to state and foreign income taxes.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the three months ended September 30, 2014 (Successor), the one day ended June 30, 2014 (Successor), the six months ended June 29, 2014 (Predecessor) and the nine months ended September 30, 2013 (Predecessor) by classifying transactions into three major categories: operating, investing and financing activities. The cash flows from the Merger Transaction are separately discussed below.

Merger Transaction

In connection with the Merger Transaction, Successor Holdco issued common stock for $542.9 million in cash. Proceeds from borrowings under the Senior Facilities provided an additional $566.0 million and proceeds from the 6.375% Senior Notes provided $330.0 million, less net aggregate financing fees of $26.4 million. The debt and equity proceeds were used to repay the existing senior debt, 10.875% Senior Notes, and accrued interest thereon of $657.6 million, to repurchase the existing shareholders' common equity and stock options of $729.6 million. The remaining proceeds were used to pay transaction expenses of $22.0 million and prepaid expenses of $0.1 million.

Operating Activities

Excluding $40.2 million in cash used for the Merger Transaction, net cash provided by operating activities for the three months ended September 30, 2014 was $1.6 million and was the result of the net income adjusted for non-cash items of $25.6 million for depreciation, amortization, deferred taxes, deferred financing, and stock-based compensation together with cash related adjustments of $24.0 million for routine operating activities, represented by changes in accounts receivable, inventories, accounts payable, accrued liabilities, and other assets. During the three months ended September 30, 2014, routine operating activities provided cash through a decrease in accounts receivable of $1.9 million, an increase in accounts payable of 0.5 million and a decrease in other items of $2.9 million. This was partially offset by an increase in inventories of $7.5 million, a decrease in other accrued liabilities of $14.1 million, an increase in other assets of $7.7 million.

Net cash provided by operating activities for the six months ended June 29, 2014 of $11.7 million was the result of the net loss adjusted for non-cash items of $41.3 million for depreciation, amortization, deferred taxes, deferred financing, and stock-based compensation together with cash related adjustments of $14.9 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 2014, routine operating activities used cash through an increase in accounts receivable of $25.2 million, an increase in inventories of $17.9 million, and an increase in other items of $3.8 million. This was partially offset by an increase in accounts payable of $20.8 million, an increase in other accrued liabilities of $31.2 million, decrease in other assets of $8.9 million, and an increase of $1.0 million in interest payable on the junior subordinated debentures. In the first six months of 2014, increases in the accounts payable and accrued liabilities provided cash that was primarily used for seasonal increases in accounts receivable and inventory.

Net cash provided by operating activities for the nine months ended September 30, 2013 of $20.7 million was the result of the net income adjusted for non-cash items of $41.6 million for depreciation, amortization, deferred taxes, deferred financing, stock-based compensation and non-cash interest which was offset by cash related adjustments of $22.7 million for routine operating activities represented by changes in accounts receivable, inventories, accounts payable, accrued liabilities and other assets. In the first nine months of 2013, routine operating activities used cash through an increase in accounts receivable of $26.7 million, an increase in inventories of $11.2 million and other items of $2.5 million. This was partially offset by a decrease in other assets of $0.4 million, an increase in other accrued liabilities of $5.5 million, an increase in accounts payable of $5.8 million and an increase of $1.0 million in interest payable on the junior subordinated debentures. In the first nine months of 2013, the increase in accounts receivable was the primary use of cash flow from operating activities for the period.

Investing Activities

Excluding $729.6 million in cash used for the Merger Transaction, net cash used by investing activities for the three months ended September 30, 2014 was $6.1 million and consisted of $2.0 million for key duplicating machines, $0.8 million for engraving machines, $1.6 million for computer software and equipment, and $1.7 million for machinery and equipment. Capital expenditures for the six months ended June 29, 2014 totaled $12.9 million, consisting of $6.7 million for key duplicating machines, $2.9 million for engraving machines, $2.8 million for computer software and equipment, and $0.5 million for machinery and equipment.

Net cash used for investing activities was $130.7 million for the nine months ended September 30, 2013. The Company used $103.4 million for the Paulin Acquisition. Capital expenditures for the nine months totaled $27.3 million, consisting of $17.3 million for key duplicating machines, $3.4 million for engraving machines, $4.4 million for computer software and equipment and $2.2 million for machinery and equipment.

Financing Activities

Excluding $764.2 million in cash provided by borrowings related to the Merger Transaction, net cash used by financing activities was $13.0 million for the three months ended September 30, 2014. The Company used $13.0 million of cash for the repayment of revolving credit loans.

Net cash used for financing activities was $0.6 million for the six months ended June 29, 2014. The Company received cash of $0.5 million from the exercise of stock options and used cash to pay $1.0 million in principal payments on the senior term loans under the Senior Facilities and $0.1 million in principal payments under capitalized lease obligations.

Net cash provided by financing activities was $71.1 million for the nine months ended September 30, 2013. The borrowings on senior term loans provided $74.6 million, net of the discount of $2.2 million, and were used together with a portion of the recent borrowings on the 10.875% Senior Notes to pay the purchase price of the Paulin Acquisition and for other corporate purposes. In addition, the Company used cash to pay $2.8 million in principal payments on the senior term loans under the Senior Facilities and $0.7 million in principal payments on other credit obligations.

Liquidity

The Company's management believes that 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 $239.6 million as of September 30, 2014 represents an increase of $0.8 million from the December 31, 2013 level of $238.8 million.

Contractual Obligations

The Company's contractual obligations in thousands of dollars as of September 30, 2014 were as follows:

		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)	$ 130,915	$ —	$ —	$ —	$ 130,915
Interest on Jr Subordinated Debentures	159,008	12,231	24,463	24,463	97,851
Senior Term Loans	550,000	5,500	11,000	11,000	522,500
Bank Revolving Credit Facility	3,000	—	—	3,000	—
6.375% Senior Notes	330,000	—	—	—	330,000
KeyWorks License Agreement	2,478	422	800	744	512
Interest Payments (2)	329,132	49,835	90,722	89,789	98,786
Operating Leases	61,377	9,517	13,100	9,913	28,847
Deferred Compensation Obligations	2,077	280	—	—	1,797
Capital Lease Obligations	746	299	346	91	10
Purchase Obligations (3)	933	350	583	—	—
Other Obligations	1,713	719	795	199	—
Uncertain Tax Position Liabilities	447	—	—	55	392
Total Contractual Cash Obligations (4)	$1,571,826	$79,153	$141,809	$139,254	$1,211,610

(1) The junior subordinated debentures liquidation value is approximately $108,704.

(2) Interest payments for borrowings under the Senior Facilities, the 6.375% Senior Notes, and Revolver borrowings. Interest payments on the variable rate Senior Term Loans were calculated using the actual interest rate of 4.50% as of September 30, 2014. Interest payments on the 6.375% Senior Notes were calculated at their fixed rate. Interest payments on the Revolver borrowings were calculated using the actual interest rate of 3.41%.

(3) The Company has a purchase agreement with our 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 2013, the Company extended this contract for an additional three years.

(4) All of the contractual obligations noted above are reflected on the Company's condensed consolidated balance sheet as of September 30, 2014 except for the interest payments, purchase obligations, and operating leases.

As of September 30, 2014, 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 (the "Exchange Act").

Borrowings

As of September 30, 2014, the Company had $63.6 million available under the Senior Facilities. The Company had approximately $553.7 million of outstanding debt under its Senior Facilities at September 30, 2014, consisting of $550.0 million in a term loan, $3.0 million in Revolver borrowings, and $0.7 million in capitalized lease and other obligations. The term loan consisted of a $550.0 million Term B-2 Loan at an interest rate of 4.5%. The Revolver borrowings consisted of $3.0 million at an interest rate of 3.41% and the capitalized lease obligations were at various interest rates.

At September 30, 2014 and December 31, 2013, the Company's borrowings were as follows:

	Successor			Predecessor		
	September 30, 2014			December 31, 2013		
(dollars in thousands)	Facility Amount	Outstanding Amount	Interest Rate	Facility Amount	Outstanding Amount	Interest Rate
Term B-2 Loan		$550,000	4.50%		$385,399	3.75%
Revolving credit facility	$70,000	3,000	3.41%	$30,000	—	—
Capital leases & other obligations		667	various		556	various
Total secured credit		553,667			385,955	
Senior notes		330,000	6.375%		265,000	10.875%
Total borrowings		$883,667			$650,955	

Descriptions of the Company's credit agreement governing the Senior Facilities, as amended, and the Senior Notes are contained in the "Financing Arrangements" section of this report on Form 10-Q.

Terms of the Senior Facilities subject the Company to a revolving facility test condition whereby a senior secured leverage ratio covenant of no greater than 6.5 times last twelve months Adjusted EBITDA comes into effect if more than 35% of the total Revolver commitment is drawn or utilized in letters of credit at the end of a fiscal quarter. If this covenant comes into effect, it may restrict the Company's ability to incur debt, make investments, pay dividends to holders of the Trust Preferred Securities, or undertake certain other business activities. As of September 30, 2014, the total revolving credit commitment of the Company was 9% utilized.

Adjusted EBITDA for the twelve months ended September 30, 2014 is $134,816. Adjusted EBITDA is defined as loss from operations ($-29,444), plus depreciation ($29,319), amortization ($24,512), stock compensation expense ($42,206), restructuring costs ($2,140),transaction costs ($55,299), acquisition and integration costs ($4,955), foreign exchange gains ($-424), management fees ($167), losses on dispositions of PP&E ($676), other ($418) and pro forma cost savings ($4,992).

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 that these estimates and assumptions are reasonable based on the facts and circumstances as of September 30, 2014, however, actual results may differ from these estimates under different assumptions and circumstances.

Our critical accounting policies and estimates are discussed in the "Critical Accounting Policies and Estimates" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Predecessor Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission. In addition, our most significant accounting policies are discussed in Note 2 and elsewhere in the Notes to the Consolidated Financial Statements included in the Predecessor Annual Report on Form 10-K for the year ended December 31, 2013, which includes audited financial statements.

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Item 3.

Quantitative and Qualitative Disclosures About Market Risk

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

Based on the Company's exposure to variable rate borrowings at September 30, 2014, after consideration of the Company's LIBOR floor rate and interest rate swap agreements, 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 $4.2 million.

The Company is exposed to foreign exchange rate changes of the Australian, Canadian, and Mexican currencies as it impacts the $116.7 million tangible and intangible net asset value of our Australian, Canadian, and Mexican subsidiaries as of September 30, 2014. The foreign subsidiaries net tangible assets were $73.6 million and the net intangible assets were $43.1 million as of September 30, 2014.

The Company utilizes foreign exchange forward contracts and interest rate swaps to manage the exposure to currency fluctuations in the Canadian dollar versus the U.S. Dollar.

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 Exchange Act. Based upon that evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective, as of September 30, 2014, 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 Exchange Act) that occurred during the quarter ended September 30, 2014 and that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. – Legal Proceedings.

The information set forth under Note 6 to the accompanying condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A – Risk Factors.

There have been no material changes to the risks related to the Company from those disclosed in Part II, Item 1A of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

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

Not Applicable

Item 3. – Defaults Upon Senior Securities.

Not Applicable

Item 4. – Mine Safety Disclosures .

Not Applicable

Item 5. – Other Information.

Not Applicable

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Item 6. – Exhibits.

a) Exhibits, including those incorporated by reference.

31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act
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.
99.1 *	Supplemental Consolidating Guarantor and Non-Guarantor Financial Information.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Securities and Exchange Commission on November 14, 2014, formatted in eXtensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, (ii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, (iv) Condensed Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2014, and (v) Notes to Condensed Consolidated Financial Statements.

* Filed herewith.

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SIGNATURES

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

THE HILLMAN COMPANIES, INC.

/s/ Anthony A. Vasconcellos	/s/ Harold J. Wilder
Anthony A. Vasconcellos	Harold J. Wilder
Chief Financial Officer	Controller
	(Chief Accounting Officer)

DATE: November 14, 2014

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE 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-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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2014

/s/ James P. Waters

James P. Waters
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Anthony A. Vasconcellos, 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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2014

/s/ Anthony A. Vasconcellos
Anthony A. Vasconcellos
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (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 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/ James P. Waters

Name: James P. Waters

Date: November 14, 2014

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (the “Report”) of The Hillman Companies, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof; I, Anthony A. Vasconcellos, 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/ Anthony A. Vasconcellos
Name: Anthony A. Vasconcellos
Date: November 14, 2014

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

The 6.375% Senior Notes, of which $330,000 aggregate principal amount was outstanding as of September 30, 2014, were issued by Hillman Group and are fully and unconditionally guaranteed on a joint and several basis by The Hillman Companies, Inc., Hillman Investment Company, and certain of the 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 comprehensive loss, balance sheets, and cash flows for the Hillman Group, all guarantor subsidiaries, all non-guarantor subsidiaries, and the eliminations necessary to provide the consolidated results for the Hillman Companies 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
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statements of Comprehensive Income (Unaudited)
For the three months ended September 30, 2014
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 151,167	$ 5,233	$ 39,556	$ —	$ 195,956
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	71,287	3,721	24,647	—	99,655
Selling, general and administrative expenses	332	45,556	995	11,107	—	57,990
Transaction, acquisition and integration expenses	—	79	—	—	—	79
Depreciation	—	7,261	21	666	—	7,948
Amortization	6,835	772	—	259	—	7,866
Intercompany administrative (income) expense	—	(108)	—	108	—	—
Management and transaction fees to related party	—	138	—	—	—	138
Other (income) expense, net	5	(59)	—	(972)	—	(1,026)
(Loss) income from operations	(7,172)	26,241	496	3,741	—	23,306
Intercompany interest (income) expense	(3,057)	3,057	—	—	—	—
Interest (income) expense, net	(226)	13,137	—	1,763	—	14,674
Interest expense on junior subordinated debentures	3,152	—	—	—	—	3,152
Investment income on trust common securities	(94)	—	—	—	—	(94)
(Loss) income before equity in subsidiaries' income	(6,947)	10,047	496	1,978	—	5,574
Equity in subsidiaries' (loss) income	10,995	1,013	—	—	(12,008)	—
(Loss) income before income taxes	4,048	11,060	496	1,978	(12,008)	5,574
Income tax (benefit) provision	2,236	65	338	1,123	—	3,762
Net (loss) income	$ 1,812	$ 10,995	$ 158	$ 855	$ (12,008)	$ 1,812
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	(4,766)	—	(12,209)	12,095	(4,880)
Total comprehensive (loss) income	$ 1,812	$ 6,229	$ 158	$ (11,354)	$ 87	$ (3,068)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statements of Comprehensive Income (Unaudited)
For the three months ended September 30, 2013
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 144,589	$ 9,218	$ 38,575	$ —	$ 192,382
Cost of sales (exclusive of depreciation and amortization shown below)	—	68,492	6,574	22,739	—	97,805
Selling, general and administrative expenses	1,672	43,576	1,792	11,579	—	58,619
Acquisition and integration expenses	—	639	11	712	—	1,362
Depreciation	—	5,276	21	462	—	5,759
Amortization	4,515	772	—	267	—	5,554
Intercompany administrative (income) expense	—	(88)	—	88	—	—
Management fees to related party	—	63	—	—	—	63
Other (income) expense, net	(148)	987	53	(101)	—	791
Income (loss) from operations	(6,039)	24,872	767	2,829	—	22,429
Intercompany interest (income) expense	(3,058)	3,058	—	—	—	—
Interest expense, net	(49)	10,208	—	1,816	—	11,975
Interest expense on junior subordinated debentures	3,152	—	—	—	—	3,152
Investment income on trust common securities	(95)	—	—	—	—	(95)
Income (loss) before equity in subsidiaries' income	(5,989)	11,606	767	1,013	—	7,397
Equity in subsidiaries' income (loss)	14,679	3,073	—	—	(17,752)	—
Income (loss) before income taxes	8,690	14,679	767	1,013	(17,752)	7,397
Income tax provision (benefit)	6,942	—	(2,240)	947	—	5,649
Net income (loss)	$ 1,748	$ 14,679	$ 3,007	$ 66	$ (17,752)	$ 1,748
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	2,122	—	(163)	—	1,959
Total comprehensive income (loss)	$ 1,748	$ 16,801	$ 3,007	$ (97)	$ (17,752)	$ 3,707

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statements of Comprehensive Income (Unaudited)
For the period from June 30, 2014 through September 30, 2014
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 151,167	$ 5,233	$ 39,556	$ —	$ 195,956
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	71,287	3,721	24,647	—	99,655
Selling, general and administrative expenses	332	45,556	995	11,107	—	57,990
Transaction, acquisition and integration expenses	22,018	79	—	—	—	22,097
Depreciation	—	7,261	21	666	—	7,948
Amortization	6,835	772	—	259	—	7,866
Intercompany administrative (income) expense	—	(108)	—	108	—	—
Management and transaction fees to related party	—	138	—	—	—	138
Other (income) expense, net	5	(59)	—	(972)	—	(1,026)
(Loss) income from operations	(29,190)	26,241	496	3,741	—	1,288
Intercompany interest (income) expense	(3,057)	3,057	—	—	—	—
Interest (income) expense, net	(226)	13,137	—	1,763	—	14,674
Interest expense on junior subordinated debentures	3,152	—	—	—	—	3,152
Investment income on trust common securities	(94)	—	—	—	—	(94)
(Loss) income before equity in subsidiaries' income	(28,965)	10,047	496	1,978	—	(16,444)
Equity in subsidiaries' (loss) income	10,995	1,013	—	—	(12,008)	—
(Loss) income before income taxes	(17,970)	11,060	496	1,978	(12,008)	(16,444)
Income tax (benefit) provision	(3,992)	65	338	1,123	—	(2,466)
Net (loss) income	$ (13,978)	$ 10,995	$ 158	$ 855	$ (12,008)	$ (13,978)
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	(4,766)	—	(12,209)	12,095	(4,880)
Total comprehensive (loss) income	$ (13,978)	$ 6,229	$ 158	$ (11,354)	$ 87	$ (18,858)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statements of Comprehensive Income (Loss) (Unaudited)
For the six months ended June 29, 2014
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 263,194	$ 16,053	$ 78,130	$ —	$ 357,377
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	123,971	11,185	48,186	—	183,342
Selling, general and administrative expenses	39,324	90,090	3,656	23,692	—	156,762
Transaction, acquisition and integration expenses	—	31,681	—	—	—	31,681
Depreciation	—	12,789	48	1,312	—	14,149
Amortization	9,029	1,543	—	521	—	11,093
Intercompany administrative (income) expense	—	(216)	—	216	—	—
Management and transaction fees to related party	—	15	—	—	—	15
Other (income) expense, net	(95)	151	10	(343)	—	(277)
(Loss) income from operations	(48,258)	3,170	1,154	4,546	—	(39,388)
Intercompany interest (income) expense	(6,117)	6,117	—	—	—	—
Interest (income) expense, net	(103)	19,802	—	3,451	—	23,150
Interest expense on junior subordinated debentures	6,305	—	—	—	—	6,305
Investment income on trust common securities	(189)	—	—	—	—	(189)
(Loss) income before equity in subsidiaries' income	(48,154)	(22,749)	1,154	1,095	—	(68,654)
Equity in subsidiaries' (loss) income	(21,498)	1,251	—	—	20,247	—
(Loss) income before income taxes	(69,652)	(21,498)	1,154	1,095	20,247	(68,654)
Income tax (benefit) provision	(25,126)	—	426	572	—	(24,128)
Net (loss) income	$ (44,526)	$ (21,498)	$ 728	$ 523	$ 20,247	$ (44,526)
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	(151)	—	(102)	158	(95)
Total comprehensive (loss) income	$ (44,526)	$ (21,649)	$ 728	$ 421	$ 20,405	$ (44,621)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statements of Comprehensive Income (Unaudited)
For the nine months ended September 30, 2013
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 401,351	$ 24,686	$102,975	$ —	$ 529,012
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	191,012	17,719	63,058	—	271,789
Selling, general and administrative expenses	6,582	125,874	4,816	29,499	—	166,771
Acquisition and integration expenses	—	2,936	62	2,546	—	5,544
Depreciation	—	16,409	56	1,109	—	17,574
Amortization	13,544	2,315	—	700	—	16,559
Intercompany administrative (income) expense	—	(261)	—	261	—	—
Management and transaction fees to related party	—	63	—	—	—	63
Other (income) expense, net	(217)	2,434	(43)	752	—	2,926
Income (loss) from operations	(19,909)	60,569	2,076	5,050	—	47,786
Intercompany interest (income) expense	(9,174)	9,178	—	(4)	—	—
Interest expense, net	(141)	31,638	—	4,533	—	36,030
Interest expense on junior subordinated debentures	9,457	—	—	—	—	9,457
Investment income on trust common securities	(284)	—	—	—	—	(284)
Income (loss) before equity in subsidiaries' income	(19,767)	19,753	2,076	521	—	2,583
Equity in subsidiaries' income (loss)	22,229	2,476	—	—	(24,705)	—
Income (loss) before income taxes	2,462	22,229	2,076	521	(24,705)	2,583
Income tax provision (benefit)	636	—	(1,300)	1,421	—	757
Net income (loss)	$ 1,826	$ 22,229	$ 3,376	$ (900)	$ (24,705)	$ 1,826
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	(2,100)	—	(154)	—	(2,254)
Total comprehensive income (loss)	$ 1,826	$ 20,129	$ 3,376	$ (1,054)	$ (24,705)	$ (428)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Balance Sheet (Unaudited)
As of September 30, 2014
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1	$ 5,153	$ 530	$ 4,877	$ —	$ 10,561
Restricted investments	280	—	—	—	—	280
Accounts receivable, net	—	81,319	1,975	27,898	—	111,192
Inventories, net	—	130,081	5,864	64,267	(339)	199,873
Deferred income taxes	8,729	277	604	879	(110)	10,379
Other current assets	—	7,601	104	2,439	—	10,144
Total current assets	9,010	224,431	9,077	100,360	(449)	342,429
Intercompany notes receivable	105,446	112,408	(8,024)	(104,384)	(105,446)	—
Intercompany interest receivable	9,174	6,983	—	—	(16,157)	—
Investments in subsidiaries	(938,613)	23,704	158	257,557	657,194	—
Property and equipment, net	—	79,760	272	12,450	—	92,482
Goodwill	964,599	355,070	(62)	19,512	(548,026)	791,093
Other intangibles, net	499,142	40,644	250	23,550	—	563,586
Restricted investments	1,797	—	—	—	—	1,797
Deferred income taxes	54,327	143	(608)	(850)	(53,012)	—
Deferred financing fees	—	25,331	—	—	—	25,331
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	1,237	25	105	—	1,367
Total assets	$ 708,143	$ 869,711	$ 1,088	$ 308,300	$ (65,896)	$1,821,346
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 46,303	$ 319	$ 13,665	$ —	$ 60,287
Current portion of senior term loans	—	5,500	—	—	—	5,500
Current portion of capitalized lease and other obligations	—	266	—	—	—	266
Interest payable on junior subordinated debentures	1,019	—	—	—	—	1,019
Intercompany interest payable	—	9,174	—	6,983	(16,157)	—
Accrued expenses:						
Salaries and wages	—	4,367	130	1,185	—	5,682
Pricing allowances	—	3,410	8	4,046	—	7,464
Income and other taxes	(824)	2,300	105	1,907	—	3,488
Interest	—	9,324	—	—	—	9,324
Deferred compensation	280	—	—	—	—	280
Other accrued expenses	—	8,094	44	1,371	—	9,509
Total current liabilities	475	88,738	606	29,157	(16,157)	102,819

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Balance Sheet (Unaudited)
As of September 30, 2014
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY(CONTINUED)						
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Long term senior term loans	—	544,500	—	—	—	544,500
Bank revolving credit	—	3,000	—	—	—	3,000
Long term portion of capitalized leases and other obligations	—	401	—	—	—	401
Long term senior notes	—	330,000	—	—	—	330,000
Junior subordinated debentures	130,915	—	—	—	—	130,915
Deferred compensation	1,797	—	—	—	—	1,797
Deferred income taxes, net	222,929	—	274	7,944	(53,122)	178,025
Other non-current liabilities	—	3,144	—	1,338	—	4,482
Total liabilities	356,116	1,075,229	880	38,439	(174,725)	1,295,939
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at September 30, 2014	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, issued and outstanding at September 30, 2014	—	—	50	—	(50)	—
Additional paid-in capital	545,265	—	—	303,852	(304,852)	544,265
Accumulated deficit	(193,238)	(200,752)	158	(8,722)	388,576	(13,978)
Accumulated other comprehensive (loss) income	—	(4,766)	—	(25,269)	25,155	(4,880)
Total stockholders' equity	352,027	(205,518)	208	269,861	108,829	525,407
Total liabilities and stockholders' equity	$ 708,143	$ 869,711	$ 1,088	$308,300	$ (65,896)	$1,821,346

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2013
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1	$ 27,553	$ 792	$ 6,623	$ —	$ 34,969
Restricted investments	2,856	—	—	—	—	2,856
Accounts receivable, net	—	71,173	1,043	15,299	—	87,515
Inventories, net	—	101,386	10,048	66,450	(304)	177,580
Deferred income taxes	10,041	—	830	830	(605)	11,096
Other current assets	—	6,006	322	2,754	—	9,082
Total current assets	12,898	206,118	13,035	91,956	(909)	323,098
Intercompany notes receivable	105,446	103,422	—	(103,422)	(105,446)	—
Intercompany interest receivable	—	1,975	—	—	(1,975)	—
Investments in subsidiaries	(648,310)	28,122	507	263,216	356,465	—
Property and equipment	—	81,406	400	14,012	—	95,818
Goodwill	418,947	24,512	2,701	19,787	280	466,227
Other intangibles	293,774	42,959	250	25,382	—	362,365
Restricted investments	1,530	—	—	—	—	1,530
Deferred income taxes	31,349	—	(616)	2,095	(32,828)	—
Deferred financing fees, net	—	9,798	—	—	—	9,798
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	2,442	25	292	—	2,759
Total assets	$ 218,895	$ 500,754	$ 16,302	$ 313,318	$ 215,587	$ 1,264,856
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 25,610	$ 1,036	$ 17,723	$ —	$ 44,369
Current portion of senior term loans	—	3,968	—	—	—	3,968
Intercompany interest payable	—	—	—	1,975	(1,975)	—
Current portion of capitalized lease and other obligations	—	219	—	—	—	219
Accrued expenses:						
Salaries and wages	—	8,462	287	3,115	—	11,864
Pricing allowances	—	3,791	1	2,418	—	6,210
Income and other taxes	(568)	2,267	30	1,392	—	3,121
Interest	—	2,674	—	—	—	2,674
Deferred compensation	2,856	—	—	—	—	2,856
Other accrued expenses	—	6,191	261	2,579	—	9,031
Total current liabilities	2,288	53,182	1,615	29,202	(1,975)	84,312

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2013
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY(CONTINUED)						
Intercompany debt payable	—	105,446	—	—	(105,446)	—
Long term senior term loans	—	377,641	—	—	—	377,641
Long term portion of capitalized lease and other obligations	—	337	—	—	—	337
Long term senior notes	—	271,750	—	—	—	271,750
Junior subordinated debentures	114,941	—	—	—	—	114,941
Deferred compensation	1,530	—	—	—	—	1,530
Deferred income taxes, net	143,313	—	260	9,920	(33,433)	120,060
Other non-current liabilities	9,618	5,773	—	—	—	15,391
Total liabilities	271,690	814,129	1,875	39,122	(140,854)	985,962
Common stock with put options:						
Common stock, $.01 par, 5,000 shares authorized, 161.2 issued and outstanding at December 31, 2013	16,975	—	—	—	—	16,975
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2013	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, 4,838.8 issued and outstanding at December 31, 2013	—	—	50	—	(50)	—
Additional paid-in capital	116,659	(130,559)	11,711	293,717	1,461	292,989
Accumulated deficit	(186,429)	(177,173)	2,666	(6,522)	341,259	(26,199)
Accumulated other comprehensive (loss) income	—	(5,643)	—	(12,999)	13,771	(4,871)
Total stockholders' (deficit) equity	(69,770)	(313,375)	14,427	274,196	356,441	261,919
Total liabilities and stockholders' equity	$ 218,895	$ 500,754	$ 16,302	$ 313,318	$ 215,587	$ 1,264,856

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the nine months ended September 30, 2014
(Amounts in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net (loss) income	$ (2,956)	$ (12,035)	$ 158	$ 855	$ —	$ (13,978)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:						
Depreciation and amortization	6,837	8,031	21	925	—	15,814
Dispositions of property and equipment	—	20	—	—	—	20
Deferred income tax (benefit) provision	(1,561)	54	6	1,508	—	7
Deferred financing and original issue discount amortization	226	1,024	—	—	—	1,250
Stock-based compensation expense	336	—	—	—	—	336
Other non-cash interest expense	—	137	—	—	—	137
Changes in operating items:						
Accounts receivable	—	(294)	336	1,885	—	1,927
Inventories	—	(5,888)	(153)	(1,505)	—	(7,546)
Other assets	—	1,620	746	(12,410)	—	(10,044)
Accounts payable	—	(5,700)	(503)	6,691	—	488
Interest payable on junior subordinated debentures	—	—	—	—	—	—
Other accrued liabilities	(135)	(24,954)	14	(2,766)	—	(27,841)
Other items, net	182,940	(181,335)	(739)	41	—	907
Net cash provided by (used for) operating activities	185,687	(219,320)	(114)	(4,776)	—	(38,523)
Cash flows from investing activities:						
Acquisition of Hillman Companies, Inc.	(729,616)	—	—	—	—	(729,616)
Capital expenditures	—	(5,729)	(24)	(387)	—	(6,140)
Net cash (used for) investing activities	(729,616)	(5,729)	(24)	(387)	—	(735,756)
Cash flows from financing activities:						
Borrowings of senior term loans	—	550,000	—	—	—	550,000
Repayments of senior term loans	—	(384,407)	—	—	—	(384,407)
Borrowings on revolving credit loans	—	16,000	—	—	—	16,000
Repayments of revolving credit loans	—	(13,000)	—	—	—	(13,000)
Principal payments under capitalized lease obligations	—	(47)	—	—	—	(47)
Borrowings of senior notes	—	330,000	—	—	—	330,000
Repayment of senior notes	—	(265,000)	—	—	—	(265,000)
Proceeds from exercise of stock options	543,929	—	—	—	—	543,929
Financing fees, net	—	(26,355)	—	—	—	(26,355)
Net cash (used for) financing activities	543,929	207,191	—	—	—	751,120
Effect of exchange rate changes on cash	—	1,028	—	(338)	—	690
Net (decrease) increase in cash and cash equivalents	—	(16,830)	(138)	(5,501)	—	(22,469)
Cash and cash equivalents at beginning of period	1	21,983	668	10,378	—	33,030
Cash and cash equivalents at end of period	$ 1	$ 5,153	$ 530	$ 4,877	$ —	$ 10,561

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information:
(dollars in thousands)

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the nine months ended September 30, 2013
(Amounts in thousands)

	Predecessor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net income (loss)	$ (20,403)	$ 19,753	$ 3,376	$ (900)	$ —	$ 1,826
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	13,544	18,724	56	1,809	—	34,133
Dispositions of property and equipment	—	76	13	12	—	101
Deferred income tax provision (benefit)	161	—	(888)	344	—	(383)
Deferred financing and original issue discount amortization	(141)	1,995	—	—	—	1,854
Stock-based compensation expense	6,365	—	—	—	—	6,365
Other non-cash interest expense	—	(391)	—	—	—	(391)
Changes in operating items:						
Accounts receivable	—	(18,308)	(1,041)	(7,374)	—	(26,723)
Inventories	—	(2,268)	82	(9,050)	—	(11,236)
Other assets	—	(3,753)	(441)	4,501	—	307
Accounts payable	—	(756)	611	5,915	—	5,770
Interest payable on junior subordinated debentures	1,019	—	—	—	—	1,019
Other accrued liabilities	149	1,337	(490)	4,482	—	5,478
Other items, net	(694)	(104,190)	(385)	107,802	—	2,533
Net cash provided by (used for) operating activities	—	(87,781)	893	107,541	—	20,653
Cash flows from investing activities:						
Paulin acquisition	—	(919)	205	(102,704)	—	(103,418)
Capital expenditures	—	(26,826)	(109)	(382)	—	(27,317)
Net cash provided by (used for) investing activities	—	(27,745)	96	(103,086)	—	(130,735)
Cash flows from financing activities:						
Borrowings of senior term loans	—	76,800	—	—	—	76,800
Repayments of senior term loans	—	(2,784)	—	—	—	(2,784)
Discount on senior term loans	—	(2,152)	—	—	—	(2,152)
Principal payments under capitalized lease obligations	—	(73)	—	—	—	(73)
Repayment of other credit obligations	—	(683)	—	—	—	(683)
Net cash provided by financing activities	—	71,108	—	—	—	71,108
Effect of exchange rate changes on cash	—	(2,100)	—	1,898	—	(202)
Net (decrease) increase in cash and cash equivalents	—	(46,518)	989	6,353	—	(39,176)
Cash and cash equivalents at beginning of period	1	62,917	429	2,201	—	65,548
Cash and cash equivalents at end of period	$ 1	$ 16,399	$ 1,418	$ 8,554	$ —	$ 26,372