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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

Commission file number 1-13293

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

On August 14, 2015, 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)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,597	$ 18,485
Restricted investments	855	494
Accounts receivable, net	120,662	89,884
Inventories, net	256,059	204,723
Deferred income taxes, net	12,162	13,239
Other current assets	10,940	10,324
Total current assets	408,275	337,149
Property and equipment, net	111,711	114,531
Goodwill	618,721	621,560
Other intangibles, net	776,356	798,941
Restricted investments	1,263	1,750
Deferred financing fees, net	22,559	24,407
Investment in trust common securities	3,261	3,261
Other assets	3,018	1,414
Total assets	$ 1,945,164	$ 1,903,013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 94,539	$ 66,462
Current portion of senior term loans	5,500	5,500
Current portion of capitalized lease and other obligations	212	207
Accrued expenses:		
Salaries and wages	6,064	5,247
Pricing allowances	6,518	6,662
Income and other taxes	3,015	3,301
Interest	10,186	10,587
Deferred compensation	855	494
Other accrued expenses	10,587	7,423
Total current liabilities	137,476	105,883
Long term senior term loans	539,000	541,750
Bank revolving credit	44,000	—
Long term capitalized lease and other obligations	294	400
Long term senior notes	330,000	330,000
Junior subordinated debentures	130,206	130,685
Deferred compensation	1,263	1,750
Deferred income taxes	268,458	273,781
Other non-current liabilities	6,500	5,621
Total liabilities	1,457,197	1,389,870

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (CONTINUED)	June 30, 2015	December 31, 2014
Commitments and contingencies (Note 5)		
Stockholders' Equity:		
Preferred Stock:		
Preferred stock, $.01 par, 5,000 shares authorized, none issued or outstanding at June 30, 2015 and December 31, 2014	—	—
Common Stock:		
Common stock, $.01 par, 5,000 shares authorized, issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	544,721	544,604
Accumulated deficit	(33,345)	(18,937)
Accumulated other comprehensive loss	(23,409)	(12,524)
Total stockholders' equity	487,967	513,143
Total liabilities and stockholders' equity	$ 1,945,164	$ 1,903,013

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
	Three Months Ended June 30, 2015	One Day Ended June 30, 2014	Three Months Ended June 29, 2014
Net sales	$ 216,818	$ —	$ 202,598
Cost of sales (exclusive of depreciation and amortization shown separately below)	118,987	—	103,927
Selling, general and administrative expenses	64,597	—	100,919
Transaction, acquisition and integration expenses	92	22,018	31,681
Depreciation	6,971	—	7,281
Amortization	9,518	—	5,549
Management fees to related party	155	—	15
Other (income) expense	(718)	—	211
Income (loss) from operations	17,216	(22,018)	(46,985)
Interest expense, net	12,618	—	11,605
Interest expense on junior subordinated debentures	3,152	—	3,153
Investment income on trust common securities	(94)	—	(94)
Income (loss) before income taxes	1,540	(22,018)	(61,649)
Income tax expense (benefit)	6,083	(6,228)	(21,185)
Net loss	$ (4,543)	$ (15,790)	$ (40,464)
Net loss (from above)	$ (4,543)	$ (15,790)	$ (40,464)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(373)	—	3,952
Total other comprehensive (loss) income	(373)	—	3,952
Comprehensive loss	$ (4,916)	$ (15,790)	$ (36,512)

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
	Six Months Ended June 30, 2015	One Day Ended June 30, 2014	Six Months Ended June 29, 2014
Net sales	$ 397,514	$ —	$ 357,377
Cost of sales (exclusive of depreciation and amortization shown separately below)	222,335	—	183,342
Selling, general and administrative expenses	126,295	—	156,762
Transaction, acquisition and integration expenses	257	22,018	31,681
Depreciation	14,508	—	14,149
Amortization	19,035	—	11,093
Management fees to related party	306	—	15
Other expense (income)	512	—	(277)
Income (loss) from operations	14,266	(22,018)	(39,388)
Interest expense, net	25,244	—	23,150
Interest expense on junior subordinated debentures	6,305	—	6,305
Investment income on trust common securities	(189)	—	(189)
Loss before income taxes	(17,094)	(22,018)	(68,654)
Income tax benefit	(2,686)	(6,228)	(24,128)
Net loss	$ (14,408)	$ (15,790)	$ (44,526)
Net loss (from above)	$ (14,408)	$ (15,790)	$ (44,526)
Other comprehensive loss:			
Foreign currency translation adjustments	(10,885)	—	(95)
Total other comprehensive loss	(10,885)	—	(95)
Comprehensive loss	$ (25,293)	$ (15,790)	$ (44,621)

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

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

	Successor		Predecessor
	Six months ended June 30, 2015	One day ended June 30, 2014	Six Months ended June 29, 2014
Cash flows from operating activities:			
Net loss	$ (14,408)	$ (15,790)	$ (44,526)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:			
Depreciation and amortization	33,543	—	25,242
Gain on sale of property and equipment	(671)	—	—
Deferred income taxes	(3,263)	(6,228)	(24,458)
Deferred financing and original issue discount amortization	1,369	—	1,374
Stock-based compensation expense	257	—	39,229
Other non-cash interest and change in value of interest rate swap	1,264	—	—
Changes in operating items:		—	
Accounts receivable	(31,953)	—	(25,267)
Inventories	(55,654)	—	(17,851)
Other assets	6,155	(2,321)	8,799
Accounts payable	28,477	—	20,811
Interest payable on junior subordinated debentures	—	—	1,019
Other accrued liabilities	2,387	(13,792)	31,183
Other items, net	38	(2,026)	(3,843)
Net cash (used for) provided by operating activities	(32,459)	(40,157)	11,712
Cash flows from investing activities:			
Proceeds from sale of property and equipment	2,295	—	—
Purchase of predecessor equity securities	—	(727,345)	—
Capital expenditures	(14,270)	—	(12,933)
Net cash used for investing activities	(11,975)	(727,345)	(12,933)
Cash flows from financing activities:			
Borrowings of senior term loans	—	550,000	—
Repayments of senior term loans	(2,750)	(384,407)	(992)
Borrowings of senior notes	—	330,000	—
Repayment of senior notes	—	(265,000)	—
Proceeds from sale of successor equity securities	—	542,929	—
Financing fees, net	—	(26,355)	—
Borrowings on revolving credit loans	44,000	16,000	—
Principal payments under capitalized lease obligations	(101)	—	(84)
Proceeds from Holdco sale of stock	400	—	474
Purchase of Holdco stock from a former member of management	(540)	—	—
Net cash provided by (used for) financing activities	41,009	763,167	(602)
Effect of exchange rate changes on cash	(7,463)	—	(116)
Net decrease in cash and cash equivalents	(10,888)	(4,335)	(1,939)
Cash and cash equivalents at beginning of period	18,485	33,030	34,969
Cash and cash equivalents at end of period	$ 7,597	$ 28,695	$ 33,030
Supplemental schedule of noncash activities:			
Fixed assets acquired under capital lease	$ —	$ —	$ 241

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 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, 2014	$ —	$ 544,604	$ (18,937)	$ (12,524)	$ 513,143
Net loss	—	—	(14,408)	—	(14,408)
Change in cumulative foreign currency translation adjustment	—	—	—	(10,885)	(10,885)
Stock-based compensation	—	257	—	—	257
Purchase of 540 Holdco shares from former member of management	—	(540)	—	—	(540)
Proceeds from sale of 400 Holdco shares of stock	—	400	—	—	400
Balance at June 30, 2015	$ —	$ 544,721	$ (33,345)	$ (23,409)	$ 487,967

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

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 III, L.P., Oak Hill Capital Management Partners III, L.P. and OHCP III HC RO, L.P. (collectively, "Oak Hill Funds"), 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, Hillman Companies 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 $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 the Oak Hill Funds 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 the Oak Hill Funds 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 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 sheets as of June 30, 2015 and December 31, 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 allocation of the aggregate purchase price of $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 excess of the purchase price over the net tangible assets has been allocated to goodwill and intangible assets based upon an independent valuation appraisal. The Company currently has approximately $30,088 of goodwill from prior acquisitions that is expected to be deductible for tax purposes.

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 adjustments (consisting only of normal recurring accruals and adjustments) necessary for a fair presentation. Operating results for the six months ended June 30, 2015 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, 2014.

(dollars in thousands)

1. Basis of Presentation (continued):

The following table indicates the pro-forma financial statements of the Company for the three and six months ended June 30, 2015 and 2014, respectively (including transaction costs of $54,400). The pro-forma financial statements give effect to the Merger Transaction as if it had occurred on January 1, 2014.

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Net Sales	$ 216,818	$ 397,514	$ 202,598	$ 357,377
Net Loss	(4,543)	(14,408)	(1,540)	(69,173)

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 Merger Transaction had been effective January 1, 2014, nor are they intended to be indicative of results that may occur in the future. The underlying pro-forma information includes the historical results of the Company, the Company's financing arrangements 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. ("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 name of The Hillman Group Canada ULC, (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.

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, 2014. 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 collection experience. Increases to the allowance for doubtful accounts result in a corresponding expense. The Company writes off individual accounts receivable when collection becomes improbable. The allowance for doubtful accounts was $601 at June 30, 2015 and $627 at December 31, 2014.

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 the income from operations. The accumulated depreciation was $27,915 at June 30, 2015 and $14,361 at December 31, 2014.

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to maintenance of internal-use software are expensed as incurred. Costs incurred for the development of internal-use software were capitalized and placed into service in the amounts of $307 and $1,503 in the Successor three and six months ended June 30, 2015, respectively. The Predecessor costs were $379 and $704 in the three and six months ended June 29, 2014, respectively.

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 and six months ended June 30, 2015, the Successor's shipping and handling costs were $10,982 and $18,976, respectively. In the three and six months ended June 29, 2014, the Predecessor's shipping and handling costs were $8,557 and $14,890, 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.

3. Recent Accounting Pronouncements:

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, 2018, 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 transition method and impact of implementing this guidance on our Condensed Consolidated Financial Statements.

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. Early application is permitted. We do not believe the adoption of this guidance will have a significant impact on our Condensed Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03,*Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. We are evaluating the impact of ASU 2015-03 on our Condensed Consolidated Financial Statements.

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

4. 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. This qualitative assessment is referred to as a “step zero” approach. 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 2015 or 2014.

Goodwill amounts by reporting unit are summarized as follows:

	Goodwill at December 31, 2014	Acquisitions	Dispositions	Other (1)	Goodwill at June 30, 2015
United States, excluding All Points	$ 580,420	$ —	$ —	$ —	$ 580,420
All Points	3,360	—	—	—	3,360
Canada	32,844	—	—	(2,534)	30,310
Mexico	4,936	—	—	(305)	4,631
Australia	—	—	—	—	—
Total	$ 621,560	$ —	$ —	$ (2,839)	$ 618,721

(1) 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, collectively "Trademarks") 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. No impairment charges were recorded by the Company in 2015 or 2014.

(dollars in thousands)

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4. 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, in connection with the Merger Transaction, were determined through a separate independent appraisal. Other intangibles, net, as of June 30, 2015 and December 31, 2014 consist of the following:

	Estimated Useful Life (Years)	June 30, 2015	December 31, 2014
Customer relationships	20	$ 690,885	$ 693,852
Trademarks - All Others	Indefinite	85,907	86,513
Trademarks - TagWorks	5	300	300
KeyWorks license	7	4,455	4,476
Patents	7-12	32,839	32,895
Intangible assets, gross		814,386	818,036
Less: Accumulated amortization		38,030	19,095
Other intangibles, net		$ 776,356	$ 798,941

The Successor's accumulated amortization was $38,030 as of June 30, 2015, which includes accumulated amortization of foreign subsidiaries translated using exchange rates in effect at the balance sheet date. The Successor's amortization expense for amortizable assets including the adjustments resulting from fluctuations in foreign currency exchange rates was $9,518 and$19,035 for the three and six months ended June 30, 2015, respectively. The Predecessor's amortization expense for amortizable intangible assets including the adjustments resulting from fluctuations in foreign currency exchange rates was $5,549 and $11,093 for the three and six months ended June 30, 2014, respectively. The Successor's amortization expense for amortizable assets for the year ending December 31, 2015 is estimated to be $38,031. For the years ending December 31, 2016, 2017, 2018, 2019, and 2020, the Successor's amortization expense for amortizable assets is estimated to be$38,031, $38,031, $38,031, $38,001, and $37,971, respectively.

5. 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 $1,903 recorded for such risk insurance reserves is adequate as of June 30, 2015.

As of June 30, 2015, the Company has provided certain vendors and insurers letters of credit aggregating$4,523 related to our product purchases and insurance coverage for 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 $2,410 recorded for such group health insurance reserves is adequate as ofJune 30, 2015.

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.

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 and 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. The court denied that motion on February 3, 2015.

5. Commitments and Contingencies (continued):

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. After a conference with the court on March 2, 2015, the court entered a new scheduling order to govern the case on March 12, 2015. Fact discovery in the case is in its final stages, to be followed by expert discovery. The case is currently scheduled for trial on August 22, 2016. 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 and seeking, among other things, (1) a preliminary and permanent injunction and (2) unspecified money damages, as well as recovery of court costs and attorneys' fees. 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.

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 parties held a court hearing on the motion for preliminary injunction on March 24 and 25, 2015. On March 31, 2015, the court issued an order denying Hillman's motion to dismiss the amended complaint and an order denying PrimeSource's motion for preliminary injunction. On April 14, 2015, Hillman filed an answer to the amended complaint.

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. Also, Hillman Group's third party insurer has agreed to defend Hillman Group in the case subject to the right to withdraw its defense and/or to disclaim any obligation to indemnify Hillman Group, and reserving the right to seek a judicial determination that it is not obligated to defend or indemnify Hillman Group.

On December 15, 2014, Maria Santos, on behalf of herself and all others similarly situated, filed a complaint against Hillman Group and Wal-Mart Stores, Inc. ("Wal-Mart") in the United States District Court for the Central District of California (Western Division) alleging violations of the Americans with Disabilities Act, the California Unruh Civil Rights Act, and the California Disabled Persons Act. On behalf of herself and all others similarly situated, Ms. Santos claims to seek, among other things, (1) a preliminary and permanent injunction to correct the alleged violations of these acts, (2) a declaration that Hillman Group and Wal-Mart are violating these acts, and (3) unspecified money damages, as well as recovery of court costs and attorneys' fees. On January 5, 2015, Hillman Group filed its answer.

The Company has paid a portion of the legal fees incurred by Wal-Mart and its affiliates in this lawsuit in connection with the agreement to license Hillman Group's products in Wal-Mart's stores, and expects to pay, in the future, the reasonable legal fees incurred by Wal-Mart in this case.

On December 15, 2014, Maria Santos, on behalf of herself and all others similarly situated, filed a complaint against Hillman Group and Wal-Mart Stores, Inc. ("Wal-Mart") in the United States District Court for the Central District of California (Western Division) alleging violations of the Americans with Disabilities Act, the California Unruh Civil Rights Act, and the California Disabled Persons Act. On behalf of herself and all others similarly situated, Ms. Santos claims to seek, among other things, (1) a preliminary and permanent injunction to correct the alleged violations of these acts, (2) a declaration that Hillman Group and Wal-Mart are violating these acts, and (3) unspecified money damages, as well as recovery of court costs and attorneys' fees. On January 5, 2015, Hillman Group filed its answer. The Company has paid a portion of the legal fees incurred by Wal-Mart and its affiliates in this lawsuit in connection with the agreement to license Hillman Group's products in Wal-Mart's stores, and expects to pay, in the future, the reasonable legal fees incurred by Wal-Mart in this case.

5. Commitments and Contingencies (continued):

All claims in this case have now been resolved and the matter will shortly be dismissed with prejudice.

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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

6. Related Party Transactions:

The Successor has recorded aggregate management fee charges and expenses from the Oak Hill Funds and CCMP of $155 and $306 for the three and six months ended June 30, 2015, respectively. The Predecessor recorded $15 and $15 of management fee expenses for the three and six month period ended June 29, 2014.

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 and six months ended June 30, 2015, the Successor's rental expense for the lease of this facility was $82 and $164, respectively. In the three and six month periods ended June 29, 2014, the Predecessor's rental expense for the lease of this facility was $82 and $165, respectively.

The Hillman Group Canada ULC subsidiary of Hillman 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 and six months ended June 30, 2015, the Successor's rental expense for these leases was $167 and $333, respectively. The Predecessor's rental expense for these facilities was $190 and $376 in the three and six month periods ended June 29, 2014, respectively.

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

7. 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 loss in the six and three month Successor periods ended June 30, 2015, the one day Successor period ended June 30, 2014, and the six and three month Predecessor periods ended June 29, 2014 to calculate the income tax benefit in accordance with the principal method prescribed by ASC 740-270, the accounting guidance established for computing income taxes in interim periods.

The effective income tax rates were 15.7% and 395.0%% for the six and three month Successor periods ended June 30, 2015, respectively. The effective income tax rate was 28.3% for the one day Successor period ended June 30, 2014. The effective income tax rates were 35.1% and 34.4% for the six and three month Predecessor periods ended June 29, 2014, respectively.

The effective income tax rate differed from the federal statutory rate in the six and three month Successor periods ended June 30, 2015 primarily due to a change in the projected financial statement earnings for the year which decreased the estimated annual effective tax rate used to compute the interim period income tax provision/benefit in accordance with the accounting guidance established for computing income taxes in interim periods. The effective income tax rate also differed from the federal statutory rate in the six and three month Successor periods ended June 30, 2015 due in part to a valuation reserve recorded to offset the deferred tax assets of a foreign subsidiary. The effective income tax rate differed from the federal statutory rate in the one day Successor period ended June 30, 2014 and the six and three month Predecessor periods 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 and three month Predecessor periods 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 remaining differences between the federal statutory rate and the effective tax rate in the one day Successor period ended June 30, 2014 was primarily due to state income taxes. The remaining differences between the federal statutory rate and the effective tax rate in the six and three month Successor periods ended June 30, 2015 and in the six and three month Predecessor periods ended June 29, 2014 were primarily due to state and foreign income taxes.

8. Long-Term Debt:

On June 30, 2014, 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 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 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 has been 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 June 30, 2015, the term loan borrowings will be at an adjusted interest rate of 4.50%. The Revolver loans were at an adjusted interest rate of 3.53% at June 30, 2015.

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 the first two quarters of 2015 or the year ended December 31, 2014.

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 June 30, 2015, the Revolver loan amount of $44,000 and outstanding letters of credit of approximately $4,523 represented 69% of total revolving commitments and this financial covenant was 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 June 30, 2015.

Additional information with respect to the fair value of the Company's fixed rate senior notes and junior subordinated debentures is included in Note 12 - Fair Value Measurements.

9. Common and Preferred Stock:

The Hillman Companies has one class of common stock, with 5,000 shares authorized, issued, and outstanding as of June 30, 2015. All outstanding shares of Hillman Companies common stock are owned by Successor Holdco.

The Hillman Companies has one class of preferred stock, with 5,000 shares authorized and none issued or outstanding as of June 30, 2015.

(dollars in thousands)

10. Stock-Based Compensation:

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.

In 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.

During the first six months of 2015, Holdco granted a total of 6,121.000 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. A total of 13,646.592 stock options were forfeited during the first six months of 2015. As of June 30, 2015, a total of 15,729.846 shares were available for future stock-based award grants.

The fair value of 14,535.709 time-vested options granted by Holdco in 2014 and in the first two quarters of 2015 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 from 1.8% to 2.1%, expected volatility assumed to be 32.0%, and expected term from 6.5 years to 6.75 years. The fair value of each option was 370.58 dollars.

Compensation expense of $53 and $257 was recognized in the accompanying condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2015, respectively. As of June 30, 2015, there was $3,309 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 4.17 years.

As of June 30, 2015, there were 13,755.709 performance-based stock options outstanding 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 period ended June 30, 2015 is presented below:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	35,817.010	$ 1,000	9.50	$ —
Granted	6,121.000	$ 1,000		
Exercised or converted	—			
Forfeited or expired	13,646.592	$ 1,000		
Outstanding at June 30, 2015	28,291.418	$ 1,000	9.17	$ —
Exercisable at June 30, 2015	—	$ —	—	$ —

11. Derivatives and Hedging:

The Company uses derivative financial instruments to manage our exposures to (1) interest rate fluctuations on our floating rate Senior Facilities; and (2) 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 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 $(2,198) as of June 30, 2015 and was reported on the condensed consolidated balance sheet in other non-current liabilities with an increase in interest expense recorded in the statement of comprehensive loss for the unfavorable change of $1,263 in fair value since December 31, 2014.

The total fair value of the interest rate swaps was $(935) as of December 31, 2014 and was reported on the condensed consolidated balance sheet in other non-current liabilities with an increase in interest expense recorded in the statement of comprehensive loss for the unfavorable change of $935 in fair value since the inception.

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”).

Foreign Currency Forward Contract - During 2014, the Company entered into multiple foreign currency forward contracts (the “2014 FX Contracts”) with maturity dates ranging from March 2014 to December 2015. The 2014 FX Contracts fixed the Canadian to U.S. dollar forward exchange rate at points ranging from 1.06800 to 1.17400. The purpose of the 2014 FX Contracts is to manage the Company’s exposure to fluctuations in the exchange rate of the Canadian dollar.

During 2015, the Company entered into multiple foreign currency forward contracts (the “2015 FX Contracts”) with maturity dates ranging from February 2015 to June 2016. The 2015 FX Contracts fixed the Canadian to U.S. dollar forward exchange rate at points ranging from 1.2251 to 1.2841. The purpose of the 2015 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$32,957 and C$31,032 as of June 30, 2015 and December 31, 2014, respectively. The total fair value of the outstanding 2015 FX Contracts and 2014 FX Contracts was $1,038 and $1,247 as of June 30, 2015 and December 31, 2014, respectively, and was reported on the condensed consolidated balance sheets in other current assets. An increase in other expense of $209 was recorded in the statement of comprehensive loss for the unfavorable change in fair value from December 31, 2014.

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 12 - Fair Value Measurements.

(dollars in thousands)

12. 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 June 30, 2015			
	Level 1	Level 2	Level 3	Total
Trading securities	$ 2,118	$ —	$ —	$ 2,118
Interest rate swaps	—	(2,198)	—	(2,198)
Foreign exchange forward contracts	—	1,038	—	1,038

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Trading securities	$ 2,244	$ —	$ —	$ 2,244
Interest rate swaps	—	(935)	—	(935)
Foreign exchange forward contracts	—	1,247	—	1,247

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 Successor three and six month periods endedJune 30, 2015, the unrealized (losses) gains on these securities of($7) and $43, respectively, were recorded as other income. For the Predecessor three and six month periods ended June 29, 2014, the unrealized gains on these securities of $77 and $95, respectively, were recorded as other income. The Successor did not record any unrealized (losses) gains on these securities for the one day period ended June 30, 2014. An offsetting entry for the same amount, adjusting the deferred compensation liability and compensation expense within SG&A, was also recorded for the corresponding periods.

The Company utilizes 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 swap contracts. As of June 30, 2015 and December 31, 2014, the interest rate swaps were included in other non-current liabilities on the accompanying condensed consolidated balance sheets.

(dollars in thousands)

12. Fair Value Measurements (continued):

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 June 30, 2015 and December 31, 2014, the foreign exchange forward contracts were included in other current assets on the accompanying condensed consolidated balance sheets.

The fair value of the Company's fixed rate senior notes and junior subordinated debentures as ofJune 30, 2015 and December 31, 2014 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.

	June 30, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
6.375% Senior Notes	$ 330,000	$ 310,613	$ 330,000	$ 315,563
Junior Subordinated Debentures	130,206	127,051	130,685	137,764

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 and Revolver 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 11 - Derivative and Hedging. Additional information with respect to the Company's fixed rate senior notes and junior subordinated debentures is included in Note 8 - Long-Term Debt.

13. Transaction, Acquisition, and Integration Expenses:

In the three and six months ended June 30, 2015, the Successor incurred $92 and $257 in transaction expenses related to the Merger Transaction.

In the three and six month periods 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. 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.

14. 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 June 30, 2015. The United States segment, excluding All Points, and the Canada segment are considered material by the Company's management as of June 30, 2015. 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, excluding All Points segment. For further information, see Note 13, Transaction, Acquisition, and Integration Expenses.

(dollars in thousands)

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14. Segment Reporting (continued):

The table below presents revenues and income (loss) from operations for our reportable segments for the three and six months ended June 30, 2015 and 2014.

	Successor		Predecessor
	Three Months Ended June 30, 2015	One Day Ended June 30, 2014	Three Months Ended June 29, 2014
Revenues			
United States, excluding All Points	$ 167,821	$ —	$ 150,901
All Points	5,628	—	5,674
Canada	41,133	—	43,846
Mexico	1,844	—	1,886
Australia	392	—	291
Total revenues	$ 216,818	$ —	$ 202,598
Segment income (loss) from operations			
United States excluding All Points	$ 15,679	$ (22,018)	$ (51,467)
All Points	481	—	598
Canada	1,062	—	3,760
Mexico	127	—	200
Australia	(133)	—	(76)
Total income (loss) from operations	$ 17,216	$ (22,018)	$ (46,985)

	Successor		Predecessor
	Six Months Ended June 30, 2015	One Day Ended June 30, 2014	Six Months Ended June 29, 2014
Revenues			
United States, excluding All Points	$ 311,942	$ —	$ 269,009
All Points	10,741	—	10,238
Canada	70,549	—	73,867
Mexico	3,555	—	3,620
Australia	727	—	643
Total revenues	$ 397,514	$ —	$ 357,377
Segment income (loss) from operations			
United States excluding All Points	$ 12,956	$ (22,018)	$ (44,830)
All Points	815	—	896
Canada	791	—	4,214
Mexico	263	—	446
Australia	(559)	—	(114)
Total income (loss) from operations	$ 14,266	$ (22,018)	$ (39,388)

(dollars in thousands)

The tables below present assets and cash equivalents as ofJune 30, 2015 and December 31, 2014.

	As of June 30, 2015	As of December 31, 2014
Assets		
United States excluding All Points	$ 1,573,932	$ 1,522,371
All Points	16,139	16,108
Canada	338,042	346,691
Mexico	15,110	15,886
Australia	1,941	1,957
Total Assets	$ 1,945,164	$ 1,903,013

	As of June 30, 2015	As of December 31, 2014
Cash and cash equivalents		
United States excluding All Points	$ 2,718	$ 13,192
All Points	684	696
Canada	3,019	3,186
Mexico	924	1,396
Australia	252	15
Total Cash and cash equivalents	$ 7,597	$ 18,485

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, 2014.

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, 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, 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") is 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 III, L.P., Oak Hill Capital Management Partners III, L.P. and OHCP III HC RO, L.P. (collectively. "Oak Hill Funds"), 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, the Oak Hill Funds 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, the Oak Hill Funds 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 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 June 30, 2015 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").

Financing Arrangements

On June 30, 2014, 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 provided term loan borrowings at interest rates based on 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 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 June 30, 2015, the term loan borrowings will be at an adjusted interest rate of 4.50%. The Revolver loans were at an adjusted interest rate of 3.53% at June 30, 2015.

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 June 30, 2015, the Revolver loan amount of $44.0 million and outstanding letters of credit of $4.5 million represented 69% of total revolving commitments and this financial covenant was 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 June 30 2015.

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 three months ended June 30, 2015, the one day ended June 30, 2014, and the three months ended June 29, 2014.

	Successor				Predecessor	
	Three Months Ended June 30, 2015		One Day Ended June 30, 2014		Three Months Ended June 29, 2014	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$ 216,818	100.0 %	$ —	n/a	$ 202,598	100.0 %
Cost of sales (exclusive of depreciation and amortization shown separately below)	118,987	54.9 %	—	n/a	103,927	51.3 %
Selling	27,248	12.6 %	—	n/a	28,195	13.9 %
Warehouse & delivery	26,437	12.2 %	—	n/a	22,248	11.0 %
General & administrative	10,859	5.0 %	—	n/a	11,755	5.8 %
Stock compensation	53	— %	—	n/a	38,721	19.1 %
Transaction, acquisition and integration (a)	92	— %	22,018	n/a	31,681	15.6 %
Depreciation	6,971	3.2 %	—	n/a	7,281	3.6 %
Amortization	9,518	4.4 %	—	n/a	5,549	2.7 %
Management fees to related party	155	0.1 %	—	n/a	15	— %
Other expense (income)	(718)	(0.3)%	—	n/a	211	0.1 %
Income (loss) from operations	17,216	7.9 %	(22,018)	n/a	(46,985)	(23.2)%
Interest expense, net	12,618	5.8 %	—	n/a	11,605	5.7 %
Interest expense on junior subordinated notes	3,152	1.5 %	—	n/a	3,153	1.6 %
Investment income on trust common securities	(94)	— %	—	n/a	(94)	— %
Income (loss) before income taxes	1,540	0.7 %	(22,018)	n/a	(61,649)	(30.4)%
Income tax expense (benefit)	6,083	2.8 %	(6,228)	n/a	(21,185)	(10.5)%
Net loss	$ (4,543)	(2.1)%	$ (15,790)	n/a	$ (40,464)	(20.0)%

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

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, Hillman operations have been 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 current year and beyond.

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 amount 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 2.94% in 2013, increased by 0.46% in 2014, and has decreased 0.02% for the period ended June 30, 2015. The U.S. dollar increased in value relative to the Taiwan dollar by approximately 3.75% in 2013, increased by 5.82% in 2014, and has increased by 0.27% for the period ended June 30, 2015.

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 June 30, 2015 vs the Three Month Predecessor Period Ended June 29, 2014

Net Sales

The Successor net sales for the second quarter of 2015 were $216.8 million, an increase of $14.2 million compared to the Predecessor net sales of $202.6 million for the second quarter of 2014. The increase in revenue was primarily the result of strong comparable store performance in retail channels and the introduction of a new line of nails, deck screws, and drywall screws (the "NDD line") which provided approximately $12.2 million of the total increase in net sales. This was partially offset by a decrease in net sales in Canada as a result of a decline in the value of the Canadian dollar and the second quarter of fiscal 2015 contained one less selling day than the prior year's second quarter.

Cost of Sales

The Company's cost of sales was $119.0 million, or 54.9% of net sales, in the second quarter of 2015, an increase of $15.1 million compared to $103.9 million, or 51.3% of net sales, in the second quarter of 2014. The primary reasons for the increase in cost of sales in the second quarter of 2015 compared to the second quarter of 2014 were the higher sales volume, the initial start-up costs associated with the introduction of the new NDD line and the higher product costs in the Hillman Canada division as a result of the unfavorable currency exchange on their inventory purchases made in U.S. dollar transactions. The initial start-up costs of the new NDD line were negatively impacted by a reliance on domestic product sourcing as well as airfreight costs which resulted from expediting product shipments from our Asian vendors.

Expenses

Operating expenses were lower for the Successor three months ended June 30, 2015 than the Predecessor three months ended June 29, 2014. The primary reason for the decrease in operating expenses was the large amount of stock compensation and transaction expenses incurred during the second quarter of 2014 in connection with the Merger Transaction which were partially offset by an increase in incremental costs in the second quarter of 2015 resulting from higher sales volume together with higher amortization expense related to intangible assets acquired in connection with the Merger Transaction. The following changes in underlying trends impacted the change in operating expenses:

- Selling expense was $27.2 million, or 12.6% of net sales, in the second quarter of 2015, a decrease of $0.9 million compared to $28.2 million, or 13.9% of net sales, in the second quarter of 2014. The decrease in selling expense was primarily the result of lower employee benefit costs for medical and workers' compensation expense.
- Warehouse and delivery expenses were $26.4 million, or 12.2% of net sales, in the second quarter of 2015, an increase of $4.2 million compared to warehouse and delivery expenses of $22.2 million, or 11.0% of net sales, in the second quarter of 2014. In the second quarter of 2015, higher warehouse and delivery expenses were attributable to the higher sales volume and the operating costs for a separate distribution center dedicated to the shipment of the new NDD line.
- General and administrative ("G&A") expenses were $10.9 million in the second quarter of 2015, a decrease of $0.9 million compared to $11.8 million in the second quarter of 2014. The G&A expenses in the 2014 period were higher than the 2015 period primarily as a result of compensation cost of approximately $2.7 million related to the Merger Transaction that was partially offset by an increase in management restructuring and severance costs in the 2015 period.
- Stock compensation expense was $0.1 million in the second quarter of 2015 compared to $38.7 million in the second quarter of 2014 as a result of differences in the separate option plans in effect during the two periods. The stock compensation expense in the 2014 period resulted from an increase in the fair value of the underlying common stock and accelerated vesting of stock options in connection with the Merger Transaction.
- Amortization expense was $9.5 million in the second quarter of 2015 compared to $5.5 million in the second quarter of 2014. The increase in amortization was the result of an increase in intangible assets subject to amortization acquired in the Merger Transaction.
- Transaction, acquisition & integration expenses were $0.1 million in the second quarter of 2015 compared to $31.7 million in the second quarter of 2014. Expenses in the second quarter of 2014 represent costs for investment banking, legal, and other expenses incurred in connection with the Merger Transaction.
- Interest expense, net, was $12.6 million in the second quarter of 2015 compared to $11.6 million in the second quarter of 2014. The increase in interest expense in the second quarter of 2015 was primarily the result of the increase in debt in connection with the Merger Transaction.
- Other income was $0.7 million in the second quarter of 2015 compared to the other expense of $0.2 million in the second quarter of 2014. The increase in other income in the second quarter of 2015 was due to the gains on FX forward currency contracts, gain on interest rate swaps when adjusted to fair value, and the gain on sale of fixed assets which were partially offset by foreign exchange losses.

The One Day Successor Period Ended June 30, 2014

The Merger Transaction was consummated on June 30, 2014 and no revenue or operating expenses were incurred in this one day period. Transaction expenses of $22.0 million represent costs for legal, professional, diligence, and other expenses incurred by the Successor in connection with the Merger Transaction.

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 six months ended June 30, 2015, the one day ended June 30, 2014, and the six months ended June 29, 2014.

	Successor				Predecessor	
	Six Months Ended June 30, 2015		One Day Ended June 30, 2014		Six Months Ended June 29, 2014	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net sales	$ 397,514	100.0 %	$ —	n/a	$ 357,377	100.0 %
Cost of sales (exclusive of depreciation and amortization shown separately below)	222,335	55.9 %	—	n/a	183,342	51.3 %
Selling	55,171	13.9 %	—	n/a	55,312	15.5 %
Warehouse & delivery	48,771	12.3 %	—	n/a	41,449	11.6 %
General & administrative	22,096	5.6 %	—	n/a	20,772	5.8 %
Stock compensation	257	0.1 %	—	n/a	39,229	11.0 %
Transaction, acquisition and integration (a)	257	0.1 %	22,018	n/a	31,681	8.9 %
Depreciation	14,508	3.6 %	—	n/a	14,149	4.0 %
Amortization	19,035	4.8 %	—	n/a	11,093	3.1 %
Management fees to related party	306	0.1 %	—	n/a	15	— %
Other expense (income)	512	0.1 %	—	n/a	(277)	(0.1)%
Income (loss) from operations	14,266	3.6 %	(22,018)	n/a	(39,388)	(11.0)%
Interest expense, net	25,244	6.4 %	—	n/a	23,150	6.5 %
Interest expense on junior subordinated notes	6,305	1.6 %	—	n/a	6,305	1.8 %
Investment income on trust common securities	(189)	— %	—	n/a	(189)	(0.1)%
Loss before income taxes	(17,094)	(4.3)%	(22,018)	n/a	(68,654)	(19.2)%
Income tax benefit	(2,686)	(0.7)%	(6,228)	n/a	(24,128)	(6.8)%
Net loss	$ (14,408)	(3.6)%	$ (15,790)	n/a	$ (44,526)	(12.5)%

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

The Six Month Successor Period Ended June 30, 2015 vs the Six Month Predecessor Period Ended June 29, 2014

Net Sales

Net sales for the first six months of 2015 were $397.5 million, an increase of $40.1 million compared to net sales of $357.4 million for the first six months of 2014. The increase in revenue was primarily the result of strong comparable store performance in retail channels, three more selling days in the 2015 six month period, and the introduction of the new NDD line that provided approximately $23.9 million of additional sales in the 2015 period.

Cost of Sales

The Company's cost of sales was $222.3 million, or 55.9% of net sales, in the first six months of 2015, an increase of $39.0 million compared to $183.3 million, or 51.3% of net sales, in the first six months of 2014. The primary reasons for the increase in cost of sales in the first six months of 2015 compared to the first six months of 2014 were the higher sales volume, the high initial start-up costs associated with the introduction of the new NDD line and the higher product costs in the Hillman Canada division as a result of the unfavorable currency exchange on their inventory purchases made in U.S dollar transactions. The initial start-up costs of the new NDD line included higher domestic sourcing and airfreight costs of approximately $10.4 million to procure the product.

Expenses

Operating expenses were lower for the Successor six months ended June 30, 2015 than the Predecessor six months ended June 29, 2014. The primary reason for the decrease in operating expenses was the 2014 costs for administrative, stock compensation, and transaction expense which were incurred in connection with the Merger Transaction. The 2015 period does include incremental costs resulting from higher sales volume together with higher amortization expense related to intangible assets acquired in connection with the Merger Transaction. The following changes in underlying trends impacted the change in operating expenses:

- Selling expense was $55.2 million, or 13.9% of net sales, in the first six months of 2015, a decrease of $0.1 million compared to $55.3 million, or 15.5% of net sales, in the first six months of 2014. The small change in selling expense was the result of higher sales service payroll costs and higher travel costs which were offset by a reduction in employee benefit costs for medical and worker's compensation and a decrease in the cost of customer displays.
- Warehouse and delivery expenses were $48.8 million, or 12.3% of net sales, in the first six months of 2015, an increase of $7.3 million compared to warehouse and delivery expenses of $41.4 million, or 11.6% of net sales, in the first six months of 2014. In the first six months of 2015, higher warehouse and delivery expenses were attributable to the higher sales volume and the operating costs for a separate distribution center dedicated to the shipment of the new NDD line. In particular, the Company experienced an increase in warehouse labor, rent, freight, and delivery expense in the first six months of 2015.
- General and administrative ("G&A") expenses were $22.1 million in the first six months of 2015, an increase of $1.3 million compared to $20.8 million in the first six months of 2014. The G&A expenses in the 2015 period were higher than the prior year period as a result of management restructuring and severance costs which were offset by lower salary, bonus and medical claim costs compared to the 2014 period. The prior year period also included approximately $2.7 million of compensation related expense from the Merger Transaction.
- Stock compensation expense was $0.3 million in the first six months of 2015 compared to $39.2 million in the first six months of 2014 as a result of differences in the separate option plans in effect during the two periods. The stock compensation expense in the 2014 period resulted from an increase in the fair value of the underlying common stock and accelerated vesting of stock options in connection with the Merger Transaction.
- Depreciation expense was $14.5 million in the first six months of 2015 compared to $14.1 million in the first six months of 2014. The increase in depreciation expense was attributable to an increase in the value of fixed assets in connection with the Merger Transaction.
- Amortization expense was $19.0 million in the first six months of 2015 compared to $11.1 million in the first six months of 2014. The increase in amortization was the result of an increase in intangible assets subject to amortization acquired in the Merger Transaction.
- Transaction, acquisition & integration expenses were $0.3 million in the first six months of 2015 compared to $31.7 million in the first six months of 2014. The first six months of 2014 contain costs for investment banking, legal, and other expenses incurred in connection with the Merger Transaction.
- Interest expense, net, was $25.2 million in the first six months of 2015 compared to $23.2 million in the first six months of 2014. The increase in interest expense in the first six months of 2015 was primarily the result of the increase in debt acquired in connection with the Merger Transaction.
- Other expense was $0.5 million in the first six months of 2015 compared to the other income of $0.3 million in the first six months of 2014. The increase in expense was due to the loss on interest rate swaps when adjusted to fair value which were partially offset by gains on FX forward currency contracts.

The One Day Successor Period Ended June 30, 2014

The Merger Transaction was consummated on June 30, 2014 and no revenue or operating expenses were incurred in this one day period. Transaction expenses of $22.0 million represent costs for legal, professional, diligence, and other expenses incurred by the Successor in connection with the Merger Transaction.

Results of Operations – Operating Segments

The following table provides supplemental information regarding our net sales and profitability by operating segment for the three and six months ended June 30, 2015 and 2014 (in 000's):

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2015	**One Day Ended June 30, 2014**	**Three Months Ended June 29, 2014**	**Six Months Ended June 30, 2015**	**One Day Ended June 30, 2014**	**Six Months Ended June 29, 2014**
Revenues						
United States, excluding All Points	$ 167,821	$ —	$ 150,901	$ 311,942	$ —	$ 269,009
All Points	5,628	—	5,674	10,741	—	10,238
Canada	41,133	—	43,846	70,549	—	73,867
Mexico	1,844	—	1,886	3,555	—	3,620
Australia	392	—	291	727	—	643
Total revenues	$ 216,818	$ —	$ 202,598	$ 397,514	$ —	$ 357,377
Segment income (loss) from operations						
United States excluding All Points	$ 15,679	$ (22,018)	$ (51,467)	$ 12,956	$ (22,018)	$ (44,830)
All Points	481	—	598	815	—	896
Canada	1,062	—	3,760	791	—	4,214
Mexico	127	—	200	263	—	446
Australia	(133)	—	(76)	(559)	—	(114)
Total income (loss) from operations	$ 17,216	$ (22,018)	$ (46,985)	$ 14,266	$ (22,018)	$ (39,388)

The Three Month Successor Period Ended June 30, 2015 vs the Three Month Predecessor Period Ended June 29, 2014

Net Sales

Net sales for the three months ended June 30, 2015 increased $14.2 million compared to the net sales for the three months ended June 29, 2014. The United States, excluding All Points operating segment generated increased net sales of $16.9 million. The increase in net sales of this operating segment was primarily the result of strong comparable store performance in retail channels and the introduction of the new NDD line. The Canada net sales decreased $2.7 million as a result of unfavorable foreign exchange in the conversion of Canadian dollars to U.S. dollars. In addition, the net sales of all operating segments were hindered by one less selling day in the 2015 period compared to the 2014 period.

Cost of Sales

Cost of sales for the U.S. segment was $86.1 million, or 51.3% of net sales, in the three months ended June 30, 2015, compared to $71.3 million, or 47.3% of net sales, in the three months ended June 30, 2014. Cost of sales for the Canada segment was $27.5 million, or 66.8% of net sales in the three months ended June 30, 2015 compared to $27.5 million, or 62.6% of net sales, in the three months ended June 30, 2014. The primary reasons for the U.S. segment's increase in cost of sales in the second quarter of 2015 compared to the second quarter of 2014 were the higher sales volume and the initial start-up costs of approximately $5.1 million associated with the introduction of the new NDD line. The Canada segment cost of sales increased as a percentage of net sales in the second quarter of 2015 as a result of higher U.S. dollar denominated product costs and unfavorable currency exchange rates between the Canadian dollar and U.S. dollar.

Expenses

Operating expenses were approximately $80.6 million in the three months ended June 30, 2015, a decrease of $65.1 million, compared to $145.7 million in the three months ended June 29, 2014. The decrease in operating expenses in the 2015 period was primarily attributable to the Merger Transaction related costs incurred in 2014 of $38.7 million for stock compensation and $31.7 million for transaction costs. This was partially offset by additional operating costs associated with higher sales volume, an increase in amortization expense, start-up costs of the new NDD line, and management restructuring and severance related expenses. The majority of the higher operating expenses were incurred in the United States, excluding All Points operating segment.

- Selling, general, and administrative (“SG&A”) expense for the U.S. segment was $51.1 million in the three months ended June 30, 2015, a decrease of $35.9 million, compared to $87.0 million in the three months ended June 30, 2014. The decrease in SG&A expense was due to the stock compensation expense of $38.7 million in the 2014 period which was partially offset by higher selling and warehouse costs in the 2015 period related to the higher sales volume together with the management restructuring and severance expense. The SG&A expense of the other operating segments was comparable to the prior year period.
- Depreciation and amortization expense for the U.S. segment was $15.5 million in the three months ended June 30, 2015 compared to $11.9 million in the three months ended June 30, 2014. Depreciation and amortization expense in the Canada segment was $0.8 million in the three months ended June 30, 2015 compared to $0.8 million in the three months ended June 30, 2014. The primary reason for the increased expense in the 2015 period was the increase in the value of intangible assets subject to amortization due to the Merger Transaction.

The Six Month Successor Period Ended June 30, 2015 vs the Six Month Predecessor Period Ended June 29 2014

Net Sales

Net sales for first six months of 2015 increased $40.1 million compared to the net sales for the six months ended June 29, 2014. The United States, excluding All Points operating segment generated increased net sales of $42.9 million. The increase in net sales of this operating segment was primarily the result of strong comparable store performance in retail channels and the introduction of the new NDD line. The Canada net sales decreased $3.3 million as a result of unfavorable foreign exchange in the conversion of Canadian dollars to U.S. dollars. In addition, the net sales of all operating segments benefited from three additional selling days in the 2015 period compared to the 2014 period.

Cost of Sales

Cost of sales for the U.S. segment was $165.1 million, or 52.9% of net sales, in the six months ended June 30, 2015, compared to $127.9 million, or 47.6% of net sales, in the six months ended June 29, 2014. Cost of sales for the Canada segment was $47.0 million, or 66.6% of net sales in the six months ended June 30, 2015 compared to $46.0 million, or 62.2% of net sales, in the six months ended June 29, 2014. The primary reason for the U.S. segment's increase in cost of sales expressed as a percentage of sales in the first six months of 2015 compared to the first six months of 2014 was the high initial start-up costs associated with the introduction of the new NDD line. The Canada segment cost of sales increased as a percentage of net sales in the first six months of 2015 as a result of higher U.S. dollar denominated product costs and unfavorable currency exchange rates between the Canadian dollar and U.S. dollar.

Expenses

Operating expenses were approximately $160.9 million in the six months ended June 30, 2015 compared to $213.4 million in the six months ended June 29, 2014. The decrease in operating expenses in the 2015 period was primarily attributable to the Merger Transaction related costs incurred in 2014 of $39.2 million for stock compensation and $31.7 million for transaction costs. This was partially offset by additional operating costs associated with higher sales volume, an increase in amortization expense, start-up costs of the new NDD line, and management restructuring and severance related expenses. The majority of the higher operating expenses in 2014 were incurred in the United States, excluding All Points operating segment.

- Selling, general, and administrative expense for the U.S. segment was $100.9 million in the six months ended June 30, 2015 compared to $131.0 million in the six months ended June 29, 2014. The decrease in SG&A expense was due to the stock compensation expense of $39.2 million in the 2014 period which was partially offset by higher warehouse costs in the 2015 period related to the higher sales volume together with the management restructuring and severance expense. The SG&A expense of the other operating segments was comparable to the prior year period.

- Depreciation and amortization expense for the U.S. segment was $31.4 million in the six months ended June 30, 2015 compared to $23.4 million in the six months ended June 29, 2014. Depreciation and amortization expense in the Canada segment was $1.8 million in the six months ended June 30, 2015 compared to $1.7 million in the six months ended June 29, 2014. The primary reason for the increased expense in the 2015 period was the increase in the value of intangible assets subject to amortization due to the Merger Transaction.

Income Taxes

In the six month Successor period ended June 30, 2015, the Company recorded an income tax benefit of $2.7 million on a pre-tax loss of $17.1 million. In the three month Successor period ended June 30, 2015, the Company recorded an income tax provision of $6.1 million on a pre-tax income of $1.5 million. The effective income tax rates were 15.7% and 395.0% for the six and three month Successor periods ended June 30, 2015.

In the one day Successor period ended June 30, 2014, the Company recorded an income tax benefit of $6.2 million on a pre-tax loss of $22.0 million. The effective income tax rate was 28.3% for the one day Successor period ended June 30, 2014. 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. In the three month Predecessor period ended June 29, 2014, the Company recorded an income tax benefit of $21.2 million on a pre-tax loss of $61.6 million. The effective income tax rates were 35.1% and 34.4% for the six and three month Predecessor periods ended June 29, 2014.

The difference between the effective income tax rate and the federal statutory rate in the six and three month Successor periods ended June 30, 2015 was affected by a valuation reserve recorded to offset the deferred tax assets of a foreign subsidiary. The effective income tax rate in the six and three month Successor periods ended June 30, 2015 was also affected by the change, in the second quarter, of the estimated annual effective tax rate used to compute the interim tax provision as required by ASC 740-270, the accounting guidance established for computing income taxes in interim periods. The net effect of the change was recorded in the current period as required by the accounting standard. The remaining differences between the effective income tax rate and the federal statutory rate in the six and three month Successor periods ended June 30, 2015 was primarily due to state and foreign income taxes.

The difference between the effective income tax rate and the federal statutory rate in the one day Successor period ended June 30, 2014 and the six and three month Predecessor periods ended June 29, 2014 was 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 and three month Predecessor periods 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 one day Successor period ended June 30, 2014 was primarily due to state income taxes. The remaining differences between the effective income tax rate and the federal statutory rate in the six and three month Predecessor periods ended June 29, 2014 was primarily due to state and foreign income taxes.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the Successorsix months ended June 30, 2015, Successor one day ended June 30, 2014, and the Predecessor six month period ended June 29, 2014 by classifying transactions into three major categories: operating, investing, and financing activities.

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

Net cash used by operating activities for the six months ended June 30, 2015 was $32.5 million and was the result of the net loss adjusted for non-cash items of $32.5 million for depreciation, amortization, gain on dispositions of property and equipment, deferred taxes, deferred financing, stock-based compensation, other non-cash interest, and change in value of interest rate swap which was offset by cash related adjustments of $50.5 million for routine operating activities, represented by changes in accounts receivable, inventories, accounts payable, accrued liabilities, and other items. During the six months ended June 30, 2015, routine operating activities used cash through an increase in accounts receivable of $32.0 million, and an increase in inventories of $55.6 million. This was partially offset by an increase in accounts payable of $28.5 million, an increase in other accrued liabilities of $2.4 million and a decrease in other assets of $6.2 million. In the first six months of 2015, the seasonal increases in accounts receivable and inventory, and effects of the NDD line roll-out, were the primary uses of cash flow from operating activities for the period.

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, a decrease in other assets of $8.8 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.

Investing Activities

Net cash used by investing activities for the six months ended June 30, 2015 was $12.0 million and consisted of capital expenditures of $14.3 million offset by $2.3 million of proceeds from the sale of property and equipment. Capital expenditures consisted of $5.9 million for key duplicating machines, $3.5 million for engraving machines, $2.7 million for computer software and equipment, and $2.2 million for machinery and equipment.

Net cash used for investing activities was $12.9 million for the six months ended June 29, 2014. 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.

Financing Activities

Net cash provided by financing activities was $41.0 million for thesix months ended June 30, 2015. The borrowings on revolving credit loans provided $44.0 million.The Company used cash to pay $2.8 million in principal payments on the senior term loans under the Senior Facilities and $0.1 million in principal payments under capitalized lease obligations. The Company used $0.5 million of cash to purchase shares from a former member of management and received cash of $0.4 million from the sale of stock.

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.

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$270.8 million as of June 30, 2015 represents an increase of $39.5 million from the December 31, 2014 level of $231.3 million.

Contractual Obligations

The Company’s contractual obligations in thousands of dollars as of June 30, 2015 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)	$ 130,206	$ —	$ —	$ —	$ 130,206
Interest on Jr Subordinated Debentures	149,835	12,231	24,463	24,463	88,678
Senior Term Loans	544,500	5,500	11,000	11,000	517,000
Bank Revolving Credit Facility	44,000	—	—	44,000	—
6.375% Senior Notes	330,000	—	—	—	330,000
KeyWorks License Agreement	2,160	411	778	725	246
Interest Payments (2)	295,389	46,707	93,497	89,829	65,356
Operating Leases	57,331	9,687	12,700	9,116	25,828
Deferred Compensation Obligations	2,118	855	—	—	1,263
Capital Lease Obligations	568	242	257	69	—
Purchase Obligations (3)	671	350	321	—	—
Other Obligations	1,903	658	996	249	—
Uncertain Tax Position Liabilities	348	—	—	—	348
Total Contractual Cash Obligations (4)	$ 1,559,029	$ 76,641	$ 144,012	$ 179,451	$ 1,158,925

(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 5.70% for the notional amount of $130 million under interest rate swap agreements and the actual interest rate of 4.50% as of June 30, 2015 was used for the remaining amount of the Senior Term Loans. 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 3.5%.

(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 June 30, 2015 except for the interest payments, purchase obligations, and operating leases.

As of June 30, 2015, 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 June 30, 2015, the Company had $21.5 million available under the Senior Facilities. The Company had approximately $589.0 million of outstanding debt under its Senior Facilities at June 30, 2015, consisting of $544.5 million in a term loan, $44.0 million in Revolver borrowings, and $0.5 million in capitalized lease and other obligations. The term loan consisted of a $544.5 million Term B-2 Loan at an interest rate of 4.5%. The Revolver borrowings consisted of $44.0 million at an interest rate of 3.5% and the capitalized lease obligations were at various interest rates.

At June 30, 2015 and December 31, 2014, the Company's borrowings were as follows:

	June 30, 2015			**December 31, 2014**		
(dollars in thousands)	Facility Amount	Outstanding Amount	Interest Rate	Facility Amount	Outstanding Amount	Interest Rate
Term B-2 Loan		$ 544,500	4.50%		$ 547,250	4.50%
Revolving credit facility	$ 70,000	44,000	3.50%	$ 70,000	—	—
Capital leases & other obligations		506	various		607	various
Total secured credit		589,006			547,857	
Senior notes		330,000	6.375%		330,000	6.375%
Total borrowings		$ 919,006			$ 877,857	

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.

Non-GAAP Performance Measures

Pro-forma Adjusted EBITDA is not a presentation made in accordance with U.S. generally accepted accounting principles ("GAAP"), and as such, should not be considered a measure of financial performance or condition, liquidity or profitability. It should not be considered an alternative to GAAP-based net income or income from operations or operating cash flows. Further, because not all companies use identical calculations, amounts reflected by Hillman as Pro-forma Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Management believes the information shown below is relevant as it presents the amounts used to calculate covenants which are provided to our lenders. Non-compliance with our debt covenants could result in the requirement to immediately repay all amounts outstanding under such agreements.

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 Pro-forma 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 June 30, 2015, the total revolving credit commitment of the Company was 69% utilized. Below are the calculations of the financial covenant with the Senior Facilities requirement for the twelve trailing months ended June 30, 2015:

(dollars in thousands)	Actual	Ratio Requirement
Secured Leverage Ratio		
Term B-2 Loan	$ 544,500	
Revolving credit facility	44,000	
Capital leases & other obligations	506	
Cash and cash equivalents	(7,597)	
Total debt	581,409	
Pro-forma Adjusted EBITDA (1)	129,860	
Leverage ratio (must be below requirement)	4.48	6.50

(1) Pro-forma Adjusted EBITDA for the twelve months ended June 30, 2015 is presented in the following pro-forma Adjusted EBITDA section.

Pro-forma Adjusted EBITDA

The reconciliation of Net Loss to Adjusted EBITDA for the three and six months ended June 30, 2015 and 2014 and reconciliation of Net Loss to Pro-forma Adjusted EBITDA for the year ended December 31, 2014 and the twelve trailing months ("TTM") ended June 30, 2015 and 2014 follows:

	Three Months Ended		Six Months Ended		Year	TTM	TTM
	June 30,	June, 30	June 30,	June, 30	Ended	June 30,	June 30,
	2015	2014	2015	2014	2014 (1)	2015	2014 (2)
Net loss	$ (4,543)	$ (56,254)	$ (14,408)	$ (60,316)	$ (63,463)	$ (17,555)	$ (61,542)
Income tax expense (benefit)	6,083	(27,413)	(2,686)	(30,356)	(30,316)	(2,646)	(28,245)
Interest expense, net	12,618	11,605	25,244	23,150	50,400	52,494	47,233
Interest expense on junior subordinated debentures	3,152	3,153	6,305	6,305	12,610	12,610	12,610
Investment income on trust common securities	(94)	(94)	(189)	(189)	(378)	(378)	(378)
Depreciation	6,971	7,281	14,508	14,149	31,426	31,785	27,130
Amortization	9,518	5,549	19,035	11,093	30,221	38,163	22,200
EBITDA	33,705	(56,173)	47,809	(36,164)	30,500	114,473	19,008
Stock compensation expense	53	38,721	257	39,229	39,904	932	43,394
Management fees	155	15	306	15	291	582	92
Foreign exchange (gain) loss	1,052	101	921	76	(550)	295	491
Acquisition and integration expense	92	56,509	257	56,905	57,834	1,186	61,361
Legal fees and settlements	369	306	884	506	1,170	1,548	506
Restructuring costs	2,445	71	5,620	106	1,303	6,817	3,329
Other adjustments	(279)	9	1,264	52	986	2,198	653
Adjusted EBITDA	$ 37,592	$ 39,559	$ 57,318	$ 60,725	$ 131,438	$ 128,031	$ 128,834
Pro-forma purchasing savings (3)					3,322	1,174	6,480
2015 costs to enter NDD market					—	655	—
2013 facilities closures (4)					—	—	335
Paulin Acquisition synergies (5)					—	—	287
Pro-forma Adjusted EBITDA					$ 134,760	$ 129,860	$ 135,936

1) For purposes of the Pro-forma Adjusted EBITDA computation, the predecessor six month period ended June 29, 2014 was combined with the successor six month period ended December 31, 2014.

2) For purposes of the Pro-forma Adjusted EBITDA computation, the predecessor twelve month period ended June 29, 2014 was combined with the successor one day period ended June 30, 2014.

3) Represents the pro-forma impact of run-rate cost savings (net of amounts already realized) agreed with vendors in exchange for higher committed volumes, based on savings calculated against actual SKU volume, as part of a purchase savings program that began in 2012 and negotiations held during 2012 and 2013 with our top suppliers. Annual contracts were awarded that stipulated annual volume, price and service expectations, although no fixed volume commitments were made by the Company.

4) Represents pro-forma impact of U.S. facilities closed during 2013, including savings related to senior management and other operating costs.

5) Represents run-rate cost savings and synergies for actions taken with the Paulin Acquisition, including consolidation of a legacy-held facility in Canada.

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 June 30, 2015, however, actual results may differ from these estimates under different assumptions and circumstances.

There have been no material changes to our critical accounting policies and estimates which 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 Annual Report on Form 10-K for the year ended December 31, 2014, 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 Annual Report on Form 10-K for the year ended December 31, 2014.

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 atJune 30, 2015, 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 $4.6 million.

The Company is exposed to foreign exchange rate changes of the Australian, Canadian, and Mexican currencies as they impact the $150.8 million tangible and intangible net asset value of our Australian, Canadian, and Mexican subsidiaries as of June 30, 2015. The foreign subsidiaries net tangible assets were $72.9 million and the net intangible assets were $78.0 million as of June 30, 2015.

The Company utilizes foreign exchange forward contracts to manage the exposure to currency fluctuations in the Canadian dollar versus the U.S. Dollar. See Note 11, Derivatives and Hedging, of the Notes to the Condensed Consolidated Financial Statements.

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 Executive Chairman 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, and solely as a result of the material weakness in internal control over financial reporting described below, the Company's Executive Chairman and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report 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 Executive Chairman and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. Management determined that the Company's internal control over financial reporting was not effective solely as a result of the material weakness described below which existed as of June 30, 2015. The material weakness also existed as of December 31, 2014.

Management identified pervasive deficiencies related to the design and operating effectiveness of transaction, process level, and management monitoring controls that have a direct impact on the financial reporting of our Canadian subsidiary (The Hillman Group Canada ULC), which in aggregate are considered a material weakness. In 2013, Hillman acquired H. Paulin & Co., which has since been amalgamated with The Hillman Group Canada ULC. There are numerous manual procedures required to be performed on both the data input into our legacy system and the subsequent output in order to validate, prepare, and record information in the general ledger. These required manual procedures vary in complexity and extend throughout all functions of the entire financial reporting process. Further, there is an ineffective control environment surrounding these aforementioned manual procedures, management review controls, as well as ineffective controls over change management, critical access, and end user system access to the legacy system. As a result of these deficiencies, financial information may not be accurately reflected in key reports that are used in higher level management review controls or subsequently recorded in the general ledger.

The Company is not aware of any transactions that were improperly undertaken as a result of this material weakness and therefore does not believe that such material weakness had any material impact on the Company's condensed consolidated financial statements.

Plan for Remediation of Material Weakness

Management is, and intends to continue, taking appropriate and reasonable steps to make the necessary improvements to remediate this material weakness in internal control over financial reporting. In particular, a senior management team has been assigned responsibility for internal controls within the Canadian subsidiary and training will be provided to all employees in financial reporting roles. A thorough evaluation of all processes, controls, and the legacy system will be conducted and enhancements will be made where necessary, and ultimately, the legacy system will be migrated to a new platform and additional resources will be added where deemed appropriate.

Management believes that the measures described above will facilitate remediation of the material weakness we have identified and will continue to strengthen our internal control over financial reporting. The Company is actively involved in improving the effectiveness and efficiency of its internal control over financial reporting.

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 June 30, 2015 and that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. – Legal Proceedings.

We are subject to various claims and litigation that arise in the normal course of business. For a description of our material legal proceedings, see Note 5, Commitments and Contingencies, to our condensed consolidated financial statements included in Part I, item 1 in this Quarterly Report on Form 10-Q.

Item 1A – Risk Factors.

There have been no material changes to the risks related to the Company from those disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 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

Item 6. – Exhibits.

a) Exhibits, including those incorporated by reference.

31.1 *	Certification of Executive Chairman 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 Executive Chairman 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 June 30, 2015, filed with the Securities and Exchange Commission on August 14, 2015, formatted in eXtensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2015 and 2014, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014, (iv) Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2015, and (v) Notes to Condensed Consolidated Financial Statements.

* Filed herewith.

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/ Jeffrey S. Leonard	/s/ Harold J. Wilder
Jeffrey S. Leonard	Harold J. Wilder
Chief Financial Officer	Controller
	(Chief Accounting Officer)

DATE: August 14, 2015

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Douglas J. Cahill, 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: August 14, 2015

/s/ Douglas J. Cahill
Douglas J. Cahill
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffrey S. Leonard, 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: August 14, 2015

/s/ Jeffrey S. Leonard
Jeffrey S. Leonard
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (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/ Douglas J. Cahill
Name: Douglas J. Cahill
Date: August 14, 2015

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the "Report") of The Hillman Companies, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Jeffrey S. Leonard, 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/ Jeffrey S. Leonard
Name: Jeffrey S. Leonard
Date: August 14, 2015

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

EXHIBIT 99.1

On June 30, 2014, affiliates of CCMP Capital Advisors, LLC (“CCMP”) and Oak Hill Capital Partners III, L.P., Oak Hill Capital Management Partners III, L.P. and OHCP III HC RO, L.P.), 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.

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, the 10.875% Senior Notes were repaid and terminated.

Hillman Group issued $330,000 aggregate principal amount of its senior notes due July 15, 2022 (the “6.375% Senior Notes”). The 6.375% Senior Notes, of which $330,000 aggregate principal amount was outstanding as of June 30, 2015, 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.

Condensed Consolidating Statements of Comprehensive Loss (Unaudited)
For the three months ended June 30, 2015
(dollars in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 167,821	$ 5,628	$ 43,369	$ —	$ 216,818
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	86,082	4,039	28,866	—	118,987
Selling, general and administrative expenses	(211)	50,913	1,034	12,861	—	64,597
Transaction, acquisition and integration expenses	—	92	—	—	—	92
Depreciation	—	6,519	18	434	—	6,971
Amortization	8,972	—	54	492	—	9,518
Intercompany administrative (income) expense	—	(109)	—	109	—	—
Management fees to related party	—	155	—	—	—	155
Other (income) expense, net	264	(752)	2	(232)	—	(718)
(Loss) income from operations	(9,025)	24,921	481	839	—	17,216
Intercompany interest (income) expense	(3,058)	3,058	—	—	—	—
Interest (income) expense, net	(242)	11,244	—	1,616	—	12,618
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	(8,783)	10,619	481	(777)	—	1,540
Equity in subsidiaries' (loss) income	9,610	(1,009)	—	—	(8,601)	—
(Loss) income before income taxes	827	9,610	481	(777)	(8,601)	1,540
Income tax (benefit) provision	5,370	—	(23)	736	—	6,083
Net (loss) income	$ (4,543)	$ 9,610	$ 504	$ (1,513)	$ (8,601)	$ (4,543)
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	79	—	423	(875)	(373)
Total comprehensive (loss) income	$ (4,543)	$ 9,689	$ 504	$ (1,090)	$ (9,476)	$ (4,916)

Condensed Consolidating Statements of Comprehensive Loss (Unaudited)
For the one day ended June 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	—	—	—	—	—	—
Cost of sales (exclusive of depreciation and amortization shown below)	—	—	—	—	—	—
Selling, general and administrative expenses	—	—	—	—	—	—
Transaction, acquisition and integration expenses	22,018	—	—	—	—	22,018
Depreciation	—	—	—	—	—	—
Amortization	—	—	—	—	—	—
Intercompany administrative (income) expense	—	—	—	—	—	—
Other (income) expense, net	—	—	—	—	—	—
(Loss) from operations	(22,018)	—	—	—	—	(22,018)
Intercompany interest (income) expense	—	—	—	—	—	—
Interest expense, net	—	—	—	—	—	—
Interest expense on junior subordinated debentures	—	—	—	—	—	—
Investment income on trust common securities	—	—	—	—	—	—
(Loss) before equity in subsidiaries' income	(22,018)	—	—	—	—	(22,018)
Equity in subsidiaries' income (loss)	—	—	—	—	—	—
(Loss) before income taxes	(22,018)	—	—	—	—	(22,018)
Income tax (benefit)	(6,228)	—	—	—	—	(6,228)
Net (loss)	$ (15,790)	—	—	—	—	$ (15,790)
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	—	—	—
Total comprehensive (loss)	$ (15,790)	—	—	—	—	$ (15,790)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

Condensed Consolidating Statements of Comprehensive Income (Unaudited)
For the three 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	—	$ 147,829	$ 8,746	$ 46,023	—	$ 202,598
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	69,236	6,079	28,612	—	103,927
Selling, general and administrative expenses	38,798	47,772	1,941	12,408	—	100,919
Transaction, acquisition and integration expenses	—	31,681	—	—	—	31,681
Depreciation	—	6,593	27	661	—	7,281
Amortization	4,514	771	—	264	—	5,549
Intercompany administrative (income) expense	—	(108)	—	108	—	—
Management and transaction fees to related party	—	15	—	—	—	15
Other (income) expense, net	(77)	74	128	86	—	211
(Loss) income from operations	(43,235)	(8,205)	571	3,884	—	(46,985)
Intercompany interest (income) expense	(3,059)	3,059	—	—	—	—
Interest (income) expense, net	(52)	9,886	—	1,771	—	11,605
Interest expense on junior subordinated debentures	3,153	—	—	—	—	3,153
Investment income on trust common securities	(94)	—	—	—	—	(94)
(Loss) income before equity in subsidiaries' income	(43,183)	(21,150)	571	2,113	—	(61,649)
Equity in subsidiaries' (loss) income	(19,656)	1,494	—	—	18,162	—
(Loss) income before income taxes	(62,839)	(19,656)	571	2,113	18,162	(61,649)
Income tax (benefit) provision	(22,375)	—	182	1,008	—	(21,185)
Net (loss) income	$ (40,464)	$ (19,656)	$ 389	$ 1,105	$ 18,162	$ (40,464)
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	3,916	—	10,061	(10,025)	3,952
Total comprehensive (loss) income	$ (40,464)	$ (15,740)	$ 389	$ 11,166	$ 8,137	$ (36,512)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

Condensed Consolidating Statements of Comprehensive Loss (Unaudited)
For the six months ended June 30, 2015
(dollars in thousands)

	Successor					
	Guarantors The Hillman Companies, Inc.	Issuer The Hillman Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 311,942	$ 10,741	$ 74,831	$ —	$ 397,514
Cost of sales (exclusive of depreciation and amortization shown separately below)	—	165,127	7,731	49,477	—	222,335
Selling, general and administrative expenses	43	100,836	2,052	23,364	—	126,295
Transaction, acquisition and integration expenses	—	257	—	—	—	257
Depreciation	—	13,468	35	1,005	—	14,508
Amortization	17,946	—	108	981	—	19,035
Intercompany administrative (income) expense	—	(217)	—	217	—	—
Management fees to related party	—	306	—	—	—	306
Other (income) expense, net	214	789	—	(491)	—	512
(Loss) income from operations	(18,203)	31,376	815	278	—	14,266
Intercompany interest (income) expense	(6,115)	6,115	—	—	—	—
Interest (income) expense, net	(478)	22,507	—	3,215	—	25,244
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	(17,726)	2,754	815	(2,937)	—	(17,094)
Equity in subsidiaries' (loss) income	902	(1,852)	—	—	950	—
(Loss) income before income taxes	(16,824)	902	815	(2,937)	950	(17,094)
Income tax (benefit) provision	(2,416)	—	133	(403)	—	(2,686)
Net (loss) income	$ (14,408)	$ 902	$ 682	$ (2,534)	$ 950	$ (14,408)
Other comprehensive (loss) income:						
Foreign currency translation adjustments	—	(7,150)	—	(24,105)	20,370	(10,885)
Total comprehensive (loss) income	$ (14,408)	$ (6,248)	$ 682	$ (26,639)	$ 21,320	$ (25,293)

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

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)

Condensed Consolidating Balance Sheet (Unaudited)
As of June 30, 2015
(dollars 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	$ 2,717	$ 684	$ 4,195	$ —	$ 7,597
Restricted investments	855	—	—	—	—	855
Accounts receivable, net	—	89,176	1,623	29,863	—	120,662
Inventories, net	—	177,784	5,532	73,428	(685)	256,059
Deferred income taxes, net	10,591	277	529	863	(98)	12,162
Other current assets	—	8,542	116	2,282	—	10,940
Total current assets	11,447	278,496	8,484	110,631	(783)	408,275
Intercompany notes receivable	105,446	116,706	(6,365)	(110,341)	(105,446)	—
Intercompany interest receivable	6,115	3,980	—	—	(10,095)	—
Investments in subsidiaries	(890,670)	55,647	4,178	243,048	587,797	—
Property and equipment, net	—	101,159	297	10,255	—	111,711
Goodwill	814,413	350,968	3,240	34,941	(584,841)	618,721
Other intangibles, net	728,767	—	4,575	43,014	—	776,356
Restricted investments	1,263	—	—	—	—	1,263
Deferred income taxes	49,945	143	(602)	660	(50,146)	—
Deferred financing fees, net	—	22,559	—	—	—	22,559
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	2,946	25	47	—	3,018
Total assets	$ 829,987	$ 932,604	$ 13,832	$ 332,255	$ (163,514)	$ 1,945,164
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 70,804	$ 374	$ 23,361	$ —	$ 94,539
Current portion of senior term loans	—	5,500	—	—	—	5,500
Current portion of capitalized lease and other obligations	—	212	—	—	—	212
Intercompany interest payable	—	6,115	—	3,980	(10,095)	—
Accrued expenses:						—
Salaries and wages	—	4,975	120	969	—	6,064
Pricing allowances	—	3,418	—	3,100	—	6,518
Income and other taxes	(92)	2,382	78	647	—	3,015
Interest	—	10,186	—	—	—	10,186
Deferred compensation	855	—	—	—	—	855
Other accrued expenses	—	7,404	39	3,144	—	10,587
Total current liabilities	763	110,996	611	35,201	(10,095)	137,476

Condensed Consolidating Balance Sheet (Unaudited)
As of June 30, 2015
(dollars 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	—	539,000	—	—	—	539,000
Bank revolving credit	—	44,000	—	—	—	44,000
Long term capitalized leases and other obligations	—	294	—	—	—	294
Long term senior notes	—	330,000	—	—	—	330,000
Junior subordinated debentures	130,206	—	—	—	—	130,206
Deferred compensation	1,263	—	—	—	—	1,263
Deferred income taxes, net	303,508	—	2,007	13,187	(50,244)	268,458
Other non-current liabilities	—	6,152	—	348	—	6,500
Total liabilities	435,740	1,135,888	2,618	48,736	(165,785)	1,457,197
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at June 30, 2015	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, issued and outstanding at June 30, 2015	—	—	50	—	(50)	—
Additional paid-in capital	632,579	5,842	10,197	375,287	(479,184)	544,721
Accumulated deficit	(238,332)	(193,656)	967	(22,097)	419,773	(33,345)
Accumulated other comprehensive (loss) income	—	(15,470)	—	(69,671)	61,732	(23,409)
Total stockholders' equity	394,247	(203,284)	11,214	283,519	2,271	487,967
Total liabilities and stockholders' equity	$ 829,987	$ 932,604	$ 13,832	$ 332,255	$ (163,514)	$ 1,945,164

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2014
(dollars 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	$ 13,191	$ 696	$ 4,597	$ —	$ 18,485
Restricted investments	494	—	—	—	—	494
Accounts receivable, net	—	65,270	1,175	23,439	—	89,884
Inventories, net	—	141,472	5,687	57,885	(321)	204,723
Deferred income taxes, net	11,191	277	538	1,331	(98)	13,239
Other current assets	—	8,142	124	2,058	—	10,324
Total current assets	11,686	228,352	8,220	89,310	(419)	337,149
Intercompany notes receivable	105,446	112,977	(6,975)	(106,002)	(105,446)	—
Intercompany interest receivable	—	948	—	—	(948)	—
Investments in subsidiaries	(840,201)	69,419	4,300	271,714	494,768	—
Property and equipment, net	—	101,299	298	12,934	—	114,531
Goodwill	789,870	338,696	3,240	37,780	(548,026)	621,560
Other intangibles, net	746,714	—	4,682	47,545	—	798,941
Restricted investments	1,750	—	—	—	—	1,750
Deferred income taxes	53,715	143	(477)	(2)	(53,379)	—
Deferred financing fees, net	—	24,407	—	—	—	24,407
Investment in trust common securities	3,261	—	—	—	—	3,261
Other assets	—	1,317	25	72	—	1,414
Total assets	$ 872,241	$ 877,558	$ 13,313	$ 353,351	$ (213,450)	$ 1,903,013
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 53,487	$ 422	$ 12,553	$ —	$ 66,462
Current portion of senior term loans	—	5,500	—	—	—	5,500
Current portion of capitalized lease and other obligations	—	207	—	—	—	207
Intercompany interest payable	—	—	—	948	(948)	—
Accrued expenses:						
Salaries and wages	—	4,144	120	983	—	5,247
Pricing allowances	—	3,621	3	3,038	—	6,662
Income and other taxes	(581)	2,325	37	1,520	—	3,301
Interest	—	10,587	—	—	—	10,587
Deferred compensation	494	—	—	—	—	494
Other accrued expenses	—	6,990	40	393	—	7,423
Total current liabilities	(87)	86,861	622	19,435	(948)	105,883

Condensed Consolidating Balance Sheet (Unaudited)
As of December 31, 2014
(dollars 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	—	541,750	—	—	—	541,750
Long term capitalized leases and other obligations	—	400	—	—	—	400
Long term senior notes	—	330,000	—	—	—	330,000
Junior subordinated debentures	130,685	—	—	—	—	130,685
Deferred compensation	1,750	—	—	—	—	1,750
Deferred income taxes, net	310,804	—	2,037	14,417	(53,477)	273,781
Other non-current liabilities	—	4,359	—	1,262	—	5,621
Total liabilities	443,152	1,068,816	2,659	35,114	(159,871)	1,389,870
Commitments and Contingencies						
Stockholders' Equity:						
Preferred Stock:						
Preferred stock, $.01 par, 5,000 shares authorized, none issued and outstanding at December 31, 2014	—	—	—	—	—	—
Common Stock:						
Common stock, $.01 par, 5,000 shares authorized, issued and outstanding at December 31, 2014	—	—	50	—	(50)	—
Additional paid-in capital	632,602	5,842	10,197	375,287	(479,324)	544,604
Accumulated deficit	(203,513)	(188,780)	407	(11,484)	384,433	(18,937)
Accumulated other comprehensive (loss) income	—	(8,320)	—	(45,566)	41,362	(12,524)
Total stockholders' equity	429,089	(191,258)	10,654	318,237	(53,579)	513,143
Total liabilities and stockholders' equity	$ 872,241	$ 877,558	$ 13,313	$ 353,351	$ (213,450)	$ 1,903,013

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

Consolidating Statement of Cash Flows (Unaudited)
For the six months ended June 30, 2015
(dollars 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	$ (15,310)	$ 2,537	$ 682	$ (2,317)	$ —	$ (14,408)
Adjustments to reconcile net (loss) income to net cash provided by (used for) operating activities:						
Depreciation and amortization	17,947	13,473	142	1,981	—	33,543
Gain on sale of property and equipment	—	223	1	(895)	—	(671)
Deferred income tax (benefit) provision	(2,926)	—	104	(441)	—	(3,263)
Deferred financing and original issue discount amortization	(479)	1,848	—	—	—	1,369
Stock-based compensation expense	257	—	—	—	—	257
Other non-cash interest and change in value of interest rate swap	—	1,264	—	—	—	1,264
Changes in operating items:						
Accounts receivable	—	(23,906)	(448)	(7,599)	—	(31,953)
Inventories	—	(35,948)	155	(19,861)	—	(55,654)
Other assets	(6,115)	(2,675)	(602)	15,547	—	6,155
Accounts payable	—	17,317	(48)	11,208	—	28,477
Other accrued liabilities	489	698	37	1,163	—	2,387
Other items, net	6,277	(5,825)	—	(414)	—	38
Net cash provided by (used for) operating activities	140	(30,994)	23	(1,628)	—	(32,459)
Cash flows from investing activities:						
Proceeds from sale of property and equipment	—	—	—	2,295	—	2,295
Capital expenditures	—	(13,479)	(35)	(756)	—	(14,270)
Net cash (used for) provided by investing activities	—	(13,479)	(35)	1,539	—	(11,975)
Cash flows from financing activities:						
Repayments of senior term loans	—	(2,750)	—	—	—	(2,750)
Borrowings on revolving credit loans	—	44,000	—	—	—	44,000
Principal payments under capitalized lease obligations	—	(101)	—	—	—	(101)
Proceeds from sale of stock	400	—	—	—	—	400
Purchase of stock from a former member of management	(540)	—	—	—	—	(540)
Net cash (used for) financing activities	(140)	41,149	—	—	—	41,009
Effect of exchange rate changes on cash	—	(7,150)	—	(313)	—	(7,463)
Net (decrease) increase in cash and cash equivalents	—	(10,474)	(12)	(402)	—	(10,888)
Cash and cash equivalents at beginning of period	1	13,191	696	4,597	—	18,485
Cash and cash equivalents at end of period	$ 1	$ 2,717	$ 684	$ 4,195	$ —	$ 7,597

Condensed Consolidating Statement of Cash Flows (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
Cash flows from operating activities:						
Net (loss) income	$ (23,029)	$ (22,749)	$ 728	$ 524	—	$ (44,526)
Adjustments to reconcile net (loss) income to net cash provided by (used for) operating activities:						
Depreciation and amortization	9,029	14,332	48	1,833	—	25,242
Deferred income tax (benefit) provision	(24,245)	—	206	(419)	—	(24,458)
Deferred financing and original issue discount amortization	(103)	1,477	—	—	—	1,374
Stock-based compensation expense	39,229	—	—	—	—	39,229
Changes in operating items:						
Accounts receivable	—	(17,638)	(633)	(6,996)	—	(25,267)
Inventories	—	(17,769)	(666)	584	—	(17,851)
Other assets	—	(3,199)	678	11,320	—	8,799
Accounts payable	—	25,944	236	(5,369)	—	20,811
Interest payable on junior subordinated debentures	1,019	—	—	—	—	1,019
Other accrued liabilities	(123)	28,651	(4)	2,659	—	31,183
Other items, net	(2,251)	(1,168)	(659)	235	—	(3,843)
Net cash provided by (used for) operating activities	(474)	7,881	(66)	4,371	—	11,712
Cash flows from investing activities:						
Capital expenditures	—	(12,224)	(57)	(652)	—	(12,933)
Net cash provided by (used for) investing activities	—	(12,224)	(57)	(652)	—	(12,933)
Cash flows from financing activities:						
Repayments of senior term loans	—	(992)	—	—	—	(992)
Principal payments under capitalized lease obligations	—	(84)	—	—	—	(84)
Proceeds from exercise of stock options	474	—	—	—	—	474
Net cash (used for) financing activities	474	(1,076)	—	—	—	(602)
Effect of exchange rate changes on cash	—	(151)	—	35	—	(116)
Net (decrease) increase in cash and cash equivalents	—	(5,570)	(123)	3,754	—	(1,939)
Cash and cash equivalents at beginning of period	1	27,553	791	6,624	—	34,969
Cash and cash equivalents at end of period	$ 1	$ 21,983	$ 668	$ 10,378	—	$ 33,030

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Supplemental Consolidating Guarantor and Non-Guarantor Financial Information

Condensed Consolidating Statement of Cash Flows (Unaudited)
For the one day ended June 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 income (loss)	$ 6,228	$ (22,018)	—	—	—	$ (15,790)
Adjustments to reconcile net income (loss) to net cash provided by (used for)operating activities:						
Depreciation and amortization	—	—	—	—	—	—
Deferred income tax provision	(6,228)	—	—	—	—	(6,228)
Deferred financing and original issue discount amortization	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—
Changes in operating items:						
Accounts receivable	—	—	—	—	—	—
Inventories	—	—	—	—	—	—
Other assets	—	(2,321)	—	—	—	(2,321)
Accounts payable	—	—	—	—	—	—
Interest payable on junior subordinated debentures	—	—	—	—	—	—
Other accrued liabilities	18,177	(31,969)	—	—	—	(13,792)
Other items, net	—	(65)	—	(1,961)	—	(2,026)
Net cash provided by (used for) operating activities	18,177	(56,373)	—	(1,961)	—	(40,157)
Cash flows from investing activities:						
Capital expenditures	—	—	—	—	—	—
Purchase of predecessors equity securities	(722,763)	—	—	(4,582)	—	(727,345)
Net cash used for investing activities	(722,763)	—	—	(4,582)	—	(727,345)
Cash flows from financing activities:						
Borrowings of senior term loans	—	550,000	—	—	—	550,000
Repayments of senior term loans	—	(384,407)	—	—	—	(384,407)
Borrowings of senior notes	—	330,000	—	—	—	330,000
Repayments of senior notes	—	(265,000)	—	—	—	(265,000)
Proceeds from sale of successor equity securities	542,929	—	—	—	—	542,929
Financing fees, net	—	(26,355)	—	—	—	(26,355)
Borrowings on revolving credit loans	—	16,000	—	—	—	16,000
Net cash provided by financing activities	542,929	220,238	—	—	—	763,167
Effect of exchange rate changes on cash	—	—	—	—	—	—
Net (decrease) increase in cash and cash equivalents	(161,657)	163,865	—	(6,543)	—	(4,335)
Cash and cash equivalents at beginning of period	1	21,983	668	10,378	—	33,030
Cash and cash equivalents at end of period	$ (161,656)	$ 185,848	$ 668	$ 3,835	—	$ 28,695