

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 25, 2021

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

FOR THE TRANSITION PERIOD FROM ____ TO ____

Commission file number 001-39609

Hillman Solutions Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

85-2096734
(I.R.S. Employer
Identification No.)

10590 Hamilton Avenue
Cincinnati, Ohio
(Address of principal executive offices)

45231
(Zip Code)

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

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

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|--|-------------------|---|
| Common Stock, par value \$0.0001 per share | HLMN | The Nasdaq Stock Market LLC |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

| | | | |
|-------------------------|---|---------------------------|--------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was \$477.1 million based upon the closing price reported for such date on the Nasdaq Global Select Market.

On March 14, 2022, 194,127,254 shares of common stock, par value \$0.0001 per share, were issued and 194,038,949 were outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for its 2022 Annual Meeting of Stockholders, or the Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement shall not be deemed to be filed as part hereof.

PART I

Forward-Looking Statements

Certain disclosures related to acquisitions, refinancing, capital expenditures, resolution of pending litigation, and realization of deferred tax assets contained in this annual 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. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. In some cases, forward-looking statements can be identified 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 our current expectations, assumptions, and projections about future events. Although we believe 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 our 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 this annual report. 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, as defined herein, or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this annual report; they should not be regarded as a representation by the Company or any other individual. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this annual report might not occur or might be materially different from those discussed.

Item 1 – Business.

General

Hillman Solutions Corp. and its wholly-owned subsidiaries (collectively, “Hillman” or “Company”) are one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. Our principal business is operated through our wholly-owned subsidiary, The Hillman Group, Inc. and its wholly-owned subsidiaries (collectively, “Hillman Group”), which had net sales of approximately \$1,426.0 million in 2021. Hillman Group sells its products to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Latin America, and the Caribbean. Product lines include thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; keys and accessories; builder’s hardware; personal protective equipment, such as gloves and eye-wear; and identification items, such as tags and letters, numbers, and signs. We support product sales with services that include design and installation of merchandising systems, maintenance of appropriate in-store inventory levels, and break-fix for our robotics kiosks.

Our headquarters are located at 10590 Hamilton Avenue, Cincinnati, Ohio. We maintain a website at www.hillmangroup.com. Information contained or linked on our website is not incorporated by reference into this annual report and should not be considered a part of this annual report.

On July 14, 2021, privately held HMAN Group Holdings Inc. (“Old Hillman”), and Landcadia Holdings III, Inc. (“Landcadia” and after the Business Combination described herein, “New Hillman”), a special purpose acquisition company (“SPAC”) consummated the previously announced business combination (the “Closing”) pursuant to the terms of the Agreement and Plan of Merger, dated as of January 24, 2021 (as amended on March 12, 2021, the “Merger Agreement”). Unless the context indicates otherwise, the discussion of the Company and its financial condition and results of operations is with respect to New Hillman following the closing date and Old Hillman prior to the closing date. See Note 3 - Merger Agreement of the Notes to Consolidated Financial Statements for additional information.

In connection with the Closing, the Company entered into a new credit agreement (the "Term Credit Agreement"), which provided for a new funded term loan facility of \$835.0 million and a delayed draw term loan facility of \$200.0 million (of which \$16.0 million was drawn). The Company also entered into an amendment to their existing asset-based revolving credit agreement, extending the maturity and conformed certain provisions to the Term Credit Agreement. The proceeds of the funded term loans under the Term Credit Agreement and revolving credit loans under the ABL Credit Agreement were used, together with other available cash, to (1) refinance in full all outstanding term loans and to terminate all outstanding commitments under the credit agreement, dated as of May 31, 2018, (2) refinance outstanding revolving credit loans, and (3) redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes"). Additionally, we fully redeemed the 11.6% Junior Subordinated Debentures. In connection with the refinancing we incurred a loss of \$8.1 million and paid \$38.7 million in financing fees, of which \$21.0 million was recorded as a financing activity. See Note 9 - Long-Term Debt of the Notes to Consolidated Financial Statements for additional information.

On April 16, 2021, the Company completed the acquisition of Oz Post International, LLC ("OZCO"), a leading manufacturer of superior quality hardware that offers structural fasteners and connectors used for decks, fences and other outdoor structures, for a total purchase price of \$38.9 million. The Company entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018 (the "2018 Term Loan"), which provided \$35.0 million of incremental term loan funds to be used to finance the acquisition. Ozco has business operations in the United States and its financial results reside within our Hardware and Protective Solutions segment.

On August 16, 2019, we acquired the assets of Sharp Systems, LLC ("Resharp"), a California-based innovative developer of automated knife sharpening systems, for a cash payment of \$3.0 million and contingent consideration valued at \$18.1 million. The maximum payout for the contingent consideration is \$25.0 million plus 1.8% of net knife-sharpening revenues for five years after the \$25.0 million is fully paid. Resharp has business operations in the United States and its financial results reside within our Robotics and Digital Solutions segment.

On July 1, 2019, the Company acquired the assets of West Coast Washers, Inc for a total purchase price of \$3.1 million. The financial results of West Coast Washers, Inc. reside within the Company's Hardware and Protective Solutions segment.

Hillman Group

We are comprised of three separate operating business segments: (1) Hardware and Protective Solutions, (2) Robotics and Digital Solutions, and (3) Canada.

We provide products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems, and accessories; builder's hardware; personal protective equipment, such as gloves and eye-wear; 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. We complement our extensive product selection with regular retailer visits by our field sales and service organization.

We market and distribute a wide variety of Stock Keeping Units ("SKUs") of small, hard-to-find and hard-to-manage hardware items. We function as a category manager for retailers and support these products with in-store service, high order fill rates, and rapid delivery of products sold. Sales and service representatives regularly visit retail outlets to review stock levels, reorder items in need of replacement, and interact with the store management to offer new product and merchandising ideas. Thousands of items can be actively managed with the retailer experiencing a substantial reduction of in-store labor costs and replenishment paperwork. Service representatives also assist in organizing the products in a consumer-friendly manner. We complement our broad range of products with merchandising services such as displays, product identification stickers, retail price labels, store rack and drawer systems, assistance in rack positioning and store layout, and inventory restocking services. We regularly refresh retailers' displays with new products and package designs utilizing color-coding to simplify the shopping experience for consumers and improve the attractiveness of individual store displays.

We operate from 22 strategically located distribution centers in North America. Our main distribution centers utilize state-of-the-art Warehouse Management Systems ("WMS") to ship customer orders within 48 hours while achieving a very high order fill rate. We also supplement our operations with third-party logistics providers to warehouse and ship customer orders in the certain areas.

Products and Suppliers

Our product strategy concentrates on providing total project solutions using the latest technology for common and unique home improvement projects. Our portfolio provides retailers the assurance that their shoppers can find the right product at the right price within an 'easy to shop' environment.

We currently manage a worldwide supply chain comprised of a large number of vendors, the largest of which accounted for approximately 5.7% of the Company's annual purchases and the top five of which accounted for approximately 17.0% of its annual purchases. Our vendor quality control procedures include on-site evaluations and frequent product testing. Vendors are also evaluated based on delivery performance and the accuracy of their shipments.

Hardware and Protective Solutions

Hardware and protective solutions segment includes a wide selection of product categories including fasteners; builders hardware; wall hanging; threaded rod and metal shapes; letters, numbers, and signs ("LNS"); personal protection products; and work gear.

Our fastener business consists of three categories: core fasteners, construction fasteners, and anchors, sold under a variety of brands including Hillman, FasnTite, DeckPlus, and PowerPro. Core fasteners include nuts, bolts, screws, washers, and specialty items. Construction fasteners include deck, drywall, metal screws, and both hand driven and collated nails. Anchors include hollow wall and solid wall items such as plastic anchors, toggle bolts, concrete screws, and wedge anchors.

Builder's hardware includes a variety of common household items such as coat hooks, door stops, hinges, gate latches, and decorative hardware. We market the builder's hardware products under the Hardware Essentials® brand and provide the retailer with innovation in both product and merchandising solutions. The Hardware Essentials® program utilizes modular packaging, color coding, and integrated merchandising to simplify the shopping experience for consumers. Colorful signs, packaging, and installation instructions guide the consumer quickly and easily to the correct product location in store while digital content including pictures and videos assist the on-line journey. Hardware Essentials® provides retailers and consumers decorative upgrade opportunities through contemporary finishes and designs.

The wall hanging category includes traditional picture hanging hardware, primarily marketed under the Ook® and Hillman brands, and the High & Mighty® series of tool-free wall hangers, decorative hooks and floating shelves that was launched in 2017.

We are the leading supplier of metal shapes and threaded rod in the retail market. The SteelWorks® threaded rod product includes hot and cold rolled rod, both weldable and plated, as well as a complete offering of All-Thread rod in galvanized steel, stainless steel, and brass. The SteelWorks® program is carried by many top retailers, including Lowe's and Menard's, and through cooperatives such as Ace Hardware. In addition, we are the primary supplier of metal shapes to many wholesalers throughout the country.

Letters, numbers, and signs ("LNS") includes product lines that target both the homeowner and commercial user. Product lines within this category include individual and/or packaged letters, numbers, signs, safety related products (e.g. 911 signs), driveway markers, and a diversity of sign accessories, such as sign frames.

Our expansive glove category covers many uses for DIYer around the house and for the pro at the job site. We sell a full assortment of work gloves under the Firm Grip®, True Grip®, and Gorilla Grip brands, automotive gloves including Grease Monkey®, gardening gloves including Digz®, as well as cleaning and all-purpose gloves. As a category leader in work gloves our portfolio is founded on design and consumer driven innovation. Our products can be found at leading retailers across North America.

Our work gear category consists of tool storage, knee pads, clothing, and other accessories sold under variety of brands including AWP®, McGuire Nicholas®, and Firm Grip®. The portfolio offers a "one stop shop" for leading retailers with an expansive assortment to meet the needs of both the pro and DIYer.

Our safety category includes face masks, safety vests, and sanitizing wipes and sprays sold under a variety of brands including Firm Grip®, AWP®, and Premium Defense®. With our focus on innovative materials and intuitive design, along with industry trends, this is a growth category for Hardware and Protective Solutions.

Hardware and protective solutions generated approximately \$1,025.0 million, \$1,024.4 million and \$853.0 million of revenues in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Robotics and Digital Solutions

Our Robotics and Digital Solutions segment consists primarily of software-enabled robotic key duplication and engraving solutions that are tailored to the unique needs of the consumer. We provide our offerings in retail and other high-traffic locations providing customized licensed and unlicensed key and engraving products targeted to consumers in the respective

locations. Our offerings include self-service robotic engraving and robotic self service key duplication kiosks, as well as store associate assisted key duplication kiosks together with related software and systems, keys and key accessories sold in proximity to the kiosks. Our services include product and category management, merchandising services, and access to our proprietary robotic key duplicating and engraving software platforms and equipment.

We design proprietary software and engineer, design and manufacture our proprietary equipment in our Boulder, Colorado and Tempe, Arizona facilities, which forms the cornerstone for our key duplication business. Our key duplication system is offered in various retail channels including mass merchants, home centers, automotive parts retailers, franchise and independent hardware stores, and grocery/drug chains. We believe we provide the most complete key duplication systems in the industry, through our unique combination of self-service kiosk technology and store associate assisted duplication systems. Our self-service solutions are driven by our MinuteKey technology, while store associate assisted duplication currently uses the state of the art KeyKrafter equipment and other legacy duplication machines depending on the retail channel to fit that channel's specific needs.

In 2018, we completed the acquisition of MinuteKey, the world's first self-service robotic key duplication machine. The accuracy of robotics technology put to work in an innovative way makes MinuteKey machines easy to use, convenient, fast and highly reliable. We utilize a propriety network integration software with our MinuteKey kiosks to maintain high levels of machine up-time and ensure machines have the optimal mix of key types available for duplication. The kiosk is completely self-service and has a 100% customer satisfaction guarantee. We manufacture and support the Minute Key kiosk out of our Boulder, Colorado and Tempe, Arizona facilities.

The Hillman KeyKrafter® is our most popular, innovative, and effective store associate assisted key duplication kiosk. It provides significant reduction in duplication time while increasing accuracy and ease of use for unskilled store associates. Additionally, with the KeyKrafter® solution, the capability exists for consumers to securely store and retrieve digital back-ups of their key without the original through the revolutionary Hillman KeyHero® Technology. Our Precision Laser Key System™ system uses a digital optical camera, lasers, and proprietary software to scan a customer's key. The system identifies the key and retrieves the key's specifications, including the appropriate blank and cutting pattern, from a comprehensive database. This technology automates nearly every aspect of key duplication and provides the ability for every store associate to cut a key accurately. In the automotive key space, we offer the SmartBox Automotive Key Programmer which is a tool to quickly and easily pair transponder keys, remotes, and smart keys.

We retain ownership of the key duplicating equipment and market and sell keys and key accessories. Our proprietary key offering features the universal blank which uses a "universal" keyway to replace up to five original equipment keys. This innovative system allows a retailer to duplicate 99% of the key market while stocking less than 100 SKUs. We continually refresh the retailer's key offerings by introducing decorated and licensed keys and accessories. Our key offering features decorative themes of art and popular licenses such as NFL, Disney, Breast Cancer Awareness, and Marvel to increase personalization, purchase frequency and average transaction value per key. We also market a successful line of decorative and licensed lanyards and other key accessories.

All of our key duplication systems are supported by a dedicated in store kiosk sales and service team.

In our engraving business, we supply a variety of innovative options of consumer-operated robotic kiosks such as Quick-Tag®, TagWorks®, and FIDO® for engraving specialty items such as pet identification tags, luggage tags, and other engraved identification tags. We have developed unique engraving systems leveraging state-of-the-art technologies to provide a customized solution for mass merchant, pet supply retailers, and other high traffic areas such as theme parks, all supported by our in store kiosk field service technicians. We design, engineer, manufacture, and assemble the engraving kiosks in our Boulder, Colorado and Tempe, Arizona facilities.

Our engraving business focuses on the growing consumer spending trends surrounding personalized and pet identification. Innovation has played a major role in the development of our engraving business unit. From the original Quick-Tag® consumer-operated Kiosk system to the proprietary laser system of TagWorks®, we continue to lead the industry with consumer-friendly engraving solutions. As in our key business, we retain ownership of the key engraving equipment and market and sell blank tags.

We have continued to build out our robotics and digital solutions segment with two recent acquisitions. In August 2019, we acquired the assets of Sharp Systems, LLC ("Resharp"), a California-based innovative developer of robotic automated knife sharpening systems, for a cash payment of \$3.0 million and contingent consideration valued at \$18.1 million. The maximum payout for the contingent consideration is \$25.0 million plus 1.8% of net knife-sharpening revenues for five years after the \$25.0 million is fully paid. We will continue rolling out knife sharpening systems to customers into 2022. In February 2020, we acquired the assets of Instafob, LLC ("Instafob"), a California-based innovative developer of RFID ("Radio Frequency

Identification") key duplication systems and a cloud based platform, for a cash payment of \$800 and a total purchase price of \$2,618, which includes \$1,818 in contingent consideration that remain payable to the seller. Contingent consideration is based on 5% of the net sales from 2020 through 2022 plus 1% of net sales from 2023 through 2029.

Robotics and Digital solutions generated approximately \$249.5 million, \$209.3 million, and \$236.1 million of revenues in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Canada

Our 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 product lines offered in our Canada segment are consistent with the product offerings detailed in our other segments. The Canada segment also produces made to order screws and self-locking fasteners for automotive suppliers, OEMs, and industrial distributors.

Our Canada segment generated approximately \$151.5 million, \$134.6 million and \$125.3 million of revenues in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Markets and Customers

We sell our products to national accounts such as Home Depot, Lowe's, Menard's, PETCO, PetSmart, Tractor Supply, and Walmart. Our status as a national supplier of proprietary products to big box retailers allows us to develop a strong market position and high barriers to entry within our product categories.

We service a wide variety of franchise and independent retail outlets. These individual dealers are typically members of the larger cooperatives, such as Ace Hardware, True Value, and Do-It-Best. We ship directly to the cooperative's retail locations and also supply many items to the cooperative's central warehouses. These central warehouses distribute to their members that do not have a requirement for Hillman's in-store service. These arrangements reduce credit risk and logistic expenses for us while also reducing central warehouse inventory and delivery costs for the cooperatives.

A typical hardware store maintains thousands of different items in inventory, many of which generate small dollar sales but large profits. It is difficult for a retailer to economically monitor all stock levels and to reorder the products from multiple vendors. This problem is compounded by the necessity of receiving small shipments of inventory at different times and stocking the goods. The failure to have these small items available will have an adverse effect on store traffic, thereby possibly denying the retailer the opportunity to sell items that generate higher dollar sales.

We sell our products to a large volume of customers, the top two of which accounted for approximately \$679.1 million, or approximately 48%, of our total revenue in 2021. For the year ended December 25, 2021, Home Depot was the single largest customer, representing approximately \$385.0 million or 27.0% of our total revenues. Lowe's was the second largest at approximately \$294.1 million or 20.6%. No other customer accounted for more than 10% of total revenue in 2021. In each of the years ended December 25, 2021, December 26, 2020, and December 28, 2019, we derived over 10% of our total revenues from Lowe's and Home Depot which operated in each of our operating segments. See Note 20 - Concentration of Credit Risks of the Notes to Consolidated Financial Statements for additional information.

Hillman continues to expand its B2B eCommerce platform allowing certain customers to order online through the Company's website, www.hillmangroup.com. The B2B eCommerce platform features many of our items available for sale online and over thousands of customers are enrolled with the online ordering platform. We continue to support direct-to-store and direct-to-consumer fulfillment for consumers who choose to order fasteners directly from retailers' websites.

Sales and Marketing

We believe that our primary competitive advantage is rooted in our ability to provide a greater level of customer service than our competitors. We partner with our customers to understand the unmet needs of consumers, design creative solutions, and commercialize those solutions bringing them to life in both physical and digital channels through a tight alignment between the product management, marketing communications, and channel marketing functions. We provide best in class support and customer service at every touch point for our retail partners, and service is the hallmark of Hillman company-wide. The national accounts field service organization consists of approximately 772 employees and 93 field managers focusing on big box retailers, pet super stores, large national discount chains, and grocery stores. This organization reorders products, details store shelves, and sets up in-store promotions. Many of our largest customers use electronic data interchange ("EDI") for processing of orders and invoices.

We employ what we believe to be the largest direct sales force in the industry. The sales force, which consists of approximately 252 employees and is managed by 27 field managers, focuses on the franchise and independent customers. The depth of the sales and service team enables us to maintain consistent call cycles ensuring that all customers experience proper stock levels and inventory turns. This team also prepares custom plan-o-grams of displays to fit the needs of any store and establishes programs that meet customers' requirements for pricing, invoicing, and other needs. This group also benefits from daily internal support from our inside sales and customer service teams. On average, each sales representative is responsible for approximately 60 full service accounts that the sales representative calls on approximately every two weeks. These efforts allow the sales force to sell and support our product lines.

Competition

Our primary competitors in the national accounts marketplace for fasteners are Primesource Building Products, Inc., Midwest Fastener Corporation, Illinois Tool Works Inc., Spectrum Brands, and competition from direct import by our customers. Our national competitors for gloves and personal protective equipment include West Chester Protective Gear, PIP, Iron Clad, and MidWest Quality Gloves, Inc. Competition is primarily based on sourcing and price. We believe our product innovation and in store merchandising service create a more compelling and unique experience for both the consumer and our customers. Other competitors are local and regional distributors. Competitors in the pet tag market are specialty retailers, direct mail order, and retailers with in-store mail order capability. The Quick-Tag®, FIDO®, and TagWorks® systems have patent protected technology that is a major barrier to entry and helps to preserve this market segment.

The principal competitor for our franchise and independent business is Midwest Fastener in the hardware store marketplace. The hardware outlets that purchase our products without regularly scheduled sales representative visits may also purchase products from local and regional distributors and cooperatives. We compete primarily on field service, merchandising, as well as product availability and price, and depth of product line.

Insurance Arrangements

Under our current insurance programs, commercial umbrella coverage is obtained for catastrophic exposure and aggregate losses in excess of expected claims. We retain the exposure on certain expected losses related to workers' compensation, general liability, and automobile claims. We also retain the exposure on expected losses related to health benefits of certain employees. We believe that our present insurance is adequate for our businesses. See Note 18 - Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Human Capital Resources

Employees

As of December 25, 2021, we had 4,212 full time and part time employees, none of which were covered by a collective bargaining agreement. In our opinion, employee relations are good.

Health and Safety

Employee health and safety is a top priority in all aspects of our business. We are committed to providing a healthy environment and safe workplace at all of our facilities and in the field. We maintain a safety compliance program. We regularly conduct self-assessments to examine our safety culture and processes. In response to COVID-19, we have taken and continue to take measures to protect our workforce. We have modified practices at our distribution facilities and offices to adhere to guidance from the U.S. Centers for Disease Control and Prevention and local health and governmental authorities. In addition, we have invested in our safety team to provide oversight and ensure robust safety protocols are present across all of our operations.

Attraction, Development, and Retention

The success of our efforts to grow our business depends on the contributions and abilities of key executives, our sales force, and other personnel. Our Human Resources department leads the search to reach a diverse talent pool. We have a standard framework for posting jobs, interviewing for open positions, and onboarding new employees. We offer employees resources to continuously improve their skills and performance with the goal of further cultivating the diverse talent on our team. We seek people who are demonstrate our core values; absolute integrity, accountability to our team and customers, the ability to build on difference, and trust and respect.

Diversity and Inclusion

We are committed to actions that build an inclusive and equitable workplace where diversity is valued and leveraged. We ask our employees to bring their authentic selves to work every day and this shows in both our products and our services. It's this authenticity that allows us to fulfill our mission. We are committed to creating equal opportunities for employment, and creating inclusive and diverse workplaces that allow are team to perform to their fullest potential.

Backlog

We do not consider the sales backlog to be a significant indicator of future performance due to the short order cycle of our business. Our sales backlog from ongoing operations was approximately \$34.0 million as of December 25, 2021 and approximately \$58.3 million as of December 26, 2020. We expect to realize the entire December 25, 2021 backlog during fiscal 2022.

Where You Can Find More Information

We file quarterly reports on Form 10-Q and annual reports on Form 10-K and furnish current reports on Form 8-K and other information with the Securities and Exchange Commission (the "Commission"). The Commission also maintains an Internet site at www.sec.gov that contains quarterly, annual, and current reports, proxy and information statements, and other information regarding issuers, like Hillman, that file electronically with the Commission.

In addition, our quarterly reports on Form 10-Q, annual reports on Form 10-K, current reports on Form 8-K, and all amendments to those reports, are available free of charge on our website at www.hillmangroup.com as soon as reasonably practicable after such reports are electronically filed with the Commission. We are providing the address to our website solely for the information of investors. We do not intend the address to be an active link or to incorporate the contents of the website into this report.

Item 1A - Risk Factors.

You should carefully consider the following risks. However, the risks set forth below are not the only risks that we face, and we face other risks which have not yet been identified or which are not yet otherwise predictable. If any of the following risks occur or are otherwise realized, our business, financial condition, and results of operations could be materially adversely affected. You should carefully consider the risks described below and all other information in this Annual Report on Form 10-K, including our Consolidated Financial Statements and the related Notes to Consolidated Financial Statements and schedules thereto.

Risks Relating to Our Business

Supply and demand for our products is influenced by general economic conditions and trends in spending on repair and remodel home projects, new home construction, and personal protective equipment. Adverse trends in, among other things, the general health of the economy, consumer confidence, interest rates, repair and remodel home projects, new home construction activity, commercial construction activity, and the use of personal protective equipment could adversely affect our business.

Demand for our products is impacted by general economic conditions in North America and other international markets including, without limitation, inflation, recession, instability in financial or credit markets, the level of consumer debt, interest rates, discretionary spending and the ability of our customers to obtain credit. We are particularly impacted by spending trends in existing home sales, new home construction activity, home repair and remodel activity, commercial construction and demand for personal protective equipment including masks and cleaning supplies. While we believe consumer preferences have increased spending on the home and personal protective equipment, the level of spending could decrease in the future. Our customers, suppliers, and other parties with whom we do business are also impacted by the foregoing conditions and adverse changes may result in financial difficulties leading to restructurings, bankruptcies, liquidations, and other unfavorable events for our customers, suppliers, and other service providers. Adverse trends in any of the foregoing factors could reduce our sales, adversely impact the mix of our sales or increase our costs which could have a material adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations.

In December 2019, a strain of coronavirus, now known as COVID-19, was reported to have surfaced in Wuhan, China. Since

that time, the widespread and sustained transmission of the virus has reached global pandemic status. In response to the pandemic, many national and international health agencies have recommended, and many countries and state, provincial and local governments have implemented, various measures, including travel bans and restrictions, limitations on public and private gatherings, business closures or operating restrictions, social distancing, and shelter-in-place orders.

Given the ongoing and dynamic nature of the COVID-19 virus and the worldwide response related thereto, it is difficult to predict the full impact of the ongoing COVID-19 pandemic on our business. We could experience future reductions in demand for our products depending on the future course of the pandemic and related actions taken to curb its spread.

The increased demand for imported goods driven by a shift in consumer spending has also stressed the global supply chain from factory production capacity to transportation availability. The impact of a continued COVID-19 outbreak or sustained measures taken to limit or contain the outbreak could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our suppliers could fail to deliver product in a timely manner as a result of disruption to the global supply chain due to the ongoing COVID-19 pandemic. If such failures occur, we may be unable to provide products when requested by our customers. Our business could be substantially disrupted if we were required to, or chose to, replace the products from one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could increase our costs, decrease our operating efficiencies, and have a material adverse effect on our business, results of operations, and financial condition.

The extent to which the ongoing COVID-19 pandemic impacts us will depend on numerous evolving factors and future developments that we are not able to predict, including:

- the duration of the pandemic, including the ability of governments and health care providers to timely distribute available vaccines and the efficacy of such vaccines;
- governmental, business and other actions (which could include limitations on our operations or mandates to provide products or services) taken to limit the reach of the virus and the impact of the pandemic;
- the impact on our supply chain;
- the impact on our contracts with customers and suppliers, including potential disputes over whether COVID-19 constitutes a force majeure event;
- the impact of the pandemic on worldwide economic activity;
- the health of and the effect on our workforce and our ability to meet the staffing needs of our critical functions, particularly if members of our work force are infected with COVID-19, quarantined as a result of exposure to COVID-19 or unable to work remotely in areas subject to shelter-in-place orders;
- the health and effect on our distribution network staff, if we need to close any of our facilities or a critical number of our employees become too ill to work;
- any impairment in value of our tangible or intangible assets that could be recorded as a result of a weaker economic conditions; and
- the potential effects on our internal controls including those over financial reporting as a result of changes in working environments such as shelter-in-place and similar orders that are applicable to our team members and business partners, among others.

We operate in a highly competitive industry, which may have a material adverse effect on our business, financial condition, and results of operations

The retail industry is highly competitive, with the principal methods of competition being product innovation, price, quality of service, quality of products, product availability and timeliness, credit terms, and the provision of value-added services, such as merchandising design, in-store service, and inventory management. We encounter competition from a large number of regional and national distributors which could adversely affect our business, financial condition, and results of operations.

To compete successfully, we must develop and commercialize a continuing stream of innovative new products that create consumer demand.

Our long-term success in the current competitive environment depends on our ability to develop and commercialize a continuing stream of innovative new products, including those in our new mass merchant fastener program, which create and maintain consumer demand. We also face the risk that our competitors will introduce innovative new products that compete with our products. Our strategy includes increased investment in new product development and continued focus on innovation. There are, nevertheless, numerous uncertainties inherent in successfully developing and commercializing innovative new products on a continuing basis, and new product launches may not provide expected growth results.

Our business may be adversely affected by seasonality.

In general, we have experienced seasonal fluctuations in sales and operating results from quarter to quarter. Typically, the first calendar quarter is the weakest due to the effect of weather on home projects and the construction industry. If adverse weather conditions persist on a regional or national basis into the second or other calendar quarters, our business, financial condition, and results of operations may be materially adversely affected.

Because our business is working capital intensive, we rely on our ability to manage our product purchasing and customer credit policies.

Our operations are working capital intensive, and our inventories, accounts receivable and accounts payable are significant components of our net asset base. We manage our inventories and accounts payable through our purchasing policies and our accounts receivable through our customer credit policies. If we fail to adequately manage our product purchasing or customer credit policies, our working capital and financial condition may be adversely affected.

We are subject to inventory management risks: insufficient inventory may result in increased costs, lost sales and lost customers, while excess inventory may increase our costs.

We balance the need to maintain inventory levels that are sufficient to maintain superior customer fulfillment levels against the risk and financial costs of carrying excess inventory levels. In order to successfully manage our inventories, we must estimate demand from our customers at the product level and timely purchase products in quantities that substantially correspond to that demand. If we overestimate demand and purchase too much of a particular product, we could have excess inventory handling costs, distribution center capacity constraints and inventory that we cannot sell profitably. In addition, we may have to write down such inventory if we are unable to sell it for its recorded value. By contrast, if we underestimate demand and purchase insufficient quantities of a product, and/or do not maintain enough inventory of a product we may not be able to fulfill customer orders on a timely basis which could result in fines, the loss of sales and ultimately loss of customers for those products as they turn to our competitors. Our business, financial condition and results of operations could suffer a material adverse effect if either or both of these situations occur frequently or in large volumes.

We have substantial fixed costs and, as a result, our operating income is sensitive to changes in our net sales.

A significant portion of our expenses are fixed costs (including personnel), which do not fluctuate with net sales. Consequently, a percentage decline in our net sales could have a greater percentage effect on our operating income if we do not act to reduce personnel or take other cost reduction actions. Any decline in our net sales would cause our profitability to be adversely affected.

Large customer concentration and the inability to penetrate new channels of distribution could adversely affect our business.

Our two largest customers constituted approximately \$679.1 million of net sales and \$50.4 million of the year-end accounts receivable balance for 2021. Both of these customers are big box chain stores. Our results of operations depend greatly on our ability to maintain existing relationships and arrangements with these big box chain stores. To the extent that the big box chain stores are materially adversely impacted by the changing retail landscape, this could have a negative effect on our results of operations. These two customers have been key components of our growth and failure to maintain fulfillment and service levels or relationships with these customers could result in a material loss of business. Our inability to penetrate new channels of distribution, including ecommerce, may also have a negative impact on our future sales and business.

Successful sales and marketing efforts depend on our ability to recruit and retain qualified employees.

The success of our efforts to grow our business depends on the contributions and abilities of key executives, our sales force, and other personnel, including the ability of our sales force to achieve adequate customer coverage. We must therefore continue to recruit, retain, and motivate management, sales, and other personnel to maintain our current business and to support our projected growth. A shortage of these key employees might jeopardize our ability to implement our growth strategy.

Increases in labor costs, potential labor disputes and work stoppages or an inability to hire skilled distribution, sales and other personnel could adversely affect our business.

An increase in labor costs, work stoppages or disruptions at our facilities or those of our suppliers or transportation service providers, or other labor disruptions, could decrease our sales and increase our expenses. In addition, although our employees

are not represented by a union, our labor force may become subject to labor union organizing efforts, which could cause us to incur additional labor costs and increase the related risks that we now face.

A significant increase in the salaries and wages paid by competing employers could result in a reduction of our labor force, increases in the salaries and wages that we must pay or both. If we are unable to hire warehouse, distribution, sales and other personnel, our ability to execute our business plan and our results of operations would suffer.

We are exposed to adverse changes in currency exchange rates.

Exposure to foreign currency risk exists because we, through our global operations, enter into transactions and make investments denominated in multiple currencies. Our predominant exposures are in Canadian, Mexican, and Asian currencies, including the Chinese Yuan (“CNY”). In preparing our Consolidated Financial Statements for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, our earnings could be negatively impacted. We do not make a practice of hedging our non-U.S. dollar earnings.

We source many products from China and other Asian countries for resale in other regions. To the extent that the CNY or other currencies appreciate with respect to the U.S. dollar, we may experience cost increases on such purchases. The U.S. dollar decreased in value relative to the CNY by 2.6% in 2021, decreased by 6.5% in 2020 and increased by 1.7% in 2019. Significant appreciation of the CNY or other currencies in countries where we source our products could adversely impact our profitability. In addition, our foreign subsidiaries in Canada and Mexico may purchase certain products from their vendors denominated in U.S. dollars. If the U.S. dollar strengthens compared to the local currencies, it may result in margin erosion. We have a practice of hedging some of our Canadian subsidiary's purchases denominated in U.S. dollars. We may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus our results of operations may be adversely impacted.

Our results of operations could be negatively impacted by inflation or deflation in supply chain costs, including raw materials, sourcing, transportation and energy.

Our products are manufactured of metals, including but not limited to steel, aluminum, zinc, and copper. Additionally, we use other commodity-based materials in the manufacture of LNS that are resin-based and subject to fluctuations in the price of oil. We source the majority of our products from third parties and are subject to changes in their underlying manufacturing costs. We also use third parties for transportation and are exposed to fluctuations in freight costs to transport goods from our suppliers to our distribution facilities and from there to our customers, as well as the price of diesel fuel in the form of freight surcharges on customer shipments and the cost of gasoline used by the field sales and service force. Inflation in these costs could result in significant cost increases. If we are unable to mitigate the any cost increases from the foregoing factors through various customer pricing actions and cost reduction initiatives, our financial condition may be adversely affected. Conversely, in the event that there is deflation, we may experience pressure from our customers to reduce prices. There can be no assurance that we would be able to reduce our cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact our results of operations and cash flows.

We are subject to the risks of doing business internationally.

A portion of our revenue is generated outside the United States, primarily from customers located in Canada, Mexico, Latin America, and the Caribbean. Because we sell our products and services outside the United States, our business is subject to risks associated with doing business internationally, which include:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected or unfavorable changes in foreign laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in foreign countries;
- the imposition of duties and tariffs and other trade barriers;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce, Economic Sanctions Laws and Regulations administered by the Office of Foreign Assets Control, and fines, penalties, or suspension or revocation of export privileges;
- violations of the United States Foreign Corrupt Practices Act;
- the effects of applicable and potentially adverse foreign tax law changes;
- significant adverse changes in foreign currency exchange rates; and
- difficulties associated with repatriating cash in a tax-efficient manner.

Any failure to adapt to these or other changing conditions in foreign countries in which we do business could have an adverse effect on our business and financial results.

Our business is subject to risks associated with sourcing product from overseas.

We import a significant amount of our products and rely on foreign sources to meet our supply demands at prices that support our current operating margins. Substantially all of our import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements or unilateral actions. The U.S. tariffs on steel and aluminum and other imported goods have materially increased the costs of many of our foreign sourced products, and any escalation in the tariffs will increase the impact. In order to sustain current operating margins while the tariffs are in effect, we must be able to increase prices with our customers and find alternative, similarly priced sources that are not subject to the tariffs. If we are unable to effectively implement these countermeasures, our operating margins will be impacted.

In addition, the countries from which our products and materials are manufactured or imported may, from time to time, impose additional quotas, duties, tariffs, or other restrictions on their imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or our suppliers' failure to comply with customs regulations or similar laws, could harm our business.

If any of our existing vendors fail to meet our needs, we believe that sufficient capacity exists in the open market to supply any shortfall that may result. However, it is not always possible to replace a vendor on short notice without disruption in our operations which may require more costly expedited transportation expense and replacement of a major vendor is often at higher prices.

Our ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather, or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require us to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on our business and financial condition.

Further, our business could be adversely affected by the outbreak of COVID-19. This situation may have a material and adverse effect on our business which could include temporary closures of our facilities, the facilities of our suppliers, and other disruptions caused to us, our suppliers or customers. This may adversely affect our results of operations, financial position, and cash flows.

Acquisitions have formed a significant part of our growth strategy in the past and may continue to do so. If we are unable to identify suitable acquisition candidates, successfully integrate an acquired business, or obtain financing needed to complete an acquisition, our growth strategy may not succeed.

Historically, our growth strategy has relied in part on acquisitions that either expand or complement our businesses in new or existing markets. However, there can be no assurance that we will be able to identify or acquire acceptable acquisition candidates on terms favorable to us and in a timely manner, if at all, to the extent necessary.

The process of integrating acquired businesses into our operations may result in unforeseen difficulties and may require a disproportionate amount of resources and management attention, and there can be no assurance that we will be able to successfully integrate acquired businesses into our operations. Additionally, we may not achieve the anticipated benefits from any acquisition.

Unfavorable changes in the current economic environment may make it difficult to acquire businesses in order to further our growth strategy. We will continue to seek acquisition opportunities both to expand into new markets and to enhance our position in our existing markets. However, our ability to do so will depend on a number of factors, including our ability to obtain financing that we may need to complete a proposed acquisition opportunity which may be unavailable or available on terms that are not advantageous to us. If financing is unavailable, we may be forced to forego otherwise attractive acquisition opportunities which may have a negative effect on our ability to grow.

If we were required to write down all or part of our goodwill or indefinite-lived trade names, our results of operations could be materially adversely affected.

We have \$825.4 million of goodwill and \$85.6 million of indefinite-lived trade names recorded on our accompanying

Consolidated Balance Sheets at December 25, 2021. We are required to periodically determine if our goodwill or indefinite-lived trade names have become impaired, in which case we would write down the impaired portion. A continued decline in our stock price may trigger an evaluation of the recoverability of the recorded goodwill and other long-lived assets. If we were required to write down all or part of our goodwill or indefinite-lived trade names, our net income could be materially adversely affected.

Our success is highly dependent on information and technology systems.

We believe that our proprietary computer software programs are an integral part of our business and growth strategies. We depend on our information systems to process orders, to manage inventory and accounts receivable collections, to purchase, sell, and ship products efficiently and on a timely basis, to maintain cost-effective operations, and to provide superior service to our customers. If these systems are damaged, intruded upon, shutdown, or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, other cyber-security incidents, or otherwise), we may suffer disruption in our ability to manage and operate our business.

There can be no assurance that the precautions which we have taken against certain events that could disrupt the operations of our information systems will prevent the occurrence of such a disruption. Any such disruption could have a material adverse effect on our business and results of operations.

Unauthorized disclosure of sensitive or confidential customer, employee, supplier, or Company information, whether through a breach of our computer systems, including cyber-attacks or otherwise, could severely harm our business.

As part of our business, we collect, process, and retain sensitive and confidential personal information about our customers, employees, and suppliers. Despite the security measures we have in place, our facilities and systems, and those of the retailers and other third party distributors with which we do business, may be vulnerable to security breaches, cyber-attacks, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss, or other unauthorized disclosure of confidential customer, employee, supplier, or Company information, whether by us or by the retailers and other third party distributors with which we do business, could result in losses, severely damage our reputation, expose us to the risks of litigation and liability, disrupt our operations, and have a material adverse effect on our business, results of operations, and financial condition. The regulatory environment related to information security, data collection, and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs.

Failure to adequately protect intellectual property could adversely affect our business.

Intellectual property rights are an important and integral component of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright, and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements.

In the event that our trademarks or patents are successfully challenged and we lose the rights to use those trademarks or patents, or if we fail to prevent others from using them, we could experience reduced sales or be forced to redesign or rebrand our products, requiring us to devote resources to product development, advertising and marketing new products and brands. In addition, we cannot be sure that any pending trademark or patent applications will be granted or will not be challenged or opposed by third parties or that we will be able to enforce our trademark rights against counterfeiters.

Failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

Our success depends in part on our ability to operate without infringing on or misappropriating the proprietary rights of others, and if we are unable to do so we may be liable for damages.

We cannot be certain that United States or foreign patents or patent applications of other companies do not exist or will not be issued that would prevent us from commercializing our products. Third parties may sue us for infringing or misappropriating their patent or other intellectual property rights. Intellectual property litigation is costly. If we do not prevail in litigation, in addition to any damages we might have to pay, we could be required to cease the infringing activity or obtain a license requiring us to make royalty payments. It is possible that a required license may not be available to us on commercially acceptable terms, if at all. In addition, a required license may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around another company's patent, we may be unable to make use of some of the affected products, which would reduce our revenues.

The defense costs and settlements for patent infringement lawsuits are not covered by insurance. Patent infringement lawsuits can take years to settle. If we are not successful in our defenses or are not successful in obtaining dismissals of any such lawsuit, legal fees or settlement costs could have a material adverse effect on our results of operations and financial position.

Recent changes in United States patent laws may limit our ability to obtain, defend, and/or enforce our patents.

The United States has recently enacted and implemented wide ranging patent reform legislation. The United States Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on actions by the United States Congress, the United States federal courts, and the United States Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce patents that we have licensed or that we might obtain in the future. Similarly, changes in patent law and regulations in other countries or jurisdictions, changes in the governmental bodies that enforce them or changes in how the relevant governmental authority enforces patent laws or regulations may weaken our ability to obtain new patents or to enforce patents that we have licensed or that we may obtain in the future.

Regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as “conflict minerals”, originating from the Democratic Republic of Congo (“DRC”) and adjoining countries. These rules could adversely affect the sourcing, supply, and pricing of materials used in our products, as the number of suppliers who provide conflict-free minerals may be limited. We may also suffer harm to our image if we determine that certain of our products contain minerals not determined to be conflict-free or if we are unable to modify our products to avoid the use of such materials. We may also face challenges in satisfying customers who may require that our products be certified as containing conflict-free minerals.

Future changes in financial accounting standards may significantly change our reported results of operations.

The Accounting Principles Generally Accepted in the United States of America (“GAAP”) are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. Additionally, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, impairment of long-lived assets, leases and related economic transactions, intangibles, self-insurance, income taxes, property and equipment, litigation and stock-based compensation are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us (i) could require us to make changes to our accounting systems to implement these changes that could increase our operating costs and (ii) could significantly change our reported or expected financial performance.

Future tax law changes may materially increase our prospective income tax expense.

We are subject to income taxation in many jurisdictions in the U.S. as well as foreign jurisdictions. Judgment is required in determining our worldwide income tax provision and, accordingly, there are many transactions and computations for which our final income tax determination is uncertain. We are occasionally audited by income tax authorities in several tax jurisdictions. Although we believe the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement.

Additionally, it is possible that future income tax legislation, regulations or interpretations thereof and/or import tariffs in any jurisdiction to which we are subject to taxation may be enacted and such changes could have a material impact on our worldwide income tax provision beginning with the period during which such changes become effective. In addition, our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;

- tax effects of stock-based compensation;
- costs related to intercompany restructurings; and
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

We are subject to legal proceedings and legal compliance risks.

We are involved in various legal proceedings, which from time to time may involve lawsuits, state and federal governmental inquiries, audits and investigations, environmental matters, employment, tort, state false claims act, consumer litigation, and intellectual property litigation. At times, such matters may involve executive officers and other management. Certain of these legal proceedings may be a significant distraction to management and could expose us to significant liability, including settlement expenses, damages, fines, penalties, attorneys' fees and costs, and non-monetary sanctions, any of which could have a material adverse effect on our business and results of operations.

Increases in the cost of employee health benefits could impact our financial results and cash flows.

Our expenses relating to employee health benefits, for which we are primarily self insured, are significant. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform have resulted and could continue to result in significant changes to the U.S. healthcare system. Unfavorable changes in the cost of such benefits could have a material adverse effect on our financial results and cash flows.

If we become subject to material liabilities under our self-insured programs, our financial results may be adversely affected.

We provide workers' compensation, automobile, and product/general liability coverage through a high deductible insurance program. In addition, we are self-insured for our health benefits and maintain per employee stop-loss coverage. Although we believe that we have adequate stop-loss coverage for catastrophic claims to cap the risk of loss, our results of operations and financial condition may be adversely affected if the number and severity of claims that are not covered by stop-loss insurance increases.

We occupy most of our locations under long-term non-cancelable leases. We may be unable to renew leases on favorable terms or at all. Also, if we close a location, we may remain obligated under the applicable lease.

Most of our locations are located in leased premises. Many of our current leases are non-cancelable and typically have terms ranging from two to fourteen years, with options to renew for specified periods of time. We believe that leases we enter into in the future will likely be long-term and noncancelable and have similar renewal options. However, there can be no assurance that we will be able to renew our current or future leases on favorable terms or at all which could have an adverse effect on our ability to operate our business and on our results of operations. In addition, if we close a location, we generally remain committed to perform our obligations under the applicable lease, which include, among other things, payment of the base rent for the balance of the lease term. Our obligation to continue making rental payments in respect of leases for closed locations could have an adverse effect on our business and results of operations.

Risks Relating to Our Indebtedness

We have significant indebtedness that could affect operations and financial condition and prevent us from fulfilling our obligations under our indebtedness.

We have a significant amount of indebtedness. On December 25, 2021, total indebtedness was \$945.8 million, \$851.0 million of such indebtedness is indebtedness issued under the term loan facility, \$93.0 million of such indebtedness is indebtedness issued under the our asset-based revolving credit facility, and \$1.8 million is indebtedness under capital lease obligations.

Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy obligations to holders of our indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require the dedication of a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, research and development efforts, and other general corporate purposes;
- limit flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds.

In addition, the agreement governing Hillman Group's senior secured credit facilities contain financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. The failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all outstanding debts.

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We may be able to incur substantial additional indebtedness in the future. The terms of the indenture do not fully prohibit us from doing so. The senior secured credit facilities permit additional borrowing of \$124.1 million on the revolving credit facility. If new debt is added to our current debt levels, the related risks that we now face could intensify.

We rely on available borrowings under the asset-based revolving credit facility (“ABL Revolver”) for cash to operate our business, and the availability of credit under the ABL Revolver may be subject to significant fluctuation.

In addition to cash we generate from our business, our principal existing source of cash is borrowings available under the ABL Revolver. Availability will be limited to the lesser of a borrowing base and \$250.0 million. The borrowing base is calculated on a monthly (or more frequent under certain circumstances) valuation of our inventory, accounts receivable and certain cash balances. As a result, our access to credit under the ABL Revolver is potentially subject to significant fluctuation, depending on the value of the borrowing base-eligible assets as of any measurement date. The inability to borrow under the ABL Revolver may adversely affect our liquidity, financial position and results of operations. As of December 25, 2021, the ABL Revolver had an outstanding amount of \$93.0 million and outstanding letters of credit of \$32.9 million leaving \$124.1 million of available borrowings as a source of liquidity.

The failure to meet certain financial covenants required by our credit agreements may materially and adversely affect assets, financial position, and cash flows.

Certain aspects of our credit agreements require the maintenance of a leverage ratio and limit our ability to incur debt, make investments, or undertake certain other business activities. In particular, our minimum allowed fixed charge coverage ratio requirement is 1.0x as of December 25, 2021. A breach of the covenant, or any other covenants, could result in an event of default under the credit agreements. Upon the occurrence of an event of default under the credit agreements, all amounts outstanding, together with accrued interest, could be declared immediately due and payable by our lenders. If this happens, our assets may not be sufficient to repay in full the payments due under the credit agreements. The current credit market environment and other macro-economic challenges affecting the global economy may adversely impact our ability to borrow sufficient funds or sell assets or equity in order to pay existing debt.

We are subject to fluctuations in interest rates.

All of our indebtedness incurred under the Hillman Group's senior secured credit facilities have variable interest rates. Increases in borrowing rates will increase our cost of borrowing, which may adversely affect our results of operations and financial condition. Furthermore, regulatory changes, such as the announcement of the United Kingdom's Financial Conduct Authority to phase out the London Interbank Offered Rate (“LIBOR”), may adversely affect our floating rate debt and interest rate derivatives. We may enter into interest rate derivatives that hedge risks related to floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness.

Restrictions imposed by our Senior Facilities and our other outstanding indebtedness, may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.

Hillman Group's senior secured credit facilities contain restrictive covenants that limit our ability to engage in certain types of activities and transactions that may be in our long-term best interests. The failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all outstanding indebtedness under our new secured credit facilities. In the event our lenders accelerate the repayment of our outstanding indebtedness, we and our subsidiaries may not have sufficient cash and assets to repay that indebtedness. These covenants restrict Hillman Group's ability and the ability of its restricted subsidiaries, among other things, to:

- incur additional indebtedness and create additional liens;

- pay dividends on our capital stock or redeem, repurchase, or retire our capital stock or indebtedness;
- make investments, loans, advances, and acquisitions;
- engage in transactions with our affiliates;
- sell assets, including capital stock of our subsidiaries; and
- consolidate or merge.

In addition, the ABL Revolver requires us to maintain inventory and accounts receivable balances to collateralize the underlying loan with a maximum allowable borrowing limit of \$250.0 million. Our ability to comply with this covenant can be affected by events beyond our control, and we may not be able to satisfy them. A breach of this covenant would be an event of default. In the event of a default under the ABL Revolver, those lenders could elect to declare all amounts outstanding under the ABL Revolver to be immediately due and payable or terminate their commitments to lend additional money, which would also lead to a cross-default and cross-acceleration of amounts owing under the Senior Facilities. If the indebtedness under our Senior Facilities or the notes were to be accelerated, our assets may not be sufficient to repay such indebtedness in full. In particular, note holders will be paid only if we have assets remaining after we pay amounts due on our secured indebtedness, including our Senior Facilities. We have pledged a significant portion of our assets as collateral under our Senior Facilities.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. In addition, the ability to borrow under our asset-based revolving credit facility is subject to limitations based on advances rates against certain eligible inventory and accounts receivables that collateralize the underlying loans. Our ability to ability to access the full \$250.0 million of revolving credit can be affected by events beyond our control if the value of our inventory and accounts receivables is materially adversely affected.

Our ability to repay our debt is affected by the cash flow generated by our subsidiaries.

Our subsidiaries own all of our operating assets and conduct all of our operations. As a result, our ability to make future dividend payments, if any, is dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Payments to us by our subsidiaries will be contingent upon our subsidiaries' earnings and other business considerations and may be subject to statutory or contractual restrictions, including the credit agreements governing our credit facilities. To the extent that we determine in the future to pay dividends on our common stock, the ability of our operating subsidiaries to pay dividends will be restricted by the credit agreements governing credit facilities of The Hillman Group, Inc., our wholly owned indirect subsidiary. Under the credit agreements, dividends may only be paid to us by The Hillman Group, Inc. and its subsidiaries for corporate overhead expenses, taxes attributable to The Hillman Group, Inc. and its subsidiaries and otherwise pursuant to customary baskets and exceptions. These baskets and exceptions include customary fixed dollar baskets, a basket based on excess cash flow (as determined under the credit agreements) not required to prepay the term loans under the credit facilities and equity proceeds among other things, an unlimited amount under the credit agreement governing our asset-based revolving credit facility subject to satisfying minimum availability requirements for borrowings under the credit agreement and the absence of certain defaults, and an unlimited amount under the credit agreement governing our term loan facilities subject to The Hillman Group, Inc.'s total leverage not exceeding certain thresholds on a pro forma basis.

Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us.

Bank and capital markets can experience periods of volatility and disruption. If the disruption in these markets is prolonged, our ability to refinance, and the related cost of refinancing, some or all of our debt could be adversely affected. Additionally, during

periods of volatile credit markets, there is a risk that lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments. Although we currently can access the bank and capital markets, there is no assurance that such markets will continue to be a reliable source of financing for us. These factors, including the tightening of credit markets, could adversely affect our ability to obtain cost-effective financing. Increased volatility and disruptions in the financial markets also could make it more difficult and more expensive for us to refinance outstanding indebtedness and obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws or new interpretations or the enforcement of older laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Disruptions in the financial markets can also adversely affect our lenders, insurers, customers, and other counterparties. Any of these results could cause a material adverse effect to our business, financial condition, and results of operations.

Item 1B - Unresolved Staff Comments.

None.

Item 2 – Properties.

As of December 25, 2021, our principal office, manufacturing, and distribution properties were as follows:

| Business Segment | Approximate Square Footage | Description |
|--|-----------------------------------|----------------------------|
| <u>Hardware and Protective Solutions & Robotics and Digital Solutions</u> | | |
| Cincinnati, Ohio | 270,000 | Office, Distribution |
| Dallas, Texas | 166,000 | Distribution |
| Forest Park, Ohio | 385,000 | Office, Distribution |
| Jacksonville, Florida | 193,000 | Distribution |
| Rialto, California | 402,000 | Distribution |
| Shafter, California | 168,000 | Distribution |
| Tempe, Arizona | 184,000 | Office, Mfg., Distribution |
| <u>Hardware and Protective Solutions</u> | | |
| Atlanta, Georgia | 14,000 | Office |
| Fairfield, Ohio | 95,000 | Distribution |
| Guadalajara, Mexico | 12,000 | Office, Distribution |
| Guleph, Ontario | 25,000 | Distribution |
| Jonestown, PA | 187,000 | Distribution |
| Pompano Beach, Florida | 39,000 | Office, Distribution |
| Monterrey, Mexico | 13,000 | Distribution |
| Rome, Georgia | 14,000 | Office |
| Shannon, Georgia | 300,000 | Distribution |
| Hamilton, Ohio | 57,600 | Mfg., Distribution |
| Tyler, Texas ⁽¹⁾ | 202,000 | Office, Mfg., Distribution |
| <u>Robotics and Digital Solutions</u> | | |
| Boulder, Colorado | 20,000 | Office |
| <u>Canada</u> | | |
| Burnaby, British Columbia | 29,000 | Distribution |
| Edmonton, Alberta | 100,000 | Distribution |
| Laval, Quebec | 34,000 | Distribution |
| Milton, Ontario | 26,000 | Manufacturing |
| Scarborough, Ontario | 23,000 | Mfg., Distribution |
| Toronto, Ontario | 453,000 | Office, Distribution |
| Winnipeg, Manitoba | 42,000 | Distribution |

(1) The Company leases two facilities in Tyler, Texas. The first is a 139,000 square foot facility located at 2329 E. Commerce Street used for manufacturing and distribution. The second is a 63,000 square foot facility located at 6357 Reynolds Road used for offices, manufacturing, and distribution.

All of the Company's facilities are leased. In the opinion of the Company's management, the Company's existing facilities are in good condition.

Item 3 – 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 18 - Commitments and Contingencies, to the accompanying Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 4 – Mine Safety Disclosures.

Not Applicable.

PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Data

The Company's common stock is traded on The Nasdaq Stock Market under the symbol 'HLMN'. There were approximately 39 holders of record of common stock as of March 14, 2022. In addition to holders of record of our Class A common stock we believe there is a substantially greater number of “street name” holders or beneficial holders whose Class A common stock is held of record by banks, brokers and other financial institutions.

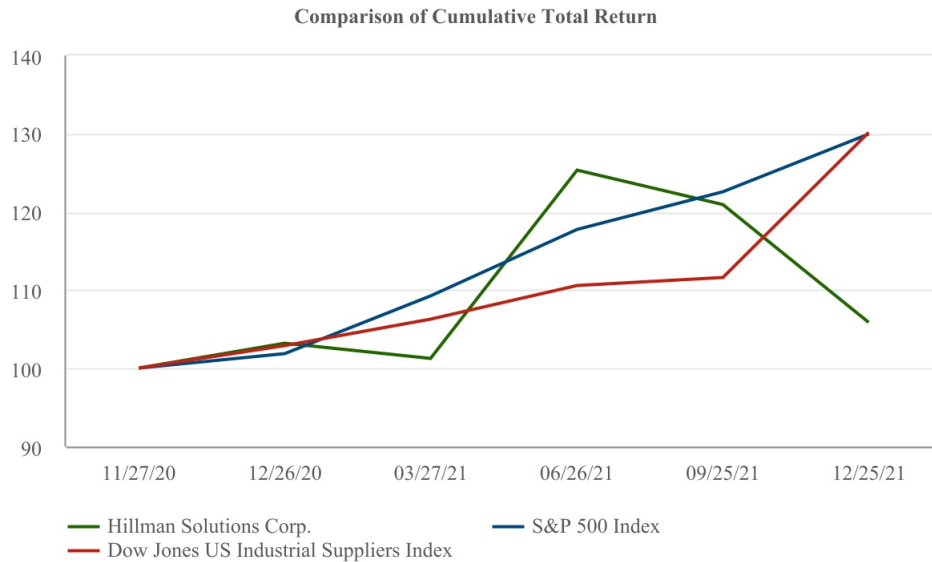
Dividends

The Company has never declared or paid cash dividends on its common stock and has no intention to do so in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Form 10-K and Note 13 - Stock Based Compensation of the Notes to Consolidated Financial Statements included herein for additional information.

Stock Price Performance



The graph above compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the Standard & Poor's ("S&P") 500 Consumer Discretionary Index and the Dow Jones US Industrial Suppliers Index. The graph assumes an initial investment of \$100 in our common stock at the market close on November 27, 2020, which was our initial trading day. Data for the S&P 500 Consumer Discretionary Index and the Nasdaq Composite Index assume reinvestment of dividends. Total return equals stock price appreciation plus reinvestment of dividends.

Unregistered Sales of Equity Securities

On January 24, 2021, Landcadia entered into subscription agreements, pursuant to which certain investors agreed to purchase, and Landcadia agreed to sell to the investors, an aggregate of 37,500,000 shares of Landcadia Class A common stock for gross proceeds to Landcadia of \$375 million (the "PIPE Investment"). The PIPE Investment closed immediately prior to the Closing of the Business Combination.

The sales of the above securities were exempt from the registration requirements of the Securities Act in reliance on the exemptions afforded by Section 4(a)(2) of the Securities Act. The sales of the above securities did not involve underwriters, underwriting discounts or commissions or public offerings of securities of the registrant.

Other than described above, we made no sales of our equity securities during the year ended December 25, 2021.

Issuer Purchases of Equity Securities

On November 22, 2021, we provided notice to the holders of the outstanding Warrants (the "Warrants") that all such Warrants would be redeemed in accordance with the terms of such Warrants and the Warrant Agreement (the "Redemption"). Accordingly, on November 30, 2021, the Company provided written notice to Nasdaq of its intention to voluntarily withdraw the Warrants from listing on Nasdaq. On December 30, 2021, we announced the completed redemption of the outstanding warrants. See Note 8 - Warrants of the Notes to Consolidated Financial Statements included herein for additional information.

Other than described above, we made no repurchases of our equity securities during the year ended December 25, 2021.

Item 6 – [Reserved]

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion provides information which our management believes is relevant to an assessment and understanding of our operations and financial condition. This discussion should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements and schedules thereto appearing elsewhere herein. In addition, see "Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information", as well as "Risk Factors" in Item 1A of this Annual Report.

General

Hillman is one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. Our principal business is operated through our wholly-owned subsidiary, The Hillman Group, Inc. and its wholly-owned subsidiaries (collectively, "Hillman Group"), had net sales of approximately \$1,426.0 million in 2021. Hillman Group sells its products to hardware stores, home centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, Mexico, Latin America, and the Caribbean. Product lines include thousands of small parts such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems, and accessories; builder's hardware; personal protective equipment, such as gloves and eye-wear; and identification items, such as tags and letters, numbers, and signs. We support product sales with services that include design and installation of merchandising systems, maintenance of appropriate in-store inventory levels, and break-fix for our robotics kiosks.

On July 14, 2021, privately held HMAN Group Holdings Inc. ("Old Hillman"), and Landcadia Holdings III, Inc. ("Landcadia" and after the Business Combination described herein, "New Hillman"), a special purpose acquisition company ("SPAC") consummated the previously announced business combination (the "Closing") pursuant to the terms of the Agreement and Plan of Merger, dated as of January 24, 2021 (as amended on March 12, 2021, the "Merger Agreement"). Unless the context indicates otherwise, the discussion of the Company and its financial condition and results of operations is with respect to New Hillman following the closing date and Old Hillman prior to the closing date. See Note 1 - Basis of Presentation of the Notes to Consolidated Financial Statements for additional information.

In connection with the Closing, the Company entered into a new credit agreement (the "Term Credit Agreement"), which provided for a new funded term loan facility of \$835.0 million and a delayed draw term loan facility of \$200.0 million (of which \$16.0 million was drawn). The Company also entered into an amendment to their existing asset-based revolving credit agreement, extending the maturity and conformed certain provisions to the Term Credit Agreement. The proceeds of the funded term loans under the Term Credit Agreement and revolving credit loans under the ABL Credit Agreement were used, together with other available cash, to (1) refinance in full all outstanding term loans and to terminate all outstanding commitments under the credit agreement, dated as of May 31, 2018, (2) refinance outstanding revolving credit loans, and (3) redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes"). Additionally, we fully redeemed the 11.6% Junior Subordinated

Debentures. In connection with the refinancing we incurred a loss of \$8.1 million and paid \$38.7 million in financing fees, of which \$21.0 million was recorded as a financing activity. See Note 9 - Long-Term Debt of the Notes to Consolidated Financial Statements for additional information.

On April 16, 2021, the Company completed the acquisition of Oz Post International, LLC ("OZCO"), a leading manufacturer of superior quality hardware that offers structural fasteners and connectors used for decks, fences and other outdoor structures, for a total purchase price of \$38.9 million. The Company entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018 (the "2018 Term Loan"), which provided \$35.0 million of incremental term loan funds to be used to finance the acquisition. Refer to Note 6 - Acquisitions of the Notes to Consolidated Financial Statements for additional information.

On November 22, 2021, the Company provided notice to the holders of its outstanding warrants (the "Warrants") to purchase shares of the Company's common stock, par value \$0.0001 per share, that all such Warrants will be redeemed in accordance with the terms of such Warrants and the Warrant Agreement (the "Redemption"). As of December 25, 2021, the Company exercised and redeemed all of its warrants. The Company issued 6.4 million shares of common stock in connection with the Redemption. Refer to Note 8 - Warrants of the Notes to Consolidated Financial Statements for additional information.

Current Economic Conditions

Our 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 December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China, and has since spread to a number of other countries, including the United States and Canada. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In 2020, the pandemic had a significant impact on our business, driving high demand for personal protective equipment, including face masks, disposable gloves, sanitizing wipes, and disinfecting sprays. During 2020, at the request of our customers, we began to sell certain categories of protective and cleaning equipment that are not a part of our core product offerings, including wipes, sprays, masks and bulk boxes of disposable gloves. High demand and limited supply of these products available for retail sale drove prices and cost up in 2020. In 2021, demand for certain protective product categories softened. As vaccines were rolled out, supply returned to a more normal level. In the third quarter of 2021, we evaluated our customers' needs and the market conditions and ultimately decided to exit certain protective product categories. In connection with the exit of these product lines, we recorded an inventory valuation charge of \$32.0 million including the write off of inventory along with costs for donation and disposal of the remaining inventory on hand.

It is possible that the COVID-19 pandemic could further impact our business, the operations of our suppliers and vendors, and the operations of our customers, especially in light of the emergence of new variants which would cause a recurrence of high levels of infection and hospitalization. If we need to close any of our facilities or a critical number of our employees become too ill to work, our distribution network could be materially adversely affected in a rapid manner. Similarly, if our customers experience adverse business consequences due to COVID-19, demand for our products could also be materially adversely affected in a rapid manner. The Company continues to experience customer demand both during the year ended December 25, 2021 and during the subsequent period. Our teams continue to monitor demand disruption and there can be no assurance as to the level of demand that will prevail through the remainder of fiscal 2022. A large portion of our customers continue to operate and sell our products, with some customers reducing operations or restricting some access to portions of the retail space. The magnitude of the financial impact on our quarterly and annual results is dependent on the duration of the COVID-19 pandemic and how quickly the U.S. and Canada economies resume normal operations.

An extended period of global supply chain, workforce availability, and economic disruption could materially affect the Company's business, the results of operations, financial condition, access to sources of liquidity, and the carrying value of goodwill and intangible assets. While a triggering event did not occur during the year ended December 25, 2021, a prolonged COVID-19 pandemic could negatively impact net sales growth, change key assumptions and other global and regional macroeconomic factors that could result in future impairment charges for goodwill, indefinite-lived intangible assets and definite lived intangible assets. The impact of the COVID-19 pandemic is fluid and continues to evolve, and therefore, we cannot predict the extent to which our business, results of operations, financial condition, or liquidity will ultimately be impacted.

We are 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. We purchase a significant variety of our products for resale from multiple vendors located in China and Taiwan. The purchase price of these products is routinely negotiated in U.S. dollar amounts rather than the local currency of the vendors and our suppliers' profit margins decrease when the U.S. dollar declines in value relative to the local currency. This puts pressure on our suppliers to increase prices to us. The U.S. dollar increased in

value relative to the CNY by approximately 1.7% in 2019, decreased by 6.5% in 2020, and decreased by 2.6% in 2021. The U.S. dollar decreased in value relative to the Taiwan dollar by approximately 0.2% in 2019, decreased by 7.9% in 2020, and decreased by 1.4% in 2021.

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 manufacturing of our products. We 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.

We are also exposed to risk of unfavorable changes in Canadian dollar exchange rate versus the U.S. dollar. Our sales in Canada are denominated in Canadian dollars while a majority of the products are sourced in U.S. dollars. A weakening of the Canadian dollar versus the U.S. dollar results in lower sales in terms of U.S. dollars while the cost of sales remains unchanged. We have a practice of hedging some of our Canadian subsidiary's purchases denominated in U.S. dollars. The U.S. dollar decreased in value relative to the Canadian dollar by approximately 4.1% in 2019, decreased by 1.9% in 2020, and decreased by 0.2% in 2021. We may take pricing action, when warranted, in an attempt to offset a portion of product cost increases. The ability of our operating divisions to institute price increases and seek price concessions, as appropriate, is dependent on competitive market conditions.

We import large quantities of products which are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements and bilateral actions. The U.S. tariffs on steel and aluminum and other imported goods has increased our product costs and required us to increase prices on the affected products.

Product Revenues

The following is revenue based on products for our significant product categories and operating segments:

| | Hardware and Protective Solutions | Robotics and Digital Solutions | Canada | Total Revenue |
|-------------------------------------|--|---|-------------------|----------------------|
| Year Ended December 25, 2021 | | | | |
| Fastening and hardware | \$ 740,088 | \$ — | \$ 149,165 | \$ 889,253 |
| Personal protective | 284,886 | — | 397 | 285,283 |
| Keys and key accessories | — | 190,697 | 1,826 | 192,523 |
| Engraving | — | 58,555 | 77 | 58,632 |
| Resharp | — | 276 | — | 276 |
| Consolidated | <u>\$ 1,024,974</u> | <u>\$ 249,528</u> | <u>\$ 151,465</u> | <u>\$ 1,425,967</u> |
| Year Ended December 26, 2020 | | | | |
| Fastening and hardware | \$ 706,865 | \$ — | \$ 131,493 | \$ 838,358 |
| Personal protective | 317,527 | — | 239 | 317,766 |
| Keys and key accessories | — | 157,828 | 2,878 | 160,706 |
| Engraving | — | 51,423 | 6 | 51,429 |
| Resharp | — | 36 | — | 36 |
| Consolidated | <u>\$ 1,024,392</u> | <u>\$ 209,287</u> | <u>\$ 134,616</u> | <u>\$ 1,368,295</u> |
| Year Ended December 28, 2019 | | | | |
| Fastening and hardware | \$ 607,247 | \$ — | \$ 121,242 | \$ 728,489 |
| Personal protective | 245,769 | — | — | 245,769 |
| Keys and key accessories | — | 185,451 | 4,009 | 189,460 |
| Engraving | — | 50,613 | 9 | 50,622 |
| Resharp | — | 22 | — | 22 |
| Consolidated | <u>\$ 853,016</u> | <u>\$ 236,086</u> | <u>\$ 125,260</u> | <u>\$ 1,214,362</u> |

Results of Operations

The following table shows the results of operations for the years ended December 25, 2021 and December 26, 2020.

| (dollars in thousands) | Year Ended December 25, 2021 | | Year Ended December 26, 2020 | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| | Amount | % of Net Sales | Amount | % of Net Sales |
| Net sales | \$ 1,425,967 | 100.0 % | \$ 1,368,295 | 100.0 % |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 859,557 | 60.3 % | 781,815 | 57.1 % |
| Selling, general and administrative expenses | 437,875 | 30.7 % | 398,472 | 29.1 % |
| Depreciation | 59,400 | 4.2 % | 67,423 | 4.9 % |
| Amortization | 61,329 | 4.3 % | 59,492 | 4.3 % |
| Management fees to related party | 270 | — % | 577 | — % |
| Other income, net | (2,778) | (0.2)% | (5,250) | (0.4)% |
| Income from operations | 10,314 | 0.7 % | 65,766 | 4.8 % |
| Interest expense, net | 68,779 | 4.8 % | 99,103 | 7.2 % |
| Refinancing charges | 8,070 | 0.6 % | — | — % |
| Gain on change in fair value of warrant liability | (14,734) | (1.0)% | — | — % |
| Mark-to-market adjustment of interest rate swap | (1,685) | (0.1)% | 601 | — % |
| Loss before income taxes | (50,116) | (3.5)% | (33,938) | (2.5)% |
| Income tax benefit | (11,784) | (0.8)% | (9,439) | (0.7)% |
| Net loss | \$ (38,332) | (2.7)% | \$ (24,499) | (1.8)% |
| Adjusted EBITDA ⁽¹⁾ | \$ 207,418 | 14.5 % | \$ 221,215 | 16.2 % |

- (1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net income to Adjusted EBITDA.

Year Ended December 25, 2021 vs December 26, 2020

Net Sales

Net sales for the year ended December 25, 2021 were \$1,426.0 million compared to net sales of \$1,368.3 million for the year ended December 26, 2020, an increase of approximately \$57.7 million. Fastening and hardware sales increased \$33.2 million driven by strong retail demand and price increases in the second half of 2021 in response to inflationary pressures in the market related to the cost of products, inbound and outbound transportation costs, and personnel costs. Key and engraving sales increased \$40.0 million and sales in Canada increased by \$16.8 million primarily due to improved retail foot traffic and access to key and engraving machines as compared to 2020 due to COVID-19. These increases were partially offset by sales of personal protective equipment, which decreased by \$32.6 million due to lower demand for COVID-19 protective and cleaning materials in 2021.

Cost of Sales

Our Cost of Sales ("COS") is exclusive of depreciation and amortization expense. COS was \$859.6 million, or 60.3% of net sales, for the year ended December 25, 2021, an increase of \$77.7 million compared to \$781.8 million, or 57.1% of net sales, for the year ended December 26, 2020. Cost of sales as a percentage of net sales was 320 bps higher than the prior year primarily due to an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million related to strategic review of our COVID-19 related product offerings. In the third quarter of 2021, we evaluated our customers' needs and the market conditions and ultimately decided to exit certain protective product categories related to COVID-19, including cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves. The remaining increase was primarily due to inflation in commodities and transportation.

Expenses

Selling, general, and administrative ("SG&A") expenses were \$437.9 million in the year ended December 25, 2021, an increase of \$39.4 million compared to \$398.5 million in the year ended December 26, 2020. The following changes in underlying trends impacted the change in SG&A expenses:

- Selling expense was \$161.1 million in the year ended December 25, 2021, an increase of \$11.5 million compared to \$149.6 million for the year ended December 26, 2020. The increase in selling expense was primarily due to variable selling expenses, variable compensation, and travel and entertainment expense in the year ended December 25, 2021.
- Warehouse and delivery expenses were \$172.9 million for the year ended December 25, 2021, an increase of \$13.9 million compared to warehouse and delivery expenses of \$159.0 million for the year ended December 26, 2020. The additional expense was primarily driven by higher sales volume and inflation in labor and shipping costs.
- General and administrative ("G&A") expenses were \$103.9 million in the year ended December 25, 2021, an increase of \$14.1 million compared to \$89.8 million in the year ended December 26, 2020. In the year ended December 25, 2021 we incurred increased stock based compensation of \$10.1 million in connection with modification of awards associated with the Merger (see Note 13 - Stock Based Compensation of the Notes to Consolidated Financial Statements for additional information). We also incurred an additional \$6.2 million of legal and consulting expense associated with the merger with Landcadia along with increased legal fees associated with our litigation with KeyMe (see Note 18 - Commitments and Contingencies of the Notes to Consolidated Financial Statements for additional information). These increases were partially offset by decreased variable compensation.

Depreciation expense of \$59.4 million in the year ended December 25, 2021, was lower than the \$67.4 million in the year ended December 26, 2020. The decrease was due to certain assets becoming fully depreciated.

Amortization expense of \$61.3 million in the year ended December 25, 2021, was comparable to \$59.5 million in the year ended December 26, 2020. The increase was primarily due to the acquisition of Ozco in the current year.

Other income of \$2.8 million for the year ended December 25, 2021 decreased \$2.5 million compared to \$5.3 million in the year ended December 26, 2020. In the year ended December 25, 2021 other income consisted primarily of a \$1.8 million gain on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob, (see Note 16 - Fair Value Measurements of the Notes to Consolidated Financial Statements for additional information). We also recorded exchange rate gains of \$0.9 million in the year ended December 25, 2021. In the year ended December 26, 2020, other income consisted primarily of a \$3.5 million gain on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob. Additionally we received \$1.8 million in cash from the Canadian government as part of the Canada Emergency Wage Subsidy program for relief during the second quarter shutdown in Canada during the COVID-19 pandemic. These gains were partially offset by exchange rate losses of \$0.7 million.

Interest expense, net, of \$68.8 million for the year ended December 25, 2021 decreased \$30.3 million, compared to \$99.1 million for the year ended December 26, 2020. This decrease was primarily due to the refinancing activities in the third quarter of 2021 leading to lower outstanding debt balances in the year ended December 25, 2021 (see Note 9 - Long-Term Debt of the Notes to Consolidated Financial Statements for additional information).

Results of Operations

The following table shows the results of operations for the years ended December 26, 2020 and December 28, 2019.

| (dollars in thousands) | Year Ended December 26, 2020 | | Year Ended December 28, 2019 | |
|---|---------------------------------|---------------|---------------------------------|---------------|
| | Amount | % of Total | Amount | % of Total |
| Net sales | \$ 1,368,295 | 100.0 % | \$ 1,214,362 | 100.0 % |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 781,815 | 57.1 % | 693,881 | 57.1 % |
| Selling, general and administrative expenses | 398,472 | 29.1 % | 382,131 | 31.5 % |
| Depreciation | 67,423 | 4.9 % | 65,658 | 5.4 % |
| Amortization | 59,492 | 4.3 % | 58,910 | 4.9 % |
| Management fees to related party | 577 | — % | 562 | — % |
| Other (income) expense, net | (5,250) | (0.4)% | 5,525 | 0.5 % |
| Income from operations | 65,766 | 4.8 % | 7,695 | 0.6 % |
| Interest expense, net | 99,103 | 7.2 % | 113,843 | 9.4 % |
| Mark-to-market adjustment of interest rate swap | 601 | — % | 2,608 | 0.2 % |
| Loss before income taxes | (33,938) | (2.5)% | (108,756) | (9.0)% |
| Income tax benefit | (9,439) | (0.7)% | (23,277) | (1.9)% |
| Net loss | \$ (24,499) | (1.8)% | \$ (85,479) | (7.0)% |
| Adjusted EBITDA ⁽¹⁾ | \$ 221,215 | 16.2 % | \$ 178,658 | 14.7 % |

(1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net income to Adjusted EBITDA.

Year Ended December 26, 2020 vs Year Ended December 28, 2019

Net Sales

Net sales for the year ended December 26, 2020 were \$1,368.3 million, compared to net sales of \$1,214.4 million for the year ended December 28, 2019. Sales of personal protective equipment increased by \$71.8 million due to high demand for gloves and face masks. Fastening and hardware sales increased \$99.6 million driven by strong sales with big box retailers and traditional hardware stores. Finally, sales in Canada increased by \$9.4 million primarily due to strong retail demand for our products partially offset by in store shopping restrictions during the second quarter which lead to lower demand during that period. These increases were offset by a decrease of \$27.6 million in key sales in the United States. Key sales were negatively impacted by restricted access to key duplicating kiosks and retail key duplication services as a result of COVID-19. As the economy began to reopen, our service team worked closely with our customers to restore access to key machines.

Cost of Sales

Our COS is exclusive of depreciation and amortization expense. Our cost of sales was \$781.8 million, or 57.1% of net sales, for the year ended December 26, 2020, an increase of \$87.9 million compared to \$693.9 million, or 57.1% of net sales, for the year ended December 28, 2019. Cost of goods sold as a percentage of net sales was consistent with the prior year primarily as a result of the following offsetting factors:

- Sourcing savings initiatives that we achieved in 2020, and
- 2020 included a higher mix of construction fastener products and personal protective equipment.

Expenses

Selling, general, and administrative ("SG&A") expenses were \$398.5 million in the year ended December 26, 2020 an increase of \$16.3 million compared to \$382.1 million in the year ended December 28, 2019. The following changes in underlying trends impacted the change in SG&A expenses:

- Selling expense was \$149.6 million in the year ended December 26, 2020, a decrease of \$7.2 million compared to \$156.8 million for the year ended December 28, 2019. The decrease in selling expense was primarily due to lower marketing and travel and entertainment expense in the year ended December 26, 2020. Additionally, we had lower compensation cost as a result of the restructuring in our U.S. operations that began in the fourth quarter of 2019.
- Warehouse and delivery expenses were \$159.0 million for the year ended December 26, 2020, an increase of \$16.7 million compared to warehouse and delivery expenses of \$142.3 million for the year ended December 28, 2019. The additional expense was primarily due to higher variable compensation and freight expenses related to increased sales. The remaining increase was due to increased labor driven by premium pay offered to warehouse workers during the COVID-19 outbreak along with additional supplies and personal protective equipment for our facilities.
- G&A expenses were \$89.8 million in the year ended December 26, 2020 an increase of \$6.8 million compared to \$83.0 million in the year ended December 28, 2019. The increase was primarily due to increased legal fees associated with our ongoing litigation with KeyMe (see Note 18 - Commitments and Contingencies of the Notes to Consolidated Financial Statements for additional information). Additionally, we incurred increased incentive compensation expense in the year ended December 26, 2020.

Depreciation expense was \$67.4 million in the year ended December 26, 2020 compared to \$65.7 million in the year ended December 28, 2019. The increase was primarily driven by our investment in key duplication machines and merchandising racks.

Amortization expense was \$59.5 million in the year ended December 26, 2020 compared to \$58.9 million in the year ended December 28, 2019.

Other income was \$5.3 million for the year ended December 26, 2020, as compared to a loss of \$5.5 million in the year ended December 28, 2019. In the year ended December 26, 2020 other income consisted primarily of a \$3.5 million gain on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob, (see Note 16 - Fair Value Measurements of the Notes to Consolidated Financial Statements for additional information). Additionally we received \$1.8 million in cash from the Canadian government as part of the Canada Emergency Wage Subsidy program for relief during the second quarter shutdown in Canada during the COVID-19 pandemic. These gains were partially offset by exchange rate losses of \$0.7 million. In the year ended December 28, 2019, other expense consisted of an impairment charge of \$7.0 million related to the loss on the disposal of our FastKey self-service key duplicating kiosks. This loss was offset by a gain on the sale of machinery and equipment of \$0.4 million (see Note 17 - Restructuring of the Notes to Consolidated Financial Statements for additional information), and exchange rate gains of \$0.7 million.

Interest expense, net, was \$99.1 million for the year ended December 26, 2020, a decrease of \$14.7 million, compared to \$113.8 million for the year ended December 28, 2019. This decrease was primarily due to lower interest rates combined with lower outstanding debt balances in the year ended December 26, 2020.

Results of Operations – Operating Segments

The following table provides supplemental information of our sales and profitability by operating segment (in thousands):

Hardware and Protective Solutions

| | <u>Year Ended December 25, 2021</u> | <u>Year Ended December 26, 2020</u> | <u>Year Ended December 28, 2019</u> |
|--|---|---|---|
| <i>Hardware and Protective Solutions</i> | | | |
| Segment Revenues | \$ 1,024,974 | \$ 1,024,392 | \$ 853,016 |
| Segment (Loss) Income from Operations | \$ (17,185) | \$ 67,313 | \$ 14,204 |
| Adjusted EBITDA ⁽¹⁾ | \$ 113,738 | \$ 153,765 | \$ 101,319 |

- (1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net income to Adjusted EBITDA.

Year Ended December 25, 2021 vs December 26, 2020

Net Sales

Hardware and Protective Solutions net sales for the year ended December 25, 2021 increased by \$0.6 million from the prior year. Fastening and hardware sales increased \$33.2 million driven by strong retail demand and price increases in the second half of 2021 in response to inflationary pressures in the market related to the cost of products, inbound and outbound transportation costs, and personnel costs. This increase was partially offset by sales of personal protective equipment, which decreased by \$32.6 million due to lower demand for COVID-19 protective and cleaning equipment in 2021.

(Loss) Income from Operations

(Loss) Income from operations of our Hardware and Protective Solutions operating segment decreased by approximately \$84.5 million in the year ended December 25, 2021 to a loss of \$17.2 million from income of \$67.3 million in the year ended December 26, 2020. On flat sales, we experienced higher cost of sales and selling, general and administrative expenses as outlined below:

- Cost of sales increased by approximately \$61.4 million in the year ended December 25, 2021 to \$683.7 million as compared to \$622.3 million in the year ended December 26, 2020. Cost of sales as a percentage of net sales was 66.7% in the year ended December 25, 2021, an increase of 590 basis points from 60.8% in the year ended December 26, 2020. In the third quarter of 2021, we recorded an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million primarily related to strategic review of our COVID-19 related product offerings. In the third quarter of 2021, after considering our customers' ongoing needs along with market demand, pricing, and more widespread product availability, we exited the market for certain products related to COVID-19 including cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves. The remaining increase in cost of sales as a percentage of net sales was primarily driven by the inflation in commodities and inbound transportation.
- Warehouse expense increased \$12.2 million in the year ended December 25, 2021 compared to the year ended December 26, 2020. The additional expense was primarily driven by inflation in labor and shipping costs.
- G&A expense increased \$8.5 million in the year ended December 25, 2021 compared to the year ended December 26, 2020. The additional expense was primarily due to increased legal and consulting expense associated with the merger with Landcadia along with increased stock compensation expense.

Year Ended December 26, 2020 vs December 28, 2019

Net Sales

Net sales for our Hardware and Protective Solutions operating segment increased by \$171.4 million in the year ended December 26, 2020 primarily due to:

- Fastening and hardware sales increased \$99.6 million due to strong demand from big box retailers and traditional hardware stores along with price increases initiated in the second quarter of 2019 to offset the impact of tariffs.
- Sales of personal protective equipment increased by \$71.8 million due to high demand driven by COVID-19.

Income from Operations

Income from operations of our Hardware and Protective Solutions segment increased by approximately \$53.1 million in the year ended December 26, 2020 to \$67.3 million as compared to \$14.2 million in the year ended December 28, 2019. The increased sales noted above were partially offset by increased cost of sales and increased selling, general and administrative expenses as outlined below:

Cost of sales as a percentage of net sales was 60.8% in the year ended December 26, 2020, a decrease of 1.2 % from 62.0% in the year ended December 28, 2019. The decrease in cost of sales as a percentage of net sales was primarily driven by \$7.2 million for payments made to customers in the year ended December 28, 2019 associated with the new product line roll outs for construction fastener products and builders hardware combined with sourcing savings. This was partially offset by a higher mix of construction fastener products and personal protective solutions.

Operating expenses increased \$25.1 million in our Hardware and Protective Solutions segment primarily due to:

- Warehouse expense increased \$17.7 million in the year ended December 26, 2020 compared to the year ended December 28, 2019. The additional expense was primarily due to increased labor driven by premium pay offered to warehouse workers during the COVID-19 pandemic along with additional supplies and personal protective equipment for our facilities. The remaining increase was primarily due to higher variable and incentive compensation expense related to increased sales.
- General and administrative (“G&A”) expenses increased \$2.9 million in the year ended December 26, 2020. The increase was primarily due to increased incentive compensation in the year ended December 26, 2020.
- Depreciation expense increased \$2.3 million in the year ended December 26, 2020 due to our merchandising racks.

Robotics and Digital Solutions

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <i>Robotics and Digital Solutions</i> | | | |
| Segment Revenues | \$ 249,528 | \$ 209,287 | \$ 236,086 |
| Segment Income from Operations | \$ 23,558 | \$ 3,177 | \$ 3,385 |
| Adjusted EBITDA (1) | \$ 83,082 | \$ 60,265 | \$ 70,966 |

- (1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net income to Adjusted EBITDA.

Year Ended December 25, 2021 vs December 26, 2020

Net Sales

Net sales for our Robotics and Digital Solutions operating segment increased \$40.2 million in the year ended December 25, 2021 compared to the net sales for 2020 primarily due to an increase of \$32.9 million in key sales. Key and engraving sales were both negatively impacted by low retail foot traffic and limited access to key and engraving machines in 2020 due to COVID-19.

Income from Operations

Income from operations of our Robotics and Digital Solutions operating segment increased by approximately \$20.4 million in the year ended December 25, 2021 to \$23.6 million from \$3.2 million in the year ended December 26, 2020. The increased sales were offset by increased SG&A as outlined below:

- Selling expense increased \$6.9 million in the year ended December 25, 2021 compared to the year ended December 26, 2020. The increase was primarily due to higher sales commissions for kiosk sales and increased travel and compensation expense.
- General and administrative expense increased by \$5.6 million primarily due to increased legal fees associated with our ongoing litigation with KeyMe, Inc. (see Note 18 - Commitments and Contingencies of the Notes to Consolidated Financial Statements for additional information) along with increased legal and consulting costs associated with the merger with Landcadia.
- Depreciation expense decreased by \$5.7 million due to assets becoming fully depreciated.

Year Ended December 26, 2020 vs December 28, 2019

Net Sales

Net sales for our Robotics and Digital Solutions operating segment decreased \$26.8 million in the year ended December 26, 2020 as compared to net sales for 2019 primarily due to a decrease of \$27.6 million in key sales. Key sales were negatively impacted by reduced retail foot traffic and restricted access to key duplicating kiosks along with retail key duplication services as a result of COVID-19. As the economy started to reopen, our service team worked closely with our customers to restore access to key duplicating kiosks.

Income from Operations

Income from operations of our Robotics and Digital Solutions operating segment decreased by approximately \$0.2 million for the year ended December 26, 2020 to \$3.2 million as compared to \$3.4 million in the year ended December 28, 2019. The decrease in net sales was offset by decreased SG&A and other income as outlined below:

- Selling expense decreased \$6.7 million in the year ended December 26, 2020 compared to the year ended December 28, 2019. The decrease was primarily due to lower sales commissions for kiosk sales and reduced travel and compensation expense.
- Warehouse expense decreased \$1.8 million in the year ended December 26, 2020 compared to the year ended December 28, 2019. The decrease was primarily due to lower freight and shipping expenses driven by lower sales volume.
- General and administrative expense increased by \$4.1 million primarily due to increased legal fees associated with our ongoing litigation with KeyMe, Inc. (see Note 18 - Commitments and Contingencies of the Notes to Consolidated Financial Statements for additional information).
- Other income increased by \$10.4 million in the year ended December 26, 2020 compared to the year ended December 28, 2019. Other income was \$3.5 million in the year ended December 26, 2020 and was driven by revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob (see Note 16 - Fair Value Measurements of the Notes to Consolidated Financial Statements for additional information). In the year ended December 28, 2019 other expense was comprised primarily of an impairment charge of \$7.7 million related to the loss on the disposal of our FastKey self-service key duplicating kiosks and related assets.

Canada

| | Year Ended December 25, 2021 | | Year Ended December 26, 2020 | | Year Ended December 28, 2019 | |
|---------------------------------------|---------------------------------|---------|---------------------------------|---------|---------------------------------|---------|
| <i>Canada</i> | | | | | | |
| Segment Revenues | \$ | 151,465 | \$ | 134,616 | \$ | 125,260 |
| Segment Income (Loss) from Operations | \$ | 3,941 | \$ | (4,724) | \$ | (9,894) |
| Adjusted EBITDA ⁽¹⁾ | \$ | 10,598 | \$ | 7,185 | \$ | 6,373 |

- (1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net income to Adjusted EBITDA.

Year Ended December 25, 2021 vs December 26, 2020

Net Sales

Net sales in our Canada operating segment increased by \$16.8 million in the year ended December 25, 2021 primarily due to strong retail demand for our products. Sales in 2020 were negatively impacted by low retail foot traffic due to COVID-19.

Income (Loss) from Operations

Driven by higher sales, income from operations of our Canada segment increased by \$8.7 million in the year ended December 25, 2021 to income of \$3.9 million as compared to a loss of \$4.7 million in the year ended December 26, 2020. Additionally, we had \$0.5 million in restructuring costs in 2021 compared to \$4.8 million in 2020, see Note 17 - Restructuring of the Notes to Consolidated Financial Statements for additional details.

Year Ended December 26, 2020 vs December 28, 2019

Net Sales

Net sales in our Canada operating segment increased by \$9.4 million in the year ended December 26, 2020 primarily due to strong retail demand for our products partially offset by in store shopping restrictions in the second quarter which lead to lower demand during that period

Loss from Operations

Income from operations of our Canada segment increased by \$5.2 million in the year ended December 26, 2020 to a loss of \$4.7 million as compared to a loss of \$9.9 million in the year ended December 28, 2019. The increase in sales combined with lower COS as percentage of sales was partially offset by higher other expense in the year ended December 28, 2019.

- COS as a percentage of net sales decreased 1.5% from 69.1% in the year ended December 28, 2019 to 67.6% in the year ended December 26, 2020 primarily due to \$4.3 million of inventory valuation adjustments taken in 2019 in our Canada segment driven by exiting certain lines of business and rationalizing stock keeping units (see Note 17 - Restructuring of the Notes to Consolidated Financial Statements for additional information).
- Other income and expense increased \$0.7 million to income of \$1.8 million in the current year compared with income of \$1.1 million in the year ended December 28, 2019. Other income for the year ended December 26, 2020 consisted primarily of \$1.8 million in cash received from the Canadian government as a part of the Canada Emergency Wage Subsidy program for relief during the second quarter shutdown in Canada during the COVID-19 outbreak. This was partially offset by exchange rate losses of \$0.6 million. Other income for the year ended December 28, 2019 included a gain on the sale of machinery and equipment of \$0.4 million (see Note 17 - Restructuring of the Notes to Consolidated Financial Statements for additional information) and exchange rate gains of \$0.7 million.

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure and is the primary basis used to measure the operational strength and performance of our businesses as well as to assist in the evaluation of underlying trends in our businesses. This measure eliminates the significant level of noncash depreciation and amortization expense that results from the capital-intensive nature of our businesses and from intangible assets recognized in business combinations. It is also unaffected by our capital and tax structures, as our management excludes these results when evaluating our operating performance. Our management and Board of Directors use this financial measure to evaluate our consolidated operating performance and the operating performance of our operating segments and to allocate resources and capital to our operating segments. Additionally, we believe that Adjusted EBITDA is useful to investors because it is one of the bases for comparing our operating performance with that of other companies in our industries, although our measure of Adjusted EBITDA may not be directly comparable to similar measures used by other companies.

The following table presents a reconciliation of Net loss, the most directly comparable financial measures under GAAP, to Adjusted EBITDA for the periods presented:

| (dollars in thousands) | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Net loss | \$ (38,332) | \$ (24,499) | \$ (85,479) |
| Income tax benefit | (11,784) | (9,439) | (23,277) |
| Interest expense, net | 61,237 | 86,774 | 101,613 |
| Interest expense on junior subordinated debentures | 7,775 | 12,707 | 12,608 |
| Investment income on trust common securities | (233) | (378) | (378) |
| Depreciation | 59,400 | 67,423 | 65,658 |
| Amortization | 61,329 | 59,492 | 58,910 |
| Mark-to-market adjustment on interest rate swaps | (1,685) | 601 | 2,608 |
| EBITDA | <u>\$ 137,707</u> | <u>\$ 192,681</u> | <u>\$ 132,263</u> |
| Stock compensation expense | 15,255 | 5,125 | 2,981 |
| Management fees | 270 | 577 | 562 |
| Facility exits ⁽¹⁾ | — | 3,894 | — |
| Restructuring ⁽²⁾ | 910 | 4,902 | 13,749 |
| Litigation expense ⁽³⁾ | 12,602 | 7,719 | 1,463 |
| Acquisition and integration expense ⁽⁴⁾ | 11,123 | 9,832 | 12,557 |
| Change in fair value of contingent consideration | (1,806) | (3,515) | — |
| Change in fair value of warrant liability ⁽⁵⁾ | (14,734) | — | — |
| Buy-back expense ⁽⁶⁾ | 2,000 | — | 7,196 |
| Asset impairment charges ⁽⁷⁾ | — | — | 7,887 |
| Refinancing costs ⁽⁸⁾ | 8,070 | — | — |
| Inventory revaluation charges ⁽⁹⁾ | 32,026 | — | — |
| Anti-dumping duties ⁽¹⁰⁾ | 3,995 | — | — |
| Adjusted EBITDA | <u>\$ 207,418</u> | <u>\$ 221,215</u> | <u>\$ 178,658</u> |

(1) Facility exits include costs associated with the closure of facilities in Parma, Ohio, San Antonio, Texas, and Dallas, Texas.

(2) Restructuring includes restructuring costs associated with restructuring in our Canada segment announced in 2018, including facility consolidation, stock keeping unit rationalization, severance, sale of property and equipment, and charges relating to exiting certain lines of business. Also included is restructuring in our United States business announced in 2019, including severance related to management realignment and the integration of sales and operating functions. See Note 17 - Restructuring of the Notes to the Consolidated Financial Statements for additional information. Finally, includes consulting and other costs associated with streamlining our manufacturing and distribution operations.

(3) Litigation expense includes legal fees associated with our litigation with KeyMe, Inc. and Hy-Ko Products Company LLC (see Note 18 - Commitments and Contingencies of the Notes to Consolidated Financial Statements for additional information).

(4) Acquisition and integration expense includes professional fees, non-recurring bonuses, and other costs related to historical acquisitions, including the merger with Landcadia III.

(5) The warrant liabilities are marked to market each period end. (see Note 8 - Warrants of the Notes to Consolidated Financial Statements for additional information).

(6) Infrequent buy backs associated with new business wins.

- (7) Asset impairment charges includes impairment losses for the disposal of FastKey self-service key duplicating kiosks and related assets.
- (8) In connection with the merger, we refinanced our Term Credit Agreement and ABL Revolver. Proceeds from the refinancing were used to redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes") and the 11.6% Junior Subordinated Debentures.
- (9) In the third quarter of 2021, we recorded an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million primarily related to strategic review of our COVID-19 related product offerings. We evaluated our customers' needs and the market conditions and ultimately decided to exit the following protective product categories related to COVID-19; cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves (see the Current Economic Conditions section of Management's discussion and analysis for additional information).
- (10) Anti-dumping duties assessed related to the nail business for prior year purchases.

The following tables presents a reconciliation of segment operating income, the most directly comparable financial measures under GAAP, to segment Adjusted EBITDA for the periods presented (amounts in thousands):

| Year Ended December 25, 2021 | Hardware and Protective Solutions | Robotics and Digital Solutions | Canada | Consolidated |
|--|--|---------------------------------------|---------------|---------------------|
| Operating (loss) income | \$ (17,185) | \$ 23,558 | \$ 3,941 | \$ 10,314 |
| Depreciation and amortization | 69,264 | 45,305 | 6,160 | 120,729 |
| Stock compensation expense | 13,134 | 2,121 | — | 15,255 |
| Management fees | 232 | 38 | — | 270 |
| Facility exits | — | — | — | — |
| Restructuring | 403 | 10 | 497 | 910 |
| Litigation expense | — | 12,602 | — | 12,602 |
| Acquisition and integration expense | 9,869 | 1,254 | — | 11,123 |
| Buy-back expense | 2,000 | — | — | 2,000 |
| Inventory revaluation charges | 32,026 | — | — | 32,026 |
| Anti-dumping duties | 3,995 | — | — | 3,995 |
| Change in fair value of contingent consideration | — | (1,806) | — | (1,806) |
| Adjusted EBITDA | \$ 113,738 | \$ 83,082 | \$ 10,598 | \$ 207,418 |

| Year Ended December 26, 2020 | Hardware and Protective Solutions | Robotics and Digital Solutions | Canada | Consolidated |
|--|--|---------------------------------------|---------------|---------------------|
| Operating (loss) income | \$ 67,313 | \$ 3,177 | \$ (4,724) | \$ 65,766 |
| Depreciation and amortization | 69,164 | 50,670 | 7,081 | 126,915 |
| Stock compensation expense | 4,464 | 661 | — | 5,125 |
| Management fees | 502 | 75 | — | 577 |
| Facility exits | 3,894 | — | — | 3,894 |
| Restructuring | 74 | — | 4,828 | 4,902 |
| Litigation expense | — | 7,719 | — | 7,719 |
| Acquisition and integration expense | 8,284 | 1,548 | — | 9,832 |
| Change in fair value of contingent consideration | — | (3,515) | — | (3,515) |
| Corporate and intersegment adjustments | 70 | (70) | — | — |
| Adjusted EBITDA | \$ 153,765 | \$ 60,265 | \$ 7,185 | \$ 221,215 |

| Year Ended December 28, 2019 | Hardware and Protective Solutions | Robotics and Digital Solutions | Canada | Consolidated |
|--|--|---------------------------------------|---------------|---------------------|
| Operating (loss) income | \$ 14,204 | \$ 3,385 | \$ (9,894) | \$ 7,695 |
| Depreciation and amortization | 65,369 | 52,924 | 6,275 | 124,568 |
| Stock compensation expense | 2,436 | 545 | — | 2,981 |
| Management fees | 562 | — | — | 562 |
| Restructuring | 3,163 | 708 | 9,878 | 13,749 |
| Litigation expense | — | 1,463 | — | 1,463 |
| Acquisition and integration expense | 8,837 | 3,720 | — | 12,557 |
| Buy-back expense | 7,196 | — | — | 7,196 |
| Asset impairment charges | — | 7,773 | 114 | 7,887 |
| Corporate and intersegment adjustments | (448) | 448 | — | — |
| Adjusted EBITDA | \$ 101,319 | \$ 70,966 | \$ 6,373 | \$ 178,658 |

Income Taxes

Year Ended December 25, 2021 vs December 26, 2020

In the year ended December 25, 2021, we recorded an income tax benefit of \$11.8 million on a pre-tax loss of \$50.1 million. The effective income tax rate was 23.5% for the year ended December 25, 2021. In the year ended December 26, 2020, we recorded income tax benefit of \$9.4 million on a pre-tax loss of \$33.9 million. The effective income tax rate was 27.8% for the year ended December 26, 2020.

In 2021, the Company's effective tax rate differed from the federal statutory tax rate primarily due to the decrease in the fair value of the warrant liability. In addition, the rate differed for 2021 due to state income taxes and certain non-deductible expenses. In 2020, the Company's effective tax rate differed from the federal statutory tax rate primarily due to state and foreign income taxes.

Year Ended December 26, 2020 vs December 28, 2019

In the year ended December 26, 2020, we recorded an income tax benefit of \$9.4 million on a pre-tax loss of \$33.9 million. The effective income tax rate was 27.8% for the year ended December 26, 2020. In the year ended December 28, 2019, we recorded income tax benefit of \$23.3 million on a pre-tax loss of \$108.8 million. The effective income tax rate was 21.4% for the year ended December 28, 2019.

On March 27, 2020, the CARES Act was signed into law by the President of the United States. The CARES Act included, among other things, corporate income tax relief in the form of accelerated alternative minimum tax ("AMT") refunds, allowed employers to defer certain payroll tax payments throughout 2020, and provided favorable corporate interest deductions for the 2019 and 2020 periods. During 2020, the Company received an accelerated AMT income tax refund of \$1.1 million and was able to defer \$7.1 million of payroll taxes. The CARES Act interest modification provisions allowed for increased interest deductions.

In 2020, the Company's effective tax rate differed from the federal statutory tax rate primarily due to state and foreign income taxes. In 2019, the Company's effective tax rate differed from the federal statutory tax rate primarily due to state and foreign income taxes. The Company recorded \$1.0 million in income tax expense attributable to state NOLs that are expected to expire prior to their utilization.

Liquidity and Capital Resources

Cash Flows

The statements of cash flows reflect the changes in cash and cash equivalents for the years ended December 25, 2021, December 26, 2020, and December 28, 2019 by classifying transactions into three major categories: operating, investing, and financing activities.

Operating Activities

Net cash used by operating activities for the year ended December 25, 2021 was approximately \$110.3 million. Operating cash flows for the year ended December 25, 2021 were unfavorably impacted by increased inventory driven by inflation and higher on hand amounts to maintain service levels with extended lead times, and payments made for long term incentive programs and other variable compensation. Net cash provided by operating activities for the year ended December 26, 2020 was approximately \$92.1 million and was favorably impacted by the reduced net loss. Net cash provided by operating activities for the year ended December 28, 2019 was approximately \$52.4 million and was unfavorably impacted by the lower net income, partially offset by improvements in working capital.

Investing Activities

Net cash used for investing activities was \$90.5 million, \$46.1 million, and \$53.5 million for the years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively. In the year ended December 25, 2021, we acquired Oz Post International, LLC ("OZCO") for approximately \$38.9 million, (see Note 6 - Acquisitions of the Notes to Consolidated Financial Statements for additional information). In the year ending December 26, 2020 we acquired Instafob for approximately \$0.8 million. In the year ended December 28, 2019 we acquired Resharp and West Coast Washers for approximately \$6.1 million. Finally, cash was used in all periods to invest in our investment in new key duplicating kiosks and machines and merchandising racks. In 2019, we also received \$10.4 million in cash proceeds from the sale of a building and machinery in Canada and a building in Georgia.

Financing Activities

Net cash provided by financing activities was \$193.3 million for the year ended December 25, 2021. We received cash of \$455.2 million on the recapitalization of Landcadia, net of transaction costs and \$363.3 million from the issuance of common stock to certain investors (the "PIPE Investors").

In connection with the Merger, we refinanced all of our outstanding debt. On July 14, 2021 we entered into a new credit agreement, which provided for a new funded term loan facility of \$835.0 million and a delayed draw term loan facility of \$200.0 million (of which \$16.0 million was drawn). Concurrently with the Term Credit Agreement, we also entered into an amendment to their existing asset-based revolving credit agreement (the "ABL Amendment") and extended the maturity and conformed certain provisions to the Term Credit Agreement. The proceeds were used, together with other available cash, to (1) refinance in full all outstanding term loans and to terminate all outstanding commitments under the credit agreement, dated as of May 31, 2018, (2) refinance outstanding revolving credit loans, and (3) redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes"), issued by the Borrower and as a result the 6.375% Senior Notes are redeemed, satisfied and discharged and no longer in effect. Additionally, we fully redeemed the 11.6% Junior Subordinated Debentures. In connection with the refinancing we incurred a loss of \$8.1 million and paid \$38.7 million in financing fees, of which \$21.0 million was recorded as a financing activity. See Note 9 - Long-Term Debt of the Notes to Consolidated Financial Statements for additional information.

In the second quarter of 2021, we entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018, which provided \$35.0 million of incremental term loan funds to be used to finance the acquisition, (see Note 6 - Acquisitions of the Notes to Consolidated Financial Statements for additional information).

In the year ended December 25, 2021 we used \$8.0 million to make regularly scheduled payments under our old Term Credit agreement. Our revolver draws, net of repayments, provided cash of \$21.0 million in the year ended December 25, 2021. Finally, in the year ended December 25, 2021 the Company received \$2.7 million on the exercise of stock options.

Net cash used for financing activities was \$45.1 million for the year ended December 26, 2020. The borrowings on revolving credit loans provided \$99.0 million. The Company used \$140.0 million of cash for the repayment of revolving credit loans and \$10.6 million for principal payments on the senior term loans. In the year ended December 26, 2020 the Company received \$7.3 million on the exercise of stock options.

Net cash used for financing activities was \$7.1 million for the year ended December 28, 2019. The borrowings on revolving credit loans provided \$43.5 million. The Company used \$38.7 of cash for the repayment of revolving credit loans and \$10.6 million for principal payments on the senior term loans. On November 15, 2019, we amended the ABL Revolver agreement which provided an additional \$100.0 million of revolving credit, bringing the total available to \$250.0 million. In connection with the amendment we paid \$1.4 million in fees.

Liquidity

We believe that projected cash flows from operations and ABL Revolver availability will be sufficient to fund working capital and capital expenditure needs for the next 12 months. As of December 25, 2021, the ABL Revolver had an outstanding amount of \$93.0 million and outstanding letters of credit of \$32.9 million leaving \$124.1 million of available borrowings as a source of liquidity. Our material cash requirements for known contractual obligations include capital expenditures, debt, and lease obligations, each of which are discussed in more detail earlier in this section and in the footnotes to the consolidated financial statements. We believe projected cash flows from operations and ABL Revolver availability will be sufficient to meet our liquidity and capital needs for these items in the short-term and also in the long-term beyond the next 12 months. We also have cash requirements for purchase orders and contracts for the purchase of inventory and other goods and services, which are based on current distribution needs and are fulfilled by our suppliers within the short term.

Our working capital (current assets minus current liabilities) position of \$391.0 million as of December 25, 2021 represents an increase of \$149.2 million from the December 26, 2020 level of \$241.8 million. The COVID-19 pandemic has not, as of the date of this report, had a materially negative impact on the Company's liquidity position. We expect to generate sufficient operating cash flows to meet our short-term liquidity needs, and we expect to maintain access to the capital markets, although there can be no assurance of our ability to do so. However, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets, which, depending on future developments, could impact our capital resources and liquidity in the future.

Off-Balance Sheet Arrangements

We do 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.

Related Party Transactions

The information required by this Item is set forth in the section entitled Related Party Transactions in the 2022 Proxy Statement and is hereby incorporated by reference into this Form 10-K.

Critical Accounting Policies and Estimates

Our accounting policies are more fully described in Note 2 - Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements. As disclosed in that note, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events cannot be predicted with certainty and, therefore, actual results could differ from those estimates. The following section describes our critical accounting policies.

Revenue Recognition:

Revenue is recognized when control of goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

We offer a variety of sales incentives to its customers primarily in the form of discounts and rebates. Discounts are recognized in the Consolidated Financial Statements at the date of the related sale. Rebates are based on the revenue to date and the contractual rebate percentage to be paid. A portion of the cost of the rebate is allocated to each underlying sales transaction. Discounts and rebate are included in the determination of net sales.

We also establish reserves for customer returns and allowances. The reserve is established based on historical rates of returns and allowances. The reserve is adjusted quarterly based on actual experience. Discounts and allowances are included in the determination of net sales.

Our performance obligations under its arrangements with customers are providing products, in-store merchandising services, and access to key duplicating and engraving equipment. Generally, the price of the merchandising services and the access to the key duplicating and engraving equipment is included in the price of the related products. Control of products is transferred at the point in time when the customer accepts the goods, which occurs upon delivery of the products. Judgment is required in determining the time at which to recognize revenue for the in-store services and the access to key duplicating and engraving equipment. Revenue is recognized for in-store service and access to key duplicating and engraving equipment as the related products are delivered, which approximates a time-based recognition pattern. Therefore, the entire amount of consideration related to the sale of products, in-store merchandising services, and access to key duplicating and engraving equipment is recognized upon the delivery of the products.

The costs to obtain a contract are insignificant, and generally contract terms do not extend beyond one year. Therefore, these costs are expensed as incurred. Freight and shipping costs and the cost of our in-store merchandising services teams are recognized in selling, general, and administrative expense when control over products is transferred to the customer.

We used the practical expedient regarding the existence of a significant financing component as payments are due in less than one year after delivery of the products.

See Note 2 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements for information on disaggregated revenue by product category.

Inventory Realization:

Inventories consisting predominantly of finished goods are valued at the lower of cost or net realizable value, cost being determined principally on the standard cost method. The historical usage rate is the primary factor used in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to net realizable value is recorded for inventory with excess on-hand quantities as determined based on historic and projected sales, product category, and stage in the product life cycle. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate our excess and obsolete inventory reserve. However, if our estimates regarding excess and obsolete inventory are inaccurate, we may be exposed to losses or gains that could be material. A 5% difference in actual excess and obsolete inventory reserved for at December 25, 2021, would have affected net earnings by approximately \$2.0 million in fiscal 2021.

Goodwill:

We have adopted ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350)*: Simplifying the Test for Goodwill Impairment which eliminates Step 2 from the goodwill impairment test and instead requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. If, after assessing the totality of events or circumstances, we determine that the fair value of a reporting unit is less than the carrying value, then we would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

Our annual impairment assessment is performed for the reporting units as of October 1. In 2021, 2020, and 2019, with the assistance of an independent third-party specialist, management assessed the value of our reporting units based on a discounted cash flow model and multiple of earnings. Assumptions critical to our fair value estimates under the discounted cash flow model include the discount rate and projected revenue growth. The results of the quantitative assessments in 2021, 2020, and 2019 indicated that the fair value of each reporting unit was in excess of its carrying value.

In our annual review of goodwill for impairment in the fourth quarter of 2021, the fair value of each reporting unit was substantially in excess of its carrying value, with the exception of our Protective Solutions reporting unit, which exceeded its carrying value by approximately 5%, and our Fastening and Hardware Solutions reporting unit, which exceeded its carrying value by approximately 23%. Significant assumptions used in the determination of the estimated fair values of the reporting units are the net sales and earnings growth rates and the discount rate. The net sales and earnings growth rates are dependent on overall market growth rates, the competitive environment, inflation and our ability to pass price increase along to our customers, relative currency exchange rates, and business activities that impact market share. As a result, the growth rate could be adversely impacted by a sustained deceleration in category growth, devaluation of the U.S. Dollar against other currencies or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted in the future by adverse changes in the macroeconomic environment and volatility in the equity and debt markets.

While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the Protective Solutions reporting unit's goodwill. As of December 25, 2021, the carrying value of the Protective Solutions reporting unit's goodwill was \$128.8 million and Fastening and Hardware's goodwill was \$424.1 million.

Intangible Assets:

We evaluate our indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually or more frequently if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. With the assistance of an independent third-party specialist, management assessed the fair value of our indefinite-lived intangible assets based on a relief from royalties, excess earnings, and lost profits discounted cash flow model. Assumptions critical to our fair value estimates under the discounted cash flow model include the discount rate, projected average revenue growth and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date. No impairment charges related to indefinite-lived intangible assets were recorded in 2021, 2020, or 2019 as a result of the quantitative annual impairment test.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Valuation allowances are provided for tax benefits where it is more likely than not that certain tax benefits will not be realized. Adjustments to valuation allowances are recorded for changes in utilization of the tax related item. For additional information, see Note 7 - Income Taxes, of the Notes to Consolidated Financial Statements.

In accordance with guidance regarding the accounting for uncertainty in income taxes, we recognize a tax position if, based solely on its technical merits, it is more likely than not to be sustained upon examination by the relevant taxing authority.

If a tax position does not meet the more likely than not recognition threshold, we do not recognize the benefit of that position in our financial statements. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements.

Interest and penalties related to income taxes are included in (benefit) provision for income taxes.

Business Combinations:

As we enter into business combinations, we perform acquisition accounting requirements including the following:

- Identifying the acquirer
- Determining the acquisition date
- Recognizing and measuring the identifiable assets acquired and the liabilities assumed, and
- Recognizing and measuring goodwill or a gain from a bargain purchase

We complete valuation procedures and record the resulting fair value of the acquired assets and assumed liabilities based upon the valuation of the business enterprise and the tangible and intangible assets acquired. Enterprise value allocation methodology requires management to make assumptions and apply judgment to estimate the fair value of assets acquired and liabilities assumed. If estimates or assumptions used to complete the enterprise valuation and estimates of the fair value of the acquired assets and assumed liabilities significantly differed from assumptions made, the resulting difference could materially affect the fair value of net assets.

The calculation of the fair value of the tangible assets, including property, plant and equipment, utilizes the cost approach, which computes the cost to replace the asset, less accrued depreciation resulting from physical deterioration, functional obsolescence and external obsolescence. The calculation of the fair value of the identified intangible assets are determined using cash flow models following the income approach or a discounted market-based methodology approach. Significant inputs include estimated revenue growth rates, gross margins, operating expenses, and estimated attrition, royalty and discount rates. Goodwill is recorded as the difference in the fair value of the acquired assets and assumed liabilities and the purchase price. Each period, we estimate the fair value of liabilities for contingent consideration by applying a Monte Carlo analysis examining the frequency and mean value of the resulting payments. The resulting value captures the risk associated with the form of the payout structure. The risk neutral method is applied, resulting in a value that captures the risk associated with the form of the

payout structure and the projection risk. The assumptions utilized in the calculation based on financial performance milestones include projected revenue and/or EBITDA amounts, volatility and discount rates. For potential payments related to product development milestones, we estimated the fair value based on the probability of achievement of such milestones. Any changes in fair value are recorded as other income (expense) in the Consolidated Statement of Comprehensive Income or Loss.

Recent Accounting Pronouncements:

Recently issued accounting standards are described in Note 4 - Recent Accounting Pronouncements of the Notes to Consolidated Financial Statements.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Exposure

We are exposed to the impact of interest rate changes as borrowings under the Senior Facilities bear interest at variable interest rates. It is our policy to enter into interest rate swap only to the extent considered necessary to meet our objectives.

Based on our exposure to variable rate borrowings at December 25, 2021, after consideration of our 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 \$5.2 million.

Foreign Currency Exchange

We are exposed to foreign exchange rate changes of the Canadian and Mexican currencies as it impacts the \$169.9 million tangible and intangible net asset value of our Canadian and Mexican subsidiaries as of December 25, 2021. The foreign subsidiaries net tangible assets were \$107.6 million and the net intangible assets were \$62.3 million as of December 25, 2021.

We utilize foreign exchange forward contracts to manage the exposure to currency fluctuations in the Canadian dollar versus the U.S. Dollar. See Note 15 - Derivatives and Hedging of the Notes to Consolidated Financial Statements.

Item 8 – Financial Statements and Supplementary Data.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE**

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Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of The Hillman Solutions Corp. and its consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of The Hillman Solutions Corp. and its consolidated subsidiaries are being made only in accordance with authorizations of management and directors of The Hillman Solutions Corp. and its consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of The Hillman Solutions Corp. and its consolidated subsidiaries that could have a material effect on the consolidated financial statements.

Our management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 25, 2021, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Based on its assessment, our management has concluded that our internal control over financial reporting was effective, as of December 25, 2021, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. We reviewed the results of management's assessment with the Audit Committee of The Hillman Companies, Inc.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

/s/ DOUGLAS J. CAHILL

Douglas J. Cahill
President and Chief Executive Officer
Dated: March 16, 2022

/s/ ROBERT O. KRAFT

Robert O. Kraft
Chief Financial Officer
Dated: March 16, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders' and Board of Directors The Hillman Solutions Corp.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hillman Solutions Corp. and subsidiaries (the Company) as of December 25, 2021 and December 26, 2020, the related consolidated statements of comprehensive loss, cash flows, and stockholders' equity for each of the years in the three-year period ended December 25, 2021, and the related notes and financial statement schedule II -Valuation Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill

As discussed in Note 2 to the consolidated financial statements, the goodwill balance as of December 25, 2021 was \$825,371 thousand. The Company performs goodwill impairment testing annually as of October 1st and whenever events or changes in circumstances indicate that the fair value of a reporting unit is less than the carrying value. With the assistance of a third-party specialist, management assesses the fair value of the reporting units based on a discounted cash flow model and multiples of earnings. Assumptions critical to the fair value estimates under the discounted cash flow model include the projected revenue growth rates and the discount rates.

We identified the assessment of the fair value of two of the Company's reporting units within its goodwill impairment analysis as a critical audit matter. The estimation of fair value of the two reporting units is complex and subject to significant management judgment and estimation uncertainties. Specifically, evaluating the short-term projected revenue growth rates and the discount rates used to determine the fair value of these reporting units required challenging auditor judgment, as they involved subjective assessments of market, industry and economic conditions

that were sensitive to variation. We performed sensitivity analyses to determine the significant assumptions used in the goodwill valuation, which required challenging auditor judgment. Changes to those assumptions could have had a significant effect on the Company's assessment of the fair value of the two reporting units. Additionally, the audit effort associated with the discount rates required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the Company's goodwill impairment process, including controls related to the short-term projected revenue growth rates and the discount rates. We compared the Company's historical revenue forecasts to actual results to assess the Company's ability to accurately forecast. We compared short-term projected revenue growth rates used in the valuation model against underlying business strategies and growth plans. We evaluated the reasonableness of the Company's forecasted short-term projected revenue growth rates for the two reporting units by comparing the growth assumptions to comparable entities within the industry. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rates used by management for the two reporting units by comparing them to a range of discount rates developed using market information for comparable entities within the industry.

Determination of the accounting acquirer

As discussed in Note 3 to the consolidated financial statements, on July 14, 2021, HMAN Group Holdings, Inc. (HMAN) and Landcadia Holdings III, Inc. (Landcadia) consummated a business combination pursuant to a merger agreement (the Merger Agreement), with HMAN becoming a wholly-owned subsidiary of Landcadia, which was renamed Hillman Solutions Corp. The Company accounted for the transaction as a reverse recapitalization and concluded that HMAN was the accounting acquirer based upon the terms of the Merger Agreement and evaluation of a number of indicative factors.

We identified the evaluation of the Company's determination of the accounting acquirer as a critical audit matter. Subjective auditor judgment was required in evaluating the relative importance of the indicative factors, individually and in the aggregate, including the post-combination voting rights, composition of the board of directors and management, the relative size of the entities, the minority voting rights, and the entity initiating the transaction. A different conclusion would have resulted in a material difference in the accounting for the transaction.

The following are the primary procedures we performed to address this critical audit matter. We tested the Company's conclusion regarding the determination of the accounting acquirer by evaluating management's assessment of the post-combination voting rights, composition of the board of directors and management, the relative size of the entities, the minority voting rights, and the entity initiating the transaction, by comparing them to amended and restated bylaws of the Company, the Merger Agreement, and certain filings with the Securities and Exchange Commission.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Cincinnati, Ohio

March 16, 2022

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

| ASSETS | December 25, 2021 | December 26, 2020 |
|---|-------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 14,605 | \$ 21,520 |
| Accounts receivable, net of allowances of \$2,891 (\$2,395 - 2020) | 107,212 | 121,228 |
| Inventories, net | 533,530 | 391,679 |
| Other current assets | 12,962 | 19,280 |
| Total current assets | 668,309 | 553,707 |
| Property and equipment, net of accumulated depreciation of \$284,069 (\$236,031 - 2020) | 174,312 | 182,674 |
| Goodwill | 825,371 | 816,200 |
| Other intangibles, net of accumulated amortization of \$352,695 (\$291,434 - 2020) | 794,700 | 825,966 |
| Operating lease right of use assets | 82,269 | 76,820 |
| Deferred tax asset | 1,323 | 2,075 |
| Other assets | 16,638 | 11,176 |
| Total assets | \$ 2,562,922 | \$ 2,468,618 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 186,126 | \$ 201,461 |
| Current portion of debt and capital lease obligations | 11,404 | 11,481 |
| Current portion of operating lease liabilities | 13,088 | 12,168 |
| Accrued expenses: | | |
| Salaries and wages | 8,606 | 29,800 |
| Pricing allowances | 10,672 | 6,422 |
| Income and other taxes | 4,829 | 5,986 |
| Interest | 1,519 | 12,988 |
| Other accrued expenses | 41,052 | 31,605 |
| Total current liabilities | 277,296 | 311,911 |
| Long-term debt | 906,531 | 1,535,508 |
| Deferred tax liabilities | 137,764 | 156,118 |
| Operating lease liabilities | 74,476 | 68,934 |
| Other non-current liabilities | 16,760 | 31,560 |
| Total liabilities | 1,412,827 | 2,104,031 |
| Commitments and Contingencies (Note 18) | — | — |
| Stockholders' equity: | | |
| Common stock, \$0.0001 par, 500,000,000 shares authorized, 194,083,625 issued and 193,995,320 outstanding at December 25, 2021 and 90,934,930 issued and outstanding at December 26, 2020 | 20 | 9 |
| Additional paid-in capital | 1,387,410 | 565,815 |
| Accumulated deficit | (210,181) | (171,849) |
| Accumulated other comprehensive loss | (27,154) | (29,388) |
| Total stockholders' equity | 1,150,095 | 364,587 |
| Total liabilities and stockholders' equity | \$ 2,562,922 | \$ 2,468,618 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(dollars in thousands)

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Net sales | \$ 1,425,967 | \$ 1,368,295 | \$ 1,214,362 |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 859,557 | 781,815 | 693,881 |
| Selling, general and administrative expenses | 437,875 | 398,472 | 382,131 |
| Depreciation | 59,400 | 67,423 | 65,658 |
| Amortization | 61,329 | 59,492 | 58,910 |
| Management fees to related party | 270 | 577 | 562 |
| Other (income) expense | (2,778) | (5,250) | 5,525 |
| Income from operations | 10,314 | 65,766 | 7,695 |
| Gain on change in fair value of warrant liability | (14,734) | — | — |
| Interest expense, net | 61,237 | 86,774 | 101,613 |
| Interest expense on junior subordinated debentures | 7,775 | 12,707 | 12,608 |
| Investment income on trust common securities | (233) | (378) | (378) |
| Loss (income) on mark-to-market adjustment of interest rate swap | (1,685) | 601 | 2,608 |
| Refinancing costs | 8,070 | — | — |
| Loss before income taxes | (50,116) | (33,938) | (108,756) |
| Income tax benefit | (11,784) | (9,439) | (23,277) |
| Net loss | \$ (38,332) | \$ (24,499) | \$ (85,479) |
| Basic and diluted loss per share | \$ (0.28) | \$ (0.27) | \$ (0.96) |
| Weighted average basic and diluted shares outstanding | 134,699 | 89,891 | 89,444 |
| Net loss from above | \$ (38,332) | \$ (24,499) | \$ (85,479) |
| Other comprehensive income: | | | |
| Foreign currency translation adjustments | (283) | 2,652 | 5,550 |
| Hedging activity | 2,517 | — | — |
| Total other comprehensive income | 2,234 | 2,652 | 5,550 |
| Comprehensive loss | \$ (36,098) | \$ (21,847) | \$ (79,929) |

The Notes to Consolidated Financial Statements are an integral part of these statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Cash flows from operating activities: | | | |
| Net loss | \$ (38,332) | \$ (24,499) | \$ (85,479) |
| Adjustments to reconcile net loss to net cash (used for) provided by operating activities: | | | |
| Depreciation and amortization | 120,730 | 126,915 | 124,568 |
| Loss (gain) on dispositions of property and equipment | 221 | 161 | (573) |
| Impairment of long lived assets | — | 210 | 7,887 |
| Deferred income taxes | (21,846) | (9,462) | (23,586) |
| Deferred financing and original issue discount amortization | 4,336 | 3,722 | 3,726 |
| Loss on debt restructuring, net of third party fees paid | (8,372) | — | — |
| Stock-based compensation expense | 15,255 | 5,125 | 2,981 |
| Change in fair value of warrant liabilities | (14,734) | — | — |
| Change in fair value of contingent consideration | (1,806) | (3,515) | — |
| Other non-cash interest and change in value of interest rate swap | (1,685) | 601 | 2,608 |
| Changes in operating items: | | | |
| Accounts receivable | 15,148 | (32,417) | 22,863 |
| Inventories | (137,849) | (67,147) | (3,205) |
| Other assets | 3,064 | (10,743) | 2,878 |
| Accounts payable | (20,253) | 76,031 | (11,975) |
| Other accrued liabilities | (24,131) | 27,098 | 9,666 |
| Net cash (used for) provided by operating activities | <u>(110,254)</u> | <u>92,080</u> | <u>52,359</u> |
| Cash flows from investing activities: | | | |
| Acquisitions of businesses, net of cash acquired | (38,902) | (800) | (6,135) |
| Capital expenditures | (51,552) | (45,274) | (57,753) |
| Proceeds from sale of property and equipment | — | — | 10,400 |
| Net cash (used for) investing activities | <u>(90,454)</u> | <u>(46,074)</u> | <u>(53,488)</u> |
| Cash flows from financing activities: | | | |
| Borrowings on senior term loans, net of discount | 883,872 | — | — |
| Repayments of senior term loans | (1,072,042) | (10,608) | (10,608) |
| Borrowings of revolving credit loans | 322,000 | 99,000 | 43,500 |
| Repayments of revolving credit loans | (301,000) | (140,000) | (38,700) |
| Repayments of senior notes | (330,000) | — | — |
| Financing fees | (20,988) | — | (1,412) |
| Proceeds from recapitalization of Landcadia, net of transaction costs | 455,161 | — | — |
| Proceeds from sale of common stock in PIPE, net of issuance costs | 363,301 | — | — |
| Repayment of Junior Subordinated Debentures | (108,707) | — | — |
| Principal payments under capitalized lease obligations | (938) | (836) | (683) |
| Proceeds from exercise of stock options | 2,670 | 7,340 | 100 |
| Proceeds from sale of Holdco stock | — | — | 750 |
| Net cash provided by (used for) financing activities | <u>193,329</u> | <u>(45,104)</u> | <u>(7,053)</u> |
| Effect of exchange rate changes on cash | 464 | 645 | (79) |
| Net (decrease) increase in cash and cash equivalents | (6,915) | 1,547 | (8,261) |
| Cash and cash equivalents at beginning of period | 21,520 | 19,973 | 28,234 |
| Cash and cash equivalents at end of period | <u>\$ 14,605</u> | <u>\$ 21,520</u> | <u>\$ 19,973</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)

| | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive (Loss) | Total Stockholders' Equity |
|---|--------------|--------|----------------|------------|----------------------------------|--|---|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance at December 29, 2018 | 547,129 | \$ 5 | (4,740) | \$ (4,320) | \$ 553,843 | \$ (61,871) | \$ (37,590) | \$ 450,067 |
| Retroactive application of recapitalization | 88,852,377 | 4 | 4,740 | 4,320 | (4,324) | — | — | — |
| Balance at December 29, 2018 - Recast | 89,399,506 | 9 | — | — | 549,519 | (61,871) | (37,590) | 450,067 |
| Net Loss | — | — | — | — | — | (85,479) | — | (85,479) |
| Stock-based compensation | — | — | — | — | 2,981 | — | — | 2,981 |
| Proceeds from exercise of stock options | 16,483 | — | — | — | 100 | — | — | 100 |
| Proceeds from sale of stock | 88,299 | — | — | — | 750 | — | — | 750 |
| Vesting of restricted shares | 45,327 | — | — | — | — | — | — | — |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | — | — | 5,550 | 5,550 |
| Balance at December 28, 2019 | 89,549,615 | \$ 9 | — | \$ — | \$ 553,350 | \$ (147,350) | \$ (32,040) | \$ 373,969 |
| Net Loss | — | — | — | — | — | (24,499) | — | (24,499) |
| Stock-based compensation | — | — | — | — | 5,125 | — | — | 5,125 |
| Proceeds from exercise of stock options | 1,208,705 | — | — | — | 7,340 | — | — | 7,340 |
| Vesting of restricted shares | 176,610 | — | — | — | — | — | — | — |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | — | — | 2,652 | 2,652 |
| Balance at December 26, 2020 | 90,934,930 | \$ 9 | — | \$ — | \$ 565,815 | \$ (171,849) | \$ (29,388) | \$ 364,587 |
| Net Loss | — | — | — | — | — | (38,332) | — | (38,332) |
| Stock-based compensation | — | — | — | — | 15,255 | — | — | 15,255 |
| Proceeds from exercise of stock options | 435,107 | — | — | — | 2,670 | — | — | 2,670 |
| Vesting of restricted shares | 88,305 | — | — | — | — | — | — | — |
| Recapitalization of Landcadia, net of issuance costs and fair value of of assets and liabilities acquired | 58,672,000 | 6 | — | — | 377,959 | — | — | 377,965 |
| Shares issued to PIPE, net of issuance costs | 37,500,000 | 4 | — | — | 363,297 | — | — | 363,301 |
| Hedging activity | — | — | — | — | — | — | 2,517 | 2,517 |
| Warrant redemption | 6,364,978 | 1 | — | — | 62,414 | — | — | 62,415 |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | — | — | (283) | (283) |
| Balance at December 25, 2021 | 193,995,320 | \$ 20 | — | \$ — | \$ 1,387,410 | \$ (210,181) | \$ (27,154) | \$ 1,150,095 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation:

The accompanying financial statements include the consolidated accounts of The Hillman Solutions Corp. and its wholly-owned subsidiaries (collectively "Hillman" or the "Company"). Unless the context requires otherwise, references to "Hillman," "we," "us," "our," or "our Company" refer to The Hillman Solutions Corp. and its wholly-owned subsidiaries. The Consolidated Financial Statements included herein have been prepared in accordance with accounting standards generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. References to 2021, 2020, and 2019 are for fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

On July 14, 2021, privately held HMAN Group Holdings Inc. ("Old Hillman"), and Landcadia Holdings III, Inc. ("Landcadia" and after the Business Combination described herein, "New Hillman"), a special purpose acquisition company ("SPAC") consummated the previously announced business combination (the "Closing") pursuant to the terms of the Agreement and Plan of Merger, dated as of January 24, 2021 (as amended on March 12, 2021, the "Merger Agreement") by and among Landcadia, Helios Sun Merger Sub, a wholly-owned subsidiary of Landcadia ("Merger Sub"), HMAN Group Holdings Inc., a Delaware corporation ("Hillman Holdco") and CCMP Sellers' Representative, LLC, a Delaware Limited Liability Company in its capacity as the Stockholder Representative thereunder (the "Stockholder Representative"). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Hillman Holdco with Hillman Holdco surviving the merger as a wholly owned subsidiary of New Hillman, which was renamed "Hillman Solutions Corp." (the "Merger" and together with the other transactions contemplated by the Merger Agreement, the "Business Combination"). Unless the context indicates otherwise, the discussion of the Company and its financial condition and results of operations is with respect to New Hillman following the closing date and Old Hillman prior to the closing date. See Note 3 - Merger Agreement for more information.

In connection with the closing of the Business Combination on July 14, 2021, Landcadia changed its name from "Landcadia Holdings III, Inc." to "Hillman Solutions Corp." and the Company's common stock and warrants began trading on The Nasdaq Stock Market under the trading symbols "HLMN" and "HLMNW", respectively.

The Company has a 52-53 week fiscal year ending on the last Saturday in December. In a 52 week fiscal year, each of the Company's quarterly periods will comprise of 13 weeks. The additional week in a 53 week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. The Company's first 53 week fiscal year will occur in fiscal year 2022.

Nature of Operations:

The Company is comprised of three separate operating business segments: (1) Hardware and Protective Solutions, (2) Robotics and Digital Solutions, and (3) Canada.

Hillman provides and, on a limited basis, produces products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems, and accessories; personal protective equipment such as gloves and eye-wear; 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.

On April 16, 2021, the Company completed the acquisition of Oz Post International, LLC ("OZCO"), a leading manufacturer of superior quality hardware that offers structural fasteners and connectors used for decks, fences and other outdoor structures, for a total purchase price of \$38,902. The Company entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018 (the "2018 Term Loan"), which provided \$35,000 of incremental term loan funds to be used to finance the acquisition. Ozco has business operations in the United States and its financial results reside within our Hardware and Protective Solutions segment.

In the fourth quarter of 2019, the Company implemented a plan to restructure the management and operations of our U.S. business to achieve synergies and cost savings associated with the recent acquisitions. The restructuring plan includes management realignment, integration of sales and operations functions, and strategic review of our product offerings. See Note 17 - Restructuring for more information

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

On August 16, 2019, the Company acquired the assets of Sharp Systems, LLC ("Resharp"), a California-based innovative developer of automated knife sharpening systems, for a total purchase price of \$21,100. Resharp has existing operations in the United States and its operating results reside within the Company's Robotics and Digital reportable segment. See Note 6 - Acquisitions for additional information.

2. Summary of Significant Accounting Policies:

Cash and Cash Equivalents:

Cash and cash equivalents consist of commercial paper, U.S. Treasury obligations, and other liquid securities purchased with initial maturities less than 90 days and are stated at cost which approximates fair value. The Company has foreign bank balances of approximately \$8,219 and \$9,279 at December 25, 2021 and December 26, 2020, respectively. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances. Management believes its credit risk is minimal.

Restricted Investments:

The Company's restricted investments are trading securities carried at fair market value which represent assets held in a Rabbi Trust to fund deferred compensation liabilities owed to the Company's employees. The current portion of the investments is included in other current assets and the long term portion in other assets on the accompanying Consolidated Balance Sheets. See Note 11 - Deferred Compensation Plan for additional information.

Accounts Receivable and Allowance for Doubtful Accounts:

The Company establishes the allowance for doubtful accounts by considering historical losses, adjusted to take into account current market conditions. The estimates for calculating the aggregate reserve are based on the financial condition of the customers, the length of time receivables are past due, historical collection experience, current economic trends, and reasonably supported forecasts. 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 \$2,891 and \$2,395 as of December 25, 2021 and December 26, 2020, respectively.

In the years ended December 25, 2021 and December 26, 2020, the Company entered into agreements to sell, on an ongoing basis and without recourse, certain trade accounts receivable. The buyer is responsible for servicing the receivables. The sale of the receivables is accounted for in accordance with Financial Accounting Standards Board ("FASB") ASC 860, Transfers and Servicing. Under that guidance, receivables are considered sold when they are transferred beyond the reach of the Company and its creditors, the purchaser has the right to pledge or exchange the receivables, and the Company has surrendered control over the transferred receivables. The Company has received proceeds from the sales of trade accounts receivable of approximately \$322,509 and \$323,715 for the years ended December 25, 2021 and December 26, 2020, respectively, and has included the proceeds in net cash provided by operating activities in the Consolidated Statements of Cash Flows. Related to the sale of accounts receivable, the Company recorded losses of approximately \$1,433 and \$1,782 for the years ended December 25, 2021 and December 26, 2020, respectively.

Inventories:

Inventories consisting predominantly of finished goods are valued at the lower of cost or net realizable value, cost being determined principally on the standard cost method. The historical usage rate is the primary factor used in assessing the net realizable value of excess and obsolete inventory. A reduction in the carrying value of an inventory item from cost to net realizable value is recorded for inventory with excess on-hand quantities as determined based on historic and projected sales, product category, and stage in the product life cycle.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

Property and Equipment:

Property and equipment are carried at cost and include expenditures for new facilities and major renewals. For financial accounting purposes, depreciation is computed on the straight-line method over the estimated useful lives of the assets, generally 2 to 15 years. Assets acquired under finance leases are depreciated over the terms of the related leases. Maintenance and repairs are charged to expense as incurred. The Company capitalizes certain costs that are directly associated with the development of internally developed software, representing the historical cost of these assets. Once the software is completed and placed into service, such costs are amortized over the estimated useful lives. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is reflected in income (loss) from operations.

Property and equipment, net, consists of the following at December 25, 2021 and December 26, 2020:

| | Estimated Useful Life (Years) | 2021 | 2020 |
|---------------------------------|--|-------------------|-------------------|
| Leasehold improvements | life of lease | 11,773 | 11,506 |
| Machinery and equipment | 2 - 10 | 366,198 | 334,643 |
| Computer equipment and software | 2 - 5 | 64,648 | 61,737 |
| Furniture and fixtures | 6 - 8 | 5,390 | 5,467 |
| Construction in process | | 10,372 | 5,352 |
| Property and equipment, gross | | 458,381 | 418,705 |
| Less: Accumulated depreciation | | 284,069 | 236,031 |
| Property and equipment, net | | <u>\$ 174,312</u> | <u>\$ 182,674</u> |

Goodwill:

The Company has adopted ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the goodwill impairment test and instead requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. If, after assessing the totality of events or circumstances, the Company determines that the fair value of a reporting unit is less than the carrying value, then the Company would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

The Company's annual impairment assessment is performed for its reporting units as of October 1st. With the assistance of an independent third-party specialist, management assessed the value of the reporting units based on a discounted cash flow model and multiple of earnings. Assumptions critical to our fair value estimates under the discounted cash flow model include the discount rate and projected average revenue growth. The results of the quantitative assessment in 2021, 2020, and 2019 indicated that the fair value of each reporting unit was in excess of its carrying value. Therefore goodwill was not impaired as of our annual testing dates.

No impairment charges were recorded in the years ended December 25, 2021, December 26, 2020, or December 28, 2019.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

Goodwill amounts by reportable segment are summarized as follows:

| | Goodwill at December 26, 2020 | Acquisitions | Disposals | Other⁽¹⁾ | Goodwill at December 25, 2021 |
|-----------------------------------|--|---------------------|------------------|----------------------------|--|
| Hardware and Protective Solutions | \$ 565,578 | \$ 9,250 | \$ — | \$ (130) | \$ 574,698 |
| Robotics and Digital Solutions | 220,936 | — | — | — | 220,936 |
| Canada | 29,686 | — | — | 51 | 29,737 |
| Total | <u>\$ 816,200</u> | <u>\$ 9,250</u> | <u>\$ —</u> | <u>\$ (79)</u> | <u>\$ 825,371</u> |

(1) The "Other" change to goodwill relates to adjustments resulting from fluctuations in foreign currency exchange rates for the Canada and Mexico reporting units.

Intangible Assets:

Intangible assets arise primarily from the determination of their respective fair market values at the date of acquisition. With the exception of certain trade names, intangible assets are amortized on a straight-line basis over periods ranging from 5 to 20, representing the period over which the Company expects to receive future economic benefits from these assets.

Other intangibles, net, as of December 25, 2021 and December 26, 2020 consist of the following:

| | Estimated Useful Life (Years) | December 25, 2021 | December 26, 2020 |
|--------------------------------|--|--------------------------|--------------------------|
| Customer relationships | 13 - 20 | \$ 965,054 | \$ 941,648 |
| Trademarks - indefinite | Indefinite | 85,591 | 85,603 |
| Trademarks - other | 7 - 15 | 29,000 | 26,400 |
| Technology and patents | 8 - 12 | 67,750 | 63,749 |
| Intangible assets, gross | | 1,147,395 | 1,117,400 |
| Less: Accumulated amortization | | 352,695 | 291,434 |
| Intangible assets, net | | <u>\$ 794,700</u> | <u>\$ 825,966</u> |

Estimated annual amortization expense for intangible assets subject to amortization at December 25, 2021 for the next five fiscal years is as follows:

| Fiscal Year Ended | Amortization Expense |
|--------------------------|-----------------------------|
| 2022 | \$ 61,697 |
| 2023 | \$ 61,697 |
| 2024 | \$ 61,697 |
| 2025 | \$ 61,217 |
| 2026 | \$ 56,812 |

The Company also evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually or more frequently if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. With the assistance of an independent third-party specialist, management assessed the fair value of our indefinite-lived intangible assets based on a relief from royalties model. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date. No impairment charges related to indefinite-lived intangible assets were recorded by the Company in 2021, 2020, or 2019 as a result of the quantitative annual impairment test.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

Long-Lived Assets:

Long-lived assets, such as property plant and equipment and definite-lived intangibles assets, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by the asset or asset group to its carrying value. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. No impairment charges were recorded in 2021. In the year ended December 26, 2020 and December 28, 2019, the Company recorded an impairment charge of \$210 and \$7,887, respectively, related to the loss on the disposal of our FastKey self-service duplicating kiosks and related assets in our Robotics and Digital Solutions operating segment. All of the aforementioned impairment charges incurred were included within the respective other income/expense on the Consolidated Statements of Comprehensive Loss. Approximately 95% of the Company's long-lived assets are held within the United States.

Income Taxes:

Deferred income taxes are computed using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Valuation allowances are provided for tax benefits where management estimates it is more likely than not that certain tax benefits will not be realized. Adjustments to valuation allowances are recorded for changes in utilization of the tax related item. See Note 7 - Income Taxes for additional information.

In accordance with guidance regarding the accounting for uncertainty in income taxes, the Company recognizes a tax position if, based solely on its technical merits, it is more likely than not to be sustained upon examination by the relevant taxing authority. If a tax position does not meet the more likely than not recognition threshold, the Company does not recognize the benefit of that position in its Consolidated Financial Statements. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to be recognized in the Consolidated Financial Statements.

Interest and penalties related to income taxes are included in (benefit) provision for income taxes.

Contingent Consideration:

Contingent consideration relates to the potential payment for an acquisition that is contingent upon the achievement of the acquired business meeting certain product development milestones and/or certain financial performance milestones. The Company records contingent consideration at fair value at the date of acquisition based on the consideration expected to be transferred. The estimated fair value of the contingent consideration was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting payments. The resulting value captures the risk associated with the form of the payout structure. The risk neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The assumptions utilized in the calculation based on financial performance milestones include projected revenue and/or EBITDA amounts, volatility and discount rates. For potential payments related to product development milestones, we estimated the fair value based on the probability of achievement of such milestones. The assumptions utilized in the calculation of the acquisition date fair value include probability of success and the discount rates. Contingent consideration involves certain assumptions requiring significant judgment and actual results may differ from assumed and estimated amounts.

Risk Insurance Reserves:

The Company self-insures our general liability including products liability, automotive liability, and workers' compensation losses up to \$500 per occurrence. Our policy is to estimate reserves based upon a number of factors, including known claims, estimated incurred but not reported claims, and third-party actuarial analysis. The third-party actuarial analysis is based on historical information along with certain assumptions about future events. These reserves are classified as other current and other long-term liabilities within the balance sheets.

The Company self-insures our group health claims up to an annual stop loss limit of \$250 per participant. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

Retirement Benefits:

Certain employees of the Company are covered under a profit-sharing and retirement savings plan. The plan provides for a matching contribution for eligible employees of 50% of each dollar contributed by the employee up to 6% of the employee's compensation. In addition, the plan provides an annual contribution in amounts authorized by the Board of Directors, subject to the terms and conditions of the plan.

Hillman Canada sponsors a Deferred Profit Sharing Plan ("DPSP") and a Group Registered Retirement Savings Plan ("RRSP") for all qualified, full-time employees, with at least three months of continuous service. DPSP is an employer-sponsored profit sharing plan registered as a trust with the Canada Revenue Agency ("CRA"). Employees do not contribute to the DPSP. There is no minimum required contribution; however, DPSPs are subject to maximum contribution limits set by the CRA. The DPSP is offered in conjunction with a RRSP. All eligible employees may contribute an additional voluntary amount of up to eight percent of the employee's gross earnings. Hillman Canada is required to match 100% of all employee contributions up to 2% of the employee's compensation into the DPSP account. The assets of the RRSP are held separately from those of Hillman Canada in independently administered funds.

Retirement benefit costs were \$4,218, \$3,343, and \$2,725 in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Warrant Liabilities:

The Company accounts for the warrants in accordance with the guidance contained in ASC 815-40 under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, the Company classified the warrants as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. The warrants were fully redeemed in the year ended December 25, 2021, see Note 8 - Warrants for additional information.

Revenue Recognition:

Revenue is recognized when control of goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

The Company offers a variety of sales incentives to its customers primarily in the form of discounts and rebates. Discounts are recognized in the Consolidated Financial Statements at the date of the related sale. Rebates are based on the revenue to date and the contractual rebate percentage to be paid. A portion of the cost of the rebate is allocated to each underlying sales transaction. Discounts and rebate are included in the determination of net sales.

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

The following table disaggregates our revenue by product category:

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

| | <u>Hardware and Protective Solutions</u> | <u>Robotics and Digital Solutions</u> | <u>Canada</u> | <u>Total Revenue</u> |
|-------------------------------------|--|---|-------------------|----------------------|
| Year Ended December 25, 2021 | | | | |
| Fastening and Hardware | \$ 740,088 | \$ — | \$ 149,165 | \$ 889,253 |
| Personal Protective | 284,886 | — | 397 | 285,283 |
| Keys and Key Accessories | — | 190,697 | 1,826 | 192,523 |
| Engraving | — | 58,555 | 77 | 58,632 |
| Resharp | — | 276 | — | 276 |
| Consolidated | <u>\$ 1,024,974</u> | <u>\$ 249,528</u> | <u>\$ 151,465</u> | <u>\$ 1,425,967</u> |
| Year Ended December 26, 2020 | | | | |
| Fastening and Hardware | \$ 706,865 | \$ — | \$ 131,493 | \$ 838,358 |
| Personal Protective | 317,527 | — | 239 | 317,766 |
| Keys and Key Accessories | — | 157,828 | 2,878 | 160,706 |
| Engraving | — | 51,423 | 6 | 51,429 |
| Resharp | — | 36 | — | 36 |
| Consolidated | <u>\$ 1,024,392</u> | <u>\$ 209,287</u> | <u>\$ 134,616</u> | <u>\$ 1,368,295</u> |
| Year Ended December 28, 2019 | | | | |
| Fastening and Hardware | \$ 607,247 | \$ — | \$ 121,242 | \$ 728,489 |
| Personal Protective | 245,769 | — | — | 245,769 |
| Keys and Key Accessories | — | 185,451 | 4,009 | 189,460 |
| Engraving | — | 50,613 | 9 | 50,622 |
| Resharp | — | 22 | — | 22 |
| Consolidated | <u>\$ 853,016</u> | <u>\$ 236,086</u> | <u>\$ 125,260</u> | <u>\$ 1,214,362</u> |

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

The following table disaggregates our revenue by geographic location:

| | <u>Hardware and Protective Solutions</u> | <u>Robotics and Digital Solutions</u> | <u>Canada</u> | <u>Total Revenue</u> |
|-------------------------------------|--|---------------------------------------|-------------------|----------------------|
| Year Ended December 25, 2021 | | | | |
| United States | \$ 1,004,803 | \$ 246,494 | \$ — | \$ 1,251,297 |
| Canada | 7,326 | 3,034 | 151,465 | 161,825 |
| Mexico | 12,845 | — | — | 12,845 |
| Consolidated | <u>\$ 1,024,974</u> | <u>\$ 249,528</u> | <u>\$ 151,465</u> | <u>\$ 1,425,967</u> |
| Year Ended December 26, 2020 | | | | |
| United States | \$ 1,007,135 | \$ 207,283 | \$ — | \$ 1,214,418 |
| Canada | 7,789 | 2,004 | 134,616 | 144,409 |
| Mexico | 9,468 | — | — | 9,468 |
| Consolidated | <u>\$ 1,024,392</u> | <u>\$ 209,287</u> | <u>\$ 134,616</u> | <u>\$ 1,368,295</u> |
| Year Ended December 28, 2019 | | | | |
| United States | \$ 835,957 | \$ 234,216 | \$ — | \$ 1,070,173 |
| Canada | 5,905 | 1,870 | 125,260 | 133,035 |
| Mexico | 11,154 | — | — | 11,154 |
| Consolidated | <u>\$ 853,016</u> | <u>\$ 236,086</u> | <u>\$ 125,260</u> | <u>\$ 1,214,362</u> |

Our revenue by geography is allocated based on the location of our sales operations. Our Hardware and Protective Solutions segment contains sales of Big Time personal protective equipment into Canada. Our Robotics and Digital Solutions segment contains sales of MinuteKey Canada.

Hardware and Protective Solutions revenues consist primarily of the delivery of fasteners, anchors, specialty fastening products, and personal protective equipment such as gloves and eye-wear as well as in-store merchandising services for the related product category.

Robotics and Digital Solutions revenues consist primarily of sales of keys and identification tags through self service key duplication and engraving kiosks. It also includes our associate-assisted key duplication systems and key accessories.

Canada revenues consist primarily of the delivery to Canadian customers of fasteners and related hardware items, threaded rod, keys, key duplicating systems, accessories, personal protective equipment, and identification items as well as in-store merchandising services for the related product category.

The Company's performance obligations under its arrangements with customers are providing products, in-store merchandising services, and access to key duplicating and engraving equipment. Generally, the price of the merchandising services and the access to the key duplicating and engraving equipment is included in the price of the related products. Control of products is transferred at the point in time when the customer accepts the goods, which occurs upon delivery of the products. Judgment is required in determining the time at which to recognize revenue for the in-store services and the access to key duplicating and engraving equipment. Revenue is recognized for in-store service and access to key duplicating and engraving equipment as the related products are delivered, which approximates a time-based recognition pattern. Therefore, the entire amount of consideration related to the sale of products, in-store merchandising services, and access to key duplicating and engraving equipment is recognized upon the delivery of the products.

The costs to obtain a contract are insignificant, and generally contract terms do not extend beyond one year. Therefore, these costs are expensed as incurred. Freight and shipping costs and the cost of our in-store merchandising services teams are recognized in selling, general, and administrative expense when control over products is transferred to the customer.

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The Company used the practical expedient regarding the existence of a significant financing component as payments are due in less than one year after delivery of the products.

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 Consolidated Statements of Comprehensive Loss.

Shipping and handling costs were \$60,991, \$50,891, and \$47,713 in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Research and Development:

The Company expenses research and development costs consisting primarily of internal wages and benefits in connection with improvements to the Company’s fastening product lines along with the key duplicating and engraving machines. The Company’s research and development costs were \$2,442, \$2,876, and \$2,075 in the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Stock Based Compensation:

2021 Equity Incentive Plan

Effective July 14, 2021, in connection with the Merger, the Company established the 2021 Equity Incentive Plan. Under the 2021 Equity Incentive Plan, the Company may grant options, stock appreciation rights, restricted stock, and other stock-based awards. Hillman reflects the options granted in accordance with Accounting Standards Codification 718, *Compensation - Stock Compensation* (“ASC 718”). The Company uses a Black-Scholes option pricing model to determine the fair value of stock options on the dates of grant. The Black-Scholes pricing model requires various assumptions, including expected term, which is based on our historical experience and expected volatility which is estimated based on the average historical volatility of similar entities with publicly traded shares. The Company also makes assumptions regarding the risk-free interest rate and the expected dividend yield. The risk-free interest rate is based on the U.S. Treasury interest rate whose term is consistent with the expected term of the share-based award. The dividend yield on our common stock is assumed to be zero since we do not pay dividends and have no current plans to do so in the future. Determining the fair value of stock options at the grant date requires judgment, including estimates for the expected life of the share-based award, stock price volatility, dividend yield, and interest rate. These assumptions may differ significantly between grant dates because of changes in the actual results of these inputs that occur over time.

HMAN Group Holdings Inc. 2014 Equity Incentive Plan

Prior to the Merger, the Company had a stock-based employee compensation plan pursuant to which the Company granted options, stock appreciation rights, restricted stock, and other stock-based awards. Hillman reflects the options granted in its stand-alone Consolidated Financial Statements in accordance with Accounting Standards Codification 718, *Compensation — Stock Compensation* (“ASC 718”). The Company used a Black-Scholes option pricing model to determine the fair value of stock options on the dates of grant. The Black-Scholes pricing model requires various assumptions, including expected term, which is based on our historical experience and expected volatility which is estimated based on the average historical volatility of similar entities. The Company also made assumptions regarding the risk-free interest rate and the expected dividend yield. The risk-free interest rate is based on the U.S. Treasury interest rate whose term is consistent with the expected term of the share-based award. The dividend yield on our common stock is assumed to be zero since we have not historically paid dividends on these awards and have no current plans to do so in the future. Determining the fair value of stock options at the grant date requires judgment, including estimates for the expected life of the share-based award, stock price volatility, dividend yield, and interest rate. These assumptions may differ significantly between grant dates because of changes in the actual results of these inputs that occur over time.

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The Company applied assumptions in the determination of the fair value of the common stock underlying the stock-based awards granted. With the assistance of an independent third-party specialist, management assessed the value of the Company's common stock based on a combination of the income approach and guideline public company method. Factors that were considered in connection with estimating these grant date fair values are as follows:

- The Company's financial results and future financial projections;
- The market value of equity interests in substantially similar businesses, which equity interests can be valued through nondiscretionary, objective means;
- The lack of marketability of the Company's common stock;
- The likelihood of achieving a liquidity event, such as an initial public offering or business combination, given prevailing market conditions;
- Industry outlook; and
- General economic outlook, including economic growth, inflation and unemployment, interest rate environment and global economic trends

Determination of the fair value of our common stock also involved the application of multiple valuation methodologies and approaches, with varying weighting applied to each methodology as of the grant date. Application of these approaches involves the use of estimates, judgment, and assumptions that are highly complex and subjective, such as those regarding the Company's expected future revenue, expenses, and future cash flows; discount rates; market multiples; the selection of comparable companies; and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact the valuations and may have a material impact on the valuation of our common stock.

Prior to the Merger, the Company revalued the common stock annually, unless changes in facts or circumstances indicate the need for a mid-year revaluation. The valuation of the Company's common stock was historically performed at the end of our fiscal year. The share prices for the years ended December 26, 2020 and December 28, 2019 were \$1,647.13 and \$1,315.00, respectively. The increases in the share price year over year reflect the Company's revenue growth over that time period along with projected future growth in discounted cash flows and with the market inputs.

Stock-based compensation expense is recognized using a fair value based recognition method. Stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite vesting period or performance period of the award on a straight-line basis. The stock-based compensation expense is recorded in general and administrative expenses. The plans are more fully described in Note 13 - Stock Based Compensation.

Fair Value of Financial Instruments:

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. A fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. Whenever possible, quoted prices in active markets are used to determine the fair value of the Company's financial instruments.

Derivatives and Hedging:

The Company uses derivative financial instruments to manage its exposures to (1) interest rate fluctuations on its floating rate senior term loan 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. The Company enters into derivative instrument transactions with financial institutions acting as the counter-party. The Company does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

The relationships between hedging instruments and hedged items are formally documented, in addition to the risk management objective and strategy for each hedge transaction. For interest rate swaps, the notional amounts, rates, and maturities of our interest rate swaps are closely matched to the related terms of hedged debt obligations. The critical terms of the interest rate swap are matched to the critical terms of the underlying hedged item to determine whether the derivatives used for hedging

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transactions are highly effective in offsetting changes in the cash flows of the underlying hedged item. If it is determined that a derivative ceases to be a highly effective hedge, the hedge accounting is discontinued and all subsequent derivative gains and losses are recognized in the Statement of Comprehensive Loss.

Derivative instruments designated in hedging relationships that mitigate exposure to the variability in future cash flows of the variable-rate debt and foreign currency exchange rates are considered cash flow hedges. The Company records all derivative instruments in other assets or other liabilities on the Consolidated Balance Sheets at their fair values. If the derivative is designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income or loss. The change in fair value for instruments not qualifying for hedge accounting are recognized in the Statement of Comprehensive Income or Loss in the period of the change. See Note 15 - Derivatives and Hedging for additional information.

Translation of Foreign Currencies:

The translation of the Company's Canadian and Mexican local currency based financial statements into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive loss in stockholders' equity.

Use of Estimates in the Preparation of Financial Statements

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

The extent to which COVID-19 impacts the Company's business and financial results will depend on numerous evolving factors including, but not limited to: the magnitude and duration of COVID-19, the extent to which it will impact worldwide macroeconomic conditions including interest rates, employment rates and health insurance coverage, the speed of the anticipated recovery, and governmental and business reactions to the pandemic. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts COVID-19 as of December 25, 2021 and through the date of this report. The accounting matters assessed included, but were not limited to the carrying value of the goodwill and other long-lived assets.

In 2020, the pandemic had a significant impact on the Company's business, driving high demand for personal protective equipment, including face masks, disposable gloves, sanitizing wipes, and disinfecting sprays. During 2020, at the request of our customers, the Company began to sell certain categories of protective and cleaning equipment that are not a part of our core product offerings, including wipes, sprays, masks and bulk boxes of disposable gloves. High demand and limited supply of these products available for retail sale drove prices and cost up in 2020. In contrast, in 2021 the pandemic has had less of an impact on the Company's business, economic activity has generally recovered, and consumer access to personal protective equipment has normalized. By the end of the third quarter of 2021 the Company's product mix has begun to normalize back to near pre-pandemic levels. In 2021, demand for certain protective products softened as vaccines were rolled out and supply returned to a more normal level. In the third quarter of 2021, we evaluated our customers' needs and the market conditions and ultimately decided to exit certain protective product categories. In connection with the exit of these product lines, the Company recorded an inventory valuation charge of \$32,026 including the write off of inventory along with costs for donation and disposal of the remaining inventory on hand. Excluding the inventory valuation charge, there was not a material impact to the Company's consolidated financial statements as of and for the year ended December 25, 2021, the Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Company's Consolidated Financial Statements in future reporting periods.

3. Merger Agreement:

On July 14, 2021, the Merger between HMAN and Landcadia was consummated. Pursuant to the Merger Agreement, at the closing date of the Merger, the outstanding shares of Old Hillman common stock were converted into 91,220,901 shares of New Hillman common stock as calculated pursuant to the Merger Agreement.

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The Merger was accounted for as a reverse recapitalization, with no goodwill or other intangible assets recorded, in accordance with GAAP. Under this method of accounting, Landcadia is treated as the “acquired” company for financial reporting purposes. This determination was based primarily on Old Hillman having the ability to appoint a majority of the initial Board of the combined entity, Old Hillman’s senior management comprising the majority of the senior management of the combined company, and the ongoing operations of Old Hillman comprising the ongoing operations of the combined company. Accordingly, for accounting purposes, the Merger was treated as the equivalent of New Hillman issuing shares for the net assets of Landcadia, accompanied by a recapitalization. The net assets of Landcadia was stated at carrying value, with no goodwill or other intangible assets recorded. The historical statements of the combined entity prior to the Merger are presented as those of Old Hillman with the exception of the shares and par value of equity recast to reflect the exchange ratio on the Closing Date, adjusted on a retroactive basis. A summary of the impact of the reverse recapitalization on the cash, cash equivalents and restricted cash, change in net assets and the change in common shares is included in the tables below.

| | | |
|---|----|----------|
| Landcadia cash and cash equivalents ⁽¹⁾ | \$ | 479,602 |
| PIPE investment proceeds ⁽²⁾ | | 375,000 |
| Less cash paid to underwriters and other transaction costs, net of tax ⁽³⁾ | | (36,140) |
| Net change in cash and cash equivalents as a result of recapitalization | \$ | 818,462 |
| Prepaid expenses and other current assets ⁽¹⁾ | | 132 |
| Accounts payable and other accrued expenses ⁽¹⁾ | | (81) |
| Warrant liabilities ⁽¹⁾⁽⁴⁾ | | (77,190) |
| Change in net assets as a result of recapitalization | \$ | 741,323 |

The change in number of shares outstanding as a result of the reverse recapitalization is summarized as follows:

| | |
|---|-------------|
| Common shares issued to new Hillman shareholders ⁽⁵⁾ | 91,220,901 |
| Shares issued to SPAC sponsors and public shareholders ⁽⁶⁾ | 58,672,000 |
| Common shares issued to PIPE investors ⁽²⁾ | 37,500,000 |
| Common shares outstanding immediately after the business combination | 187,392,901 |

1. These assets and liabilities represent the reported balances as of the Closing Date immediately prior to the Business Combination. The recapitalization of the assets and liabilities from Landcadia’s balance sheet was a non-cash financing activity.
2. In connection with the Business Combination, Landcadia entered into subscription agreements with certain investors (the “PIPE Investors”), pursuant to which it issued 37,500,000 shares of common stock at \$10.00 per share (the “PIPE Shares”) for an aggregate purchase price of \$375,000 (the “PIPE Financing”), which closed simultaneously with the consummation of the Business Combination.
3. In connection with the Business Combination, the Company incurred \$36,140 of transaction costs, net of tax, consisting of underwriting, legal and other professional fees which were recorded as accumulated deficit as a reduction of proceeds.
4. The warrants acquired in the Merger include (a) redeemable warrants issued by Landcadia and sold as part of the units in the Landcadia IPO (whether they were purchased in the Landcadia IPO or thereafter in the open market), which were exercisable for an aggregate of 16,666,628 shares of common stock at a purchase price of \$11.50 per share (the “Public Warrants”) and (b) warrants issued by Landcadia to the Sponsors in a private placement simultaneously with the closing of the Landcadia IPO, which were exercisable for an aggregate of 8,000,000 shares of common stock at a purchase price of \$11.50 per share (the “Private Placement Warrants”).
5. The Company issued 91,220,901 common shares in exchange for 553,439 Old Hillman common shares resulting in an exchange ratio of 164.83. This exchange ratio was applied to Old Hillman’s common shares which further impacted common stock held at par value and additional paid in capital as well as the calculation of weighted average shares outstanding and loss per common share.

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6. The Company issued 50,000,000 shares to the public shareholders and 8,672,000 shares to the SPAC sponsor shareholders at the Closing Date

4. Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Subsequently, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and ASU 2018-10, *Codification Improvements to Topic 842, Leases*. Effective December 30, 2018, the Company adopted the comprehensive new lease standard issued by the FASB. The most significant impact was the recognition of right-of-use ("ROU") assets and liabilities for operating and finance leases applicable to lessees. The Company elected to utilize the transition guidance within the new standard that allowed the Company to carry forward its historical lease classification(s). Operating and finance ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. As the implicit rate is not determinable for most of the Company's leases, management uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The Company elected to not separate lease and non-lease components for all classes of underlying assets in which it is the lessee and made an accounting policy election to not account for leases within an initial term of 12 months or less on the accompanying Consolidated Balance Sheets. The expected lease terms include options to extend or terminate the lease when its reasonably certain that the Company will exercise such option. Lease expense for minimum lease payments is recognized over a straight-line basis over the expected lease term. As of December 30, 2018, the Company recorded an Operating ROU Asset of \$72,785 and a Finance ROU Asset of \$672 within our Consolidated Balance Sheets. Short-term and long-term operating lease liabilities were recorded as \$2,040 and \$63,291, respectively. Short-term and long-term finance lease liabilities were determined to be \$436 and \$477, respectively. The adoption of this guidance did not have an impact on net income. Refer to Note 8 - Leases for full lease-related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. The Company adopted this ASU in the first quarter of fiscal 2020, and it did not have a material impact on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions of Topic 740 including: exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or gain from other items; exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. There are also additional areas of guidance in regards to: franchise and other taxes partially based on income and the interim recognition of enactment of tax laws and rate changes. The provisions of this ASU are effective for years beginning after December 15, 2020. The Company adopted this standard during fiscal 2021 and the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating contract and the optional expedients provided by the new standard.

In January 2021, FASB issued ASU 2021-01, *Reference Rate Reform* to expand the scope of ASU 2020-04 by allowing an entity to apply the optional expedients, by stating that a change to the interest rate used for margining, discounting or contract price alignment for a derivative is not considered to be a change to the critical terms of the hedging relationship that requires

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designation. The entity may apply the contract modification relief provided in ASU 2020-04 and continue to account for the derivative in the same manner that existed prior to the changes resulting from reference rate reform or the discounting transition. The Company is currently evaluating contract and the optional expedients provided by the new standard.

In August 2021, the FASB issues ASU 2021-06, *Presentation of Financial Statements (Topic 205)*, *Financial Services—Depository and Lending (Topic 942)*, and *Financial Services—Investment Companies (Topic 946)* which amends SEC paragraphs in Topic 205, Topic 942 and Topic 946 from the Codification in response to the issuance of SEC Final Rule Nos. 33-10786, Amendments to Financial Disclosures About Acquired and Disposed Businesses, and 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. These edits are predominantly formatting and paragraph references, with new guidance duplicated from SEC requirements on the presentation of financial statements for funds acquired or to be acquired.

In October 28, 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. Under current GAAP, an acquirer generally recognizes such items at fair value on the acquisition date. This update is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to 1) the recognition of an acquired contract liability, and 2) payment terms and their effect on subsequent revenue recognized by the acquirer. The amendment is effective on December 15, 2022. The Company is currently evaluating the impact provided by the new standard.

5. Related Party Transactions:

The Company has recorded aggregate management fee charges and expenses from CCMP and Oak Hill Funds of \$270, \$577, and \$562 for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively. Subsequent to the Merger, the Company is no longer being charged management fees, Note 3 - Merger Agreement for additional details. Two members of our Board of Directors, Rich Zannino and Joe Scharfenberger, are partners at CCMP. Another director, Teresa Gendron, is the CFO of Jefferies.

The Company recorded proceeds from the sale of stock to members of management and the Board of Directors for \$750 during year ended December 28, 2019. There were no such sales in fiscal 2021 nor fiscal 2020.

Gregory Mann and Gabrielle Mann are employed by Hillman. Hillman leases an industrial warehouse and office facility from companies under the control of the Manns. Rental expense for the lease of this facility was \$351 for the year ended December 25, 2021 and December 26, 2020, and \$350 for the year ended December 28, 2019.

At the Closing, Hillman, the Sponsors, CCMP Investors and the Oak Hill Investors entered into the A&R Registration Rights Agreement, pursuant to which, among other things, the parties to the A&R Registration Rights Agreement agreed not to effect any sale or distribution of any equity securities of Hillman held by any of them during the lock-up period described therein and were granted certain registration rights with respect to their respective shares of Hillman common stock, in each case, on the terms and subject to the conditions therein.

6. Acquisitions

Oz Post International, LLC

On April 16, 2021, the Company completed the acquisition of Oz Post International, LLC ("OZCO"), a leading manufacturer of superior quality hardware that offers structural fasteners and connectors used for decks, fences and other outdoor structures, for a total purchase price of \$38,902. The Company entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018 (the "2018 Term Loan"), which provided \$35,000 of incremental term loan funds to be used to finance the acquisition. OZCO has business operations throughout North America and its financial results reside in the Company's Hardware and Protective Solutions reportable segment.

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The following table reconciles the fair value of the acquired assets and assumed liabilities to the preliminary total purchase price of OZCO. The total purchase price is preliminary as the Company is in the process of finalizing certain working capital adjustments.

| | | |
|------------------------|----|---------|
| Accounts receivable | \$ | 1,143 |
| Inventory | | 3,564 |
| Other current assets | | 24 |
| Property and equipment | | 595 |
| Goodwill | | 9,250 |
| Customer relationships | | 23,500 |
| Trade names | | 2,600 |
| Technology | | 4,000 |
| Total assets acquired | \$ | 44,676 |
| Less: | | |
| Liabilities assumed | | (5,774) |
| Total purchase price | \$ | 38,902 |

Pro forma financial information has not been presented for OZCO as their associated financial results are insignificant to the financial results of the Company on a standalone basis.

Sharp Systems, LLC

On August 16, 2019, the Company acquired the assets of Sharp Systems, LLC ("Resharp"), a California-based innovative developer of automated knife sharpening systems, for a total purchase price of \$21,100, including a contingent consideration provision with an estimated fair value of \$18,100, with a maximum payout of \$25,000 plus 1.8% of net knife-sharpening revenues for five years after the \$25,000 is fully paid. Contingent consideration to be paid subsequent to December 25, 2021 is contingent upon several business performance metrics over a multi-year period. See Note 16 - Fair Value Measurements for additional information on the contingent consideration payable as of December 25, 2021. Resharp has existing operations in the United States and its operating results reside within the Company's Robotics and Digital Solutions reportable segment.

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

| | | |
|----------------------------------|----|----------|
| Property and equipment | \$ | 218 |
| Goodwill | | 9,382 |
| Technology | | 11,500 |
| Total assets acquired | \$ | 21,100 |
| Less: | | |
| Contingent consideration payable | | (18,100) |
| Net cash paid | \$ | 3,000 |

Pro forma financial information has not been presented for Resharp as their associated financial results are insignificant to the financial results of the Company on a standalone basis.

Other Acquisitions

On July 1, 2019, the Company acquired the assets of West Coast Washers, Inc. for a total purchase price of \$3,135. The financial results of West Coast Washers, Inc. reside within the Company's Hardware and Protective Solutions reportable

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segment and have been determined to be immaterial for purposes of additional disclosure.

On February 19, 2020, the Company acquired the assets of Instafob LLC ("Instafob") for a cash payment of \$800 and a total purchase price of \$2,618, which includes \$1,818 in contingent and non-contingent considerations that remain payable to the seller. The financial results of Instafob reside within the Company's Robotics and Digital Solutions reportable segment and have been determined to be immaterial for purposes of additional disclosure.

7. Income Taxes:

Loss before income taxes are comprised of the following components for the periods indicated:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| United States based operations | \$ (56,597) | \$ (30,083) | \$ (101,197) |
| Non-United States based operations | 6,481 | (3,855) | (7,559) |
| Loss before income taxes | <u>\$ (50,116)</u> | <u>\$ (33,938)</u> | <u>\$ (108,756)</u> |

Below are the components of the Company's income tax benefit for the periods indicated:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|---------------------|---------------------------------|---------------------------------|---------------------------------|
| Current: | | | |
| Federal & State | \$ 894 | \$ 629 | \$ 1,235 |
| Foreign | 746 | (49) | 611 |
| Total current | 1,640 | 580 | 1,846 |
| Deferred: | | | |
| Federal & State | (13,651) | (7,625) | (23,333) |
| Foreign | 664 | (1,356) | (2,625) |
| Total deferred | (12,987) | (8,981) | (25,958) |
| Valuation allowance | (437) | (1,038) | 835 |
| Income tax benefit | <u>\$ (11,784)</u> | <u>\$ (9,439)</u> | <u>\$ (23,277)</u> |

The Company has U.S. federal net operating loss ("NOL") carryforwards totaling \$19,805 as of December 25, 2021 that are available to offset future taxable income. These carryforwards expire from 2027 to 2038. A portion of the U.S. federal NOLs were acquired with the MinuteKey purchase in 2018. The MinuteKey NOLs are subject to limitation under IRC §382 from current and prior ownership changes. In addition, the Company's foreign subsidiaries have NOL carryforwards aggregating \$23,535. A portion of these carryforwards expire from 2035 to 2040. Management anticipates utilizing all foreign NOLs prior to their expiration.

The Company has state NOL carryforwards with an aggregate tax benefit of \$4,123 which expire from 2021 to 2041. The Company has maintained a valuation allowance of \$0 in fiscal 2021 for the state NOLs expected to expire prior to utilization.

The Company has \$1,052 of general business tax credit carryforwards which expire from 2026 to 2041. A valuation allowance of \$10 has been maintained for a portion of these tax credits. The Company has \$816 of foreign tax credit carryforwards which expire from 2021 to 2027. A full valuation allowance has been established for these credits given insufficient foreign source income projected to utilize these credits.

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The table below reflects the significant components of the Company's net deferred tax assets and liabilities at December 25, 2021 and December 26, 2020:

| | December 25, 2021 | December 26, 2020 |
|---|--------------------------|--------------------------|
| | Non-current | Non-current |
| Deferred Tax Asset: | | |
| Inventory | \$ 17,590 | \$ 11,423 |
| Bad debt and other sales related reserves | 2,029 | 1,497 |
| Casualty loss reserve | 685 | 279 |
| Accrued bonus / deferred compensation | 3,778 | 7,411 |
| Deferred social security (CARES Act) | 899 | 1,798 |
| Interest limitation | 30,094 | 21,011 |
| Lease liabilities | 23,008 | 21,241 |
| Deferred revenue - shipping terms | 320 | 315 |
| Original issue discount amortization | — | 3,078 |
| Transaction costs | 2,218 | 3,061 |
| Federal / foreign net operating loss | 31,217 | 36,217 |
| State net operating loss | 4,123 | 3,806 |
| Tax credit carryforwards | 2,400 | 2,150 |
| All other | 1,233 | 1,481 |
| Gross deferred tax assets | 119,594 | 114,768 |
| Valuation allowance for deferred tax assets | (1,034) | (1,471) |
| Net deferred tax assets | \$ 118,560 | \$ 113,297 |
| Deferred Tax Liability: | | |
| Intangible asset amortization | \$ 205,328 | \$ 216,354 |
| Property and equipment | 27,722 | 29,901 |
| Lease assets | 21,446 | 20,598 |
| All other items | 505 | 487 |
| Deferred tax liabilities | \$ 255,001 | \$ 267,340 |
| Net deferred tax liability | \$ 136,441 | \$ 154,043 |

Realization of the net deferred tax assets is dependent on the reversal of deferred tax liabilities. Although realization is not assured, management estimates it is more likely than not that the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced. The Company maintains a valuation allowance of \$9 on U.S. state NOLs due to the Company's inability to utilize the losses prior to expiration.

The Company considers the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. The Company has not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of undistributed earnings of foreign subsidiaries indefinitely invested outside the United States. Should management decide to repatriate the foreign earnings, the Company would need to adjust the income tax provision in the period the earnings will no longer be indefinitely invested outside the United States.

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Below is a reconciliation of statutory income tax rates to the effective income tax rates for the periods indicated:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 As Restated |
|---|---------------------------------|---------------------------------|--|
| Statutory federal income tax rate | 21.0 % | 21.0 % | 21.0 % |
| Non-U.S. taxes and the impact of non-U.S. losses for which a current tax benefit is not available | (1.3) % | 0.6 % | 0.4 % |
| State and local income taxes, net of U.S. federal income tax benefit | 2.9 % | 5.7 % | 3.0 % |
| Change in valuation allowance | 0.9 % | 1.6 % | (1.2) % |
| Permanent differences: | | | |
| Acquisition and related transaction costs | (2.2) % | — % | — % |
| Decrease in fair value of warrant liability | 6.2 % | — % | — % |
| Reconciliation of tax provision to return | (1.7) % | 0.6 % | (0.5) % |
| Non-deductible compensation | (1.9) % | (1.0) % | (0.7) % |
| Reconciliation of other adjustments | (0.4) % | (0.7) % | (0.6) % |
| Effective income tax rate | <u>23.5 %</u> | <u>27.8 %</u> | <u>21.4 %</u> |

The Company's reserve for unrecognized tax benefits remains unchanged for the year ended December 25, 2021. A balance of \$1,101 of unrecognized tax benefit is shown in the financial statements at December 25, 2021 as a reduction of the deferred tax asset for the Company's NOL carryforward.

The following is a summary of the changes for the periods indicated below:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Unrecognized tax benefits - beginning balance | \$ 1,101 | \$ 1,101 | \$ 1,101 |
| Gross increases - tax positions in current period | — | — | — |
| Gross increases - tax positions in prior period | — | — | — |
| Gross decreases - tax positions in prior period | — | — | — |
| Unrecognized tax benefits - ending balance | <u>\$ 1,101</u> | <u>\$ 1,101</u> | <u>\$ 1,101</u> |
| Amount of unrecognized tax benefit that, if recognized would affect the Company's effective tax rate | <u>\$ 1,101</u> | <u>\$ 1,101</u> | <u>\$ 1,101</u> |

Coronavirus Aid, Relief and Economic Security Act (the "CARES Act")

On March 27, 2020, the CARES Act was signed into law by the President of the United States. The CARES Act included, among other things, corporate income tax relief in the form of accelerated alternative minimum tax ("AMT") refunds, allowed employers to defer certain payroll tax payments throughout 2020, and provided favorable corporate interest deductions for the 2019 and 2020 periods. During 2020, the Company received an accelerated AMT income tax refund of \$1,147 and was able to defer \$7,136 of payroll taxes. The CARES Act interest modification provisions allowed for increased interest deductions.

The Company files a consolidated income tax return in the U.S. and numerous consolidated and separate income tax returns in various states and foreign jurisdictions. The Company is not under any significant audits for the period ended December 25, 2021.

8. Warrants

Each whole warrant entitles the holder thereof to purchase one share of common stock at an exercise price of \$1.50 per share and a redemption price of \$.10 a share. As of the date of the merger, as discussed in Note 3 - Merger Agreement, there were 24,666,628 warrants outstanding consisting of 16,666,628 public warrants, which were included in the units issued in

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Landcadia's initial public offering ("Public Warrants"), and 8,000,000 private placement warrants, which were included in the units issued in the concurrent private placement at the time of Landcadia's initial public offering ("Private Placement Warrants" and, collectively with the Public Warrants, the "Warrants"). The Public and Private Placement Warrants were accounted for as liabilities and are presented as warrant liabilities on the Consolidated Balance Sheets. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within loss on change in fair value of warrant liabilities in the Consolidated Statements of Comprehensive Loss. As of the date of the Merger, the fair market value of the warrant liabilities were recorded as \$77,190 on the Consolidated Balance Sheets. The Public Warrants were considered part of level 1 of the fair value hierarchy, as those securities are traded on an active public market. At the Closing Date, the Company valued the Private Warrants using Level 3 of the fair value hierarchy. The Private Warrants were valued using a Modified Black Scholes Model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Warrants are the share price of the Company's common stock, the risk free rate, and the expected volatility of the Company's common stock.

The Public Warrants may only be exercised for a whole number of shares. No fractional warrants were issued upon separation of the units issued in the initial public offering into their component parts of Public Warrants and shares of common stock. The Public Warrants became exercisable on the later of 30 days after the completion of the Business Combination or 12 months from the closing of the Public Offering.

On November 22, 2021, the Company announced that it would redeem all of its outstanding warrants (the "Public Warrants") to purchase shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), that were issued under the Amended and Restated Warrant Agreement (the "Warrant Agreement"), dated November 13, 2020, by and between the Company and Continental Stock Transfer & Trust Company ("CST"), as warrant agent (the "Warrant Agent") as part of the units sold in the Company's initial public offering (the "IPO") and that remain outstanding at 5:00 p.m. New York City time on December 22, 2021 (the "Redemption Date") for a redemption price of \$0.10 per Public Warrant. In addition, the Company would redeem all of its outstanding warrants to purchase Common Stock that were issued under the Warrant Agreement in a private placement simultaneously with the IPO (the "Private Warrants" and, together with the Public Warrants, the "Warrants") on the same terms as the outstanding Public Warrants.

Under the terms of the Warrant Agreement, the Company was entitled to redeem all of the outstanding Public Warrants at a redemption price of \$0.10 per Public Warrant if (i) the last sales price (the "Reference Value") of the Common Stock equals or exceeds \$10.00 per share on any twenty trading days within any thirty-day trading period ending on the third trading day prior to the date on which a notice of redemption is given and (ii) if the Reference Value is less than \$18.00 per share, the Private Warrants must also concurrently be called for redemption on the same terms as the outstanding Public Warrants. At the direction of the Company, the Warrant Agent delivered a notice of redemption to each of the registered holders of the outstanding Warrants. As the Reference Value was less than \$18.00 per share, payment upon exercise of the Warrants was made either (i) in cash, at an exercise price of \$11.50 per share of Common Stock or (ii) on a "cashless basis" in which the exercising holder received a number of shares of Common Stock determined in accordance with the terms of the Warrant Agreement and based on the Redemption Date and the volume weighted average price (the "Fair Market Value") of the Common Stock during the 10 trading days immediately following the date on which the notice of redemption was sent to holders of Warrants. The Company provided holders the Fair Market Value no later than one business day after such 10-trading day period ends. In no event did the number of shares of Common Stock issued in connection with an exercise on a cashless basis exceed 0.361 shares of Common Stock per Warrant. If any holder of Warrants would, after taking into account all of such holder's Warrants exercised at one time, have been entitled to receive a fractional interest in a share of Common Stock, the number of shares the holder was entitled to receive was rounded down to the nearest whole number of shares. Any Warrants that remained unexercised at 5:00 p.m. New York City time on the Redemption Date was then void and no longer exercisable, and the holders of those Warrants were entitled to receive only the redemption price of \$0.10 per warrant.

As of December 25, 2021, the Company exercised and redeemed all of its warrants generating cash proceeds of \$8 and cash paid of \$47 and issuing 6,364,978 shares of Common Stock. Public and private warrant exercise activity and underlying Common Stock issued or surrendered for the year ended December 25, 2021 is:

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| | Public Warrants | Private Warrants | Total |
|--|-----------------|------------------|--------------|
| Beginning balance as of July, 14 2021 | 16,666,628 | 8,000,000 | 24,666,628 |
| Shares issued for cash exercises | (666) | — | (666) |
| Shares issued for cashless exercises | (16,199,169) | (8,000,000) | (24,199,169) |
| Shares redeemed by the Company | (466,793) | — | (466,793) |
| Ending balance as of December 25, 2021 | — | — | — |

9. Long-Term Debt

The following table summarizes the Company's debt:

| | December 25, 2021 | December 26, 2020 |
|---|-------------------|-------------------|
| Revolving loans | \$ 93,000 | \$ 72,000 |
| Senior Term Loan, due 2025 | — | 1,037,044 |
| Senior Term Loan, due 2028 | 851,000 | — |
| 6.375% Senior Notes, due 2022 | — | 330,000 |
| 11.6% Junior Subordinated Debentures - Preferred | — | 105,443 |
| Junior Subordinated Debentures - Common | — | 3,261 |
| Finance leases & other obligations | 1,782 | 2,044 |
| | 945,782 | 1,549,792 |
| Unamortized premium on 11.6% Junior Subordinated Debentures | — | 14,591 |
| Unamortized discount on Senior Term Loan | (5,948) | (6,532) |
| Current portion of long term debt and capital leases | (11,404) | (11,481) |
| Deferred financing fees | (21,899) | (10,862) |
| Total long term debt, net | \$ 906,531 | \$ 1,535,508 |

Revolving Loans and Term Loans

As of December 25, 2021, the ABL Revolver had an outstanding amount of \$93,000 and outstanding letters of credit of \$32,908. The Company has \$124,092 of available borrowings under the revolving credit facility as a source of liquidity as of December 25, 2021.

On April 16, 2021, the Company acquired Oz Post International, LLC ("OZCO"). The Company entered into an amendment ("OZCO Amendment") to the term loan credit agreement dated May 31, 2018 (the "2018 Term Loan"), which provided \$35,000 of incremental term loan funds to be used to finance the acquisition. See Note 6 - Acquisitions for additional information regarding the OZCO acquisition.

In connection with the Closing as described in Note 1 - Basis of Presentation, the Company entered into a new credit agreement (the "Term Credit Agreement"), which provided for a new funded term loan facility of \$835,000 and a delayed draw term loan facility of \$200,000 (of which \$16,000 was drawn). The Company also entered into an amendment to their existing Asset-Based Revolving Credit Agreement (the "ABL Amendment") extending the maturity and conformed certain provisions to the Term Credit Agreement. The proceeds of the funded term loans under the Term Credit Agreement and revolving credit loans under the ABL Credit Agreement were used, together with other available cash, to (1) refinance in full all outstanding term loans and to terminate all outstanding commitments under the credit agreement, dated as of May 31, 2018 ("2018 Term Loan" including the OZCO Amendment), (2) refinance outstanding revolving credit loans, and (3) redeem in full the senior notes due July 15, 2022 (the "6.375% Senior Notes"). Additionally, the Company fully redeemed the 11.6% Junior Subordinated Debentures.

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The interest rate on the Term Credit Agreement is, at the discretion of the Company, either the adjusted London Interbank Offered Rate ("LIBOR") rate plus a margin varying from 2.50% and 2.75% and per annum or an alternate base rate plus a margin varying from 1.50% to 1.75% per annum. The Term Credit Agreement is payable in installments equal 0.25% of the original principal amount and delayed draw with a balloon payment due on the maturity date of July 14, 2028. The term loans and other amounts outstanding under the Term Credit Agreement are guaranteed by the Company's wholly-owned domestic subsidiaries and are secured by substantially all of the Borrower's and the Guarantors' assets. The delayed draw term loan facility under the Term Credit Agreement may be used to finance permitted acquisitions and similar investments and to replenish cash and repay revolving credit loans previously used for permitted acquisitions.

Portions of the ABL Revolver are separately available for borrowing by the Company's United States subsidiary and Canadian subsidiary for \$200,000 and \$50,000, respectively. The interest rate for the ABL Revolver is, at the discretion of the Company, either adjusted LIBOR (or a Canadian banker's acceptance rate in the case of Canadian Dollar loans) plus a margin varying from 1.25% to 1.75% per annum based on availability or an alternate base rate (or a Canadian prime rate or alternate base rate in the case of Canadian Dollar loans) plus a margin varying from 0.25% to 0.75% per annum based on availability. The stated maturity date of the revolving credit commitments under the ABL Credit Agreement is May 31, 2026. The loans and other amounts outstanding under the ABL Credit Agreement and related documents are guaranteed by Holdings and, subject to certain exceptions, the Borrower's wholly-owned domestic subsidiaries and are secured by substantially all of the Borrower's and the guarantors' assets plus, solely in the case of the Canadian Borrower, its and its wholly-owned Canadian subsidiary's assets, which has guaranteed by the Canadian portion under the ABL Credit Agreement.

In connection with the Term Credit Agreement, the Company recorded \$23,432 in deferred financing fees and \$6,380 in discount which are recorded as long term debt on the Consolidated Balance Sheet. In connection with the ABL Amendment, the Company recorded \$3,035 in deferred financing fees which are recorded as other non-current assets on the Consolidated Balance Sheet.

Additionally, the Company recorded a loss (gain) on extinguishment of debt for each debt instrument included in the refinancing as detailed below. The Company amended its interest rate swaps in connection with the refinancing, see Note 15 - Derivatives and Hedging for additional details.

| | Loss (gain) on extinguishment of debt |
|--------------------------------------|--|
| Term Credit Agreement | \$ 20,243 |
| ABL Revolver | 288 |
| 6.375% Senior Notes, due 2022 | 1,083 |
| 11.6% Junior Subordinated Debentures | (13,603) |
| Interest rate swaps | 59 |
| Total | \$ 8,070 |

Additional information with respect to the fair value of the Company's fixed rate Senior Notes and Junior Subordinated Debentures is included in Note 16 - Fair Value Measurements.

The interest rate on the 2018 Term Loan was, at the discretion of the Company, either the adjusted LIBOR rate plus 4.00% per annum for LIBOR loans or an alternate base rate plus 3.00% per annum. The 2018 Term Loan was payable in fixed installments of approximately \$2,652 per quarter, with a balloon payment scheduled on the loan's maturity date of May 31, 2025.

6.375% Senior Notes, due 2022

On June 30, 2014, 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 The Hillman Solutions Corp. 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

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July 15 of each fiscal year. The 6.375% senior notes were fully redeemed in 2021 in connection with the refinancing discussed above.

Guaranteed Preferred Beneficial Interest in the Company's Junior Subordinated Debentures

In September 1997, The Hillman Group Capital Trust ("Trust"), a Grantor trust, completed a \$105,443 underwritten public offering of 4,217,724 Trust Preferred Securities ("TOPrS"). 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 30, 2027.

The Company paid interest to the Trust on the Junior Subordinated Debentures underlying the TOPrS at the rate of 1.6% per annum on their face amount of \$105,443, or \$12,231 per annum in the aggregate. The Trust distributed monthly cash payments it received from the Company as interest on the debentures to preferred security holders at an annual rate of 11.6% on the liquidation amount of \$25.00 per preferred security. Pursuant to the Indenture that governed the TOPrS, the Trust was able to defer distribution payments to holders of the TOPrS for a period that could not exceed 60 months (the "Deferral Period"). During a Deferral Period, the Company was required to accrue the full amount of all interest payable, and such deferred interest payable became immediately payable by the Company at the end of the Deferral Period. During fiscal year 2020, the Company elected to defer interest payments to the bondholders during April 2020 through July 2020. The additional interest incurred as a result of the deferral was immaterial. Interest paid to the bondholders at the end of the Deferral Period was paid in full. There were no interest deferrals during fiscal 2021 or 2020.

In connection with the public offering of TOPrS, the Trust issued \$261 of trust common securities to the Company. The Trust invested the proceeds from the sale of the trust common securities in an equal principal amount of 11.6% Junior Subordinated Debentures of Hillman due September 30, 2027. The Trust distributed monthly cash payments it received from the Company as interest on the debentures to the Company at an annual rate of 11.6% on the liquidation amount of the common security.

The Trust Preferred Securities were fully redeemed in 2021 in connection with the refinancing discussed above.

The aggregate minimum principal maturities of the long-term debt obligations for each of the five years following December 25, 2021 are as follows:

| Year | Amount |
|------------|-------------------|
| 2022 | \$ 10,638 |
| 2023 | 8,510 |
| 2024 | 8,510 |
| 2025 | 8,510 |
| 2026 | 8,510 |
| Thereafter | 806,322 |
| | <u>\$ 851,000</u> |

Note that future finance lease payments were excluded from the maturity schedule above. Refer to Note 10 - Leases.

Additional information with respect to the Company's fixed rate Senior Notes and Junior Subordinated Debentures is included in Note 16 - Fair Value Measurements

10. Leases

Lessee

The Company determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both 1) the right to obtain substantially all of the economic benefits from the use of the asset and 2) the right to direct the use of the asset. The Company leases certain distribution center locations, vehicles, forklifts, computer equipment, and its corporate headquarters with expiration dates through 2032. Certain lease arrangements include escalating rent payments and options to extend the lease term. Expected lease terms include these

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options to extend or terminate the lease when it is reasonably certain the Company will exercise the option. The Company's leasing arrangements do not contain material residual value guarantees nor material restrictive covenants.

The components of operating and finance lease cost for the year ended December 25, 2021 and December 26, 2020 were as follows:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 |
|-------------------------------------|---|---|
| Operating lease cost | \$ 20,860 | \$ 19,189 |
| Short term lease costs | 4,827 | 2,404 |
| Variable lease costs | 1,496 | 898 |
| Finance lease cost: | | |
| Amortization of right of use assets | 914 | 813 |
| Interest on lease liabilities | 123 | 143 |

Rent expense is recognized on a straight-line basis over the expected lease term. Rent expense totaled \$27,183, \$22,491 and \$24,774 in the year ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively. Rent expense includes operating lease cost as well as expense for non-lease components such as common area maintenance, real estate taxes, real estate insurance, variable costs related to our leased vehicles and also short-term rental expenses.

The implicit rate is not determinable in most of the Company's leases, as such management uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 25, 2021 and December 26, 2020:

| | December 25, 2021 | | December 26, 2020 | |
|---------------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Operating Leases | Finance Leases | Operating Leases | Finance Leases |
| Weighted average remaining lease term | 6.60 | 2.60 | 7.19 | 2.61 |
| Weighted average discount rate | 7.88% | 5.59% | 8.28% | 7.14% |

Supplemental balance sheet information related to the Company's finance leases as of December 25, 2021 and December 26, 2020:

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| | December 25, 2021 | December 26, 2020 |
|---|-------------------|-------------------|
| Finance lease assets, net, included in property plant and equipment | \$ 1,768 | \$ 1,919 |
| Current portion of long-term debt | 767 | 872 |
| Long-term debt, less current portion | 1,015 | 1,172 |
| Total principal payable on finance leases | <u>\$ 1,782</u> | <u>\$ 2,044</u> |

Supplemental cash flow information related to our operating leases was as follows for the year ended December 25, 2021 and December 26, 2020:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 |
|---|---------------------------------|---------------------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash outflow from operating leases | \$ 19,767 | \$ 18,641 |
| Operating cash outflow from finance leases | 127 | 143 |
| Financing cash outflow from finance leases | 938 | 836 |

As of December 25, 2021, our future minimum rental commitments are immaterial for lease agreements beginning after the current reporting period. Maturities of our lease liabilities for all operating and finance leases are as follows as of December 25, 2021:

| | Operating Leases | Finance Leases |
|---|------------------|-----------------|
| Less than one year | \$ 19,192 | \$ 922 |
| 1 to 2 years | 17,224 | 632 |
| 2 to 3 years | 16,058 | 315 |
| 3 to 4 years | 15,349 | 92 |
| 4 to 5 years | 14,582 | 41 |
| After 5 years | 29,649 | — |
| Total future minimum rental commitments | <u>112,054</u> | <u>2,002</u> |
| Less - amounts representing interest | (24,490) | (220) |
| Present value of lease liabilities | <u>\$ 87,564</u> | <u>\$ 1,782</u> |

Beginning in 2022, the Company will have an additional operating lease for a new property located in Shannon, Georgia for the purposes of office, warehouse, and distribution that had not yet commenced with estimated future minimum rental commitments of approximately \$26,721.

Lessor

The Company has certain arrangements for key duplication equipment under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

11. Deferred Compensation Plan

The Company maintains a deferred compensation plan for key employees (the "Nonqualified Deferred Compensation Plan" or "NQDC") which allows the participants to defer up to 25% of salary and commissions and up to 100% of bonuses to be paid during the year and invest these deferred amounts into certain Company directed mutual fund investments, subject to the election of the participants. The Company is permitted to make a 25% matching contribution on deferred amounts up to \$10, subject to a five year vesting schedule.

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As of December 25, 2021 and December 26, 2020, the Company's Consolidated Balance Sheets included \$1,686 and \$1,911, respectively, in restricted investments representing the assets held in mutual funds to fund deferred compensation liabilities owed to the Company's current and former employees. The current portion of the restricted investments was \$138 and \$595 as of December 25, 2021 and December 26, 2020, respectively, and is included in other current assets on the accompanying Consolidated Balance Sheets. The assets held in the NQDC are classified as an investment in trading securities, accordingly, the investments are marked-to-market, see Note 16 - Fair Value Measurements for additional detail.

During the years ended December 25, 2021, December 26, 2020, and December 28, 2019 distributions from the deferred compensation plan aggregated \$33, \$527, and \$686, respectively.

12. Equity and Accumulated Other Comprehensive Loss

Common Stock

The Hillman Solutions Corp. has one class of common stock.

Accumulated Other Comprehensive Loss

The following is the detail of the change in the Company's accumulated other comprehensive loss from December 29, 2018 to December 25, 2021 including the effect of significant reclassifications out of accumulated other comprehensive income (net of tax):

| | Foreign Currency Translation |
|---|-------------------------------------|
| Balance at December 29, 2018 | \$ (37,590) |
| Other comprehensive income before reclassifications | 5,533 |
| Amounts reclassified from other comprehensive income ¹ | 17 |
| Net current period other comprehensive loss | 5,550 |
| Balance at December 28, 2019 | (32,040) |
| Other comprehensive income before reclassifications | 2,652 |
| Amounts reclassified from other comprehensive income ² | — |
| Net current period other comprehensive income | 2,652 |
| Balance at December 26, 2020 | (29,388) |
| Other comprehensive loss before reclassifications | 1,849 |
| Amounts reclassified from other comprehensive income ³ | 385 |
| Net current period other comprehensive income | 2,234 |
| Balance at December 25, 2021 | \$ (27,154) |

1. In the year ended December 28, 2019, the Company fully liquidated its Luxembourg subsidiary which results resides within the Canada reportable segment. The \$17 loss was recorded as other income on the Consolidated Statement of Comprehensive Loss.
2. In the year December 26, 2020, there were no amounts reclassified into other comprehensive income.
3. During the year ended December 25, 2021, the Company obtained and amended its interest rate swap agreements to hedge against effective cash flows (i.e. interest payments) on floating-rate debt associated with the Company's new Term Credit Agreement. Refer to Note 9 - Long-Term Debt for further details. In accordance with ASC 815, derivatives designated and that qualify as cash flow hedges of interest rate risk record the associated gain or loss within other comprehensive income. For the year ended December 25, 2021, the Company deferred a gain of \$2,982, reclassified a loss of \$385 and a net of tax of \$850 into other comprehensive income due to hedging activities. The amounts reclassified out of other comprehensive income were recorded as interest expense. See Note 15 - Derivatives and Hedging for additional information on the interest rate swaps.

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13. Stock Based Compensation

HMAN Group Holdings Inc. 2014 Equity Incentive Plan

Following the Merger and in connection with the business combination described in Note 3 - Merger Agreement, Landcadia Holdings III, Inc. ("Landcadia") became the direct parent company of HMAN and was renamed Hillman Solutions Corp. ("New Hillman"). Shares of Class A common stock of New Hillman ("New Hillman Shares") are publicly traded on The Nasdaq Capital Market. Consequently, the outstanding stock options issued under the 2014 Equity Incentive Plan (the "Prior Plan") prior to the Merger were converted and modified to purchase New Hillman Shares.

At the Closing, each outstanding option to acquire common stock of Hillman Holdco (a "Hillman Holdco Option"), whether vested or unvested, was assumed by New Hillman and converted into an option to purchase common stock of New Hillman ("New Hillman Option") with substantially the same terms and conditions (including expiration date and exercise provisions) as applicable to the Hillman Holdco Option immediately prior to the Closing, except both the number of shares and the exercise price were modified using the conversion ratio at closing. Each New Hillman Option is generally subject to the same vesting conditions as the Hillman Holdco Option from which it was converted, except that the performance-based vesting conditions of any Hillman Holdco Option granted prior to 2021 were adjusted such that the performance-based portion of the associated New Hillman Option will vest upon certain pre-established stock price hurdles. For all time based options and performance options granted during 2021 the change in fair value was immaterial and as such no additional compensation cost was recognized. For the performance options granted prior, the modification of the vesting criteria resulted in \$11,542 of additional compensation expense, \$8,228 of which was recognized in the year ended December 25, 2021, the remainder of which will be recognized through Q1 2022.

At the Closing, (i) each share of unvested restricted Hillman Holdco common stock was cancelled and converted into the right to receive a number of shares of New Hillman restricted stock equal to the Closing Stock Per Restricted Share Amount (as defined in the Merger Agreement) with substantially the same terms and conditions as were applicable to the related share of Hillman Holdco restricted stock immediately prior to the Closing (including with respect to vesting and termination-related provisions), and (ii) each Hillman Holdco restricted stock unit was assumed by New Hillman and converted into a New Hillman restricted stock unit award with substantially the same terms and conditions as were applicable to such Hillman Holdco restricted stock unit immediately prior to the Closing (including with respect to vesting and termination-related provisions).

Upon closing, the 2014 Equity Incentive Plan may grant options, stock appreciation rights, restricted stock, and other stock-based awards for up to an aggregate of 14,523,510 shares of its common stock.

The following table summarizes the key assumptions used in the valuation model for valuing the Company's stock compensation awards under the 2014 Equity Incentive Plan:

| | | | |
|-------------------------|------------|---|-------|
| Dividend yield | 0% | | |
| Risk free interest rate | 0.40% | - | 1.81% |
| Expected volatility | 31.50% | | |
| Expected terms | 6.25 years | | |

Stock Options

The fair value of stock options is determined at the grant date using the Black-Scholes option pricing model. The time-based stock option awards generally vest evenly over four years from the grant date and performance-based options vest based on specified targets such as Company performance and Company stock price hurdles.

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A summary of the stock option activity under the 2014 Equity Incentive Plan for the year ended December 25, 2021 is presented below (share amounts in thousands):

| | Number of Shares | Weighted Avg. Exercise Price per Share (in whole dollars) | Weighted Avg. Remaining Contractual Term |
|---|------------------|---|---|
| Outstanding at December 26, 2020 | 12,749 | \$ 7.66 | 8.0 years |
| Granted | 2,348 | | |
| Exercised | (435) | | |
| Forfeited or expired | (1,186) | | |
| Outstanding at December 25, 2021 | 13,476 | \$ 8.15 | 7.14 years |
| Exercisable at December 25, 2021 | 4,954 | \$ 7.76 | 6.63 years |

In fiscal year ended December 25, 2021, 435 options were exercised. In fiscal year ended December 26, 2020, 7,333 options were exercised. In fiscal year ended December 28, 2019, 100 options were exercised.

Stock option compensation expense of \$13,634, \$3,960, and \$2,312 was recognized in the accompanying Consolidated Statements of Comprehensive Loss for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively. As of December 25, 2021, there was \$17,112 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 1.61 years.

The weighted-average grant-date fair value of share options granted during the years 2021, 2020, and 2019 was \$10.00, \$7.95, and \$8.47, respectively. The total intrinsic value of share options exercised during the years ended 2021, 2020, and 2019 was \$1,594, \$2,193, and \$40, respectively.

Restricted Stock

The Company granted restricted stock at the grant date fair value of the underlying common stock securities. The restrictions lapse in one quarter increments on each of the three anniversaries of the award date, and one quarter on the completion of the relocation of the recipient to the Cincinnati area or earlier in the event of a change in control. The associated expense is recognized over the service period.

A summary of the restricted stock activity under the 2014 Equity Incentive Plan for the year ended December 25, 2021 is presented below (share amounts in thousands):

| | Number of Shares | Weighted Avg. Grant Date Fair Value (in whole dollars) |
|--------------------------------------|------------------|--|
| Unvested at December 26, 2020 | 177 | \$ 7.09 |
| Awarded | — | |
| Vested | (88) | |
| Forfeited or expired | — | |
| Unvested at December 25, 2021 | 89 | \$ 7.09 |

Restricted stock compensation expense of \$624, \$1,165, and \$669 was recognized in the accompanying Consolidated Statements of Comprehensive Loss for the fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Restricted Stock Units

The Restricted Stock Units ("RSUs") granted to employees for service generally vest after three years, subject to continued employment. The RSUs granted to non-employee directors generally vest in full on the first anniversary of the grant date.

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A summary of the restricted stock unit activity under the 2014 Equity Incentive Plan for the year ended December 25, 2021 is presented below (share amounts in thousands):

| | Number of Shares | Weighted Avg. Grant Date Fair Value (in whole dollars) |
|---|------------------|--|
| Outstanding at December 26, 2020 | — | \$ — |
| Granted | 323 | \$ 10.00 |
| Exercised | — | |
| Forfeited or expired | — | |
| Outstanding at December 25, 2021 | 323 | \$ 10.00 |

Restricted stock compensation expense of \$661 was recognized in the accompanying Consolidated Statements of Comprehensive Loss for the fiscal year ended December 25, 2021.

2021 Equity Incentive Plan

Effective July 14, 2021, the Company established the 2021 Equity Incentive Plan. Under the 2021 Equity Incentive Plan (the “Plan”), the maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan as of the Effective Date is (i) 7,150,814 shares, plus (ii) the number of shares of Stock underlying awards under the 2014 Equity Incentive Plan that on or after the Effective Date expire or become unexercisable, or are forfeited, cancelled or otherwise terminated, in each case, without delivery of shares or cash therefore, and would have become available again for grant under the Prior Plan in accordance with its terms (not to exceed 14,523,510 shares of Stock in the aggregate) (the “Share Pool”).

Restricted Stock Units

The RSUs granted to employees for service generally vest after three years, subject to continued employment. The RSUs granted to non-employee directors generally vest in full on the first anniversary of the grant date or the date of the annual meeting following the grant date, whichever is earlier.

A summary of the restricted stock unit activity under the 2021 Equity Incentive Plan for the year ended December 25, 2021 is presented below (share amounts in thousands):

| | Number of Shares | Weighted Avg. Grant Date Fair Value (in whole dollars) |
|---|------------------|--|
| Outstanding at December 26, 2020 | — | \$ — |
| Granted | 73 | \$ 11.75 |
| Exercised | — | |
| Forfeited or expired | — | |
| Outstanding at December 25, 2021 | 73 | \$ 11.75 |

Restricted stock compensation expense of \$336 was recognized in the accompanying Consolidated Statements of Comprehensive Loss for the fiscal year ended December 25, 2021.

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14. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share include the dilutive effect of stock options, restricted stock awards, and warrants. The following is a reconciliation of the basic and diluted Earnings Per Share ("EPS") computations for both the numerator and denominator (in thousands, except per share data):

| | Year Ended December 25, 2021 | | |
|---|-------------------------------------|---------------------------------|-----------------------------|
| | Earnings (Numerator) | Shares (Denominator) | Per Share Amount |
| Net loss | \$ (38,332) | 134,699 | \$ (0.28) |
| Dilutive effect of stock options and awards | — | — | — |
| Dilutive effect of warrants | — | — | — |
| Net loss per diluted common share | <u>\$ (38,332)</u> | <u>134,699</u> | <u>\$ (0.28)</u> |

| | Year Ended December 26, 2020 | | |
|---|-------------------------------------|---------------------------------|-----------------------------|
| | Earnings (Numerator) | Shares (Denominator) | Per Share Amount |
| Net loss | \$ (24,499) | 89,891 | \$ (0.27) |
| Dilutive effect of stock options and awards | — | — | — |
| Dilutive effect of warrants | — | — | — |
| Net loss per diluted common share | <u>\$ (24,499)</u> | <u>89,891</u> | <u>\$ (0.27)</u> |

| | Year Ended December 28, 2019 | | |
|---|-------------------------------------|---------------------------------|-----------------------------|
| | Earnings (Numerator) | Shares (Denominator) | Per Share Amount |
| Net loss | \$ (85,479) | 89,444 | \$ (0.96) |
| Dilutive effect of stock options and awards | — | — | — |
| Dilutive effect of warrants | — | — | — |
| Net loss per diluted common share | <u>\$ (85,479)</u> | <u>89,444</u> | <u>\$ (0.96)</u> |

Stock options and awards outstanding totaling 3,274,172, 7,309,703 and 1,886,429 were excluded from the computation for the years ended December 28, 2019, December 26, 2020 and December 25, 2021, respectively, as they would have had an antidilutive effect under the treasury stock method. Warrants of 10,539,889 were excluded from the computation for the year ended December 25, 2021 as they would have had an antidilutive effect under the treasury stock method.

15. Derivatives and Hedging

FASB ASC 815, Derivatives and Hedging ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (1) how and why an entity uses derivative instruments, (2) how the entity accounts for derivative instruments and related hedged items, and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments.

The Company uses derivative financial instruments to manage its exposures to (1) interest rate fluctuations on its floating rate senior term loan and (2) fluctuations in foreign currency exchange rates. The Company measures those instruments at fair value

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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.

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

Interest Rate Swap Agreements

On January 8, 2018, the Company entered into a new forward Interest Rate Swap Agreement ("2018 Swap 1") with three year terms for \$90,000 notional amount. The forward start date of the 2018 Swap was September 30, 2018 and the termination date is June 30, 2021. The 2018 Swap 1 has a fixed interest rate of 2.3% plus the applicable interest rate margin of 4.0% for an effective rate of 6.3%. The 2018 Swap 1 was terminated on June 30, 2021. In accordance with ASC 815, the 2018 Swap 1 was not designated as a cash flow hedge and therefore changes in fair value were recorded in other (income) expense on the Company's Statements of Comprehensive Loss.

On November 8, 2018, the Company entered into another new forward Interest Rate Swap Agreement ("2018 Swap 2") for \$60,000 notional amount. The forward start date of the 2018 Swap 2 was November 30, 2018 and the termination date is November 30, 2022. The 2018 Swap 2 has a pay fixed interest rate of 3.1% plus the applicable interest rate margin of 4.0% for an effective rate of 7.1%. The 2018 Swap 2 was effectively terminated on July 16, 2021 in connection with the Merger as described in Note 3 - Merger Agreement. In accordance with ASC 815, the 2018 Swap 2 was not designated as a cash flow hedge and therefore changes in fair value were recorded in other (income) expense on the Company's Statement of Comprehensive Loss.

On July 9, 2021, the Company entered into an interest swap agreement ("2021 Swap 1") for a notional amount of \$144,000. The forward start date of the 2021 Swap 1 was July 30, 2021 and the termination date is July 31, 2024. The 2021 Swap 1 has a determined pay fixed interest rate of 0.75%. In accordance with ASC 815, the Company determined the 2021 Swap 1 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive income within the Company's Statement of Comprehensive Loss and the deferred gains or losses are reclassified out of other comprehensive income into interest expense in the same period during which the hedged transactions affect earnings.

On July 9, 2021, the Company entered into an interest swap agreement ("2021 Swap 2") for a notional amount of \$16,000. The forward start date of the 2021 Swap 2 was July 30, 2021 and the termination date is July 31, 2024. The 2021 Swap 2 has a determined pay fixed interest rate of 0.76%. In accordance with ASC 815, the Company determined the 2021 Swap 2 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive income within the Company's Statement of Comprehensive Loss and the deferred gains or losses are reclassified out of other comprehensive income into interest expense in the same period during which the hedged transactions affect earnings.

On July 16, 2021, the Company modified its original 2018 Swap 2 derivative instrument ("2021 Swap 3") for a notional amount of \$60,000. The forward start date of the 2021 Swap 3 was July 30, 2021 and the termination date is November 30, 2022. The 2021 Swap 3 has a determined pay fixed interest rate of 3.63%. In accordance with ASC 815, the Company determined the 2021 Swap 3 constituted an effective cash flow hedge and therefore changes in fair value are recorded within accumulated other comprehensive loss within the Company's Consolidated Balance Sheets and the deferred gains or losses are reclassified out of other comprehensive income into interest expense in the same period during which the hedged transactions affect earnings. Due to an other-than-insignificant financing element from the modification, the swap entered into during 2021 is considered a hybrid instrument, with a financing component treated as a debt instrument with an embedded at-market derivative. Within the Company's consolidated balance sheets, the financing components are carried at amortized cost and the embedded at-market derivatives are carried at fair value.

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The following table summarizes the Company's derivatives financial instruments:

| | Asset Derivatives | | Liability Derivatives | | As of | |
|--|----------------------------|-----------------|---|-------------------|-------------------------------|-------------------|
| | As of December 25, 2021 | | As of December 25, 2021 | | December 26, 2020 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | | | |
| 2021 Swap 1 | Other non-current assets | \$ 1,513 | Other accrued expenses | \$ (170) | | \$ — |
| 2021 Swap 2 | Other non-current assets | 2,250 | Other accrued expenses | (270) | | — |
| 2021 Swap 3 | Other current assets | 59 | Other accrued expenses/other non-current liabilities | (1,880) | | — |
| Total hedging instruments | | <u>\$ 3,822</u> | | <u>\$ (2,320)</u> | | <u>\$ —</u> |
| Derivatives not designated as hedging instruments: | | | | | | |
| 2018 Swap 1 | | \$ — | | \$ — | Other accrued expenses | \$ (709) |
| 2018 Swap 2 | | — | | — | Other non-current liabilities | (3,484) |
| Total non-hedging instruments | | <u>\$ —</u> | | <u>\$ —</u> | | <u>\$ (4,193)</u> |

During 2022, the Company estimates that an additional \$560 will be reclassified as an increase to interest expense/income. Additional information with respect to the fair value of derivative instruments is included in Note 16 - Fair Value Measurements.

Foreign Currency Forward Contracts

During fiscal 2019, 2020, and 2021, the Company entered into multiple foreign currency forward contracts. The purpose of the Company's foreign currency forward 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\$4,464 and C\$9,652 as of December 25, 2021 and December 26, 2020, respectively. The total fair value of the foreign currency forward contracts was \$14 and \$12 as of December 25, 2021 and December 26, 2020, respectively, and was reported on the accompanying Consolidated Balance Sheets in other current liabilities. A decrease in other income of \$331 and \$557 was recorded in the Consolidated Statement of Comprehensive Loss for the change in fair value during years ended December 25, 2021 and December 26, 2020, respectively.

The Company's foreign currency forward 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 other (income) expense in the Consolidated Statement of Comprehensive Loss.

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 16 - Fair Value Measurements.

16. 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

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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 December 25, 2021 | | | |
|------------------------------------|-------------------------|---------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Trading securities | \$ 1,686 | \$ — | \$ — | \$ 1,686 |
| Interest rate swaps | — | 1,502 | — | 1,502 |
| Foreign exchange forward contracts | — | 14 | — | 14 |
| Contingent consideration payable | — | — | (12,347) | (12,347) |
| | | | | |
| | As of December 26, 2020 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Trading securities | \$ 1,911 | \$ — | \$ — | \$ 1,911 |
| Interest rate swaps | — | (4,193) | — | (4,193) |
| Foreign exchange forward contracts | — | 12 | — | 12 |
| Contingent consideration payable | — | — | (14,197) | (14,197) |

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 Consolidated Balance Sheets.

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 for the full term of the swap contracts. As of December 25, 2021 and December 26, 2020 the Company's interest rate swaps were recorded on the accompanying Consolidated Balance Sheets in accordance with ASC 815.

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 contract. As of December 25, 2021 and December 26, 2020, the foreign exchange forward contracts were included in other current liabilities on the accompanying Consolidated Balance Sheets.

The contingent consideration represents future potential earn-out payments related to the Resharp acquisition in fiscal 2019 and the Instafob acquisition in the first quarter of 2020. Refer to Note 6 - Acquisitions for additional details. The estimated fair value of the contingent earn-out was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earn-out payments. The resulting value captures the risk associated with the form of the payout structure. The risk neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the liability's estimated value. As of December 25, 2021, the total contingent consideration for Resharp was recorded as \$308 within other accrued expenses and \$10,692 within other non-current liabilities on the accompanying Consolidated Balance Sheets. As of December 25, 2021, the total contingent consideration for Instafob was recorded as \$168 within other accrued expenses and \$1,179 within other non-current liabilities on the accompanying Consolidated Balance

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Sheets. As of December 26, 2020, the total contingent consideration was recorded as \$417 within other accrued expenses and \$13,780 within other non-current liabilities on the accompanying Consolidated Balance Sheets. This amount was moved to accounts payable as of December 25, 2021. The Company recorded a \$1,178 decrease in the Resharp contingent consideration liability as of December 25, 2021 compared to December 26, 2020. The Company recorded a \$628 decrease in the Instafob contingent consideration liability as of December 25, 2021 compared to Instafob's acquisition date of February 19, 2020. The total decrease of \$1,806 in value was determined by using a simulation model of the Monte Carlo analysis that included updated projections applicable to the liability as of December 25, 2021 compared to the prior valuation period.

The fair value of the Company's fixed rate senior notes and junior subordinated debentures as of December 25, 2021 and December 26, 2020 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. The Company fully redeemed the 6.375% Senior Notes and Junior Subordinated Debentures in the third quarter of 2021. See Note 9 - Long-Term Debt for additional details.

| | December 25, 2021 | | December 26, 2020 | |
|--------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| 6.375% Senior Notes | \$ — | \$ — | \$ 328,333 | \$ 327,525 |
| Junior Subordinated Debentures | — | — | 123,295 | 128,022 |

Cash, restricted investments, accounts receivable, short-term borrowings and accounts payable are reflected in the Consolidated Financial Statements at book value, which approximates fair value, due to the short-term nature of these instruments. The carrying amount of the long-term debt under the revolving credit facility approximates the fair value at December 25, 2021 and December 26, 2020 as the interest rate is variable and approximates current market rates. The Company also believes the carrying amount of the long-term debt under the senior term loan approximates the fair value at December 25, 2021 and December 26, 2020 because, while subject to a minimum LIBOR floor rate, the interest rate approximates current market rates of debt with similar terms and comparable credit risk.

Additional information with respect to the derivative instruments is included in Note 15 - Derivatives and Hedging. Additional information with respect to the Company's fixed rate senior notes and junior subordinated debentures is included in Note 9 - Long-Term Debt.

17. Restructuring

Canadian Restructuring Plan

During fiscal 2018, the Company initiated plans to restructure the operations of the Canada segment. The restructuring seeks to streamline operations in the greater Toronto area by consolidating facilities, exiting certain lines of business, and rationalizing Stock Keeping Units ("SKUs"). The intended result of the Canada restructuring will be a more streamlined and scalable operation focused on delivering optimal service and a broad offering of products across the Company's core categories. Plans were finalized during the fourth quarter of 2018. The Company completed restructuring related activities in our Canada segment in 2021. Charges incurred in part of the Canada Restructuring Plan included:

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| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Facility consolidation ⁽¹⁾ | | | |
| Inventory valuation adjustments | \$ — | \$ 596 | \$ 3,799 |
| Labor expense | — | 682 | 1,751 |
| Consulting and legal fees | 26 | 192 | 225 |
| Other expense | 5 | 1,118 | 2,126 |
| Rent and related charges | — | 1,535 | 584 |
| Severance | 466 | 707 | 617 |
| Exit of certain lines of business ⁽²⁾ | | | |
| Inventory valuation adjustments | — | — | 535 |
| Gain on disposal of assets | — | — | (458) |
| Other expense | — | — | 488 |
| Total | \$ 497 | \$ 4,830 | \$ 9,667 |

- (1) Facility consolidation includes inventory valuation adjustments associated with SKU rationalization, labor expense related to organizing inventory and equipment in preparation for the facility consolidation, consulting and legal fees related to the project, and other expenses. The labor, consulting, and legal expenses were included in selling, general and administrative expense ("SG&A") on the Consolidated Statement of Comprehensive Loss. The inventory valuation adjustments were included in cost of sales on the Consolidated Statement of Comprehensive Loss.
- (2) As part of the restructuring, the Company is exiting a manufacturing business line. Related charges included adjustments to write inventory down to net realizable value, asset impairment charges, and employee severance, which were included in cost of sales, other income and expense, and SG&A on the Consolidated Statement of Comprehensive Loss, respectively.

The following represents the roll forward of restructuring reserves for the year ended December 25, 2021:

| | Severance and related expense |
|---------------------------------|--|
| Balance as of December 28, 2019 | \$ 1,121 |
| Restructuring charges | 707 |
| Cash paid | (1,519) |
| Balance as of December 26, 2020 | \$ 309 |
| Restructuring charges | 466 |
| Cash paid | (436) |
| Balance as of December 25, 2021 | \$ 339 |

During the year ended December 25, 2021, the Company paid approximately \$436 in severance and related expense related to the Canada Restructuring Plan.

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United States Restructuring Plan

During fiscal 2019, the Company implemented a plan to restructure the management and operations within the United States to achieve synergies and cost savings associated with the recent acquisitions described in Note 6 - Acquisitions. This restructuring includes management realignment, integration of sales and operating functions, and strategic review of the Company's product offerings. This plan was finalized during the fourth quarter of fiscal year 2019. The Company incurred additional charges in fiscal 2021 related to the consolidation of two of our distribution centers. Charges incurred in part of the United States Restructuring Plan included:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 |
|--------------------------------------|---------------------------------|---------------------------------|
| Management realignment & integration | | |
| Severance | \$ 111 | \$ 886 |
| Inventory valuation adjustments | — | — |
| Facility closures | | |
| Severance | — | 903 |
| Inventory valuation adjustments | — | 1,568 |
| Other | 319 | 1,422 |
| Total | <u>\$ 430</u> | <u>\$ 4,779</u> |

The following represents a roll forward of the restructuring reserves for the year ended December 25, 2021:

| | Severance and related expense | |
|---------------------------------|----------------------------------|------------|
| Balance as of December 29, 2019 | \$ | 3,286 |
| Restructuring charges | | 1,789 |
| Cash paid | | (4,250) |
| Balance as of December 26, 2020 | <u>\$</u> | <u>825</u> |
| Restructuring charges | | 111 |
| Cash paid | | (936) |
| Balance as of December 25, 2021 | <u>\$</u> | <u>—</u> |

During the year ended December 25, 2021, the Company paid approximately \$936 in severance and related expense related to the United States Restructuring Plan.

18. Commitments and Contingencies:

The Company self-insures our general liability including products liability, automotive liability, and workers' compensation losses up to \$500 per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences in excess of \$250 up to \$60,000. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's third-party 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 that the liability of approximately \$2,719 recorded for such risk insurance reserves is adequate as of December 25, 2021.

As of December 25, 2021, the Company has provided certain vendors and insurers letters of credit aggregating \$2,908 related to our product purchases and insurance coverage of product liability, workers' compensation, and general liability.

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The Company self-insures our group health claims up to an annual stop loss limit of \$250 per participant. 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 that the liability of approximately \$2,300 recorded for such group health insurance reserves is adequate as of December 25, 2021.

The Company imports large quantities of fastener products which are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements and bilateral actions. The Company could be subject to the assessment of additional duties and interest if it or its suppliers fail to comply with customs regulations or similar laws. The U.S. Department of Commerce (the "Department") has received requests from petitioners to conduct administrative reviews of compliance with anti-dumping duty and countervailing duty laws for certain nails products sourced from Asian countries. The Company sourced products under review from vendors in China and Taiwan during the periods selected for review. The Company accrues for the duty expense once it is determined to be probable and the amount can be reasonably estimated.

On June 3, 2019, The Hillman Group, Inc. ("Hillman Group") filed a complaint for patent infringement against KeyMe, LLC ("KeyMe"), a provider of self-service key duplication kiosks, in the United States District Court for the Eastern District of Texas (Marshall Division) (the "Texas Court"). On August 16, 2019, KeyMe filed a complaint for patent infringement against Hillman Group in the United States District Court for the District of Delaware. On March 2, 2020, Hillman Group filed a second complaint for patent infringement against KeyMe in the same Texas Court. On October 23, 2020, the Texas Court granted KeyMe's motion to consolidate the two Texas cases and granted Hillman Group's motion to add another patent.

On April 12, 2021, a jury in the Texas case returned a verdict that KeyMe did not infringe any of the asserted patents and several of the asserted claims were invalid. Final judgment was entered on April 13, 2021. On June 14, 2021, Hillman Group and KeyMe entered into a Settlement Agreement which globally resolved all pending legal disputes, including the Texas and Delaware district court actions discussed above.

On June 1, 2021, Hy-Ko Products Company LLC ("Hy-Ko"), a manufacturer of key duplication machines, filed a complaint for patent infringement against Hillman Group in the United States District Court for the Eastern District of Texas (Marshall Division). The case was assigned Civil Action No. 2:21-cv-0197. Hy-Ko's complaint alleges that Hillman's KeyKrafter and PKOR key duplication machines infringe U.S. Patent Nos. 9,656,332, 9,682,432, 9,687,920, and 10,421,113, which are assigned to Hy-Ko, and seeks damages and injunctive relief against Hillman Group. Hy-Ko's complaint additionally contains allegations of unfair competition under the Federal Lanham Act and conversion/receipt of stolen property, as well as a cause of action for "replevin" for return of stolen property.

On August 2, 2021, Hy-Ko filed an Amended Complaint which did not deviate substantially from the initial Complaint. Hillman Group responded on August 16, 2021, by filing a Motion to Dismiss the conversion and replevin claims because they are barred by the statute of limitations. In its Motion to Dismiss, Hillman Group also requested that the Court strike numerous paragraphs of Hy-Ko's Amended Complaint that, on their face, have nothing to do with Hy-Ko's patent infringement, unfair competition, or conversion and replevin claims. Hillman Group also requested that the Court order Hy-Ko to provide a more definite statement regarding its unfair competition claim. Briefing on Hillman's Motion to Dismiss was completed on September 14, 2021. On January 14, 2022, the Court denied Hillman's motion. Hillman filed an answer with counterclaims (for declaratory judgment and for breach of a prior settlement agreement) on February 1, 2022 and Hy-Ko responded to that pleading on February 22, 2022.

The Court held a claim construction hearing on February 17, 2022. The Court has not yet issued a final claim construction order. Discovery in the matter is ongoing, and the discovery deadline is July 6, 2022. Trial has been set for October 3, 2022.

Management and legal counsel for Hillman Group are still investigating this recent suit but are initially of the opinion that Hy-Ko's claims are without merit and Hillman Group intends to vigorously defend the claims. Hillman Group is unable to estimate the possible loss or range of loss at this early stage in the case.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

19. Statement of Cash Flows:

Supplemental disclosures of cash flows information are presented below:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Cash paid during the period for: | | | |
| Interest on junior subordinated debentures | \$ 7,542 | \$ 12,329 | \$ 11,211 |
| Interest | 64,522 | 81,024 | 94,461 |
| Income taxes, net of refunds | 2,500 | (301) | (489) |

20. Concentration of Credit Risks:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to sales and trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

For the year ended December 25, 2021, the largest two customers accounted for 47.6% of total revenues and 47.0% of the year-end accounts receivable balance. For the year ended December 26, 2020, the largest two customers accounted for 49.0% of total revenues and 45.1% of the year-end accounts receivable balance. No other customer accounted for more than 10% of the Company's accounts receivables in 2021, 2020, nor 2019.

In each of the years ended December 25, 2021, December 26, 2020, and December 28, 2019, the Company derived over 10% of its total revenues from two separate customers which operated in each of the operating segments. The following table presents revenue from each customer as percentage of total revenue for each of the years ended:

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|------------|---------------------------------|---------------------------------|---------------------------------|
| Lowe's | 20.6% | 22.5% | 21.6% |
| Home Depot | 27.0% | 26.5% | 24.7% |

21. Segment Reporting and Geographic Information:

The Company's segment reporting structure uses the Company's management reporting structure as the foundation for how the Company manages its business. The Company periodically evaluates its segment reporting structure in accordance with ASC 350-20-55 and has concluded that it has three reportable segments as of December 25, 2021.

The segments are as follows:

- Hardware and Protective Solutions
- Robotics and Digital Solutions
- Canada

The Hardware and Protective Solutions segment distributes fasteners and related hardware items, threaded rod, personal protective equipment, and letters, numbers, and signs to hardware stores, home centers, mass merchants, and other retail outlets primarily in the United States and Mexico.

The Robotics and Digital Solutions segment consists of key duplication and engraving kiosks that can be operated directly by the consumer. The kiosks operate in retail and other high-traffic locations offering customized licensed and unlicensed products

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

targeted to consumers in the respective locations. It also includes our associate-assisted key duplication systems and key accessories. The Robotics and Digital Solutions segment also includes Resharp, our robotic knife sharpening business, and Instafob, which specializes in RFID ("Radio Frequency Identification") key duplication technology.

The Canada segment distributes fasteners and related hardware items, threaded rod, keys, key duplicating systems, accessories, personal protective equipment, 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 Company uses profit or loss from operations to evaluate the performance of its segments, and does not include segment assets or non-operating income/expense items for management reporting purposes. Profit or loss from operations is defined as income from operations before interest and tax expenses. Segment revenue excludes sales between segments, which is consistent with the segment revenue information provided to the Company's Chief Operating Decision Maker ("CODM").

The table below presents revenues and income (loss) from operations for the reportable segments for the years ended December 25, 2021, December 26, 2020, and December 28, 2019.

| | Year Ended December 25, 2021 | Year Ended December 26, 2020 | Year Ended December 28, 2019 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Revenues | | | |
| Hardware and Protective Solutions | \$ 1,024,974 | \$ 1,024,392 | \$ 853,016 |
| Robotics and Digital Solutions | 249,528 | 209,287 | 236,086 |
| Canada | 151,465 | 134,616 | 125,260 |
| Total revenues | <u>\$ 1,425,967</u> | <u>\$ 1,368,295</u> | <u>\$ 1,214,362</u> |
| Segment Income (Loss) from Operations | | | |
| Hardware and Protective Solutions | \$ (17,185) | \$ 67,313 | \$ 14,204 |
| Robotics and Digital Solutions | 23,558 | 3,177 | 3,385 |
| Canada | 3,941 | (4,724) | (9,894) |
| Total segment income from operations | <u>\$ 10,314</u> | <u>\$ 65,766</u> | <u>\$ 7,695</u> |

Financial Statement Schedule:

Schedule II - VALUATION ACCOUNTS

(dollars in thousands)

| | Deducted From Assets in Balance Sheet |
|---------------------------------------|--|
| | Allowance for Doubtful Accounts |
| Ending Balance - December 29, 2018 | \$ 846 |
| Additions charged to cost and expense | 790 |
| Deductions due to: | |
| Others | 255 |
| Ending Balance - December 28, 2019 | 1,891 |
| Additions charged to cost and expense | 1,378 |
| Deductions due to: | |
| Others | (874) |
| Ending Balance - December 26, 2020 | 2,395 |
| Additions charged to cost and expense | 522 |
| Deductions due to: | |
| Others | (26) |
| Ending Balance - December 25, 2021 | \$ 2,891 |

Item 9 – Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A – Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are those controls and procedures that are designed to ensure that material information relating to The Hillman Solutions Corp. required to be disclosed by the Company in reports that we file or submit 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 the Company’s management, including the chief executive officer and the chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 25, 2021 to provide reasonable assurance that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We view our internal control over financial reporting as an integral part of our disclosure controls and procedures.

Management performed additional analysis and other post-closing procedures as of December 25, 2021 and December 26, 2020 and for each of the three years in the period ended December 25, 2021, to ensure the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), including reviewing the accounting for deferred tax assets and liabilities.

Management has concluded that, notwithstanding the material weakness described below, the company’s consolidated financial statements in this Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with U.S. GAAP.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Pursuant to the rules and regulations of the Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company’s Board of Directors, management, and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and the dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company’s management has evaluated the effectiveness of the Company’s internal control over financial reporting as of December 25, 2021, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013 framework). Based on such evaluation, management concluded that

internal control over financial reporting was effective as of December 25, 2021. Management's report on internal control over financial reporting is set forth above under the heading, "Report of Management on Internal Control Over Financial Reporting" in Item 8 of this annual report on Form 10-K.

Remediation of Prior Year Material Weakness

A material weakness, as defined in Exchange Act Rule 12b-2, 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 company's annual or interim financial statements will not be prevented or detected on a timely basis.

In the prior year, management concluded that we did not design and maintain effective controls over the completeness and accuracy of the accounting for, and disclosure of, the valuation allowance against deferred income taxes. The material weakness resulted in material errors in the application of certain provisions of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") related to the IRC §163(j) interest limitation (Interest Limitation).

In response to the material weakness described above, management implemented changes to its internal control over financial reporting to remediate the control deficiencies that gave rise to the material weakness. Those changes included the engagement of third party consultants to assist with technical tax accounting research and application of guidance, the addition of a committee to review technical accounting issues and ensure we have the appropriate subject matter experts engaged, and hiring additional personnel in our tax department. We have tested the newly implemented controls and found them to be effective, and therefore have concluded that as of December 25, 2021, the previously identified material weakness has been remediated.

Attestation Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.

This annual report does not contain an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting.

Except as described above, there were no changes in the Company's internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act of 1934, as amended, that occurred during the quarter ended December 25, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting except as otherwise described above in this Item 9A.

Item 9B – Other Information.

None.

Item 9C: Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10 – Directors, Executive Officers, and Corporate Governance.

Information about our directors and officers may be found under the captions “Election of Directors” and “Directors and Executive Officers” in our Proxy Statement for the Annual Meeting of Stockholders’ to be held June 14, 2022 (the “2022 Proxy Statement”). Information about our Audit Committee may be found under the caption “Committees of the Board of Directors” in the Proxy Statement. That information is incorporated herein by reference.

We have adopted a code of ethics that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other finance organization employees. The code of ethics is publicly available on our website at www.hillmangroup.com. If we make any substantive amendments to the code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer, we will disclose the nature of the amendment or waiver on that website or in a report on Form 8-K.

Item 11 – Executive Compensation

The information required by this Item is set forth in the sections entitled Compensation Discussion and Analysis, Compensation Committee Report, and Compensation Tables in the 2022 Proxy Statement and is hereby incorporated by reference into this Form 10-K.

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table provides information regarding shares outstanding and available for issuance under our existing equity compensation plans.

| Plan Category | Equity Compensation Plan Information | | |
|--|---|---|---|
| | (a) | (b) | (c) |
| | Number of securities to be issued upon exercise of outstanding options and awards | Weighted-average exercise price of outstanding options and awards | Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in common (a)) |
| Equity Compensation plans approved by shareholders | 13,960,739 | 8.15 | 7,713,585 |
| Equity Compensation plans not approved by shareholders | — | — | — |
| Total | 13,960,739 | 8.15 | 7,713,585 |

The remainder of the information required by this Item is set forth in the section entitled Beneficial Ownership of Common Stock in the 2022 Proxy Statement and is hereby incorporated by reference into this Form 10-K.

Item 13 – Certain Relationships and Related Transactions.

This information required by this Item is set forth in the sections entitled Related Person Transactions and Information Concerning the Board of Directors-Independence in the 2022 Proxy Statement and is hereby incorporated by reference into this Form 10-K.

Item 14 – Principal Accounting Fees and Services.

Our independent registered public accounting firm is KPMG, LLP, Cincinnati, OH, Auditor Firm ID: 185.

The information required by this Item is set forth in the section entitled Ratification of the Appointment of Hillman's Independent Auditor in the 2022 Proxy Statement and is hereby incorporated by reference into this Form 10-K.

PART IV

Item 15 – Exhibits, Financial Statement Schedules.

(a) Documents Filed as a Part of the Report:

1. *Financial Statements:* See "Index to Financial Statements" in "Item 8. Financial Statements and Supplementary Data" herein.
2. *Financial Statement Schedules:* All schedules are omitted for the reason that the information is included in the financial statements or the notes thereto or that they are not required or are not applicable.
3. *Exhibits:* The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

- 2.1+ [Agreement and Plan of Merger, dated as of January 24, 2021, by and among Landcadia Holdings III, Inc., Helios Sun Merger Sub, Inc., HMAN Group Holdings Inc. and CCMP Sellers' Representative, LLC, solely in its capacity as representative of the stockholders of HMAN Group Holdings Inc. \(incorporated by reference to Annex A of the Proxy Statement/Prospectus filed pursuant to Rule 424\(b\)\(3\) \(File No. 333-252693\), filed with the SEC on June 25, 2021\).](#)
- 2.2 [First Amendment to Agreement and Plan of Merger, dated as of March 12, 2021, by and among Landcadia Holdings III, Inc., Helios Sun Merger Sub, Inc., HMAN Group Holdings Inc. and CCMP Sellers' Representative, LLC, solely in its capacity as representative of the stockholders of HMAN Group Holdings Inc. \(incorporated by reference to Annex A of the Proxy Statement/Prospectus filed pursuant to Rule 424\(b\)\(3\) \(File No. 333-252693\), filed with the SEC on June 25, 2021\).](#)
- 3.1 [Third Amended and Restated Certificate of Incorporation of Hillman Solutions Corp. \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 3.2 [Amended and Restated Bylaws of Hillman Solutions Corp. \(incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 4.1 [Description of the Company's Registered Securities \(filed herewith\).](#)
- 10.1 [Form of Subscription Agreement, dated January 24, 2021, by and between Landcadia Holdings III, Inc. and the subscribers party thereto \(incorporated by reference to Annex E of the Proxy Statement/Prospectus filed pursuant to Rule 424\(b\)\(3\) \(File No. 333-252693\), filed with the SEC on June 25, 2021\).](#)
- 10.2 [Amended and Restated Registration Rights Agreement, dated July 14, 2021, by and among Hillman Solutions Corp., Jefferies Financial Group Inc., TFJ, LLC, CCMP Capital Investors III, L.P., CCMP Capital Investors \(Employee\) III, L.P., CCMP Co-Invest III A, L.P., Oak Hill Capital Partners III, L.P., Oak Hill Capital Management Partners III, L.P. and OHCP III HC RO, L.P. \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.3* [Hillman Solutions Corp. 2021 Equity Incentive Plan, dated July 14, 2021 \(filed herewith\).](#)
- 10.4* [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.5* [Hillman Solutions Corp. 2021 Employee Stock Purchase Plan \(filed herewith\).](#)
- 10.6* [Hillman Solutions Corp. 2021 Cash Incentive Plan \(incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.7* [Form of Non-Qualified Stock Option Award Agreement under the Hillman Solutions Corp. 2021 Equity Incentive Plan \(incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.8* [Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the Hillman Solutions Corp. 2021 Equity Incentive Plan \(incorporated by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.9* [Form of Restricted Stock Unit Award Agreement under the Hillman Solutions Corp. 2021 Equity Incentive Plan \(incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)

- 10.10* [Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the Hillman Solutions Corp. 2021 Equity Incentive Plan \(incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\)](#)
- 10.11* [Employment Agreement between Robert Kraft and The Hillman Group, Inc., dated October 2, 2017 \(incorporated by reference to Exhibit 10.1 of The Hillman Companies, Inc.'s Current Report on Form 8-K, filed with the SEC on October 6, 2017\).](#)
- 10.12* [Employment Agreement between Douglas J. Cahill and The Hillman Group, Inc., dated July 25, 2019 \(incorporated by reference to Exhibit 10.12 of The Hillman Companies, Inc.'s Annual Report on Form 10-K, filed with the SEC on March 27, 2020\).](#)
- 10.13* [Employment Agreement between Randall Fagundo and The Hillman Group, Inc., dated August 10, 2018 \(incorporated by reference to Exhibit 10.13 of The Hillman Companies, Inc.'s Annual Report on Form 10-K, filed with the SEC on March 28, 2019\).](#)
- 10.14* [Employment Agreement between George Murphy and The Hillman Group, Inc., dated October 1, 2018 \(incorporated by reference to Exhibit 10.14 of The Hillman Companies, Inc.'s Annual Report on Form 10-K, filed with the SEC on March 27, 2020\).](#)
- 10.15* [Employment Agreement between Jarrod Streng and The Hillman Group, Inc., dated October 1, 2018 \(incorporated by reference to Exhibit 10.15 of The Hillman Companies, Inc.'s Annual Report on Form 10-K, filed with the SEC on March 27, 2020\).](#)
- 10.16* [Employment Agreement between Scott Ride and The Hillman Group Canada ULC., dated December 2, 2014, \(incorporated by reference to Exhibit 10.5 of The Hillman Companies, Inc.'s Current Report on Form 8-K filed with the SEC on May 4, 2017\).](#)
- 10.17* [Amendment to Employment Agreement between Scott Ride and The Hillman Group Canada ULC., dated June 10, 2015 \(incorporated by reference to Exhibit 10.12 of The Hillman Companies, Inc.'s Annual Report on Form 10-K filed with the SEC on March 21, 2018\)](#)
- 10.18* [Employment Agreement between Gary Seeds and The Hillman Group, Inc., dated April 21, 2010, as amended by that certain Amendment to Employment Agreement, dated June 10, 2015 \(filed herewith\).](#)
- 10.19+ [ABL Credit Agreement, dated as of May 31, 2018, by and among The Hillman Group, Inc., The Hillman Companies, Inc., The Hillman Group Canada ULC, the Lenders and Issuing Banks from time to time party thereto, Barclays Bank PLC, as administrative agent and swingline lender, Jefferies Finance LLC, Citizens Bank, N.A. and MUFG Union Bank, N.A., as joint lead arrangers and joint bookrunners, Credit Suisse Loan Funding LLC, as an arranger and PNC Bank, National Association, as documentation agent \(incorporated by reference to Exhibit 10.2 of The Hillman Companies, Inc.'s Current Report on Form 8-K, filed with the SEC on June 5, 2018\).](#)
- 10.20 [Amendment No. 1 to the ABL Credit Agreement, dated as of November 15, 2019, by and among The Hillman Companies, Inc., Hillman Investment Company, The Hillman Group, Inc., Big Time Products, LLC, The Hillman Group Canada ULC, the Subsidiary Guarantors, the Lenders listed on the signature pages thereto and Barclays Bank PLC, in its capacity as administrative agent for the Lenders \(incorporated by reference to Exhibit 10.1 of The Hillman Companies, Inc.'s Current Report on Form 8-K, filed with the SEC on November 20, 2019\).](#)
- 10.21 [Amendment No. 2 to the ABL Credit Agreement, dated as of July 14, 2021, by and among Hillman Investment Company, The Hillman Group, Inc., The Hillman Group Canada ULC, the Subsidiary Guarantors, the Lenders listed on the signature pages thereto and Barclays Bank PLC, in its capacity as administrative agent for the Lenders \(incorporated by reference to Exhibit 10.21 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.22+ [Credit Agreement, dated as of July 14, 2021, by and among The Hillman Group, Inc., Hillman Investment Company, the Lenders from time to time party thereto, Jefferies Finance LLC, as administrative agent, and Jefferies Finance LLC and Barclays Bank PLC, as joint lead arrangers and joint bookrunners \(incorporated by reference to Exhibit 10.22 of the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2021\).](#)
- 10.23* [HMAN Group Holdings, Inc. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 of The Hillman Companies, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on August 14, 2014\).](#)
- 10.24* [Form of HMAN Group Holdings, Inc. 2014 Equity Incentive Plan Stock Option Award Agreements \(incorporated by reference to Exhibit 10.2 of Hillman Companies, Inc.'s Current Report on Form 8-K filed with the SEC on December 4, 2014\)](#)
- 10.25* [Form of Notice to the Holders of Stock Options Under the HMAN Group Holdings, Inc. 2014 Equity Incentive Plan, dated July 15, 2021 \(filed herewith\).](#)
- 10.26* [Form of HMAN Group Holdings, Inc. 2014 Equity Incentive Plan Restricted Stock Unit Award Agreement \(filed herewith\)](#)
- 10.27* [Form of Notice to the Holders of Restricted Stock Units Under the HMAN Group Holdings, Inc. 2014 Equity Incentive Plan, dated July 15, 2021 \(filed herewith\).](#)
- 10.28* [Form of HMAN Group Holdings, Inc. 2014 Equity Incentive Plan Restricted Stock Award Agreement \(filed herewith\).](#)
- 10.29* [Form of Notice to the Holders of Restricted Stock Under the HMAN Group Holdings, Inc. 2014 Equity Incentive Plan, dated July 15, 2021 \(filed herewith\).](#)

- 10.30* [The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan \(amended and restated effective as of January 1, 2003\) \(incorporated by reference to Exhibit 10.1 of The Hillman Companies, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 15, 2004\).](#)
- 10.31* [First Amendment to The Hillman Companies, Inc. Nonqualified Deferred Compensation Plan \(incorporated by reference to Exhibit 10.2 of The Hillman Companies, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 15, 2004\)](#)
- 21.1 [List of Subsidiaries \(filed herewith\). \(As of December 25, 2021\)](#)
- 23.1 [Consent of KPMG LLP, independent registered accounting firm for the Company \(filed herewith\).](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Exchange Act \(filed herewith\).](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Exchange Act \(filed herewith\).](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\).](#)
- 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 \(furnished herewith\).](#)
- 101 The following financial information from the Company's Annual Report on Form 10-K for the year ended December 25, 2021, formatted in inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Stockholders' Equity, and (v) the Notes to Consolidated Financial Statements (filed herewith).
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) (filed herewith).

* Indicates management contract or any compensatory plan, contract or arrangement.

+ Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

Item 16 – Form 10-K Summary.

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HILLMAN SOLUTIONS CORP.

Dated: March 16, 2022

By: /s/ Robert O. Kraft
Robert O. Kraft
Title: Chief Financial Officer and Duly Authorized Officer of the Registrant

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

| <u>Signature</u> | <u>Capacity</u> | <u>Date</u> |
|---|--|----------------|
| <u>/s/ Douglas J. Cahill</u> Douglas J. Cahill | Principal Executive Officer, Chairman and Director | March 16, 2022 |
| <u>/s/ Robert O. Kraft</u> Robert O. Kraft | Principal Financial Officer | March 16, 2022 |
| <u>/s/ Anne S. McCalla</u> Anne S. McCalla | Chief Accounting Officer | March 16, 2022 |
| <u>/s/ Diana Dowling</u> Diana Dowling | Director | March 16, 2022 |
| <u>/s/ Teresa S. Gendron</u> Teresa S. Gendron | Director | March 16, 2022 |
| <u>/s/ Aaron P. Jagdfeld</u> Aaron P. Jagdfeld | Director | March 16, 2022 |
| <u>/s/ Daniel O'Leary</u> Daniel O'Leary | Director | March 16, 2022 |
| <u>/s/ David A. Owens</u> David A. Owens | Director | March 16, 2022 |
| <u>/s/ Joseph M. Scharfenberger, Jr.</u> Joseph M. Scharfenberger, Jr. | Director | March 16, 2022 |
| <u>/s/ John Swygert</u> John Swygert | Director | March 16, 2022 |
| <u>/s/ Philip K. Woodlief</u> Philip K. Woodlief | Director | March 16, 2022 |
| <u>/s/ Richard F. Zannino</u> Richard F. Zannino | Director | March 2, 2022 |

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following summarizes the terms and provisions of the common stock of Hillman Solutions Corp., a Delaware corporation (the "Company"), which common stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The following summary does not purport to be complete and is qualified in its entirety by reference to the Company's Third Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated By-Laws (the "Bylaws"), which the Company has previously filed with the Securities and Exchange Commission, and applicable Delaware law.

Authorized Capital

Pursuant to our Certificate of Incorporation, our authorized capital stock consists of 500,000,000 shares of common stock, par value \$0.0001 per share (the "Common Stock"), and 1,000,000 shares of undesignated preferred stock, par value \$0.0001 per share (the "Preferred Stock").

Under Delaware law, stockholders generally are not personally liable for a corporation's acts or debts.

Common Stock

Voting Rights

Holders of Common Stock are entitled to cast one vote per share of Common Stock. Directors are elected by a plurality of the votes cast by the holders of Common Stock. Unless specified in the Certificate of Incorporation or Bylaws, or as required by applicable provisions of the Delaware General Corporation Law ("DGCL") or applicable stock exchange rules, all other matters shall be determined by the vote of a majority of the votes cast. The board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. Holders of Common Stock will not be entitled to cumulate their votes in the election of directors. Except as may be provided with respect to any other outstanding class or series of the Company's stock, the holders of shares of Common Stock possess the exclusive voting power.

Dividend Rights

Holders of Common Stock are entitled to share ratably (based on the number of shares of Common Stock held) if and when any dividend is declared by the board of directors out of funds legally available therefor, subject to restrictions, whether statutory or contractual (including with respect to any outstanding indebtedness), on the declaration and payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding Preferred Stock or any class or series of stock having a preference over, or the right to participate with, the Common Stock with respect to the payment of dividends.

Liquidation, Dissolution and Winding Up

On the liquidation, dissolution, distribution of assets or winding up of the Company, each holder of Common Stock will be entitled, pro rata on a per share basis, to all assets of the Company of whatever kind available for distribution to the holders of Common Stock, after the payment of all of the Company's known debts and other liabilities and subject to the designations, preferences, limitations, restrictions and relative rights of any other class or series of Preferred Stock of the Company then outstanding.

Rights and Preferences

All outstanding shares of Common Stock are validly issued, fully paid and non-assessable. Holders of Common Stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to the Common Stock. The rights, preferences, and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock that the Company may designate in the future.

Registration Rights

The Company has entered into an agreement with certain holders of Common Stock that provides for certain registration rights, as further described in the Amended and Restated Registration Rights Agreement, dated July 14, 2021, which the Company has previously filed with the Securities and Exchange Commission.

Stock Exchange Listing

The Common Stock is listed on The Nasdaq Stock Market LLC (“Nasdaq”) under the symbol “HLMN.”

Preferred Stock

The Company’s board of directors has the authority, without action by the stockholders, to designate and issue shares of Preferred Stock in one or more classes or series, and the number of shares constituting any such class or series, and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights of each class or series of Preferred Stock, including, without limitation, dividend rights, dividend rates, conversion rights, exchange rights, voting rights, rights and terms of redemption, dissolution preferences, and treatment in the case of a merger, business combination transaction, or sale of the Company’s assets, which rights may be greater than the rights of the holders of the Common Stock.

The purpose of authorizing the board of directors to issue Preferred Stock and determine the rights and preferences of any classes or series of Preferred Stock is to eliminate delays associated with a stockholder vote on specific issuances. The simplified issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of the Company’s outstanding voting stock. Additionally, the issuance of Preferred Stock may adversely affect the holders of Common Stock by restricting dividends on the Common Stock, diluting the voting power of the Common Stock or subordinating the dividend or liquidation rights of the Common Stock. As a result of these or other factors, the issuance of Preferred Stock could have an adverse impact on the market price of the Common Stock.

Exclusive Forum

The Certificate of Incorporation provides that, to the fullest extent permitted by law, unless the Company otherwise consents in writing, the Court of Chancery (the “Chancery Court”) of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any stockholder to bring: (i) any derivative claim or proceeding brought on behalf of the Company, (ii) any claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Company to the Company or its stockholders, (iii) any claim against the Company, its directors, officers or employees arising pursuant to any provision of the DGCL, the Certificate of Incorporation, or the Bylaws, or (iv) any claim against the Company, its directors, officers or employees governed by the internal affairs doctrine. In addition, notwithstanding anything to the contrary in the foregoing, the federal district courts of the United States are the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act of 1933, as amended. The exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Anti-Takeover Effects of Provisions of the Certificate of Incorporation, the Bylaws and Delaware Law

Certain provisions of the Certificate of Incorporation, the Bylaws, and laws of the State of Delaware, where the Company is incorporated, may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest; make it difficult for the Company’s existing stockholders to replace its board of directors, as well as for another party to obtain control of the Company by replacing its board of directors; and, because the Company’s board of directors has the power to retain and discharge its officers, could make it more difficult for existing stockholders or another party to effect a change in management. These provisions may also adversely affect prevailing market prices for the Common Stock.

Authorized but Unissued Shares

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of Nasdaq, which would apply if and so long as the Common Stock remains listed on Nasdaq, require stockholder approval of certain issuances that may result in the issuance or sale of 20% or more of the then-outstanding voting power or then-outstanding number of shares of Common Stock. Additional shares that may be used in the future may be issued for a variety of corporate purposes, including future public offerings, to raise additional capital, or to facilitate acquisitions. The existence of authorized but unissued and unreserved Common Stock and Preferred Stock could make more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger, or otherwise.

Number and Removal of Directors

The Certificate of Incorporation and Bylaws allow the Company's directors to establish the size of the board of directors and fill vacancies on the board of directors, including those created by an increase in the number of directors (subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances). The Certificate of Incorporation also provides that stockholders may only remove a director for cause and only by the affirmative vote of the holders of at least 66% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors.

Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

The Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order to be "properly brought" before a meeting, a stockholder will have to comply with advance notice requirements and provide the Company with certain information. Generally, to be timely, a stockholder's notice must be received at the Company's principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the immediately preceding annual meeting of stockholders. The Bylaws also specify requirements as to the form and content of a stockholder's notice. The Bylaws allow the board of directors and the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay, or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of the Company.

Limitations on Stockholder Action by Written Consent; Special Meetings of Stockholders

The Certificate of Incorporation and Bylaws provide that, subject to the terms of any series of Preferred Stock, (i) any action required or permitted to be taken by the stockholders must be effected at an annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting, and (ii) that only the Company's board of directors may call a special meeting of stockholders.

Business Combinations

Under Section 203 of the DGCL, a corporation will not be permitted to engage in a business combination with any interested stockholder for a period of three years following the time that such interested stockholder became an interested stockholder, unless:

- (1) prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- (2) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- (3) at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of the corporation's outstanding voting stock. For purposes of this section only, "voting stock" has the meaning given to it in Section 203 of the DGCL.

While the Certificate of Incorporation includes a provision opting out of Section 203 of the DGCL, it includes a provision that is substantially similar to Section 203 of the DGCL, but excludes from the definition of “interested stockholder”: (A) the investment funds affiliated with CCMP Capital Advisors, LP and their respective successors, transferees and affiliates, and (B) any person whose ownership of shares in excess of the 15% threshold is the result of any action taken solely by the Company.

Classified Board of Directors and Cumulative Voting

The Certificate of Incorporation provides for the Company’s board of directors to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Under Delaware law, the right to vote cumulatively does not exist unless the charter specifically authorizes cumulative voting. The Certificate of Incorporation does not authorize cumulative voting. Because the Company’s stockholders do not have cumulative voting rights, stockholders holding a majority of the shares of Common Stock outstanding will be able to elect all of the directors then standing for election.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors of corporations and their stockholders for monetary damages for breaches of directors’ fiduciary duties, subject to certain exceptions. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL.

The Bylaws provide that the Company will indemnify and advance expenses to the Company’s directors and officers to the fullest extent authorized by the DGCL. The Company also is expressly authorized to carry directors’ and officers’ liability insurance. The Company believes that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, advancement and indemnification provisions in the Certificate of Incorporation and the Bylaws may discourage stockholders from bringing lawsuits against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit the Company and its stockholders. In addition, a stockholder’s investment may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officer pursuant to these indemnification provisions.

Corporate Opportunities

Under the Certificate of Incorporation, the Company has renounced any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunities that are from time to time available to each of CCMP Capital Advisors, LP and the investment funds affiliated with CCMP Capital Advisors, LP and their respective successors, Transferees, and Affiliates (each as defined in the Certificate of Incorporation) (other than the Company and its subsidiaries) and all of their respective partners, principals, directors, officers, members, managers, equity holders and/or employees, including any who serve as officers or directors of the Company.

Amending the Certificate of Incorporation and Bylaws

The Certificate of Incorporation provides that certain provisions of the Certificate of Incorporation, including those relating to the classification of the board of directors, amendment of the Bylaws, director indemnification, corporate opportunities, business combinations, and the inability of the stockholders to take action by written consent or call a special meeting, may only be altered, amended or repealed with the affirmative vote of the holders of at least 66% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors. The Certificate of Incorporation and Bylaws further provide that the Bylaws may be altered, amended or repealed by the board of directors without stockholder approval, to the extent permitted by law; provided, however, that the stockholders may adopt, amend, alter or repeal the Bylaws with the affirmative vote of the holders of at least 66% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors.

**HILLMAN SOLUTIONS CORP.
2021 EQUITY INCENTIVE PLAN**

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines certain terms used in the Plan and includes certain operational rules related to those terms.

2. PURPOSE; EFFECTIVE DATE

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock and Stock-based Awards. The Plan was adopted by the Board of Directors of the Company on July 14, 2021. The Plan shall become and is effective as of the Effective Date.

3. ADMINISTRATION

The Plan will be administered by the Administrator. The Administrator has discretionary authority, subject only to the express provisions of the Plan, to administer and interpret the Plan and any Awards; to determine eligibility for and grant Awards; to determine the exercise price, base value from which appreciation is measured, or purchase price, if any, applicable to any Award, to determine, modify, accelerate or waive the terms and conditions of any Award; to determine the form of settlement of Awards (whether in cash, shares of Stock, other Awards or other property); to prescribe forms, rules and procedures relating to the Plan and Awards; and to otherwise do all things necessary or desirable to carry out the purposes of the Plan or any Award. Determinations of the Administrator made with respect to the Plan or any Award are conclusive and bind all persons.

4. LIMITS ON AWARDS UNDER THE PLAN

(a) **Number of Shares.** Subject to adjustment as provided in Section 7(b), the maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan as of the Effective Date is (i) 7,150,814 shares, plus (ii) the number of shares of Stock underlying awards under the Prior Plan that on or after the Effective Date expire or become unexercisable, or are forfeited, cancelled or otherwise terminated, in each case, without delivery of shares or cash therefor, and would have become available again for grant under the Prior Plan in accordance with its terms (in the case of this subclause (ii), not to exceed 14,523,510 shares of Stock in the aggregate) (the "Share Pool"). Up to the total number of shares of Stock from the Share Pool described above may be delivered in satisfaction of ISOs, but nothing in this Section 4(a) will be construed as requiring that any, or any fixed number of, ISOs be awarded under the Plan. For purposes of this Section 4(a), the number of shares of Stock delivered in satisfaction of Awards will be determined (i) by reducing the Share Pool by the number of shares of Stock withheld by the Company in payment of the exercise price or purchase price of an Award or in satisfaction of tax withholding requirements with respect to an Award, (ii) by reducing the Share Pool by the full number of shares covered by a SAR any portion of which is settled in Stock (and not only the number of shares of Stock delivered in settlement of a SAR), and (iii) by increasing the Share Pool by any shares of Stock underlying any portion of an Award that is settled in cash or that expires, becomes unexercisable, terminates or is forfeited to or repurchased by the Company without the issuance of Stock (or retention, in the case of Restricted Stock or Unrestricted Stock). For the avoidance of doubt, the Share Pool will not be increased by any shares of Stock delivered under the Plan that are subsequently repurchased using proceeds directly attributable to Stock Option exercises. The limits set forth in this Section 4(a) will be construed to comply with any applicable requirements of Section 422.

(b) **Substitute Awards.** The Administrator may grant Substitute Awards under the Plan. To the extent consistent with the requirements of Section 422 and the regulations thereunder and other applicable legal requirements (including applicable stock exchange requirements), shares of Stock delivered in respect of Substitute Awards will be in addition to and will not reduce the Share Pool. Notwithstanding the foregoing or anything in Section 4(a) to the contrary, if any Substitute Award is settled in cash or expires, becomes unexercisable, terminates or is forfeited to or repurchased by the Company without the delivery (or retention, in the case of Restricted Stock or Unrestricted Stock) of Stock, the shares of Stock previously subject to such Award will not increase the Share Pool or otherwise be available for future issuance under the Plan. The Administrator will determine the extent to which the terms and conditions of the Plan apply to Substitute Awards, if at all, *provided, however*, that Substitute Awards will not be subject to the limit described in Section 4(d) below.

(c) **Type of Shares.** Stock delivered by the Company under the Plan may be authorized but unissued Stock, treasury Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

(d) **Director Limits.** The maximum aggregate value of all compensation granted or paid to any Director with respect to any calendar year, including Awards granted under the Plan and cash fees or other compensation paid by the Company to such Director outside of the Plan, in each case, for services as a Director during such calendar year, may not exceed \$750,000 in the aggregate, calculating the value of any Awards based on the grant date fair value in accordance with the Accounting Rules and assuming maximum payout levels.

5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among Employees and Directors of, and consultants and advisors to, the Company and its subsidiaries. Eligibility for ISOs is limited to individuals described in the first sentence of this Section 5 who are employees of the Company or of a “parent corporation” or “subsidiary corporation” of the Company as those terms are defined in Section 424 of the Code. Eligibility for Stock Options, other than ISOs, and SARs is limited to individuals described in the first sentence of this Section 5 who are providing direct services on the date of grant of the Award to the Company or to a subsidiary of the Company that would be described in the first sentence of Section 1.409A-1(b)(5)(iii)(E) of the Treasury Regulations.

6. RULES APPLICABLE TO AWARDS

(a) All Awards.

(1) **Award Provisions.** The Administrator will determine the terms and conditions of all Awards, subject to the limitations provided herein. No term of an Award shall provide for automatic “reload” grants of additional Awards upon the exercise of an Option or SAR. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant will be deemed to have agreed to the terms and conditions of the Award and the Plan. Notwithstanding any provision of the Plan to the contrary, Substitute Awards may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.

(2) **Term of Plan.** The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the earlier of (a) the earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no shares of Stock approved for issuance under the Plan remain available to be granted under new Awards or (b) July 14, 2031. No Awards may be made after

such termination date, but previously granted Awards may remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(3) **Transferability.** Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the third sentence of this Section 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution. During a Participant's lifetime, ISOs and, except as the Administrator otherwise expressly provides in accordance with the third sentence of this Section 6(a)(3), SARs and NSOs may be exercised only by the Participant. The Administrator may permit the gratuitous transfer (*i.e.*, transfer not for value) of Awards other than ISOs, subject to applicable securities and other laws and such terms and conditions as the Administrator may determine.

(4) **Vesting; Exercisability.** The Administrator will determine the time or times at which an Award vests or becomes exercisable and the terms and conditions on which a Stock Option or SAR remains exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting and/or exercisability of an Award (or any portion thereof), regardless of any adverse or potentially adverse tax or other consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, however, the following rules will apply if a Participant's Employment ceases:

(A) Except as provided in (B) and (C) below, immediately upon the cessation of the Participant's Employment each Stock Option and SAR (or portion thereof) that is then held by the Participant or by the Participant's permitted transferees, if any, will cease to be exercisable and will terminate and each other Award that is then held by the Participant or by the Participant's permitted transferees, if any, to the extent not then vested will be forfeited.

(B) Subject to (C) and (D) below, each Stock Option and SAR (or portion thereof) held by the Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment, to the extent then vested and exercisable, will remain exercisable for the lesser of (i) a period of three months following such cessation of Employment or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(C) Subject to (D) below, each Stock Option and SAR (or portion thereof) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment due to death or by the Company due to Disability, to the extent then vested and exercisable, will remain exercisable for the lesser of (i) the one-year period ending on the first anniversary of such cessation of Employment or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(D) All Awards (whether or not vested or exercisable) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation of Employment if the termination is for Cause or occurs in circumstances that in the determination of the Administrator would have constituted grounds for the Participant's Employment to be terminated for Cause (in each case, without regard to the lapsing of any required notice or cure periods in connection therewith).

(5) **Recovery of Compensation.** The Administrator may provide in any case that any outstanding Award (whether or not vested or exercisable), the proceeds from the

exercise or disposition of any Award or Stock acquired under any Award, and any other amounts received in respect of any Award or Stock acquired under any Award will be subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if the Participant to whom the Award was granted is not in compliance with any provision of the Plan or any applicable Award, or any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment, or other restrictive covenant by which the Participant is bound. Each Award will be subject to any policy of the Company or any of its subsidiaries that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. In addition, each Award will be subject to any policy of the Company or any of its Affiliates that provides for forfeiture, disgorgement, or clawback with respect to incentive compensation that includes Awards under the Plan and will be further subject to forfeiture and disgorgement to the extent required by law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Exchange Act. Each Participant, by accepting or being deemed to have accepted an Award under the Plan, agrees (or will be deemed to have agreed) to the terms of this Section 6(a)(5) and any clawback, recoupment or similar policy of the Company or any of its subsidiaries and further agrees (or will be deemed to have further agreed) to cooperate fully with the Administrator, and to cause any and all permitted transferees of the Participant to cooperate fully with the Administrator, to effectuate any forfeiture or disgorgement described in this Section 6(a)(5). Neither the Administrator nor the Company nor any other person, other than the Participant and the Participant's permitted transferees, if any, will be responsible for any adverse tax or other consequences to a Participant or the Participant's permitted transferees, if any, that may arise in connection with this Section 6(a)(5).

(6) **Taxes.** The grant of an Award and the issuance, delivery, vesting and retention of Stock, cash or other property under an Award are conditioned upon the full satisfaction by the Participant of all tax and other withholding requirements with respect to the Award. The Administrator will prescribe rules for the withholding of taxes and other amounts with respect to any Award as it deems necessary. Without limitation to the foregoing, the Company or any parent or subsidiary of the Company will have the authority and the right to deduct or withhold (by any means set forth herein or in an Award agreement), or require a Participant to remit to the Company or a parent or subsidiary of the Company, an amount sufficient to satisfy all U.S. and non-U.S. federal, state and local income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to participation in the Plan and any Award hereunder and legally applicable to the Participant and required by law to be withheld (including, any amount deemed by the Company, in its discretion, to be an appropriate charge to the Participant even if legally applicable to the Company or any parent or subsidiary of the Company). The Administrator, in its sole discretion, may hold back shares of Stock from an Award or permit a Participant to tender previously-owned shares of Stock in satisfaction of tax or other withholding requirements (but not in excess of the maximum withholding amount consistent with the Award being subject to equity accounting treatment under the Accounting Rules). Any amounts withheld pursuant to this Section 6(a)(6) will be treated as though such amounts had been made directly to the Participant. In addition, the Company may, to the extent permitted by law, deduct any such tax and other withholding amounts from any payment of any kind otherwise due to a Participant from the Company or any parent or subsidiary of the Company.

(7) **Dividend Equivalents.** The Administrator may provide for the payment of amounts (on terms and subject to such restrictions and conditions established by the Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award; *provided, however*, that (a) dividends or dividend equivalents relating to an Award that, at the dividend payment date, remains subject to a risk of forfeiture (whether service-based or performance-based) shall be subject to the same

risk of forfeiture as applies to the underlying Award and (b) no dividends or dividend equivalents shall be payable with respect to Stock Options or SARs. Any entitlement to dividend equivalents or similar entitlements will be established and administered either consistent with an exemption from, or in compliance with, the applicable requirements of Section 409A.

(8) Rights Limited. Nothing in the Plan or any Award will be construed as giving any person the right to be granted an Award or to continued employment or service with the Company or any of its subsidiaries, or any rights as a stockholder except as to shares of Stock actually delivered under the Plan. The loss of existing or potential profit in any Award will not constitute an element of damages in the event of a termination of a Participant's Employment for any reason, even if the termination is in violation of an obligation of the Company or any of its subsidiaries to the Participant.

(9) Coordination with Other Plans. Shares of Stock and/or Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or any of its subsidiaries. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or any of its subsidiaries may be settled in Stock (including, without limitation, Unrestricted Stock) under the Plan if the Administrator so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the Share Pool).

(10) Section 409A.

(A) Without limiting the generality of Section 11(b) hereof, each Award will contain such terms as the Administrator determines and will be construed and administered such that the Award either qualifies for an exemption from the requirements of Section 409A or satisfies such requirements.

(B) Notwithstanding anything to the contrary in the Plan or any Award agreement, the Administrator may unilaterally amend, modify or terminate the Plan or any outstanding Award, including but not limited to changing the form of the Award, if the Administrator determines that such amendment, modification or termination is necessary or desirable to avoid the imposition of an additional tax, interest or penalty under Section 409A.

(C) If a Participant is determined on the date of the Participant's termination of Employment to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then, with regard to any payment that is considered nonqualified deferred compensation under Section 409A, to the extent applicable, payable on account of a "separation from service", such payment will be made or provided on the date that is the earlier of (i) the first business day following the expiration of the six-month period measured from the date of such "separation from service" and (ii) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 6(a)(10)(C) (whether they would have otherwise been payable in a single lump sum or in installments in the absence of such delay) will be paid, without interest, on the first business day following the expiration of the Delay Period in a lump sum and any remaining payments due under the Award will be paid in accordance with the normal payment dates specified for them in the applicable Award agreement.

(D) For purposes of Section 409A, each payment made under the Plan or any Award will be treated as a separate payment.

(E) With regard to any payment considered to be nonqualified deferred compensation under Section 409A, to the extent applicable, that is payable upon a change in control of the Company or other similar event, to the extent required to avoid the imposition of an additional tax, interest or penalty under Section 409A, no amount will be payable unless such change in control constitutes a “change in control event” within the meaning of Section 1.409A-3(i)(5) of the Treasury Regulations.

(b) **Stock Options and SARs.**

(1) **Time and Manner of Exercise.** Unless the Administrator expressly provides otherwise, no Stock Option or SAR will be deemed to have been exercised until the Administrator receives a notice of exercise in a form acceptable to the Administrator that is signed by the appropriate person and accompanied by any payment required under the Award. The Administrator may limit or restrict the exercisability of any Stock Option or SAR in its discretion, including in connection with any Covered Transaction. Any attempt to exercise a Stock Option or SAR by any person other than the Participant will not be given effect unless the Administrator has received such evidence as it may require that the person exercising the Award has the right to do so.

(2) **Exercise Price.** The exercise price (or the base value from which appreciation is to be measured) per share of each Award requiring exercise must be no less than 100% (in the case of an ISO granted to a 10-percent stockholder within the meaning of Section 422(b)(6) of the Code, 110%) of the Fair Market Value of a share of Stock, determined as of the date of grant of the Award, or such higher amount as the Administrator may determine in connection with the grant.

(3) **Payment of Exercise Price.** Where the exercise of an Award (or portion thereof) is to be accompanied by a payment, payment of the exercise price must be made by cash or check acceptable to the Administrator or, if so permitted by the Administrator and if legally permissible, (i) through the delivery of previously acquired unrestricted shares of Stock, or the withholding of unrestricted shares of Stock otherwise deliverable upon exercise, in either case that have a Fair Market Value equal to the exercise price; (ii) through a broker-assisted cashless exercise program acceptable to the Administrator; (iii) by other means acceptable to the Administrator; or (iv) by any combination of the foregoing permissible forms of payment. The delivery of previously acquired shares in payment of the exercise price under clause (i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

(4) **Maximum Term.** The maximum term of Stock Options and SARs must not exceed 10 years from the date of grant (or five years from the date of grant in the case of an ISO granted to a 10-percent stockholder described in Section 6(b)(2) above).

(5) **No Repricing.** Except in connection with a corporate transaction involving the Company (which term includes, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares) or as otherwise contemplated by Section 7 below, the Company may not, without obtaining stockholder approval, (A) amend the terms of outstanding Stock Options or SARs to reduce the exercise price or base value of such Stock Options or SARs, (B) cancel outstanding Stock Options or SARs in exchange for Stock Options or SARs that have an exercise price or base value that is less than the exercise price or base value of the original Stock Options or SARs, or (C) cancel outstanding Stock Options or SARs that have an exercise price or base value greater than the Fair Market Value of a share of Stock on the date of such cancellation in exchange for cash or other consideration.

7. EFFECT OF CERTAIN TRANSACTIONS

(a) **Mergers, etc.** Except as otherwise expressly provided in an Award agreement or other agreement or by the Administrator, the following provisions will apply in the event of a Covered Transaction:

(1) **Assumption or Substitution.** If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide for (A) the assumption or continuation of some or all outstanding Awards or any portion thereof or (B) the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(2) **Cash-Out of Awards.** Subject to Section 7(a)(5) below, the Administrator may provide for payment (a “cash-out”), with respect to some or all Awards or any portion thereof (including only the vested portion thereof, with the unvested portion terminating as provided in subsection 7(a)(4) below), equal in the case of each applicable Award or portion thereof to the excess, if any, of (A) the Fair Market Value of one share of Stock multiplied by the number of shares of Stock subject to the Award or such portion, minus (B) the aggregate exercise or purchase price, if any, of such Award or such portion thereof (or, in the case of a SAR, the aggregate base value above which appreciation is measured), in each case on such payment and other terms and subject to such conditions (which need not be the same as the terms and conditions applicable to holders of Stock generally), as the Administrator determines, including that any amounts paid in respect of such Award in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate. For the avoidance of doubt, if the per share exercise or purchase price (or base value) of an Award or portion thereof is equal to or greater than the Fair Market Value of one share of Stock, such Award or portion may be cancelled with no payment due hereunder or otherwise in respect thereof.

(3) **Acceleration of Certain Awards.** Subject to Section 7(a)(5) below, the Administrator may provide that any Award requiring exercise will become exercisable, in full or in part, and/or that the delivery of any shares of Stock remaining deliverable under any outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated, in full or in part, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following the exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction.

(4) **Termination of Awards upon Consummation of Covered Transaction.** Except as the Administrator may otherwise determine, each Award will automatically terminate (and in the case of outstanding shares of Restricted Stock, will automatically be forfeited) immediately upon the consummation of the Covered Transaction, other than (A) any Award that is assumed, continued or substituted for pursuant to Section 7(a)(1) above, and (B) any Award that by its terms, or as a result of action taken by the Administrator, continues following the Covered Transaction.

(5) **Additional Limitations.** Any share of Stock and any cash or other property or other award delivered pursuant to Section 7(a)(1), Section 7(a)(2) or Section 7(a)(3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate, including to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(a)(2) above or an acceleration under Section 7(a)(3) above will not, in and of itself, be treated as the lapsing (or satisfaction) of a performance

or other vesting condition. In the case of Restricted Stock that does not vest and is not forfeited in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

(6) **Uniform Treatment.** For the avoidance of doubt, the Administrator need not treat Participants or Awards (or portions thereof) in a uniform manner, and may treat different Participants and/or Awards differently, in connection with a Covered Transaction.

(b) **Changes in and Distributions with Respect to Stock.**

(1) **Basic Adjustment Provisions.** In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of the Accounting Rules, the Administrator shall make appropriate adjustments to the Share Pool and to the limit described in Section 4(d), and shall make appropriate adjustments to the number and kind of shares of stock or securities underlying Awards then outstanding or subsequently granted, any exercise or purchase prices (or base values) relating to Awards and any other provision of Awards affected by such change.

(2) **Certain Other Adjustments.** The Administrator may also make adjustments of the type described in Section 7(b)(1) above to take into account distributions to stockholders other than those provided for in Sections 7(a) and 7(b)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan or any Award.

(3) **Continuing Application of Plan Terms.** References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

8. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. The Company may require, as a condition to the exercise of an Award or the delivery of shares of Stock under an Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act of 1933, as amended, or any applicable state or non-U.S. securities law. Any Stock delivered under the Plan will be evidenced in such manner as the Administrator determines appropriate, including book-entry registration or delivery of stock certificates. In the event that the Administrator determines that stock certificates will be issued in connection with Stock issued under the Plan, the Administrator may require that such certificates bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending the lapse of the applicable restrictions.

9. AMENDMENT AND TERMINATION

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by applicable law, and may at any time terminate the Plan as to any future grants of Awards; *provided, however*, that except as otherwise expressly provided in the Plan or the applicable Award, the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so in the Plan or at the time the applicable Award was granted. Any amendments to the Plan will be conditioned upon stockholder approval only to the extent, if any, such approval is required by applicable law (including the Code) or stock exchange requirements, as determined by the Administrator. For the avoidance of doubt, without limiting the Administrator's rights hereunder, no adjustment to any Award pursuant to the terms of Section 7 or Section 12 will be treated as an amendment requiring a Participant's consent.

10. OTHER COMPENSATION ARRANGEMENTS

The existence of the Plan or the grant of any Award will not affect the right of the Company or any of its subsidiaries to grant any person bonuses or other compensation in addition to Awards under the Plan.

11. MISCELLANEOUS

(a) **Waiver of Jury Trial.** By accepting or being deemed to have accepted an Award under the Plan, each Participant waives (or will be deemed to have waived), to the maximum extent permitted under applicable law, any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan or any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees (or will be deemed to have agreed) that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting or being deemed to have accepted an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit any dispute arising under the terms of the Plan or any Award to binding arbitration or as limiting the ability of the Company to require any individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.

(b) **Limitation of Liability.** Notwithstanding anything to the contrary in the Plan or any Award, neither the Company, nor any of its subsidiaries, nor the Administrator, nor any person acting on behalf of the Company, any of its subsidiaries, or the Administrator, will be liable to any Participant, to any permitted transferee, to the estate or beneficiary of any Participant or any permitted transferee, or to any other person by reason of any acceleration of income, any additional tax, or any penalty, interest or other liability asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code, or otherwise asserted with respect to any Award.

(c) **Unfunded Plan.** The Company's obligations under the Plan are unfunded, and no Participant will have any right to specific assets of the Company in respect of any Award. Participants will be general unsecured creditors of the Company with respect to any amounts due or payable under the Plan.

12. ESTABLISHMENT OF SUB-PLANS

The Administrator may at any time and from time to time (including before or after an Award is granted) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan for Participants based outside of the U.S. and/or subject to the laws of countries other than the U.S., including by establishing one or more sub-plans, supplements or appendices under the Plan or any Award agreement for the purpose of complying or facilitating compliance with non-U.S. laws or taking advantage of tax favorable treatment or for any other legal or administrative reason determined by the Administrator. Any such sub-plan, supplement or appendix may contain, in each case, (i) such limitations on the Administrator's discretion under the Plan and (ii) such additional or different terms and conditions, as the Administrator deems necessary or desirable and will be deemed to be part of the Plan but will apply only to Participants within the group to which the sub-plan, supplement or appendix applies (as determined by the Administrator); *provided, however*, that no sub-plan, supplement or appendix, rule or regulation established pursuant to this provision shall increase Share Pool.

13. GOVERNING LAW

(a) **Certain Requirements of Corporate Law.** Awards and shares of Stock will be granted, issued and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(b) **Other Matters.** Except as otherwise provided by the express terms of an Award agreement, under a sub-plan described in Section 12 or as provided in Section 13(a) above, the domestic substantive laws of the State of Delaware govern the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of or based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) **Jurisdiction.** Subject to Section 11(a) and except as may be expressly set forth in an Award agreement, by accepting (or being deemed to have accepted) an Award, each Participant agrees or will be deemed to have agreed to (i) submit irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (ii) not commence any suit, action or other proceeding arising out of or based upon the Plan or any Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware; and (iii) waive, and not assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that the Participant is not subject personally to the jurisdiction of the above-named courts that the Participant's property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or any Award or the subject matter thereof may not be enforced in or by such court.

EXHIBIT A

Definition of Terms

The following terms, when used in the Plan, have the meanings and are subject to the provisions set forth below:

“Accounting Rules”: Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor provision.

“Administrator”: The Compensation Committee, except with respect to such matters that are not delegated to the Compensation Committee by the Board (whether pursuant to committee charter or otherwise). The Compensation Committee (or the Board, with respect to such matters over which it retains authority under the Plan or otherwise) may delegate (i) to one or more of its members (or one or more other members of the Board) such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant Awards to the extent permitted by Section 152 or 157(c) of the Delaware General Corporation Law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. For purposes of the Plan, the term “Administrator” will include the Board, the Compensation Committee, and the person or persons delegated authority under the Plan to the extent of such delegation, as applicable. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of two or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a “non-employee director” as defined in Rule 16b-3 of the Exchange Act and an “independent director” to the extent required by the rules of the national securities exchange that is the principal trading market for the Stock; provided, that with respect to Awards made to a member of the Board who is not an employee of the Company, “Administrator” means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act

“Award”: Any or a combination of the following:

- (i) Stock Options.
- (ii) SARs.
- (iii) Restricted Stock.
- (iv) Unrestricted Stock.
- (v) Stock Units, including Restricted Stock Units.
- (vi) Performance Awards.
- (vii) Awards (other than Awards described in (i) through (vi) above) that are convertible into or otherwise based on Stock.

“Board”: The board of directors of the Company.

“Cause”: In the case of any Participant who is party to an employment agreement that contains a definition of “Cause,” the definition set forth in such agreement applies with respect to such Participant for purposes of the Plan for so long as such agreement is in effect. In every

other case, “Cause” means, as determined by the Administrator, termination of a Participant’s employment or other service because of: (i) the Participant’s being charged with a felony (or similar crime in a foreign jurisdiction) or crime of dishonesty or moral turpitude, (ii) insubordination, gross negligence or willful misconduct in the performance of the Participant’s duties, (iii) illegal use of controlled substances during the performance of the Participant’s duties or that adversely affects the reputation or best interests of the Company or any of its subsidiaries, (iv) the Participant’s commission of fraud, embezzlement, misappropriation of funds, breach of fiduciary duty or a material act of dishonesty against the Company or any of its subsidiaries, (v) material breach by the Participant of any written employment, non-competition, non-solicitation, confidentiality or similar agreement with the Company or any of its subsidiaries, (vi) the Participant’s material noncompliance with Company policy or code of conduct, (vii) the Participant’s persistent neglect of duty or chronic unapproved absenteeism, (viii) the Participant’s willful and deliberate failure in the performance of the Participant’s duties in any material respect, in each case, as determined in good faith by the Compensation Committee in its sole discretion, or (ix) any other conduct by a Participant that could be expected to be harmful to the business, interests or reputation of the Company.

“**Closing Date**” means the date of the closing of the transactions contemplated by that certain Agreement and Plan of Merger, dated as of January 24, 2021, by and among Landcadia Holdings III, Inc. and the other parties thereto.

“**Code**”: The U.S. Internal Revenue Code of 1986, as from time to time amended and in effect, or any successor statute as from time to time in effect, including any applicable regulations and guidance thereunder.

“**Company**”: Hillman Solutions Corp.

“**Compensation Committee**”: The compensation committee of the Board.

“**Covered Transaction**”: Any of (i) a consolidation, merger or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company’s then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company’s assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

“**Director**”: A member of the Board who is not an Employee.

“**Disability**”: In the case of any Participant who is party to an employment, change of control or severance-benefit agreement that contains a definition of “Disability” (or a corollary term), the definition set forth in such agreement applies with respect to such Participant for purposes of the Plan for so long as such agreement is in effect. In every other case, “Disability” means, as determined by the Administrator, absence from work due to a disability for a period in excess of 90 days in any 12-month period that would entitle the Participant to receive benefits under the Company’s long-term disability program as in effect from time to time (if the Participant were a participant in such program).

“**Effective Date**”: The later of the date the Plan was approved by the Company’s stockholders or the Closing Date.

“**Employee**”: Any person who is employed by the Company or any of its subsidiaries.

“Employment”: A Participant’s employment or other service relationship with the Company or any of its subsidiaries. Employment will be deemed to continue, unless the Administrator otherwise determines, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to, the Company or any of its subsidiaries. If a Participant’s employment or other service relationship is with any subsidiary of the Company and that entity ceases to be a subsidiary of the Company, the Participant’s Employment will be deemed to have terminated when the entity ceases to be a subsidiary of the Company unless the Participant transfers Employment to the Company or one of its remaining subsidiaries. Notwithstanding the foregoing, in construing the provisions of any Award relating to the payment of “nonqualified deferred compensation” (subject to Section 409A) upon a termination or cessation of Employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms will be construed to require a “separation from service” (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations, after giving effect to the presumptions contained therein) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a “separation from service” has occurred. Any such written election will be deemed a part of the Plan.

“Exchange Act”: The Securities Exchange Act of 1934, as amended.

“Fair Market Value”: As of a particular date, (i) the closing price for a share of Stock reported on the Nasdaq Global Stock Market (or any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the immediately preceding date on which a closing price was reported or (ii) in the event that the Stock is not traded on a national securities exchange, the fair market value of a share of Stock determined by the Administrator consistent with the rules of Section 422 and Section 409A to the extent applicable.

“ISO”: A Stock Option intended to be an “incentive stock option” within the meaning of Section 422. Each Stock Option granted pursuant to the Plan will be treated as providing by its terms that it is to be an NSO unless, as of the date of grant, it is expressly designated as an ISO in the applicable Award agreement.

“NSO”: A Stock Option that is not intended to be an “incentive stock option” within the meaning of Section 422.

“Participant”: Any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than employee benefit plans sponsored or maintained by the Company and by entities controlled by the Company or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of the Company pursuant to a registered public offering.

“Performance Award”: An Award subject to performance vesting conditions, which may include Performance Criteria.

“Performance Criteria”: Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. A Performance Criterion and any targets with respect thereto need not be based upon an increase, a positive or improved result or avoidance of loss and may be applied to a Participant individually, or to a business unit or division of the Company or to the Company as a whole and may relate to any or any combination

of any criterion or criteria determined by the Administrator (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or the performance of one or more companies) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Administrator specifies. A Performance Criterion may also be based on individual performance and/or subjective performance criteria. The Administrator may provide that one or more of the Performance Criteria applicable to such Award will be adjusted in a manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

“Plan”: The Hillman Solutions Corp. 2021 Equity Incentive Plan, as from time to time amended and in effect.

“Prior Plan”: The HMAN Group Holdings Inc. 2014 Equity Incentive Plan, as amended.

“Restricted Stock”: Stock subject to restrictions requiring that it be forfeited, redelivered or offered for sale to the Company if specified performance or other vesting conditions are not satisfied.

“Restricted Stock Unit”: A Stock Unit that is, or as to which the delivery of Stock or of cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

“SAR”: A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the Fair Market Value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

“Section 409A”: Section 409A of the Code and the regulations thereunder.

“Section 422”: Section 422 of the Code and the regulations thereunder.

“Stock”: Common stock of the Company, par value \$0.0001 per share.

“Stock Option”: An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

“Stock Unit”: An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

“Substitute Awards”: Awards granted under the Plan in substitution for one or more equity awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition.

“Unrestricted Stock”: Stock not subject to any restrictions under the terms of the Award.

**HILLMAN SOLUTIONS CORP.
2021 EMPLOYEE STOCK PURCHASE PLAN**

1. Defined Terms

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

2. Purpose of Plan

The Plan is intended to enable Eligible Employees to use payroll deductions to purchase shares of Stock in offerings under the Plan, and thereby acquire an interest in the Company. The Plan is intended to qualify as an “employee stock purchase plan” under Section 423 and to be exempt from the application and requirements of Section 409A of the Code, and is to be construed accordingly.

3. Options to Purchase Stock

Subject to adjustment pursuant to Section 16 of the Plan, the maximum aggregate number of shares of Stock available for purchase pursuant to the exercise of Options granted under the Plan will be 1,140,754 shares (the “**Initial Share Pool**”). The shares of Stock to be delivered upon exercise of Options under the Plan may be either shares of authorized but unissued Stock, treasury Stock, or previously issued Stock acquired by the Company. If any Option granted under the Plan expires or terminates for any reason without having been exercised in full or ceases for any reason to be exercisable in whole or in part, the unpurchased shares of Stock subject to such Option will not reduce the Share Pool and will again be available for purchase under the Plan. If, on an Exercise Date, the total number of shares of Stock that would otherwise be subject to Options granted under the Plan exceeds the number of shares then available in the Share Pool, the Administrator shall make a pro rata allocation of the shares remaining available for purchase under the Plan in as uniform a manner as is practicable and as it determines to be equitable. In such event, the Administrator shall notify each Participant of such reduction and of the effect on the Participant’s Options and may reduce the rate of a Participant’s payroll deductions, if necessary.

4. Eligibility

(a) *Eligibility Requirements.* Subject to Section 13 of the Plan, and the exceptions and limitations set forth in Section 4(b), Section 4(c), and Section 6 of the Plan, or as may be provided elsewhere in the Plan or in any sub-plan contemplated by Section 23, each Employee (i) who has been continuously employed by the Company or a Designated Subsidiary, as applicable, for a period of at least six (6) months as of the first day of an Option Period, (ii) whose customary Employment with the Company or a Designated Subsidiary, as applicable, is for more than five (5) months per calendar year, (iii) who customarily works twenty (20) hours or more per week, (iv) who is not a highly compensated employee (within the meaning of Section 414(q) of the Code) who is subject to the disclosure requirements of Section 16(a) of the Securities Exchange Act, and (v) who satisfies the requirements set forth in the Plan will be an Eligible Employee.

(b) *Five Percent Shareholders.* No Employee may be granted an Option under the Plan if, immediately after the Option is granted, the Employee would own (or pursuant to Section 424(d) of the Code would be deemed to own) stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of its Parent or Subsidiaries, if any.

(c) *Additional Requirements.* The Administrator may, for Option Periods that have not yet commenced, establish additional or other eligibility requirements, or amend the eligibility requirements set forth in subsection (a) above, in each case, consistent with the requirements of Section 423.

5. **Option Periods**

The Plan will generally be implemented by a series of separate offerings referred to as “**Option Periods**”. Unless otherwise determined by the Administrator, the Option Periods will be successive periods of approximately three (3) months commencing on the first payroll date in January, April, July, and October of each year, anticipated to be on or around January 1 and April 1, July 1, and October 1, and ending approximately three months later on the last Business Day in March, June, September or December, as applicable, of each year, anticipated to be on or around March 31, June 30, September 30 and December 31. The last Business Day of each Option Period will be an “**Exercise Date**”. The Administrator may change the Exercise Date, the commencement date, the ending date and the duration of each Option Period, in each case, to the extent permitted by Section 423; *provided, however*, that no Option may be exercised after 27 months from its grant date.

6. **Option Grant**

Subject to the requirements and limitations set forth in Sections 4 and 10 of the Plan and the Maximum Share Limit, on the first day of an Option Period, each Participant will automatically be granted an Option to purchase shares of Stock on the Exercise Date; *provided, however*, that no Participant will be granted an Option under the Plan that permits the Participant’s right to purchase shares of Stock under the Plan and under all other employee stock purchase plans of the Company and its Parent and Subsidiaries, if any, to accrue at a rate that exceeds \$25,000 in Fair Market Value (or such other maximum as may be prescribed from time to time by the Code) for each calendar year during which any Option granted to such Participant is outstanding at any time, as determined in accordance with Section 423(b)(8) of the Code.

7. **Method of Participation**

(a) *Payroll Deduction and Participation Authorization.* To participate in an Option Period, an Eligible Employee must execute and deliver to the Administrator a payroll deduction and participation authorization form in accordance with the procedures prescribed by, and in a form acceptable to, the Administrator and, in so doing, the Eligible Employee will thereby become a Participant as of the first day of such Option Period. Such an Eligible Employee will remain a Participant with respect to subsequent Option Periods until his or her participation in the Plan is terminated as provided herein. Such payroll deduction and participation authorization must be delivered not later than 21 calendar days prior to the first day of an Option Period, or such other time as specified by the Administrator.

(b) *Changes to Payroll Deduction Authorization for Subsequent Option Periods.* A Participant’s payroll deduction authorization will remain in effect for subsequent Option Periods unless the Participant files a new authorization not later than 21 calendar days prior to the first day of the subsequent Option Period (or such other time as specified by the Administrator) or the Participant’s Option is cancelled pursuant to Section 13 or Section 14 of the Plan.

(c) *Changes to Payroll Deduction Authorization for Current Option Period.* During an Option Period, a Participant’s payroll deduction authorization may not be increased or decreased, except that a Participant may terminate his or her payroll deduction authorization by canceling his or her Option in accordance with Section 13 of the Plan.

(d) *Payroll Deduction Percentage.* Each payroll deduction authorization will authorize payroll deductions as a whole percentage from 1% to 15% of the employee's Eligible Compensation per payroll period.

(e) *Payroll Deduction Account.* All payroll deductions made pursuant to this Section 7 will be credited to the Participant's Account. Amounts credited to a Participant's Account will not be required to be set aside in trust or otherwise segregated from the Company's general assets.

8. **Method of Payment**

A Participant must pay for shares of Stock purchased under the Plan with accumulated payroll deductions credited to the Participant's Account. Notwithstanding the foregoing or any provisions to the contrary in this Plan, the Company may (but is not required to) allow Participants to make other contributions under this Plan via cash, check, or other means instead of payroll deductions, and for any Option Period under Section 423 of the Code, the Company determines that such other contributions are permissible under Section 423 of the Code. Any such other contributions must be made in a manner, in an amount and by the deadline prescribed by the Company and, once made, shall be credited to the Participant's Account.

9. **Purchase Price**

The Purchase Price of shares of Stock issued pursuant to the exercise of an Option on each Exercise Date will be eighty-five percent (85%) (or such greater percentage specified by the Administrator to the extent permitted under Section 423) of the Fair Market Value of a share of Stock on the date on which the Option is deemed exercised pursuant to Section 10 of the Plan (*i.e.*, the Exercise Date).

10. **Exercise of Options**

(a) *Purchase of Shares.* Subject to the limitations set forth in Section 6 of the Plan and this Section 10, with respect to each Option Period, on the applicable Exercise Date, each Participant will be deemed to have exercised his or her Option and the accumulated payroll deductions in the Participant's Account will be applied to purchase the greatest number of shares of Stock (rounded down to the nearest whole share) that can be purchased with such Account balance at the applicable Purchase Price; *provided, however*, that no more than 1,000 shares of Stock may be purchased by a Participant on any Exercise Date, or such lesser number as the Administrator may prescribe in accordance with Section 423 (the "**Maximum Share Limit**"). As soon as practicable thereafter, shares of Stock so purchased will be placed, in book-entry form, into a record keeping account in the name of the Participant. No fractional shares will be purchased pursuant to the exercise of an Option under the Plan; any accumulated payroll deductions in a Participant's Account that are not sufficient to purchase a whole share will be retained in the Participant's Account for the subsequent Option Period, subject to earlier withdrawal by the Participant as provided in Section 13 hereof.

(b) *Return of Account Balance.* Except as provided in Section 10(a) above with respect to fractional shares, any accumulated amount of payroll deductions in a Participant's Account for an Option Period that are not used for the purchase of shares of Stock, whether because of the Participant's withdrawal from participation in an Option Period or for any other reason, will be returned to the Participant (or his or her designated beneficiary or legal representative, as applicable), without interest, as soon as administratively practicable after such withdrawal or other event, as applicable. If the Participant's accumulated payroll deductions on the Exercise Date of an Option Period would otherwise enable the Participant to purchase shares of Stock in excess of the Maximum Share Limit or the maximum Fair Market Value set forth in

Section 6 of the Plan, the excess of the amount of the accumulated payroll deductions over the aggregate Purchase Price of the shares of Stock actually purchased will be returned to the Participant, without interest, as soon as administratively practicable after such Exercise Date.

11. Interest

No interest will accrue or be payable on any amount held in the Account of any Participant.

12. Taxes

Payroll deductions will be made on an after-tax basis. The Administrator will have the right to make such provision as it deems necessary for, and may condition the exercise of an Option on, the satisfaction of its obligations to withhold federal, state, local income or other taxes incurred by reason of the purchase or disposition of shares of Stock under the Plan. In the Administrator's discretion and subject to applicable law, such tax obligations may be satisfied in whole or in part by delivery of shares of Stock to the Company, including shares of Stock purchased under the Plan, valued at Fair Market Value, but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the Accounting Rules.

13. Cancellation and Withdrawal

A Participant who has been granted an Option under the Plan may cancel all (but not less than all) of such Option and terminate his or her participation in the Plan by notice to the Administrator in accordance with the procedures prescribed by, and in a form acceptable to, the Administrator. To be effective with respect to an upcoming Exercise Date, such cancellation notice must be delivered not later than 21 calendar days prior to such Exercise Date (or such other time as specified by the Administrator). Upon such termination and cancellation, the balance in the Participant's Account will be returned to the Participant, without interest, as soon as administratively practicable thereafter. For the avoidance of doubt, a Participant who reduces his or her withholding rate for a future Option Period to zero percent (0%) pursuant to Section 7 of the Plan will be deemed to have terminated his or her payroll deduction authorization and canceled his or her participation in the Plan as to such Option Period and all future Option Periods, unless the Participant delivers a new payroll deduction authorization for a subsequent Option Period in accordance with the rules of Section 7(b) of the Plan.

14. Termination of Employment; Death of Participant

Upon the termination of a Participant's employment with the Company or a Designated Subsidiary, as applicable, for any reason (including the death of a Participant during an Option Period prior to an Exercise Date) or in the event the Participant ceases to qualify as an Eligible Employee, the Participant will cease to be a Participant, any Option held by the Participant under the Plan will be canceled, the balance in the Participant's Account will be returned to the Participant (or his or her estate or designated beneficiary in the event of the Participant's death), without interest, as soon as administratively practicable thereafter, and the Participant will have no further rights under the Plan.

15. Equal Rights; Participant's Rights Not Transferable

All Participants granted Options in an offering under the Plan will have the same rights and privileges, consistent with the requirements set forth in Section 423. Any Option granted under the Plan will be exercisable during the Participant's lifetime only by him or her and may not be sold, pledged, assigned, or transferred in any manner. In the event any Participant violates

or attempts to violate the terms of this Section 15, as determined by the Administrator in its sole discretion, any Options granted to the Participant under the Plan may be terminated by the Company and, upon the return to the Participant of the balance of his or her Account, without interest, all of the Participant's rights under the Plan will terminate.

16. **Change in Capitalization; Corporate Transaction**

(a) *Change in Capitalization.* In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of the Accounting Rules, the Administrator shall make appropriate adjustments to the aggregate number and type of shares of stock available under the Plan, the number and type of shares of stock granted under any outstanding Options, the maximum number and type of shares of stock purchasable under any outstanding Option, and/or the Purchase Price under any outstanding Option, in any case, in a manner that complies with Section 423.

(b) *Corporate Transaction.* In the event of a sale of all or substantially all of the Stock or a sale of all or substantially all of the assets of the Company, or a merger or similar transaction in which the Company is not the surviving corporation or that results in the acquisition of the Company by another person, the Administrator may, in its discretion, (i) if the Company is merged with or acquired by another corporation, provide that each outstanding Option will be assumed or exchanged for a substitute Option granted by the acquiror or successor corporation or by a parent or subsidiary of the acquiror or successor corporation, (ii) cancel each outstanding Option and return the balances in Participants' Accounts to the Participants, and/or (iii) pursuant to Section 18 of the Plan, terminate the Option Period on or before the date of the proposed sale, merger or similar transaction.

17. **Administration**

The Plan will be administered by the Administrator. The Administrator has discretionary authority, subject only to the express provisions of the Plan, to administer and interpret the Plan; to determine eligibility under the Plan; to prescribe forms, rules and procedures relating to the Plan; and to otherwise do all things necessary or desirable to carry out the purposes of the Plan. Determinations of the Administrator made with respect to the Plan are conclusive and bind all persons.

The Administrator may specify the manner in which the Company and/or Employees are to provide notices and forms under the Plan, and may require that such notices and forms be submitted electronically.

18. **Amendment and Termination of Plan**

(a) *Amendment.* The Administrator reserves the right at any time or times to amend the Plan to any extent and in any manner it may deem advisable; *provided, however,* that any amendment that would be treated as the adoption of a new plan for purposes of Section 423 will have no force or effect unless approved by the shareholders of the Company within twelve (12) months before or after its adoption.

(b) *Termination.* The Administrator reserves the right at any time or times to suspend or terminate the Plan. In connection therewith, the Administrator may provide, in its sole discretion, either that outstanding Options will be exercisable on the Exercise Date for the applicable Option Period or on such earlier date as the Administrator may specify (in which case such earlier date will be treated as the Exercise Date for the applicable Option Period), or that the balance of each Participant's Account will be returned to the Participant, without interest.

19. Approvals

Shareholder approval of the Plan will be obtained prior to the date that is twelve (12) months after the date of Board approval. In the event that the Plan has not been approved by the shareholders of the Company prior to July 14, 2022, all Options to purchase shares of Stock under the Plan will be cancelled and become null and void.

Notwithstanding anything herein to the contrary, the obligation of the Company to issue and deliver shares of Stock under the Plan will be subject to the approval required of any governmental authority in connection with the authorization, issuance, sale or transfer of such shares of Stock and to any requirements of any national securities exchange applicable thereto, and to compliance by the Company with other applicable legal requirements in effect from time to time.

20. Participants' Rights as Shareholders and Employees

A Participant will have no rights or privileges as a shareholder of the Company and will not receive any dividends in respect of any shares of Stock covered by an Option granted hereunder until such Option has been exercised, full payment has been made for such shares, and the shares have been issued to the Participant.

Nothing contained in the provisions of the Plan will be construed as giving to any Employee the right to be retained in the employ of the Company or any Designated Subsidiary or as interfering with the right of the Company or any Designated Subsidiary to discharge, promote, demote or otherwise re-assign any Employee from one position to another within the Company or any Designated Subsidiary at any time.

21. Restrictions on Transfer; Information Regarding Disqualifying Dispositions.

(a) *Restrictions on Transfer.* Shares of Stock purchased under the Plan may, in the discretion of the Administrator, be subject to a restriction prohibiting the transfer, sale, pledge or alienation of such shares of Stock by a Participant, other than by will or by the laws of descent and distribution, for such period following such purchase as may be determined by the Administrator.

(b) *Disqualifying Dispositions.* By electing to participate in the Plan, each Participant agrees to provide such information about any transfer of Stock acquired under the Plan that occurs within two years after the first day of the Option Period in which such Stock was acquired and within one year after the day such Stock was purchased as may be requested by the Company or any Designated Subsidiary in order to assist it in complying with applicable tax laws.

22. Miscellaneous

(a) *Waiver of Jury Trial.* By electing to participate in the Plan, each Participant waives (or will be deemed to have waived), to the maximum extent permitted under applicable law, any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan or with respect to any Option, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees (or will be deemed to have agreed) that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By electing to participate in the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding

anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit any dispute arising under the terms of the Plan or in respect of any Option to binding arbitration or as limiting the ability of the Company to require any individual to agree to submit such disputes to binding arbitration as a condition of receiving an Option hereunder.

(b) *Limitation of Liability.* Notwithstanding anything to the contrary in the Plan, neither the Company, nor any of its subsidiaries, nor the Administrator, nor any person acting on behalf of the Company, any of its subsidiaries, or the Administrator, will be liable to any Participant, to any permitted transferee, to the estate or beneficiary of any Participant or any permitted transferee, or to any other person by reason of any acceleration of income, any additional tax, or any penalty, interest or other liability asserted by reason of the failure of the Plan or any Option to satisfy the requirements of Section 423, or otherwise asserted with respect to the Plan or any Option.

(c) *Unfunded Plan.* The Company's obligations under the Plan are unfunded, and no Participant will have any right to specific assets of the Company in respect of any Option. Participants will be general unsecured creditors of the Company with respect to any amounts due or payable under the Plan.

23. **Establishment of Sub-Plans**

Notwithstanding the foregoing or any provision of the Plan to the contrary, consistent with the requirements of Section 423, the Administrator may, in its sole discretion, amend the terms of the Plan, or an offering and/or provide for separate offerings under the Plan in order to, among other things, reflect the impact of local law outside of the United States as applied to one or more Eligible Employees of a Designated Subsidiary and may, where appropriate, establish one or more sub-plans to reflect such amended provisions.

24. **Governing Law**

(a) *Certain Requirements of Corporate Law.* Options and shares of Stock will be granted, issued and administered consistent with the requirements of applicable Delaware law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(b) *Other Matters.* Except as otherwise provided by the express terms of a sub-plan described in Section 23 or as provided in Section 24(a), the domestic substantive laws of the State of Delaware govern the provisions of the Plan and of Options under the Plan and all claims or disputes arising out of or based upon the Plan or any Option or relating to the subject matter hereof or thereof without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) *Jurisdiction.* By electing to participate in the Plan, each Participant agrees or will be deemed to have agreed to (i) submit irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Option; (ii) not commence any suit, action or other proceeding arising out of or based upon the Plan or any Option, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware; and (iii) waive, and not assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that he or she is not subject personally to the jurisdiction of the above-named courts that his or her property is exempt or immune from

attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or any Option or the subject matter thereof may not be enforced in or by such court.

25. Effective Date and Term

The Plan will become effective upon adoption of the Plan by the Board and no rights will be granted hereunder after the earliest to occur of (a) the Plan's termination by the Company, (b) the issuance of all shares of Stock available for issuance under the Plan or (c) the day before the 10-year anniversary of the date the Board approves the Plan.

EXHIBIT A
Definition of Terms

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

“401(k) Plan”: A savings plan qualifying under Section 401(k) of the Code that is sponsored by the Company or one of its Subsidiaries for the benefit of its employees.

“Account”: A notional payroll deduction account maintained in the Participant’s name on the books of the Company.

“Accounting Rules”: Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor provision.

“Administrator”: The Compensation Committee of the Board, except that the Compensation Committee may delegate its authority under the Plan to a sub-committee comprised of one or more of its members, to members of the Board, or to officers or employees of the Company to the extent permitted by applicable law. In each case, references herein to the Administrator refer, as applicable, to such persons or groups so delegated to the extent of such delegation.

“Board”: The board of directors of the Company.

“Business Day”: Any day on which the established national exchange or trading system (including the Nasdaq Global Stock Market) on which the Stock is traded is available and open for trading.

“Code”: The U.S. Internal Revenue Code of 1986, as from time to time amended and in effect, or any successor statute as from time to time in effect, including any applicable regulations and guidance thereunder.

“Company”: Hillman Solutions Corp., a Delaware corporation.

“Designated Subsidiary”: A Subsidiary of the Company that has been designated by the Board or the Compensation Committee of the Board from time to time as eligible to participate in the Plan. For the avoidance of doubt, any Subsidiary of the Company, whether or not a Subsidiary on the Effective Date, shall be eligible to be designated as a Designated Subsidiary hereunder.

“Effective Date”: The date set forth in Section 25 of the Plan.

“Eligible Compensation”: Regular base salary, regular base wages, overtime payments, regular annual, quarterly and monthly cash bonuses payable pursuant to a short-term cash incentive plan, commissions and sales incentives (excluding, for the avoidance of doubt, any long-term or equity-based incentive payments or awards, sign-on bonuses, retention bonuses, stipends, or other non-recurring or special bonuses). Eligible Compensation will not be reduced by any income or employment tax withholdings or any contributions by the Employee to a 401(k) Plan or a plan under Section 125 of the Code, but will be reduced by any contributions made on the Employee’s behalf by the Company or any Subsidiary to any deferred compensation plan or welfare benefit program now or hereafter established.

“Eligible Employee”: Any Employee who meets the eligibility requirements set forth in Section 4 of the Plan.

“Employee”: Any person who is employed by the Company or a Designated Subsidiary. For the avoidance of doubt, independent contractors and consultants are not “Employees”.

“Exercise Date”: The date set forth in Section 5 of the Plan or otherwise designated by the Administrator with respect to a particular Option Period on which a Participant will be deemed to have exercised the Option granted to him or her for such Option Period.

“Fair Market Value”:

(a) If the Stock is readily traded on an established national exchange or trading system (including the Nasdaq Global Stock Market), the closing price of a share of Stock as reported by the principal exchange on which such Stock is traded; *provided, however*, that if such day is not a trading day, Fair Market Value will mean the reported closing price of a share of Stock for the immediately preceding day that is a trading day.

(b) If the Stock is not traded on an established national exchange or trading system, the average of the bid and ask prices for shares Stock where the bid and ask prices are quoted.

(c) If the Stock cannot be valued pursuant to clauses (a) or (b), the value as determined in good faith by the Board in its sole discretion.

“Maximum Share Limit”: The meaning set forth in Section 10 of the Plan.

“Option”: An option granted pursuant to the Plan entitling the holder to acquire shares of Stock upon payment of the Purchase Price per share of Stock.

“Option Period”: An offering period established in accordance with Section 5 of the Plan.

“Parent”: A “parent corporation” as defined in Section 424(e) of the Code.

“Participant”: An Eligible Employee who elects to participate in an Option Period under the Plan.

“Plan”: The Hillman Solutions Corp. 2021 Employee Stock Purchase Plan, as from time to time amended and in effect.

“Purchase Price”: The price per share of Stock with respect to an Option Period determined in accordance with Section 9 of the Plan.

“Section 423”: Section 423 of the Code and the regulations thereunder.

“Stock”: Common stock of the Company, par value \$0.001 per share.

“Subsidiary”: A “subsidiary corporation” as defined in Section 424(f) of the Code.

THE HILLMAN GROUP, INC. EMPLOYMENT AGREEMENT

7 THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of April 2010, by and between The Hillman Group, Inc., a Delaware corporation (the "Company"), and Gary Seeds ("Executive").

WHEREAS, upon the consummation of the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of April __, 2010, by and among The Hillman Companies, Inc., a Delaware corporation and the indirect parent of the Company ("Hillman"), OHCP HM Acquisition Corp., a Delaware corporation (the "Purchaser"), and certain other parties thereto, the Purchaser shall acquire 100% of the issued and outstanding capital stock of Hillman in a reverse subsidiary merger pursuant to which Hillman shall be the surviving corporation (the "Merger"); and

WHEREAS, in connection with and subject to the consummation of the Merger, the Company desires to enter into this Agreement with Executive pursuant to which the Company will employ Executive as its Senior Vice President Regional Sales on the terms set forth in this Agreement, and following the consummation of the Merger Executive is willing to serve the Company in such capacity for the period and upon such terms and conditions of this Agreement.

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

I. Employment. The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the consummation of the Merger (the date of such consummation, the "Effective Date") and ending as provided in Section 4(a) hereof (the "Employment Period"). This Agreement shall automatically terminate without any action on the part of any Person and be void ab initio if the Merger Agreement is terminated in accordance with its terms and neither the Company, the Purchaser nor any other Person shall have any liability to Executive under this Agreement if the Merger is not consummated.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as the Senior Vice President Regional Sales of the Company and shall have the normal duties, responsibilities, functions and authority of the Senior Vice President Regional Sales, subject to the power and authority of the Board or the Chief Executive Officer to expand or limit such duties, responsibilities, functions and authority and to overrule actions of officers of the Company. During the Employment Period, Executive shall render such administrative, financial and other executive and managerial services to

Hillman and its Subsidiaries which are consistent with Executive's position as the Board or the Chief Executive Officer may from time to time direct.

(b) During the Employment Period, Executive shall report to the Board and the Chief Executive Officer and shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of Hillman and its Subsidiaries. Executive shall perform his duties, responsibilities and functions to Hillman and its Subsidiaries hereunder to the best of his abilities in a diligent, trustworthy, professional and efficient manner and shall comply with the Company's and its Subsidiaries' policies and procedures in all material respects. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Board; provided that Executive may serve as an officer or director of, or otherwise participate in, purely educational, welfare, social, religious or civic organizations so long as such activities do not interfere with Executive's employment.

(c) For purposes of this Agreement, "Subsidiaries" shall mean, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of the Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or member or general partner of such limited liability company, partnership, association, or other business entity. For purposes of this Agreement, "Person" shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity or any department, agency, or political subdivision thereof.

3. Compensation and Benefits.

(a) During the Employment Period, Executive's base salary shall be \$207,000 per annum or such higher rate as the Board may determine from time to time (such amount, as may be increased from time to time, and not decreased after any such increase, based on no less frequent than an annual review by the Board, the "Base"), which Base Salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices in effect from time to time.
During the period beginning on the Effective Date and ending December 31, 2010, the

Base Salary shall be pro rated on an annualized basis. In addition, during the Employment Period, Executive shall be entitled to participate in employee benefit programs and receive perquisites reasonably comparable to those in effect as of the date hereof and as determined by the Board, including, without limitation, participation in group health insurance and disability insurance, life insurance, MERP benefits (up to \$2,500 of out-of-pocket medical expenses per annum), participation in the Company's 401K plan, vacation and paid holidays and participation in the Company's deferred compensation plan (provided that any participation in such deferred compensation plan is funded solely by the Executive other than match by the Company of \$.25 per \$1.00 up to \$2,500). During the Employment Period, the Company shall reimburse Executive for reasonable expenses incurred by Executive in connection with leasing an automobile (including lease payments, licenses and insurance) not to exceed \$700 per month (or, if Executive seeks to purchase an automobile, reimbursement of reasonable expenses incurred in connection with such purchase, including car loan payments, licenses and insurance), subject to the Company's requirements with respect to reporting and documentation of such expenses. Executive shall bear the cost of gas, cost of repairs on the automobile, and costs of any tickets, traffic offenses or fines of any kind.

(b) During the Employment Period, the Company shall reimburse Executive for all ordinary and reasonable business expenses incurred by him in the course of performing his duties and responsibilities under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(c) In addition to the Base Salary, the Company shall pay to Executive cash bonus compensation pursuant to the terms of a performance-based bonus plan. The bonus plan will provide for performance-based targets to be agreed to annually by the Chief Executive Officer of the Company and the Board. If 100% of such bonus targets are met in a year, Executive shall be entitled to a bonus equal to 35% of his Base Salary for that year. If the Company and its Subsidiaries perform at a level in excess of 100% of the bonus targets, the Executive shall be entitled to a proportionately higher amount of bonus compensation up to a maximum of 70% of his Base Salary for that year, i.e., with each 1% increase above 100% of the bonus target, Executive shall be entitled to an additional 0.35% of his Base Salary for that year. Executive shall be entitled to bonus compensation in a proportionately reduced amount if the Company and its Subsidiaries perform at a level that is less than 100% of the bonus targets but in excess of 85% of the bonus targets, i.e., with each 1% decrease below 100% of the bonus target, Executive's bonus shall be reduced from the bonus he would have received had the Company and its Subsidiaries met 100% of the bonus target by 0.35% of his Base Salary for that year. Executive shall not be entitled to a bonus if 85% or less of the bonus targets are met. Bonuses shall be paid in the calendar year immediately following the calendar year that contains the end of the relevant performance period and in accordance with the Company's general payroll practices (in effect from time to time).

4. Term.

(a) The Employment Period shall be three years beginning on the Effective Date (the "Initial Term") and shall automatically be renewed on the same terms and conditions set forth herein as modified from time to time by the parties hereto for additional one-year periods unless the Company gives Executive written notice of the election not to renew the Employment Period (a "Notice of Non-Renewal") at least 90 days prior to any such renewal date or Executive gives the Company a Notice of Non-Renewal at least 180 days prior to any such renewal date (the end of the Initial Term or the end of an effective one-year extension period being referred to herein as the "Expiration Date"); provided that (i) the Employment Period shall terminate prior to its Expiration Date immediately upon Executive's resignation (with or without Good Reason, as defined below), death or Disability, and (ii) the Employment Period may be terminated by the Company at any time prior to its Expiration Date for Cause (as defined below) or without Cause. Except as otherwise provided herein, any termination of the Employment Period by the Company shall be effective as specified in a written notice from the Company to Executive. Notwithstanding anything to the contrary herein, the termination of the employment of the Executive as a result of the Company providing the Executive a Notice of Non-Renewal shall be treated as a termination of the Executive without Cause.

(b) In the event of Executive's death or Disability, or upon the Expiration Date, Executive shall be entitled to payment of (i) all accrued and unpaid Base Salary through the date of termination or expiration of the Employment Period, (ii) all accrued and unused vacation, and (iii) expense reimbursement pursuant to Section 3(b) of this Agreement (collectively, the "Accrued Payments"), and a pro rated portion (based on the number of days that have elapsed from the beginning of the bonus period until the date of termination or expiration of the Employment Period) of the bonus for the year in which termination or expiration of the Employment Period occurs as determined pursuant to Section 3(c) above (the "Prorated Bonus"). In addition, in the event of Executive's Disability, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(c) If the Employment Period is terminated by the Company for Cause, or if Executive resigns without Good Reason, Executive shall be entitled to payment of the Accrued Payments. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Executive shall not be

entitled to any other salary, bonuses, employee benefits, perquisites or other compensation from the Company or its Subsidiaries for periods after the termination or expiration of the Employment Period, except as otherwise specifically provided for under the Company's employee benefit plans or as otherwise expressly required by applicable law.

(d) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive severance compensation in an amount as determined below:

(i) If the Employment Period is terminated by the Company without Cause or if Executive resigns with Good Reason, then Executive shall be entitled to receive (A) an amount equal to his then applicable Base Salary, (B) the Termination Bonus Amount (as defined in Section 4(d)(ii)), if such termination is during the Initial Term, or 50% of the Termination Bonus Amount, if such termination is after the Initial Term, and (C) health continuation coverage during the period beginning on the date of the termination of the Employment Period and ending twelve months thereafter, at the Company's expense. For purposes of determining Executive's rights to COBRA continuation coverage, the date of termination of the Employment Period shall be the date of the COBRA qualifying event. In addition, Executive shall be permitted to participate, during the period beginning on the date of the termination of the Employment Period and ending six months thereafter, in the Company's group life and disability coverages, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees, at the Company's expense.

(ii) The severance payments outlined in (i) of this Section 4(d) are in addition to the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees: provided that, if not a part of the severance payments outlined in Section 4(d)(i)(C) above, Executive pays all of the premiums and similar costs and expenses for such coverage. Severance payments will be paid and benefit coverage will be provided pursuant to this Section 4(d) only if Executive delivers to the Company an executed Release Agreement

in the form of Exhibit A attached hereto and only so long as Executive has not breached the provisions of Sections 6 and 7 hereof. Severance payments under Section 4(d)(i)(A) above shall be paid by continuation of regular payroll compensation payments beginning

on the date of termination of the Employment Period but in no event less frequently than monthly and continuing in the case of Section 4(d)(i)(A), for one year commencing as provided in Section 5. The severance payment under Section 4(d)(i)(B) above shall be paid in a lump sum in the year following the date of termination of the Employment Period at the same time that annual bonuses are paid to other senior executives of the Company. For purposes of Section 4(d) hereof, "Termination Bonus Amount" shall mean an amount equal to the greater of: (A) the annual average of Executive's annual bonuses for the preceding three years and (B) the amount of Executive's last annual bonus received prior to the termination of the Employment Period.

...

(e) If a Change of Control occurs, and within 90 days after such Change of Control, the Employment Period is terminated by the Company without Cause or Executive resigns with Good Reason, Executive shall be entitled to a lump sum payment payable 30 days after such termination or resignation in an amount equal to the amount payable pursuant to Sections 4(d)(i)(A) and (B). In addition, Executive shall be entitled to receive the Accrued Payments and Prorated Bonus. In addition, the Company shall use commercially reasonable efforts to allow Executive to participate in the Company's group health coverage, to the extent permitted by its insurers and under the same terms and conditions that generally apply to Company employees; provided that Executive pays all of the premiums and similar costs and expenses for such coverage. Payments will not be paid under this Section 4(e) unless Executive delivers to the Company an executed Release Agreement in the form of Exhibit A attached hereto. A "Change of Control" means any transaction or series of transactions pursuant to which any Person(s) or a group of related Persons (other than the investors purchasing shares in Hillman and/or its Subsidiaries as of the date hereof and their affiliates) in the aggregate acquire(s) (i) capital stock of Hillman possessing the voting power (other than voting rights accruing only in the event of a default, breach or event of noncompliance) to elect a majority of the board of Hillman (whether by merger, consolidation, reorganization, combination, sale or transfer of Hillman's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of Hillman's assets determined on a consolidated basis; provided, that a Change of Control shall not include a Public Offering or the consummation of the Merger; provided, further, that such Change of Control also constitutes a change in control event for purposes of Code Section 409A (as defined below) (a "409A Change of Control"). A "Public Offering" means an underwritten initial public offering and sale, registered under the Securities Act, of shares of Hillman's common stock. In the event the Change of Control is not a 409A Change in Control, the payments described in this Section 4(e) shall still be paid, but the schedule of such payments shall be the schedules described in Section 4(d).

(f) The amounts payable pursuant to Sections 4(d) and 4(e) are mutually exclusive, and under no circumstances shall Executive be entitled to receive payments under both Sections.

(g) Executive agrees and acknowledges that Executive shall be responsible for the payment of any and all taxes arising from continued coverage under the Company's benefit plans.

(h) Upon the expiration of the Employment Period, to the extent permitted under the terms of any applicable life insurance policy, Executive shall be permitted to purchase from the Company life insurance policies issued in his name; provided that Executive pays the purchase price of any such life insurance policies, including any fees and expenses associated with such a transfer.

(i) For purposes of this Agreement, "Cause" is defined as (i) willful failure to substantially perform duties hereunder, other than due to Disability; (ii) willful act which constitutes gross misconduct or fraud and which is injurious to Hillman or its Subsidiaries; (iii) conviction of, or plea of guilty or no contest, to a felony or (iv)

material breach of confidentiality, non-compete or non-solicitation agreements (including Sections 6 and 7 hereof) with the Company which is not cured within ten (10) days after written notice from the Company.

G) For purposes of this Agreement, "Good Reason" means termination of this Agreement by Executive due to (i) any material diminution in Executive's position, authority or duties with the Company, (ii) the Company reassigning Executive to work at a location that is more than seventy-five (75) miles from his current work location, (iii) any amendment to the Company's bylaws which results in a material and adverse change to the officer and director indemnification provisions contained therein or (iv) a material breach of Sections 3 or 4 of this Agreement by the Company, which in each case of (i) through (iv) is not cured within 10 days following written notice from Executive. Executive must provide notice of resignation for Good Reason within ninety (90) days following Executive's knowledge of the event or facts constituting Good Reason, otherwise such event or facts shall not constitute Good Reason under this Agreement.

(k) For purposes of this Agreement, "Disability" shall mean Executive's inability to perform the essential duties, responsibilities and functions of his position with the Company and its Subsidiaries for more than 26 weeks in any 12-month period as a result of any mental or physical disability or incapacity as defined in the Americans with Disabilities Act or as otherwise determined by the Board in its reasonable good faith judgment.

5. Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages to Executive for failing to comply with Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's termination of employment. If

the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, then the following shall apply:

(i) To the extent any such cash payment or continuing benefit to be provided is not "deferred compensation" for purposes of Code Section 409A, then such payment or benefit shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

(ii) To the extent any such cash payment or continuing benefit to be provided is "deferred compensation" for purposes of Code Section 409A, then such payments or benefits shall be made or commence upon the sixtieth (60) day following Executive's termination of employment. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Agreement had such payments commenced immediately upon Executive's termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's termination of employment.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's termination of employment. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(d) To the extent that this Agreement provides for the reimbursement of expenses or the provision of in-kind benefits that constitute "non-qualified deferred compensation" under Code Section 409A, the following shall apply: (i) All such reimbursements under shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee; (ii) Any right to reimbursement or in kind benefits shall not be subject to liquidation or exchange for another benefit; and (iii) No such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any

way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(e) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days ("payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(g) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

6. Confidential Information.

(a) Obligation to Maintain Confidentiality. Executive acknowledges that the information, observations and data (including trade secrets) obtained by him during the course of his employment with the Company and its Subsidiaries concerning the business or affairs of Hillman or any its Subsidiaries ("Confidential Information") are the property of Hillman or such Subsidiary. Therefore, Executive agrees that he shall not at any time during the Employment Period or thereafter disclose to any person or entity or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination or expiration of the Employment Period, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to Confidential Information, Third Party Information (as defined in Section 6(b) below), Work Product (as defined in Section 6(c) below) or the business of Hillman or any other Subsidiaries which he may then possess or have under his control.

(b)Third Party Information. Executive understands that Hillman and its Subsidiaries and Affiliates will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on Hillman's and its Subsidiaries' and affiliates' part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 6(a) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of Hillman or its Subsidiaries and affiliates who need to know such information in connection with their work for Hillman or such Subsidiaries and affiliates) or use, except in connection with his work for Hillman or its

Subsidiaries and affiliates, Third Party Information unless expressly authorized by a member of the Board in writing.

(c) Intellectual Property, Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to Hillman's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company and its Subsidiaries, whether before or after the date of this Agreement ("Work Product"), belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Executive acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

7. Non-Compete, Non-Solicitation.

(a) Non-Compete. In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that during the course of his employment with the Company and its Subsidiaries he has and shall become familiar with the Company's trade secrets and with other Confidential Information and that his services have been and shall continue to be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Period and for one year following either the date of termination of the Employment Period for any reason or the Expiration Date, Executive shall not, directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in the process of being implemented during the Employment Period or on the date of the termination or expiration of the Employment Period, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Executive acknowledges (i) that the business of the Company and its Subsidiaries will be conducted throughout the United States, (ii) notwithstanding the state of incorporation or principal office of the Company or any of its Subsidiaries, or any of its executives or employees (including the Executive), it is expected that the Company and its Subsidiaries will have business activities and have valuable business relationships within its industry throughout the United States and (iii) as part of his responsibilities, Executive will be traveling throughout the United States in furtherance of the business and relationships of the Company and its Subsidiaries. Nothing herein shall prohibit Executive from being a passive owner of not more than 2%

of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) Non-Solicitation. During the Employment Period and for two years following either the date of termination of the Employment Period or the Expiration Date, Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Period or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business (or materially reduce the amount of business done) with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its Subsidiaries).

(c) Scope of Restrictions. If, at the time of enforcement of this Section 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(d) Equitable Relief. In the event of the breach or a threatened breach by Executive of any of the provisions of this Section 7, the Company would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by Executive of this Section 7, the time periods referenced in this Section 7 shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges that the provisions of Section 7 above are in consideration of (i) employment with the Company, and (ii) additional good and valuable consideration as set forth in this Agreement. In

addition, Executive agrees and acknowledges that the restrictions contained in Section 7 above are reasonable, do not preclude him from earning a livelihood, that he has reviewed his rights and obligations under this Agreement with his legal counsel and that he fully understands the terms and conditions contained herein. In addition, Executive agrees and acknowledges that the potential harm to the Company of the non-enforcement of Section 7 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

9. Survival. Sections 4(b) through 22, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

At the last known address in the Company's personnel records.

Notices to the Company:

The Hillman Group, Inc. 10590 Hamilton Avenue
Cincinnati, OH 45231
Attn: Chief Executive Officer

and

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

With copies, which shall not constitute notice, to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas New York, NY 10019

Fax: (212) 492-0570
Attn: Angelo Bonvino

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the

Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

18. Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

19. Indemnification and Reimbursement of Payments on Behalf of Executive. The Company and its Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its Subsidiaries or Executive's ownership interest, if any, in the Company (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity). In the event the Company or any of its Subsidiaries does not make such deductions or withholdings, Executive shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

20. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE BETWEEN OR AMONG ANY OF THE PARTIES HERETO, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREBY AND/OR THE RELATIONSHIP ESTABLISHED AMONG THE PARTIES HEREUNDER.

21. Corporate Opportunity. During the Employment Period, Executive shall submit to the Board all business, commercial and investment opportunities or offers presented to Executive or of which Executive becomes aware which relate to the areas of business engaged in by the Company at any time during the Employment Period

("Corporate Opportunities"). Unless approved by the Board, Executive shall not accept or pursue, directly or indirectly, any Corporate Opportunities on Executive's own behalf.

22. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation, any administrative, regulatory or judicial proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments). In the event the Company requires Executive's cooperation in accordance with this paragraph, the Company shall reimburse Executive solely for reasonable travel expenses (including lodging and meals) upon submission of receipts.

23. Directors' and Officers' Liability Insurance. Executive shall be a beneficiary of any directors' and officers' liability insurance policy maintained by the Company so long as Executive remains an officer or director of the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

THE HILLMAN GROUP, INC.

By: /s/ Max Hillman
Name: Max Hillman,
Title: CEO

Gary Seeds

By: /s/ Gary Seeds
Name: Gary Seeds

EXHIBIT A

GENERAL RELEASE

I, Gary Seeds, in consideration of and subject to the performance by The Hillman Companies, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), of its obligations under the Employment Agreement, dated as of April 1, 2010, (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its affiliates and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company and its affiliates and the Company's direct or indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Sections 4(d) and 4(e) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in paragraph Sections 4(d) and 4(e) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. I also acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date hereof) by virtue of any employment by the Company.

2. Except as provided in paragraph 4 below and except for the provisions of my Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or

arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys, fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 _above.
4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).
5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.
6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.
7. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement.

8. ^{an} I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone. Notwithstanding anything herein to the contrary, each of the parties (and each affiliate and person acting on behalf of such party) agree that each party (and each employee, representative, and other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction contemplated in the Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information including (without limitation) (i) any portion of any materials to the extent not related to the tax treatment or tax structure of this transaction, (ii) the identities of participants or potential participants in the Agreement, (iii) any financial information (except to the extent such information is related to the tax treatment or tax structure of this transaction), or (iv) any other term or detail not relevant to the tax treatment or the tax structure of this transaction.
9. Any non-disclosure provision in **this** General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self-regulatory organization or governmental entity.
10. I agree to reasonably cooperate with the Company in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. I understand and agree that my cooperation may include, but not be limited to, making myself available to the Company upon reasonable notice for interviews and factual investigations; appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Company pertinent information; and turning over to the Company all relevant documents which are or may come into my possession all at times and on schedules that are reasonably consistent with my other permitted activities and commitments. I understand that in the event the Company asks for my cooperation in accordance with this provision, the Company will reimburse me solely for reasonable travel expenses, (including lodging and meals), upon my submission of receipts.
11. I agree not to disparage the Company, its past and present investors, officers, directors or employees or its affiliates and to keep all confidential and proprietary information about the past or present business affairs of the Company and its affiliates confidential unless a prior written release from the Company is obtained. I further agree that as of the date hereof, I have returned to the Company any and all property, tangible or intangible, relating to its business, which I possessed or

had control over at any time (including, but not limited to, company-provided credit cards, building or office access cards, keys, computer equipment, manuals, files, documents, records, software, customer data base and other data) and that I shall not retain any copies, compilations, extracts, excerpts, summaries or other notes of any such manuals, files, documents, records, software, customer data base or other data.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.
13. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

- (a) I HAVE READ IT CAREFULLY;
- (b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;
- (c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
- (d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
- (e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON____, _ TO CONSIDER IT AND THE CHANGES MADE SINCE THE____, _ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;
- (f) THE CHANGES TO THE AGREEMENT SINCE____, _ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

- (g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
- (h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT.

IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: __ _

Gary Seeds

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement ("Amendment") is entered into as of June 11, 2015 by and between The Hillman Group, Inc. ("Company") and Gary L. Seeds ("Executive").

WHEREAS, Company and Executive entered into that certain employment agreement on April 21, 2010 ("Agreement"); and

WHEREAS, the parties desire to amend the Agreement on the terms and conditions set forth herein;

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

1. Section 3(c) of the Agreement is hereby amended by:
 - a. Deleting the fifth sentence thereof and replacing it with : "Executive shall be entitled to bonus compensation in a reduced amount if the Company and its Subsidiaries perform at a level that is less than 100% of the bonus targets but in excess of a minimum level established by the Board."; and
 - b. Deleting the sixth sentence thereof.
2. Except as modified by this Amendment, the Agreement shall remain in full force and effect.
3. This Amendment shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns.
4. The parties may execute this Amendment in identical counterparts, both of which when taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be duly executed on the day and year first written above.

Executive



Gary/Seeds

Company

The Hillman Group, Inc.

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**Notice To Holders
Of Stock Options**

under the

**Hman Group Holdings Inc.
2014 Equity Incentive Plan**

July 15, 2021

As you know, HMAN Group Holdings Inc. ("HMAN") entered into an agreement to consummate a business combination with Landcadia Holdings III, Inc. ("Landcadia") (the "Merger"), which occurred on July 14, 2021 (the "Closing Date"). Following the Merger and in connection with the business combination, Landcadia became the direct parent company of HMAN and was renamed Hillman Solutions Corp. ("New Hillman"). Shares of Class A common stock of New Hillman ("New Hillman Shares") are publicly traded on The Nasdaq Capital Market.

You are receiving this notice because you held outstanding options to purchase common stock of HMAN ("HMAN Shares") pursuant to a Nonqualified Stock Option Award Agreement(s) between you and HMAN (your "Award Agreement(s)"). This notice is to advise you that immediately prior to the Closing Date, the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (as amended from time to time, the "Plan") and your outstanding options (your "Old Options") were assumed by New Hillman and your Old Options were automatically modified into options (your "New Hillman Options") to purchase New Hillman Shares, as follows, with no action required on your part.

□ The number of New Hillman Shares underlying your New Hillman Options is equal to (i) the number of HMAN Shares outstanding under your Old Options on the Closing Date multiplied by (ii) the Exchange Ratio (defined below), rounded down to the nearest whole share.

□ The exercise price of your New Hillman Options is equal to (i) the exercise price per share of your Old Options divided by (ii) the Exchange Ratio, rounded up to the nearest whole cent.

□ The Exchange Ratio is equal to 164.825:1, and was obtained by dividing the per share price of HMAN Shares (\$1,648.25) by the per share price of New Hillman Shares in the Merger (\$10.00).

Using the Exchange Ratio to convert your Old Options was done to ensure that the spread value (i.e., the difference between the aggregate share value and the aggregate exercise price) of your Old Options as of immediately prior to the Merger would equal the spread value as of immediately following their assumption by New Hillman and conversion into New Hillman Options.

You will be able to see the number of New Hillman Shares underlying your New Hillman Options by accessing your [Redacted] account. Instructions for accessing your [Redacted] account will be sent to you by [Redacted].

Please note the following with respect to the terms of your New Hillman Options:

□ Any references to HMAN or to "the Company" in the Plan or your Award Agreement (or below) will instead refer to New Hillman. Any references to HMAN Shares or to "the common stock" of HMAN will instead refer to New Hillman Shares.

□ Your Time Option(s) (as such term is used in your Award Agreement(s)) will continue to vest in accordance with the terms set forth in your Award Agreement(s). As a reminder, your Time Option(s) vest 25% on each of the first, second, third and fourth anniversaries of the date of grant, subject to your continued employment with, or service to, the Company or its subsidiaries through the applicable anniversary date.

□ If you hold any Performance Options (as such term is used in your Award Agreement(s)) that were granted to you prior to 2021, such Performance Options were converted to Performance Options that will vest 100% upon New Hillman's achievement of a 20-day VWAP at \$12.50 per share, measured not earlier than six (6) months following the Closing Date, subject to your continued employment with, or service to, New Hillman or its subsidiaries through the applicable vesting date. If you hold a Performance Option that was granted on January 22, 2021, such Performance Option will continue to be eligible to vest in accordance with the terms set forth in your Award Agreement. As a reminder, your Performance Option will vest 50% on January 1, 2022 if the Company achieves or exceeds an EBITDA target of \$240 million

for fiscal year 2021, and 50% on January 1, 2023 if the Company achieves or exceeds an EBITDA target of \$260 million for fiscal year 2022.

□ Following its assumption by New Hillman on the Closing Date, the Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors of New Hillman in accordance with the administrative provisions of the New Hillman 2021 Equity Incentive Plan, including those related to the authority of the Committee to administer awards, to determine the impact of certain events relating to New Hillman or to New Hillman Shares on awards, and to specify how payment of the exercise price, tax withholding and other obligations with respect to awards will be satisfied.

□ **Notwithstanding anything to the contrary in your Award Agreement, you may not exercise your New Hillman Options prior to the date that New Hillman files a Form S-8 to register the New Hillman Shares issuable under the Plan. New Hillman expects to be able to complete this filing approximately sixty (60) days following the Closing Date.**

Except as described above, your New Hillman Options are subject to the same general terms and conditions as were applicable to your Old Options immediately prior to the Closing Date. If there is a conflict between the terms described in this notice and the Plan or the applicable Award Agreement, except as expressly described above, the terms of the Plan or the Award Agreement will control.

If you have questions, please feel free to send them to [Redacted].

Please sign below to acknowledge your receipt of and agreement with the terms of this notice, and return to [Redacted] at [Redacted] by July 30, 2021.

Date: _____

Sign Name: _____

Print Name: _____

| | |
|--|--|
| Name: | |
| Number of Restricted Stock Units subject to Award: | |
| Date of Grant: | |

HMAN GROUP HOLDINGS INC.
2014 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award Agreement

This agreement (this “**Agreement**”) evidences an award (the “**Award**”) of restricted stock units granted by HMAN Group Holdings Inc. (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms of the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (as amended from time to time, the “**Plan**”).

1. Grant of Restricted Stock Unit Award. The Company grants to the Participant on the date set forth above (the “**Date of Grant**”) the number of restricted stock units (the “**Restricted Stock Units**”) set forth above giving the Participant the conditional right to receive, without payment and pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, one Share with respect to each Restricted Stock Unit forming part of the Award, subject to adjustment pursuant to Article 11 of the Plan in respect of transactions occurring after the date hereof.

2. Meaning of Certain Terms. Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan. “**Termination Date**” means the last day of the Participant’s active employment and does not include any period of non-working notice or any period for which pay in lieu of notice, termination pay, severance pay or any other monies in relation to the cessation of employment are paid.

3. Vesting; Termination of Employment.

(a) Vesting. Unless earlier terminated, forfeited, relinquished or expired, the Award will become vested as to 100% of the Restricted Stock Units on the third (3rd) anniversary of the Date of Grant, subject to the Participant remaining in continuous employment by the Company or a Subsidiary from the Date of Grant through such vesting date.

(b) Termination of Employment.

(i) In the event that the Participant’s employment is terminated for any reason, any unvested portion of the Award shall immediately terminate and be forfeited effective as of the Termination Date.

(ii) In the event that the Participant’s employment is terminated for Cause or occurs in circumstances that in the determination of the Committee would have constituted grounds for the Participant’s employment to be terminated for Cause (in each case, without regard to the lapsing of any required notice or cure periods in connection therewith), the vested portion of this Award, if any, shall immediately terminate and be forfeited for no consideration effective as of the Termination Date.

4. Delivery of Shares. Subject to Section 5 below, the Company shall, as soon as practicable upon the vesting of any portion of the Award (but in no event later than thirty (30) days following the date on which such Restricted Stock Units vest), effect delivery of the Shares with respect to such vested Restricted Stock Units to the Participant (or, in the event of the

Participant's death, to the person to whom the Award has passed by will or the laws of descent and distribution). No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Committee.

5. Forfeiture; Recovery of Compensation. The Committee may cancel, rescind, withhold or otherwise limit or restrict this Award at any time if the Participant is not in compliance with all applicable provisions of this Agreement and the Plan. By accepting, or being deemed to have accepted, this Award, the Participant expressly acknowledges and agrees that his or her rights, and those of any permitted transferee of this Award, under this Award, including the right to any Shares acquired under this Award or proceeds from the disposition thereof, and any other amounts received in respect of this Award will be subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if the Participant to whom the Award was granted is not in compliance with any provision of the Plan or any applicable Award or any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment, or other restrictive covenant by which he or she is bound. The Award is subject to any policy of the Company or any of its subsidiaries that provides for forfeiture, disgorgement, or clawback with respect to incentive compensation that includes Awards under the Plan and will be further subject to forfeiture and disgorgement to the extent required by law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Exchange Act. The Participant, by accepting or being deemed to have accepted this Award, agrees (or will be deemed to have agreed) to the terms of this Section 5 and any clawback, recoupment or similar policy of the Company or any of its subsidiaries and further agrees (or will be deemed to have further agreed) to cooperate fully with the Committee, and to cause any and all permitted transferees of the Participant to cooperate fully with the Committee, to effectuate any forfeiture or disgorgement described in this Section 5. Neither the Committee nor the Company nor any other person, other than the Participant and his or her permitted transferees, if any, will be responsible for any adverse tax or other consequences to a Participant or his or her permitted transferees, if any, that may arise in connection with this Section 5. The Participant further agrees to be bound by the terms of any clawback or recoupment policy of the Company that applies to incentive compensation that includes Awards such as the Restricted Stock Units. Nothing in the preceding sentence may be construed as limiting the general application of Section 10 of this Agreement.

6. Dividends; Other Rights. This Award may not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any subsidiary prior to the date on which the Company delivers Shares to the Participant. The Participant is not entitled to vote any Shares by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any Share prior to the date on which any such Share is delivered to the Participant hereunder. The Participant will have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

7. Nontransferability. This Award may not be transferred except as expressly permitted under Section 14.5 of the Plan.

8. Taxes.

(a) The Participant expressly acknowledges that the vesting or settlement of the Restricted Stock Units acquired hereunder may give rise to "wages" subject to withholding. No Shares will be delivered pursuant to this Award unless and until the Participant has remitted to the Company in cash or by check (or by such other means as may be acceptable to the Committee) an amount sufficient to satisfy all taxes required to be withheld in connection with such vesting or settlement.

(b) The Participant authorizes the Company and its subsidiaries to withhold any amounts due in respect of any required tax withholdings or payments from any amounts otherwise owed to the Participant, but nothing in this sentence may be construed as relieving the Participant of any liability for satisfying his or her obligation under the preceding provisions of this Section 8.

(c) This Award is intended to be exempt from Section 409A of the Code as a short-term deferral thereunder and shall be construed and administered in accordance with that intent. Notwithstanding the foregoing, in no event will the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A.

9. Effect on Employment. Neither the grant of this Award, nor the issuance of Shares upon the vesting of this Award, will give the Participant any right to be retained in the employ or service of the Company or any of its subsidiaries, affect the right of the Company or any of its subsidiaries to discharge the Participant at any time, or affect any right of the Participant to terminate his or her Employment at any time.

10. Restrictive Covenant Agreement. The Participant agrees to be bound by the Restrictive Covenant Agreement attached hereto as Exhibit A (the "Restrictive Covenant Agreement") in consideration of: (a) the Restricted Stock Units granted herein; (b) the Participant's ongoing employment by the Company or a Subsidiary; (c) the importance of protecting the confidential information of the Company, its Subsidiaries and its Affiliates and their other legitimate interests, including without limitation the valuable confidential information and goodwill that they have developed or acquired; (d) the Participant being granted access to trade secrets and other confidential information of the Company, its Subsidiaries and its Affiliates; and (e) other good and valuable consideration.

11. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished to the Participant. By accepting, or being deemed to have accepted, all or any portion of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

12. Acknowledgements. The Participant acknowledges and agrees that:

(a) The grant of the Restricted Stock Units is considered a one-time benefit and does not create a contractual or other right to receive any other award under the Plan, benefits in lieu of such awards or any other benefits in the future.

(b) The Plan is a voluntary program of the Company and future awards, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any award, the amount of any award, vesting provisions and purchase price, if any.

(c) The value of the Restricted Stock Units is an extraordinary item of compensation outside of the scope of the Participant's employment. As such, the Restricted Stock Units are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-term service awards, pension or retirement benefits or similar payments.

(d) The Participant authorizes the Company to use and disclose to any agent administering the Plan or providing recordkeeping services with respect to the Plan such information and data as the Company shall request in order to facilitate the grant of the

Restricted Stock Units, the administration of the Restricted Stock Units and the administration of the Plan, and the Participant waives any data privacy rights he or she may have with respect to such information or the sharing of such information.

(e) (i) This Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument, (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder, and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

HMAN Group Holdings Inc.

By: _____

Name: _____

Title: _____

Agreed and Accepted:

Signature: _____

Name: _____

Signature Page to Restricted Stock Unit Award Agreement

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS AGREEMENT (this “Restrictive Covenant Agreement”) is made effective as of the Date of Grant by and between the Company and the Participant. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Restricted Stock Unit Award Agreement to which this Restrictive Covenant Agreement is attached as Exhibit “A” (the “Award Agreement”).

RECITALS:

WHEREAS, the Company and the Participant have entered into the Award Agreement;

AND WHEREAS the Award Agreement is conditional on the Participant entering into this Restrictive Covenant Agreement;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Confidential Information.**

a. **Obligation to Maintain Confidentiality.** The Participant acknowledges that the information, observations and data (including trade secrets) obtained by the Participant during the course of the Participant’s employment with the Company and its Subsidiaries concerning the business or affairs of the Company or any its Subsidiaries (“Confidential Information”) are the property of the Company or such Subsidiary. Therefore, the Participant agrees that the Participant shall not at any time during the Participant’s employment period or thereafter disclose to any person or entity or use for the Participant’s own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of the Participant’s acts or omissions. The Participant shall deliver to the Company at the termination of the Participant’s employment period, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to Confidential Information, Third Party Information (as defined in Section 1(b) below), Work Product (as defined in Section 1(c) below) or the business of the Company or any other Subsidiaries which the Participant may then possess or have under the Participant’s control.

b. **Third Party Information.** The Participant understands that the Company and its Subsidiaries and Affiliates will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s and its Subsidiaries’ and Affiliates’ part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Participant’s employment period and thereafter, and without in any way limiting the provisions of Section 1(a) above, the Participant will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Subsidiaries and Affiliates who need to know such information in connection with their work for the Participant or such Subsidiaries and Affiliates) or use, except in connection with the Participant’s work for the Company or its Subsidiaries and Affiliates, Third Party Information unless expressly authorized by a member of the Board in writing.

c. **Intellectual Property, Inventions, and Patents.** The Participant acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements,

developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Participant (whether alone or jointly with others) while employed by the Company and its Subsidiaries, whether before or after the Date of Grant ("Work Product"), belong to the Company or such Subsidiary. The Participant hereby assigns to the Company all rights, title and interest throughout the world in the Work Product. The Participant further waives all moral rights in the Work Product, including, without limitation, the right to the integrity of the Work Product, the right to be associated with the Work Product in any way, the right to restrain or claim damages for any distortion, mutilation or other modification of the Work Product, and the right to restrain the use or reproduction of the Work Product in any context and in connection with any product, service, cause or institution, effective at the time the particular Work Product is created. The Participant shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the Participant's employment period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). The Participant acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

2. Non-Compete, Non-Solicitation.

a. Non-Compete. In further consideration of (i) the Award granted herein; (ii) the Participant's ongoing employment by the Company or a Subsidiary; (iii) the importance of protecting the confidential information of the Company, its Subsidiaries and its Affiliates and their other legitimate interests, including without limitation the valuable confidential information and goodwill that they have developed or acquired; (iv) the Participant being granted access to trade secrets and other confidential information of the Company, its Subsidiaries and its Affiliates; and (v) other good and valuable consideration, the Participant acknowledges that during the course of the Participant's employment with the Company and its Subsidiaries the Participant has and shall become familiar with the Company's trade secrets and with other Confidential Information and that the Participant's services have been and shall continue to be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, the Participant agrees that, during the Participant's employment period and for one (1) year following the date of such termination of the employment period, the Participant shall not, directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in the process of being implemented during the Participant's employment period or on the date of the termination of the employment period (as applicable, the "Restricted Period"), within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. The Participant acknowledges (A) that the business of the Company and its Subsidiaries will be conducted throughout North America, (B) notwithstanding the state of incorporation or principal office of the Company or any of its Subsidiaries, or any of its executives or employees (including the Participant), it is expected that the Company and its Subsidiaries will have business activities and have valuable business relationships within its industry throughout North America and (C) as part of the Participant's responsibilities, the Participant will be traveling throughout North America in furtherance of the business and relationships of the Company and its Subsidiaries. Nothing herein shall prohibit the Participant from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Participant has no active participation in the business of such corporation.

b. Non-Solicitation. During the Participant's employment period and for two (2) years following the date of termination of the Participant's employment period, the Participant shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Participant's employment period or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business (or materially reduce the amount of business done) with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its Subsidiaries).

c. Scope of Restrictions. If, at the time of enforcement of this Section 2, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

d. Equitable Relief. In the event of the breach or a threatened breach by the Participant of any of the provisions of this Section 2, the Company would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by the Participant of this Section 2, the time periods referenced in this Section 2 shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

3. Participant's Representations. The Participant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Restrictive Covenant Agreement by the Participant do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Participant is a party or by which the Participant is bound, (ii) the Participant is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Restrictive Covenant Agreement by the Company, this Restrictive Covenant Agreement shall be the valid and binding obligation of the Participant, enforceable in accordance with its terms. The Participant hereby acknowledges that the provisions of Section 2 above are in consideration of (i) the Award granted herein; (ii) the Participant's ongoing employment by the Company or a Subsidiary; (iii) the importance of protecting the confidential information of the Company, its Subsidiaries and its Affiliates and their other legitimate interests, including without limitation the valuable confidential information and goodwill that they have developed or acquired; (iv) the Participant being granted access to trade secrets and other confidential information of the Company, its Subsidiaries and its Affiliates; and (v) other good and valuable consideration. In addition, Executive agrees and acknowledges that the restrictions contained in Section 2 above are reasonable, do not preclude the Participant from earning a livelihood, that the Participant has reviewed the Participant's rights and obligations under this Restrictive Covenant Agreement with the Participant's legal counsel and that the Participant fully understands the terms and conditions contained herein. In addition, the Participant agrees and acknowledges that the potential harm to the Company of the non-enforcement of Section 2 outweighs any potential harm to the Participant of its enforcement by injunction or otherwise. The Participant acknowledges that the

Participant has carefully read this Restrictive Covenant Agreement and has given careful consideration to the restraints imposed upon the Participant by this Restrictive Covenant Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company now existing or to be developed in the future. The Participant expressly acknowledges and agrees that each and every restraint imposed by this Restrictive Covenant Agreement is reasonable with respect to subject matter, time period and geographical area.

4. Non-Disparagement. The Participant shall not at any time, directly or indirectly, orally, in writing or through any medium, disparage, defame or assail the reputation, integrity or professionalism of the Company or any of its affiliates, officers, directors, employees or shareholders. Notwithstanding the foregoing, this prohibition does not apply to statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings.

5. Severability. In the event that a court of competent jurisdiction determines that any term or provision of this Restrictive Covenant Agreement is illegal, invalid or unenforceable in any jurisdiction, such illegality, invalidity or unenforceability of that term or provision will not affect: (a) the legality, validity or enforceability of the remaining terms and provisions of this Restrictive Covenant Agreement; and (b) the legality, validity or enforceability of such term or provision in any other jurisdiction.

6. Notices. Any notice or other communication provided for herein or given hereunder to a party hereto must be in writing and shall be deemed to have been given (a) when personally delivered or delivered by facsimile transmission with confirmation of delivery or (b) upon delivery after deposit with Federal Express or similar overnight courier service. A notice shall be addressed to the Company at its principal executive office, attention General Counsel, and to the Participant at the address that he/she most recently provided to the Company.

7. Other Agreements. The Participant acknowledges that the Participant remains bound by any other non-competition, non-solicitation, confidentiality or other restrictive covenants set forth in any employment agreement or other agreement with the Company or any of its Subsidiaries that the Participant has previously entered into and that any such restrictive covenants shall not be superseded or replaced by the restrictive covenants contained herein.

8. Amendment; Waiver. No amendment or modification of any term of this Restrictive Covenant Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant. No waiver of any breach or condition of this Restrictive Covenant Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

9. Successors and Assigns; No Third-Party Beneficiaries. The provisions of this Restrictive Covenant Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns.

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

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restrictive Covenant Agreement.

HMAN Group Holdings Inc.

By: _____
Name: _____
Title: _____

**Agreed and acknowledged as
of the date first above written:**

Signature: _____
Name: _____

**Notice To Holders
Of Restricted Stock Units**

under the

**Hman Group Holdings Inc.
2014 Equity Incentive Plan**

July 15, 2021

As you know, HMAN Group Holdings Inc. ("HMAN") entered into an agreement to consummate a business combination with Landcadia Holdings III, Inc. ("Landcadia") (the "Merger"), which occurred on July 14, 2021 (the "Closing Date"). Following the Merger and in connection with the business combination, Landcadia became the direct parent company of HMAN and was renamed Hillman Solutions Corp. ("New Hillman"). Shares of Class A common stock of New Hillman ("New Hillman Shares") are publicly traded on The Nasdaq Capital Market.

You are receiving this notice because you held outstanding restricted stock units in respect of HMAN ("HMAN Shares") pursuant to a Restricted Stock Unit Award Agreement between you and HMAN (your "Award Agreement"). This notice is to advise you that immediately prior to the Closing Date, the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (as amended from time to time, the "Plan") and your outstanding restricted stock units (your "Old RSUs") were assumed by New Hillman and your Old RSUs were automatically modified into restricted stock units (your "New Hillman RSUs") in respect of New Hillman Shares, as follows, with no action required on your part.

□ The number of New Hillman Shares underlying your New Hillman RSUs is equal to (i) the number of HMAN Shares outstanding under your Old RSUs on the Closing Date multiplied by (ii) the Exchange Ratio (defined below), rounded up to the nearest whole share.

□ The Exchange Ratio is equal to 164.825:1, and was obtained by dividing the per share price of HMAN Shares (\$1,648.25) by the per share price of New Hillman Shares in the Merger (\$10.00).

Using the Exchange Ratio to convert your Old RSUs ensures that the value of your Old RSUs as of immediately prior to the Merger is equal to the value immediately following their assumption by New Hillman and conversion into New Hillman RSUs.

You will be able to see the number of New Hillman Shares underlying your New Hillman RSUs by accessing your [Redacted] account. Instructions for accessing your [Redacted] account will be sent to you by [Redacted].

Please note the following with respect to the terms of your New Hillman RSUs:

□ Any references to HMAN or to "the Company" in the Plan or your Award Agreement (or below) will instead refer to New Hillman. Any references to HMAN Shares or to "the common stock" of HMAN will instead refer to New Hillman Shares.

□ Your New Hillman RSUs will continue to vest in accordance with the terms set forth in your Award Agreement. As a reminder, your New Hillman RSUs vest 100% on the third anniversary of the date of grant, subject to your continued employment with, or service to, the Company or its subsidiaries through the applicable anniversary date.

□ Following its assumption by New Hillman on the Closing Date, the Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors of New Hillman in accordance with the administrative provisions of the New Hillman 2021 Equity Incentive Plan, including those related to the authority of the Committee to administer awards, to determine the impact of certain events relating to New Hillman or to New Hillman Shares on awards, and to specify how payment of the tax withholding and other obligations with respect to awards will be satisfied.

Except as described above, your New Hillman RSUs are subject to the same general terms and conditions as were applicable to your Old RSUs immediately prior to the Closing Date. If there is a conflict between the terms described in this notice and the Plan or the applicable Award Agreement, except as expressly described above, the terms of the Plan or the Award Agreement will control.

If you have questions, please feel free to send them to stock.administration@hillmangroup.com.

Please sign below to acknowledge your receipt of and agreement with the terms of this notice, and return to [Redacted] at [Redacted] by July 30, 2021.

Date: _____

Sign Name: _____

Print Name: _____

**HMAN GROUP HOLDINGS, INC.
2014 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT (this "**Award Agreement**") is made effective as of [_____] (the "**Date of Grant**") by and between HMAN Group Holdings, Inc., a Delaware corporation (the "**Company**"), and [_____] (the "**Participant**"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the HMAN Group Holdings, Inc. 2014 Equity Incentive Plan (the "**Plan**").

RECITALS:

WHEREAS, the Participant is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the restricted stock provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Grant of the Restricted Stock. On the Date of Grant, the Company hereby grants to the Participant [_____] Shares of restricted stock (the "**Restricted Stock**"), on the terms and conditions set forth in the Plan and this Award Agreement.

2. Vesting.

(a) [Subject to the terms set forth in the Plan and this Award Agreement, the Restricted Stock shall vest in full upon the occurrence of a Change of Control, subject to the Participant's continued employment by the Company or a Subsidiary through the consummation of such Change of Control.

(b) In the event that the Participant's employment is terminated by the Company or a Subsidiary without Cause or the Participant resigns his employment for Good Reason (as defined in the Stockholders Agreement), the Restricted Stock shall vest in full, effective as of the Termination Date; provided, that, notwithstanding anything in the Stockholders Agreement to the contrary, if the Company elects to repurchase such Restricted Stock in accordance with Section 2.5 of the Stockholders Agreement, the "Repurchase Price" shall be the lower of the Fair Market Value on the Date of Grant and the Fair Market Value on the Termination Date.]

OR

(a) Subject to the terms set forth in the Plan and this Award Agreement, the Restricted Stock shall vest as follows:

(i) twenty-five percent (25%) on each of the following dates: (A) the completion of the Participant's relocation to the Cincinnati area and (b) the first, second, and third anniversaries of the Date of Grant, each such vesting subject to the Participant's continued employment by the Company or a Subsidiary at that time; and

(ii) in full upon the earlier of (A) the Participant's employment is terminated by the Company or a Subsidiary without Cause or the Participant resigns his employment for Good Reason (as defined in the Stockholders Agreement) or (B) the consummation of a Change of Control, subject to the Participant's continued employment by the Company or a Subsidiary at that time.]

(b) Notwithstanding anything in the Stockholders Agreement to the contrary, if the Company elects to repurchase such Restricted Stock in accordance with Section 2.5 of the Stockholders Agreement, the "Repurchase Price" shall be the lower of the Fair Market Value on the Date of Grant and the Fair Market Value on the Termination Date

3. Forfeiture. In the event that the Participant's employment is terminated for any reason other than by the Company or a Subsidiary without Cause or by the Participant for Good Reason, any unvested Restricted Stock shall immediately be forfeited, without consideration, effective as of the Termination Date. "**Termination Date**" means the last day of active employment and does not include any period of non-working notice or any period for which pay in lieu of notice, termination pay, severance pay, or any other monies in relation to the cessation of employment are paid.

4. Stockholders Agreement. The Participant agrees and acknowledges that as a condition to the grant of the Restricted Stock under this Award Agreement, such Restricted Stock shall be subject to the terms and conditions of the Stockholders Agreement previously entered into by the Participant, including all transfer restrictions and repurchase rights set forth in Section 2.5 thereof.

5. Issuance of the Shares. The Restricted Stock shall be registered in the name of the Participant on the records of the Company, may be issued in book-entry form (with no physical certificate issued to the Participant), and shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable.

6. Dividends; Distributions. The Participant shall have all of the rights of a stockholder of the Company, including the right to receive all dividends and other distributions paid or made with respect to the Restricted Stock; provided that, (x) any regular cash dividends paid with respect to unvested Restricted Stock will be withheld by the Company and will be paid to the Participant, without interest, within thirty (30) days after such unvested Restricted Stock vests and will be forfeited if and when such unvested Restricted Stock is forfeited, and (y) any property (other than cash) distributed with respect to such unvested Restricted Stock (including without limitation a distribution of shares by reason of a stock dividend, stock split or otherwise or a distribution of other securities with respect to such unvested Restricted Stock) will be subject to the restrictions of this Award Agreement in the same manner and for so long as such unvested Restricted Stock remains subject to those restrictions and will be forfeited if and when such unvested Restricted Stock is forfeited or will vest if and when the unvested Restricted Stock vests.

7. No Right to Continued Service. The granting of the Restricted Stock shall impose no obligation on the Company or any Subsidiary to continue the employment of the Participant and shall not lessen or affect any right that the Company or any Subsidiary may have to terminate the employment of the Participant.

8. Withholding. To the extent that the granting of the Restricted Stock hereunder, vesting of any Restricted Stock, or occurrence of any other event relating to the Restricted Stock results in compensation income to the Participant for federal, state or local tax purposes, the Company shall have the power and right to deduct or withhold automatically any amount

deliverable under the Award Agreement or otherwise, or require the Participant to remit to the Company in cash, the minimum statutory amount to satisfy such taxes.

9. Transferability. Unless otherwise determined by the Committee, the Participant shall not be permitted to transfer or assign the Restricted Stock except in the event of death (subject to the applicable laws of descent and distribution).

10. Eligibility. The Participant is one of the following as indicated on Exhibit A hereto:

a. an “accredited investor” (as defined in Exhibit A hereto) who has completed Exhibit A hereto as to the Participant’s status as an “accredited investor,” and such information is true and complete, or

b. a non-accredited investor who has, by the Participant or through a “personal representative” within the meaning of Rule 501(h) under Regulation D of the Securities Act of 1933, as amended, such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of his or her investment in the Restricted Stock and the Participant is capable of bearing the economic risks of such investment and is able to bear the complete loss of such investment.

11. Restricted Stock Subject to Plan. By entering into this Award Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Restricted Stock is subject to the terms and conditions of the Plan. Notwithstanding the foregoing, in the event of a conflict between any term hereof and a term of the Plan, the applicable term of this Award Agreement shall govern and prevail.

12. Choice of Law. This Award Agreement, and all claims or causes of action or other matters (whether in contract, tort or otherwise) that may be based upon, arise out of or relate to this Award Agreement, shall be governed by and construed in accordance with the laws of the State of Delaware, excluding any conflict- or choice-of-law rule or principle that might otherwise refer construction or interpretation thereof to the substantive laws of another jurisdiction.

13. Consent to Jurisdiction. The Company and the Participant, by their execution hereof, (a) hereby irrevocably submit to the exclusive jurisdiction of the state and federal courts in the State of Delaware for the purposes of any claim or action arising out of or based upon this Award Agreement or relating to the subject matter hereof; (b) hereby waive, to the extent not prohibited by applicable law, and agree not to assert by way of motion, as a defense or otherwise, in any such claim or action, any claim that they are not subject personally to the jurisdiction of the above-named courts, that their property is exempt or immune from attachment or execution, that any such proceeding brought in the above-named court is improper or that this Award Agreement or the subject matter hereof may not be enforced in or by such court; and (c) hereby agree not to commence any claim or action arising out of or based upon this Award Agreement or relating to the subject matter hereof other than before the above-named courts or to make any motion or take any other action seeking or intending to cause the transfer or removal of any such claim or action to any court other than the above-named courts whether on the grounds of inconvenient forum or otherwise; provided that a final judgment in any such claim or action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Company and the Participant hereby consent to service of process in any such proceeding and agree that service of process by registered or certified mail, return receipt requested, at the address specified pursuant to Section 16, is reasonably calculated to give actual notice.

14. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT HE, SHE, OR IT SHALL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT, OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AWARD AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTY HERETO THAT THIS SECTION 14 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH HE, SHE OR IT IS RELYING AND SHALL RELY UPON IN ENTERING INTO THIS AWARD AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF HIS, HER OR ITS RIGHT TO TRIAL BY JURY.

15. Shares Not Registered. Shares shall not be issued pursuant to this Award Agreement unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including, without limitation, the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. Except as otherwise provided in the Stockholders' Agreement, the Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase, resale or issuance of any Shares, and accordingly, any certificates for Shares may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under this Award Agreement is not required to be registered under any applicable securities laws, the Participant shall deliver to the Company an agreement containing such representations, warranties and covenants as the Company may reasonably require.

16. Notices. Any notice or other communication provided for herein or given hereunder to a party hereto must be in writing and shall be deemed to have been given (a) when personally delivered or delivered by facsimile transmission with confirmation of delivery or (b) upon delivery after deposit with Federal Express or similar overnight courier service. A notice shall be addressed to the Company at its principal executive office, attention General Counsel, and to the Participant at the address that he/she most recently provided to the Company.

17. Entire Agreement. This Award Agreement, including the exhibit attached hereto, the Plan and the Stockholders' Agreement constitute the entire agreement and understanding among the parties hereto in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, whether oral or written and whether express or implied, and whether in term sheets, presentations or otherwise, among the parties hereto, or between any of them, with respect to the subject matter hereof.

18. Amendment; Waiver. No amendment or modification of any term of this Award Agreement shall be effective unless signed in writing by or on behalf of the Company and, except as expressly permitted by Section 12.2 of the Plan, the Participant. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

19. Successors and Assigns; No Third-Party Beneficiaries. The provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the Company and its

successors and assigns and upon the Participant and the Participant's heirs, successors, legal representatives and permitted assigns. Nothing in this Award Agreement, express or implied, is intended to confer on any person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Award Agreement.

20. Representations and Warranties of Participant. The Participant represents and warrants to the Company as follows:

(a) The Participant acknowledges that there may be tax consequences upon the granting of the Restricted Stock, vesting of the Restricted Stock or disposition of the Shares subject to the Award, and that the Participant should consult a tax adviser regarding the grant of Restricted Stock.

(b) The Participant may file an election under Section 83(b) of the Code (a "Section 83(b) Election") with the IRS no later than thirty (30) days after the Date of Grant and remit the applicable tax withholdings to the Company. The Company shall bear no liability for and the Participant shall be responsible for any consequences of the Participant making a Section 83(b) Election.

(c) The Participant agrees to sign such additional documentation as may reasonably be required from time to time by the Company in connection with this Award Agreement.

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

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement.

HMAN Group Holdings, Inc.

By: _____
Name: _____
Title: _____

Agreed and acknowledged as
of the date first above written:

Signature: _____
Name: _____

EXHIBIT A

ACCREDITED INVESTOR STATUS

Participant represents and warrants that he is not an “accredited investor” as defined in Rule 501(a) promulgated under Regulation D of the Securities Act of 1933, as amended (please initial the non-accredited investor election below):

_____ Participant is not an “accredited investor.”

Participant represents and warrants that he is an “accredited investor” as defined in Rule 501(a) promulgated under Regulation D of the Securities Act of 1933, as amended, because he meets at least one of the following criteria (please initial each applicable item):

Participant is a natural person whose individual net worth, or joint net worth with his or her spouse, exceeds \$1,000,000 at the time of the grant of the Restricted Stock, excluding the value of the primary residence of such natural person, calculated by subtracting from the estimated fair market value of the property the amount of debt secured by the property, up to the estimated fair market value of the property; or

Participant is a natural person who had an individual income in excess of \$200,000 in each of the two most recently completed calendar years or joint income with the Participant's spouse in excess of \$300,000 in each of those years and who reasonably expects to reach the same income level in the current calendar year; or

Participant is a corporation, or similar business trust, partnership or an organization described in Section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring the Restricted Stock, with total assets in excess of \$5,000,000; or

Participant is either (i) a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity, (ii) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, (iii) an insurance company as defined in Section 2(13) of the Securities Act, (iv) an investment company registered under the Investment Company Act of 1940, as amended, or a business development company as defined in Section 2(a)(48) of such Act, (v) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, (vi) a plan established or maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000 or (vii) an employee benefit plan within in the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which plan fiduciary is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors; or

Participant is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended; or

Participant is a director or executive officer of the Company; or

Participant is a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Restricted Stock, the purchase of which is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D promulgated under the Securities Act; or

Participant is any entity in which all of the equity owners are accredited investors. (Please submit a copy of this page countersigned by each such equity owner if relying on this item).

**Notice To Holders
Of Restricted Stock**

under the

**Hman Group Holdings Inc.
2014 Equity Incentive Plan**

July 15, 2021

As you know, HMAN Group Holdings Inc. ("HMAN") entered into an agreement to consummate a business combination with Landcadia Holdings III, Inc. ("Landcadia") (the "Merger"), which occurred on July 14, 2021 (the "Closing Date"). Following the Merger and in connection with the business combination, Landcadia became the direct parent company of HMAN and was renamed Hillman Solutions Corp. ("New Hillman"). Shares of Class A common stock of New Hillman ("New Hillman Shares") are publicly traded on The Nasdaq Capital Market.

You are receiving this notice because you held outstanding restricted stock in respect of HMAN ("HMAN Shares") pursuant to a Restricted Stock Award Agreement between you and HMAN (your "Award Agreement"). This notice is to advise you that immediately prior to the Closing Date, the HMAN Group Holdings Inc. 2014 Equity Incentive Plan (as amended from time to time, the "Plan") and your outstanding restricted stock (your "Old Restricted Stock") were assumed by New Hillman and your Old Restricted Stock was automatically modified into restricted stock (your "New Hillman Restricted Stock") in respect of New Hillman Shares, as follows, with no action required on your part.

□ The number of New Hillman Shares underlying your New Hillman Restricted Stock award is equal to (i) the number of HMAN Shares outstanding under your Old Restricted Stock award on the Closing Date multiplied by (ii) the Exchange Ratio (defined below), rounded up to the nearest whole share.

□ The Exchange Ratio is equal to 164.825:1, and was obtained by dividing the per share price of HMAN Shares (\$1,648.25) by the per share price of New Hillman Shares in the Merger (\$10.00).

Using the Exchange Ratio to convert your Old Restricted Stock ensures that the value of your Old Restricted Stock as of immediately prior to the Merger is equal to the value immediately following their assumption by New Hillman and conversion into New Hillman Restricted Stock.

You will be able to see the number of New Hillman Shares underlying your New Hillman Restricted Stock award by accessing your [Redacted] account. Instructions for accessing your [Redacted] account will be sent to you by [Redacted].

Please note the following with respect to the terms of your New Hillman Restricted Stock:

□ Any references to HMAN or to "the Company" in the Plan or your Award Agreement (or below) will instead refer to New Hillman. Any references to HMAN Shares or to "the common stock" of HMAN will instead refer to New Hillman Shares.

□ Your New Hillman Restricted Stock will continue to vest in accordance with the terms set forth in your Award Agreement. As a reminder, your New Hillman Restricted Stock vests 25% on each of the following dates: (i) the completion of your relocation to the Cincinnati area and (ii) the first, second, and third anniversaries of the date of grant, subject to your continued employment with, or service to, the Company or its subsidiaries through the applicable anniversary date.

□ Following its assumption by New Hillman on the Closing Date, the Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors of New Hillman in accordance with the administrative provisions of the New Hillman 2021 Equity Incentive Plan, including those related to the authority of the Committee to administer awards, to determine the impact of certain events relating to New Hillman or to New Hillman Shares on awards, and to specify how payment of the tax withholding and other obligations with respect to awards will be satisfied.

Except as described above, your New Hillman Restricted Stock are subject to the same general terms and conditions as were applicable to your Old Restricted Stock immediately prior to the Closing Date. If there is a conflict between the terms described in this notice and the Plan or the applicable Award Agreement, except as expressly described above, the terms of the Plan or the Award Agreement will control.

If you have questions, please feel free to send them to stock.administration@hillmangroup.com.

Please sign below to acknowledge your receipt of and agreement with the terms of this notice, and return to [Redacted] at [Redacted] by July 30, 2021.

Date: _____

Sign Name: _____

Print Name: _____

SUBSIDIARIES - As of December 25, 2021

HMAN Group Holdings Inc.

Incorporated in the State of Delaware

The Hillman Companies Inc.

Incorporated in the State of Delaware

The Hillman Group, Inc.

Incorporated in the State of Delaware

SunSource Integrated Services de Mexico S.A. de C.V.

Incorporated in Ciudad de Mexico, Mexico

SunSub C Inc.

Incorporated in the State of Delaware

The Hillman Group Canada ULC

Incorporated in the Province of British Columbia, Canada

NB Parent Company LLC

Incorporated in the State of Delaware

NB Products LLC

Incorporated in the State of Delaware

BTP Latinoamerica S. de. R. L. de C.V.

Incorporated in Ciudad de Mexico, Mexico

Big Time Products, LLC

Incorporated in the State of Georgia

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-259659 and No. 333-258823) on Form S-8 and Form S-1, respectively, of our report dated March 16, 2022, with respect to the consolidated financial statements and financial statement schedule II – Valuation Accounts of Hillman Solutions Corp.

/s/ KPMG LLP

Cincinnati, Ohio

March 16, 2022

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Douglas J. Cahill, certify that:

1. I have reviewed this annual report on Form 10-K of Hillman Solutions Corp.;
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: March 16, 2022

/s/ Douglas J. Cahill

Douglas J. Cahill
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert O. Kraft, certify that:

1. I have reviewed this annual report on Form 10-K of Hillman Solutions Corp.;
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: March 16, 2022

/s/ Robert O. Kraft

Robert O. Kraft
Chief Financial Officer

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

In connection with the Annual Report on Form 10-K for the year ended December 25, 2021 (the "Report") of Hillman Solutions Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Douglas J. Cahill, the President and 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: March 16, 2022

**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 Annual Report on Form 10-K for the year ended December 25, 2021 (the "Report") of Hillman Solutions Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Robert O. Kraft, 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/ Robert O. Kraft

Name: Robert O. Kraft

Date: March 16, 2022