SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2000

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

Commission file number: 0-10546

LAWSON PRODUCTS, INC
(Exact Name of Registrant as Specified in Charter)

DELAWARE	36-2229304
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1666 EAST TOUHY AVENUE, DES PLAINES, ILLINOIS 60018
(Address of principal executive offices)

Registrant's telephone number, including area code: (847) 827-9666

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

Title of Each Class	Name of each exchange on which registered
None	None

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

COMMON STOCK, $1.00 PAR VALUE
(Title of class)

Indicate by check mark whether the Registrant (l) 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 X No

As of March 1, 2001, 9,711,804 shares of Common Stock were outstanding.

The aggregate market value of the Registrant's Common Stock held by nonaffiliates on March 1, 2001 was approximately $124,218,000.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. [ ]

The following documents are incorporated into this Form 10-K by reference:

Proxy Statement for Annual Meeting of Stockholders to be held on May 15, 2001 Part III

PART I

"SAFE HARBOR" STATEMENT UNDER THE SECURITIES LITIGATION REFORM ACT OF 1995: This Annual Report on Form 10-K contains certain forward-looking statements. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include increased competition, seasonality, an economic downturn and the ability to integrate successfully newly acquired businesses. The Company undertakes no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein to reflect future events or developments.

ITEM 1. BUSINESS.

Lawson Products, Inc. was incorporated in Illinois in 1952 and reincorporated in Delaware in 1982.

PRODUCTS

The Company is a seller and distributor of systems, services and products. The Company also manufactures and distributes production and specialized component parts to the OEM marketplace. The Company offers to customers over 400,000 expendable maintenance, repair and replacement products. These products may be divided into three broad categories: Fasteners, Fittings and Related Parts, such as screws, nuts, rivets and other fasteners; Industrial Supplies, such as hoses and hose fittings, lubricants, cleansers, adhesives and other chemicals, as well as files, drills, welding products and other shop supplies; and Automotive and Equipment Maintenance Parts, such as primary wiring, connectors and other electrical supplies, exhaust and other automotive parts. The Company estimates that these categories of products accounted for the indicated percentages of its total consolidated net sales for 2000, 1999 and 1998 respectively:

	PERCENTAGE OF CONSOLIDATED NET SALES		
	2000	1999	1998
Fasteners, Fittings and Related Parts....................	47%	46%	45%
Industrial Supplies......................................	49	50	51
Automotive and Equipment Maintenance Parts...............	4	4	_4
	100%	100%	100%

Substantially all of the Company's maintenance and repair products are manufactured by others and must meet the Company's specifications. Approximately 90% of the Company's products are sold under the Company label. Substantially all maintenance and repair items which the Company distributes are purchased by the Company in bulk and subsequently repackaged in smaller quantities. The Company regularly uses a large number of suppliers but has no long-term or fixed price contracts with any of them. Most maintenance and repair items which the Company distributes are purchased from several sources, and the Company believes that the loss of any single supplier would not significantly affect its operations. No single supplier accounted for more than 4.1% of the Company's purchases in 2000.

Production components sold to the O.E.M. marketplace may be manufactured to customers' specification or purchased from other sources.

MARKETING

The Company's principal markets are as follows:

Heavy Duty Equipment Maintenance. Customers in this market include operators of trucks, buses, agricultural implements, construction and road building equipment, mining, logging and drilling equipment and other off-the-road equipment. The Company estimates that approximately 30% of 2000 sales were made to customers in this market.

In-Plant and Building Maintenance. This market includes plants engaged in a broad range of manufacturing and processing activities, as well as institutions such as hospitals, universities, school districts and government units. The Company estimates that approximately 45% of 2000 sales were made to customers in this market.

Passenger Car Maintenance. Customers in this market include automobile service center chains, independent garages, automobile dealers, car rental agencies and other fleet operators. The Company estimates that approximately 11% of 2000 sales were made to customers in this market.

Original Equipment Manufacturers. This market includes plants engaged in a broad range of manufacturing and processing activities. The Company estimates that approximately 14% of 2000 sales were made to customers in this market.

At December 31, 2000, the Company had approximately 205,000 customers, the largest of which accounted for less than one percent of net sales during 2000. Sales were made through a force of approximately 1,700 independent sales representatives at December 31, 2000. Included in this group were 205 district and zone managers, each of whom, in addition to his or her own sales activities, acted in an advisory capacity to other sales representatives in a designated area. At December 31, 2000, the Company also employed 29 regional managers to coordinate regional marketing efforts. Most sales representatives, including district and zone managers, are compensated on a commission basis and are responsible for repayment of commissions on their respective uncollectible accounts. In addition to the sales representatives and district, zone and regional managers discussed above, the Company had approximately 1,240 employees at December 31, 2000.

The Company's products are sold in all 50 states, Mexico, Puerto Rico, the District of Columbia, Canada and the United Kingdom. The Company believes that an important factor in its success is its ability to service customers promptly. During the past five years, more than 99.5% of all items were shipped to the customer within 24 hours after an order was received by the Company. This rapid delivery is facilitated by computer controlled order entry and inventory control systems in each general distribution center. In addition, the receipt of customer orders at Lawson distribution facilities has been accelerated by portable facsimile transmission equipment and personal computer systems used by sales representatives. Customer orders are delivered by common carriers.

The Company is required to carry significant amounts of inventory in order to meet its high standards of rapid processing of customer orders. The Company has historically funded its working capital requirements internally. Such internally generated funds, along with a new $50 million unsecured revolving line of credit, are expected to finance the Company's future growth and working capital requirements.

DISTRIBUTION AND MANUFACTURING FACILITIES

Substantially all of the Company's maintenance products are stocked in and distributed from each of its eight general distribution centers in; Addison, Illinois; Reno, Nevada; Farmers Branch, Texas; Suwanee, Georgia; Fairfield, New Jersey; Mississauga, Ontario, Canada, Bradley Stoke (Bristol) England and Guadalajara, Mexico. Chemical products are distributed from a facility in Vernon Hills, Illinois and welding products are distributed from a facility in Charlotte, North Carolina. Production components are stocked in and distributed from five centers located in Decatur, Alabama; Burr Ridge, Illinois; Memphis, Tennessee; Lenexa, Kansas and Cincinnati, Ohio. Production components are manufactured in Decatur, Alabama. In the opinion of the Company, all existing facilities are in good condition and are well maintained. All are being used substantially to capacity on a single shift basis, except the manufacturing facility in Decatur, Alabama which operates two shifts and the inbound facility in Des Plaines, Illinois, which operates two shifts. Further expansion of warehousing capacity may require new warehouses, some of which may be located in new geographical areas.

CANADIAN OPERATIONS

Canadian operations are conducted at the Company's 40,000 square foot general distribution center in Mississauga, Ontario, a suburb of Toronto. These operations constituted less than 3% of the Company's net sales during 2000.

UNITED KINGDOM OPERATIONS

Operations in the United Kingdom are conducted under the name of Lawson Products Limited from a 19,000 square foot general distribution center in Bradley Stoke (Bristol) England. These operations constituted less than 1% of the Company's net sales during 2000.

MEXICAN OPERATIONS

Operations in Mexico are conducted under the name of Lawson Products de Mexico S.A. de C.V. from a 10,000 square foot facility in Guadalajara, Mexico. These operations constituted less than 1% of the Company's net sales during 2000.

COMPETITION

The Company encounters intense competition from several national distributors and manufacturers and a large number of regional and local distributors. Due to the nature of its business and the absence of reliable trade statistics, the Company cannot estimate its position in relation to its competitors. However, the Company recognizes that some competitors may have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than the Company. Although the Company believes that the prices of its products are competitive, it endeavors to meet competition primarily through the quality of its product line, its response time and its delivery systems.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, all of whose terms of office expire on May 15, 2001, are as follows:

NAME AND PRESENT POSITION WITH COMPANY	AGE	YEAR FIRST ELECTED TO PRESENT OFFICE	OTHER OFFICES HELD DURING THE PAST FIVE YEARS
Sidney L. Port Chairman of the Executive Committee and Director	90	1977	*
Robert J. Washlow Chairman of the Board, Chief Executive Officer and Director	56	1999	Mr. Washlow has been Chairman of the Board and Chief Executive Officer since August 1999. Prior thereto, Mr. Washlow was Executive Vice President-Corporate Affairs beginning in 1998, Secretary beginning in 1985 and a member of the Office of the President beginning in January 1999.
Bernard Kalish Retired Chief Executive Officer, Chairman of the Board and Director	63	1989	Mr. Kalish retired as Chairman of the Board and Chief Executive Officer of the Company in August 1999.

Jeffrey B. Belford Office of the President and Chief Operating Officer	54	1999	Mr. Belford became Chief Operating Officer and a member of the Office of the President effective January 1, 1999. Prior to 1999, Mr. Belford was Executive Vice President - Operations, Chief Operating Officer since 1989.
Roger Cannon Office of the President and Chief Sales Officer	52	1999	Mr. Cannon has been a member of the Office of the President since January 1, 1999. Prior to 1999, Mr. Cannon was Executive Vice President, Sales - Marketing from 1997-1999, and Vice President - - Central Field Sales from 1991 to 1997.
Jerome Shaffer, Vice President, Treasurer and Director	73	1987	*
James Smith Vice President-- Human Resources	60	1996	Mr. Smith was Vice President, Personnel from 1995 to 1996. Prior to 1995, Mr. Smith was Manager, Human Resources since he joined the Company in 1993.
Joseph L. Pawlick, Chief Financial Officer	58	1999	Prior to 1999, Mr. Pawlick was Vice President, Controller and Assistant Secretary of the Company since 1987.
Victor G. Galvez Controller	44	1999	Mr. Galvez was Assistant Controller of the Company from 1994 to 1999.
Neil Jenkins Secretary	51	2000	From 1996 to 2000, Mr. Jenkins operated a golf travel business and was a business consultant. Prior thereto, Mr. Jenkins was executive vice president, secretary and a member of the Board of Directors of Bally Gaming, International, Inc., a publicly held manufacturer and distributor of gaming equipment and systems.

* Held position for more than five years.

ITEM 2. PROPERTIES.

The Company owns two facilities located in Des Plaines, Illinois, (152,600 and 27,000 square feet, respectively). These buildings contain the Company's main administrative activities and an inbound warehouse facility that principally supports the Addison, Illinois facility and all Lawson distribution facilities. Additional administrative, warehouse and distribution facilities owned by the Company are located in Addison, Illinois (90,000 square feet); Fairfield, New Jersey (61,000 square feet); Reno, Nevada (97,000 square feet); Suwanee, Georgia (105,000 square feet); Farmers Branch, Texas (54,500 square feet); and Mississauga, Ontario, Canada (40,000 square feet). Chemical products are distributed from a 105,400 square foot owned facility in Vernon Hills, Illinois and welding products are distributed from a 40,000 square foot owned facility located in Charlotte, North Carolina. Administrative, warehouse and distribution facilities in Bradley Stoke (Bristol) England (19,000 square feet) are leased by the Company. Administrative and distribution facilities in Guadalajara, Mexico (10,000 square feet) are leased by the Company. Production components are distributed from leased facilities in Burr Ridge, Illinois (24,000 sq. ft.) Memphis, Tennessee, (33,800 sq. ft.), Lenexa, Kansas (40,500 sq. ft.) and Cincinnati, Ohio (16,800 sq. ft.). The Company owns a 54,000 square foot facility in Decatur, Alabama which manufacturers and distributes production components. From time to time, the Company leases additional warehouse space near its present facilities. See Item 1, "Business - Distribution Facilities" for further information regarding the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

There is no material pending litigation to which the Company, or any of its subsidiaries, is a party or to which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is traded on the NASDAQ National Market System under the symbol of "LAWS." The approximate number of stockholders of record at December 31, 2000 was 959. The following table sets forth the high and low closing sale prices as reported on the NASDAQ National Market System during the last two years. The table also indicates the cash dividends paid by the Company during such periods.

	2000			1999		
	HIGH	LOW	CASH DIVIDENDS	HIGH	LOW	CASH DIVIDENDS
First Quarter	$24.50	$21.50	$.15	$23.125	$20.5	$.14
Second Quarter	24.88	22.00	.15	27.25	20.875	.14
Third Quarter	25.88	23.75	.15	27	21.625	.14
Fourth Quarter	27.75	22.88	.15	23.75	22	.14

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data should be read in conjunction with the Financial Statements of the Company and notes thereto included elsewhere in this Annual Report. The income statement data and balance sheet data is for and as of the end of each of the years in the five-year period ended December 31, 2000, are derived from the audited Financial Statements of the Company.

	2000	1999	1998	1997	1996
Net Sales (1)	$348,967,486	$328,987,099	$301,831,128	$286,638,316	$258,566,853
Income Before Income Taxes	47,565,673	40,269,981	33,590,229	35,723,277	33,884,637
Net Income (2)	28,135,673	23,927,981	19,474,229	21,350,277	19,994,637
Total Assets	222,721,466	215,990,877	198,982,290	188,974,415	175,161,839
Return on Assets (percent)	12.6%	11.1%	9.8%	11.3%	11.4%
Noncurrent Liabilities	28,946,453	27,525,033	25,246,269	24,577,547	22,065,583
Stockholders' Equity	159,912,465	150,039,989	142,934,735	139,925,387	128,746,212
Return on Average Equity (percent)	18.6% 16.5%	13.5%	16.0%	15.8%	
Per Share of Common Stock:					
Basic Net Income	2.85	$2.29	$1.77	$1.91	$1.73
Diluted Net Income	2.85	2.29	1.76	1.91	1.73
Stockholders' Equity (3)	16.22	14.37	12.97	12.55	11.13
Cash Dividends Declared	.60	.57	.56	.54	.52
Basic Weighted Average Shares Outstanding	9,859,610	10,444,076	11,023,934	11,153,091	11,563,052
Diluted Weighted Average Shares Outstanding	9,873,680	10,445,836	11,041,819	11,175,232	11,563,715

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(1) In 2000, the Company adopted EITF No. 00-10, Accounting for Shipping and Handling Fees and Costs. EITF 00-10 required companies to reflect all amounts billed to customers in sales transactions as part of net sales. Prior year amounts have been reclassified to conform to the requirements of EITF 00-10.

(2) During 2000, the Company recorded a gain of $2,136,000, net of income taxes, relative to the sale of the Company's interest in a real estate investment. In 1999 and 1998, the Company recorded special charges for compensation arrangements related to management personnel reductions and retirements. These charges reduced net income by $1,760,000 and $1,520,000 for 1999 and 1998, respectively. Additionally, in 1999, a gain of $554,000, net of income taxes, was recorded on the sale of marketable securities.

(3) These per share amounts were computed using basic weighted average shares outstanding for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION AND FINANCIAL CONDITION.

RESULTS OF OPERATIONS

Net sales for 2000 and 1999 rose 6.1% and 9.0%, respectively, over the immediately preceding years. The sales gain for 2000 resulted from the addition of new customers, a higher average order size throughout Lawson's businesses and from the mid-year 1999 acquisition of our subsidiary, ACS/SIMCO. The advance for 1999 resulted from the addition of new customers, increased orders, a higher average order size throughout Lawson's businesses and from the acquisition in July 1999, of ACS/SIMCO. In 2000, the Company adopted Emerging Issues Task Force (EITF) No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 required companies to reflect all amounts billed to customers in sales transactions as part of net sales. Previously, the Company recorded substantially all freight revenue within selling, general and administrative expenses. Prior year amounts have been reclassified to conform to the requirements of EITF 00-10. The reclassification had no impact on net income in any year.

Net income for 2000 increased 17.6% over 1999 to $28.1 million, while diluted net income per share in 2000 advanced 24.5% to $2.85 from $2.29 in 1999. Sales gains, the after tax gain on the sale of the Company's interest in a real estate investment of $2.1 million and cost containment efforts were primarily responsible for the increase in net income in 2000 over 1999. Excluding the $2.1 million gain noted above, net income was approximately $26.0 million ($2.63 per diluted share), an advance of 3.4% over 1999 net income, exclusive of a $1.8 million special charge, for compensation arrangements related to management personnel reductions and a gain of $600,000 from the sale of marketable securities. Net income for 1999 rose 22.9% over 1998 to $23.9 million, while diluted net income per share in 1999 increased 30.1% to $2.29 from $1.76 in 1998. Sales gains, cost containment efforts and improved performance by our international subsidiaries were primarily responsible for the increase in net income in 1999 over 1998. Excluding the special charge and gain from the sale of marketable securities noted above, net income was approximately $25.1 million ($2.41 per diluted share), an improvement of 19.7% over 1998 net income, exclusive of a special charge of $1.5 million. Per share net income for 2000, 1999 and 1998 was positively affected by the Company's share repurchases discussed below.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operations for 2000, 1999 and 1998 were $22.9 million, $23.3 million and $16.1 million, respectively. The slight decrease in 2000 was due primarily to the negative impact of lower operating liabilities which more than offset the gain in net income noted above. The increase in 1999 resulted principally from the increase in net income noted above, lower payments made under deferred compensation and security bonus plans and higher depreciation and amortization levels. Current investments and cash flows from operations have continued to be sufficient to fund operating requirements, cash dividends and capital improvements. Such internally generated funds, along with a new $50 million unsecured revolving line of credit, are expected to finance the Company's future growth and working capital requirements.

Capital expenditures for 2000, 1999 and 1998, respectively, were $3.4 million, $6.5 million and $5.4 million. Consistent with prior years, capital expenditures were incurred primarily for new facilities, improvement of existing facilities and for the purchase of related equipment. Capital expenditures during 2000 primarily reflect purchases of computer related equipment, while in 1999, additions to property, plant and equipment primarily reflect costs incurred relative to the construction of a new Lawson outbound facility in Suwanee, Georgia and purchases of computer related equipment. In 1998, construction was completed relative to the facilities expansion of the Company's specialty chemical subsidiary, at a cost of approximately $3 million.

In the third quarter of 1999, the Company purchased, for cash, substantially all of the assets and liabilities of SunSource Inventory Management Company, Inc. (SunSource) and Hillman Industrial Division (Hillman), headquartered in Lenexa, Kansas, at a cost of approximately $10.5 million. SunSource and Hillman were distributors of fasteners to the original equipment marketplace. The former business operations of SunSource and Hillman are conducted by ACS/SIMCO.

In 2000, the Company purchased 501,268 shares of its own common stock for approximately $11.9 million. Of these purchases, 412,668 shares were acquired relative to the 1999 Board authorization of 500,000 shares and 88,600 shares represented the remaining shares relative to a 1998 stock repurchase authorization of 500,000 shares. During 1999, 411,400 shares of the 1998 stock repurchase authorization noted above were purchased for approximately $9.5 million. Additionally, during 1999, the remaining 48,500 shares relative to the 1996 stock repurchase authorization of up to 1,000,000 shares, were purchased for approximately $1 million. Relative to the 1996 stock repurchase authorization, 472,000 shares were purchased for approximately $10.3 million in 1998. Funds to purchase these shares were provided by investments and cash flows from operations.

IMPACT OF INFLATION AND CHANGING PRICES

The Company has continued to pass on to its customers most increases in product costs and, accordingly, gross margins have not been materially impacted. The impact from inflation has been more significant on the Company's fixed and semi-variable operating expenses, primarily wages and benefits, although to a lesser degree in recent years due to moderate inflation levels.

Although the Company expects that future costs of replacing warehouse and distribution facilities will rise due to inflation, such higher costs are not anticipated to have a material effect on future earnings.

SUBSEQUENT EVENTS

In January 2001, the Company agreed to purchase certain assets of Premier Farnell's Cleveland based North American Industrial Products and Kent Automotive Divisions for approximately $27,000,000 plus approximately $8,000,000 for related inventories. The all-cash transaction is expected to close on March 30, 2001. Under the agreement, the Company will acquire the field sales, telephone sales and customer service professionals, the customer accounts, certain administrative executives, and use of various intellectual properties, including trademarks and trade names of the Industrial Products and Kent Automotive divisions in certain territories. The Company will combine its existing operations with Premier Farnell's Premier Fastener, Rotanium Products, Certanium Alloys, CT Engineering, JI Holcomb and Kent Automotive business units in the United States, Canada, Mexico, Central America and the Caribbean. This acquisition is not expected to require a significant investment by the Company in facilities or equipment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company, through its foreign subsidiaries, distributes products in the United Kingdom, Canada and Mexico. As a result, the Company is from time to time exposed to market risk relating to the impact of foreign currency exchange rates; however, this exposure is minimal.

In addition, the Company maintains a portfolio of marketable securities, the majority of which are debt securities. As a result, the Company is exposed to market risk relating to interest rate movements; however, a hypothetical 10% adverse movement in interest rates would have no material impact on net income of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this report:

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Lawson Products, Inc.

We have audited the accompanying consolidated balance sheets of Lawson Products, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and related schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lawson Products, Inc. and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

Chicago, Illinois
February 23, 2001

LAWSON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,911,710	$ 11,974,611
Marketable securities	29,972,654	12,282,229
Accounts receivable, less allowance for doubtful accounts (2000-$1,658,585; 1999-$1,601,649)	40,823,141	41,108,121
Inventories	55,228,380	55,484,532
Miscellaneous receivables	2,696,986	2,835,685
Prepaid expenses	6,658,687	5,193,621
Deferred income taxes	1,857,000	1,389,000
Total Current Assets	145,148,558	130,267,799
Property, plant and equipment, at cost, less allowances for depreciation and amortization (2000-$41,571,230; 1999-$36,479,611)	39,404,599	41,988,652
Other assets:		
Marketable securities	400,832	4,694,776
Investments in real estate	705,000	4,107,664
Cash value of life insurance	15,795,812	14,760,461
Deferred income taxes	9,212,000	8,784,000
Goodwill, less accumulated amortization (2000-$304,632; 1999-$124,533)	2,431,347	3,611,447
Other	9,623,318	7,776,078
	38,168,309	43,734,426
	$ 222,721,466	$ 215,990,877
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,730,250	$ 8,248,929
Accrued expenses and other liabilities	24,517,530	25,844,991
Income taxes	2,614,768	4,331,935
Total Current Liabilities	33,862,548	38,425,855
Non-current liabilities and deferred credits:		
Accrued liability under security bonus plans	17,968,018	16,494,190
Deferred compensation and other liabilities	10,978,435	11,030,843
	28,946,453	27,525,033
Stockholders' equity:		
Preferred Stock, $1 par value: Authorized-500,000 shares; Issued and outstanding-None	--	--
Common Stock, $1 par value: Authorized-35,000,000 shares; Issued-2000-9,706,404 shares; 1999-10,203,922 shares	9,706,404	10,203,922
Capital in excess of par value	761,725	717,004
Retained earnings	151,065,840	140,200,567
	161,533,969	151,121,493
Foreign currency translation adjustment	(1,621,504)	(1,053,504)
Unrealized (loss) gain on marketable securities	--	(28,000)
Accumulated other comprehensive income	(1,621,504)	(1,081,504)
	159,912,465	150,039,989
	$ 222,721,466	$ 215,990,877

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 2000	1999	1998
Net sales	$ 348,967,486	$ 328,987,099	$ 301,831,128
Cost of goods sold	117,256,150	109,370,225	99,686,906
Gross profit	231,711,336	219,616,874	202,144,222
Selling, general and administrative expenses	188,468,661	178,210,549	167,608,758
Special charges	--	2,932,365	2,621,124
Provision for doubtful accounts	1,419,120	1,065,811	983,367
Operating Income	41,823,555	37,408,149	30,930,973
Interest and dividend income	1,072,730	1,312,312	1,458,548
Interest expense	(7,959)	(7,351)	(47,957)
Gain from sale of partnership interest	3,502,336	--	--
Other income - net	1,175,011	1,556,871	1,248,665
	5,742,118	2,861,832	2,659,256
Income Before Income Taxes	47,565,673	40,269,981	33,590,229
Federal and state income taxes (benefit):			
Current	20,012,000	18,275,000	16,034,000
Deferred	(582,000)	(1,933,000)	(1,918,000)
	19,430,000	16,342,000	14,116,000
Net Income	$ 28,135,673	$ 23,927,981	$ 19,474,229
Net Income Per share of Common Stock			
Basic	$ 2.85	$ 2.29	$ 1.77
Diluted	$ 2.85	$ 2.29	$ 1.76

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK, $1 PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME
Balance at January 1, 1998	$ 11,135,233	$ 769,738	$ 128,708,111	$ (687,695)	$ -
Net income			19,474,229		19,474,229
Other comprehensive income, net of tax:					
Unrealized gain on marketable securities				105,000	105,000
Adjustment for foreign currency translation				(104,376)	(104,376)
Other comprehensive loss for the year					624
Comprehensive income for the year					$ 19,474,853
Cash dividends declared			(6,130,363)		
Stock issued under employee stock plans	589	12,738			
Purchase and retirement of common stock	(472,000)	(33,156)	(9,843,313)		
Balance at December 31, 1998	10,663,822	749,320	132,208,664	(687,071)	
Net income			23,927,981		$ 23,927,981
Other comprehensive income, net of tax:					
Unrealized loss on marketable securities				(696,000)	(696,000)
Adjustment for foreign currency translation				301,567	301,567
Other comprehensive loss for the year					(394,433)
Comprehensive income for the year					$23,533,548
Cash dividends declared			(5,908,594)		
Purchase and retirement of common stock	(459,900)	(32,316)	(10,027,484)		
Balance at December 31, 1999	10,203,922	717,004	140,200,567	(1,081,504)	
Net income			28,135,673		$ 28,135,673
Other comprehensive income, net of tax:					
Unrealized gain on marketable securities				28,000	28,000
Adjustment for foreign currency translation				(568,000)	(568,000)
Other comprehensive loss for the year					(540,000)
Comprehensive income for the year					$ 27,595,673
Cash dividends declared			(5,875,305)		
Stock issued under employee stock plans	3,750	80,625			
Purchase and retirement of common stock	(501,268)	(35,904)	(11,395,095)		
Balance at December 31, 2000	$ 9,706,404	$ 761,725	$ 151,065,840	$ (1,621,504))	

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Operating activities:			
Net income	$ 28,135,673	$ 23,927,981	$ 19,474,229
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,986,466	5,977,205	5,197,571
Amortization	677,197	550,254	300,814
Provision for allowance for doubtful accounts	1,419,120	1,065,811	983,367
Deferred income taxes	(582,000)	(1,933,000)	(1,918,000)
Deferred compensation and security bonus plans	3,922,781	4,651,635	4,190,541
Payments under deferred compensation and security bonus plans	(2,420,361)	(2,263,293)	(3,414,210)
Losses/(Gains) from sale of marketable securities	803	(902,960)	(50,776)
Income from investments in real estate	(695,000)	(544,000)	(763,000)
Gain from sale of investment in real estate	(3,502,336)	-	-
Changes in operating assets and liabilities (Exclusive of effect of acquisition):			
Accounts receivable	(1,134,140)	(4,276,788)	(2,524,428)
Inventories	256,152	(2,886,074)	(4,881,840)
Prepaid expenses and other assets	(3,730,055)	(5,757,891)	(6,121,144)
Accounts payable and accrued expenses	(2,770,387)	4,290,592	4,753,798
Income taxes payable	(1,717,167)	1,049,135	1,642,005
Other	(961,691)	368,539	(798,019)
Net Cash Provided by Operating Activities	22,885,055	23,317,146	16,070,908
Investing activities:			
Additions to property, plant and equipment	(3,392,458)	(6,462,348)	(5,377,660)
Purchases of marketable securities	(75,344,146)	(122,774,913)	(196,265,030)
Proceeds from sale of marketable securities	61,987,598	130,451,955	204,848,618
Proceeds from sale of investment in real estate	7,400,000	-	-
Proceeds from life insurance policies	-	-	438,819
Acquisition of business, net of cash acquired of $4,850	-	(10,519,909)	-
Other	200,000	490,000	440,000
Net Cash Provided by (Used In) Investing Activities	(9,149,006)	(8,815,215)	4,084,747
Financing Activities:			
Purchases of common stock	(11,932,267)	(10,519,700)	(10,348,469)
Proceeds from exercise of stock options	84,375	-	13,327
Dividends paid	(5,951,058)	(5,879,340)	(6,196,361)
Net Cash Used in Financing Activities	(17,798,950)	(16,399,040)	(16,531,503)
Increase (Decrease) in Cash and Cash Equivalents	(4,062,901)	(1,897,109)	3,624,152
Cash and Cash Equivalents at Beginning of Year	11,974,611	13,871,720	10,247,568
Cash and Cash Equivalents at End of Year	$ 7,911,710	$ 11,974,611	$ 13,871,720

See notes to consolidated financial statements

NOTE A-DESCRIPTION OF BUSINESS

Lawson Products, Inc. and subsidiaries principally are distributors of expendable parts and supplies for maintenance, repair and operation of equipment. The Company has seven operating units with which it conducts its business; however these units have been aggegrated into one reportable segment. The Company's principal operations are in the United States, however the Company does have foreign operations as follows:

	YEARS ENDED DECEMBER 31		
(IN THOUSANDS)	2000	1999	1998
Revenues(1):			
Canada	$7,980	$7,154	$6,516
United Kingdom	2,743	3,023	2,917
Mexico	2,273	2,335	2,292
Long-lived Assets:			
Canada	2,155	2,312	2,273
United Kingdom	439	693	693
Mexico	86	86	135

(1) Revenue amounts in 1999 and 1998 have been restated to reflect shipping revenues. See Shipping and Handling Fees and Costs in Note B.

NOTE B-SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, each of which is wholly owned. All inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition: Sales and associated cost of goods sold are recognized when products are shipped and title passes to customers.

Shipping and Handling Fees and Costs: In the fourth quarter of 2000, the Company adopted Emerging Issues Task Force (EITF) No. 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF No. 00-10 requires companies to reflect all amounts billed to customers in sales transactions as part of net sales. Costs related to shipping and handling fees are included in the income statement in the caption selling, general and administrative expenses and totaled $10,521,000, $10,017,000 and $9,308,000 in 2000, 1999 and 1998, respectively.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Investment in Real Estate: The Company's investment in real estate representing a limited partnership interest is carried on the basis of the equity method.

Marketable Securities: Marketable equity and debt securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains and losses, declines in value judged to be other-than-temporary, and interest and dividends are included in investment income. The cost of securities sold is based on the specific identification method.

Inventories: Inventories (principally finished goods) are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment: Provisions for depreciation and amortization are computed by the straight-line method for buildings using useful lives of 20 to 30 years and by the double declining balance method for machinery and equipment, furniture and fixtures and vehicles using useful lives of 4 to 10 years.

Investment Tax Credits: Investment tax credits on assets leased to others (see Investment in Real Estate) are deferred and amortized over the useful life of the related asset.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Stock Options: Stock options are accounted for under Accounting Principles Board (APB) Opinion No. 25, "Accounting For Stock Issued to Employees." Under APB 25, no compensation expense is recognized because the exercise price of the stock options granted equals the market price of the underlying stock at the date of grant.

Goodwill: Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible assets acquired. Goodwill is amortized over 15 years using the straight-line method and the carrying value is reviewed for impairment annually. If this review indicates that goodwill is not expected to be recoverable based on the undiscounted cash flows of the entity acquired over the remaining amortization period, the Company's carrying value of the goodwill will be reduced.

Foreign Currency Translation: The financial statements of foreign entities have been translated in accordance with Statement of Financial Accounting Standards No. 52 and, accordingly, unrealized foreign currency translation adjustments are reflected as a component of stockholders' equity. Realized foreign currency transaction gains and losses were not significant for the years ended December 31, 2000, 1999 and 1998.

Income Per Share: Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options.

Reclassifications: Certain amounts have been reclassified in the 1998 and 1999 financial statements to conform with the 2000 presentation.

New Accounting Standards: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company expects to adopt the new Statement effective January 1, 2001. Statement No. 133 will require the Company to recognize all derivatives on the consolidated balance sheet at fair value. The adoption of Statement No. 133 will not have a significant effect on its results of operations or financial position.

NOTE C-BUSINESS COMBINATION

On July 1, 1999, the Company purchased substantially all of the assets and liabilities of SunSource Inventory Management Company, Inc. (SunSource) and Hillman Industrial Division (Hillman), at a cost of approximately $10.5 million with certain contingent purchase price adjustment features based on future operating results. This all-cash transaction was accounted for as a purchase; accordingly, the accounts and transactions of the acquired company have been included in the consolidated financial statements since the date of acquisition. The purchase price exceeded tangible net assets acquired by approximately $3.7 million. This goodwill will be amortized over 15 years using the straight-line method. SunSource and Hillman are distributors of fasteners to the original equipment marketplace. The former business operations of SunSource and Hillman are being conducted through the Company's new subsidiary, ACS/SIMCO.

NOTE D-SPECIAL CHARGES

In the second and fourth quarter of 1999, the Company recorded special charges of $2,053,000 and $879,000, respectively. These charges were for severance and early retirement benefits to several members of management. These benefits will be paid through 2004. Payments against these accruals of approximately $1,033,000 and $323,000 were made in 2000 and 1999, respectively.

In the fourth quarter of 1998, the Company recorded a special charge of $2,621,000 for severance and early retirement benefits for several members of management. These benefits will be paid through 2003. Payments of approximately $626,000 and $1,069,000 were made in 2000 and 1999 against this accrual, respectively. In addition, an adjustment to reduce the accrual for approximately $129,000 was made in 1999 to reflect a change in the estimated total severance payments required.

NOTE E-MARKETABLE SECURITIES

The following is a summary of the Company's investments at December 31 which are all classified as available-for-sale:

(IN THOUSANDS) 2000	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Obligations of states and political subdivisions	$ 3,454	$ 5	$ 5	$ 3,454
Foreign government securities	7,797	-	-	7,797
Other debt securities	19,122	-	-	19,122
Total debt securities	$ 30,373	$ 5	$ 5	$ 30,373
1999				
Obligations of states and political subdivisions	$ 10,268	$ 1	$ 44	$ 10,225
Foreign government securities	6,724	-	-	6,724
Other debt securities	28	-	-	28
Total debt securities	17,020	1	44	16,977

The gross realized gains on sales of marketable securities totaled $1,000, $992,000 and $52,000 in 2000, 1999 and 1998, respectively, and the gross realized losses totaled $2,000, $89,000 and $1,000, respectively. The net adjustment to unrealized holding gains included as a separate component of stockholders' equity, net of taxes, totaled $28,000 and $105,000 in 2000 and 1998, respectively, while in 1999, the net adjustment to unrealized holding losses included as a separate component of stockholders' equity, net of taxes, totaled $696,000.

The amortized cost and estimated fair value of marketable securities at December 31, 2000, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of certain securities have the right to prepay obligations without prepayment penalties.

(IN THOUSANDS)	COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 29,970	$ 29,973
Due after one year through five years	403	400
Total debt securities	$ 30,373	$ 30,373

NOTE F-PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment consists of:

	2000	1999
Land	$ 6,649,440	$ 6,683,222
Buildings and improvements	39,145,917	38,863,186
Machinery and equipment	28,955,498	27,363,448
Furniture and fixtures	5,231,947	5,293,762
Vehicles	217,345	260,895
Construction in Progress	775,682	3,750
	$ 80,975,829	$ 78,468,263

NOTE G-INVESTMENT IN REAL ESTATE

The Company is a limited partner in one real estate limited partnership. An officer and member of the Board of Directors of the Company has a 1.5% interest as a general partner in this partnership. This interest is subordinated to the Company's interest in distributable cash.

In the fourth quarter of 2000, the Company sold its interest in a real estate partnership for $7,400,000 to the general partners, one of which is an officer of the Company and member of the Board of Directors, resulting in an after-tax gain to the Company of $2,136,000. A special committee of outside directors of the Board of Directors approved the sale price after receiving independent appraisals of the property sold.

NOTE H-ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	2000	1999
Salaries, commissions and other compensation	$ 7,490,351	$ 8,051,216
Accrued special charges	2,671,088	4,032,000
Accrued and withheld taxes, other than income taxes	2,344,955	2,196,971
Accrued profit sharing contributions	2,606,254	2,646,677
Accrued self-insured health benefits	1,300,000	1,574,878
Cash dividends payable	1,455,961	1,531,713
Other	6,648,921	5,811,536
	$ 24,517,530	$ 25,844,991

NOTE I-STOCK PLANS

In 2000, the Company granted 71,250 stock appreciation rights (SARs) pursuant to an incentive plan adopted in 2000. These SARs had a weighted average exercise price of $26.50 per share, vest at 20% per year and entitle the employee to receive a cash payment equal to the difference between the SAR price and the market value of the Company's common stock when the SARs are surrendered. No SARs are exercisable at December 31, 2000. No compensation expense for the SARs was incurred in 2000.

The Company also has an Incentive Stock Plan, as amended ("Plan"), which provides for the issuance of shares of Common Stock to non-employee directors, officers and key employees pursuant to stock options, SARs, stock purchase agreements and stock awards. 641,027 shares of Common Stock were available for issuance under the Plan as of December 31, 2000.

The Plan permits the grant of incentive stock options, subject to certain limitations, with substantially the same terms as non-qualified stock options. Non-employee directors are not eligible to receive incentive stock options. Stock options are not exercisable within six months from date of grant and may not be granted at prices less than the fair market value of the shares at the dates of grant.

Benefits may be granted under the Plan through December 16, 2006.

Additional information with respect to the Plan is summarized as follows:

	AVERAGE PRICE	OPTION SHARES
Outstanding January 1, 1998	$24.38	294,579
Granted	26.75	9,000
Exercised	24.19	(889)
Canceled or expired	26.89	(27,500)
Outstanding December 31, 1998	23.34	275,190
Granted	22.44	9,000
Exercised	-	-
Canceled or expired	23.56	(9,700)
Outstanding December 31, 1999	24.18	274,490
Granted	23.56	11,000
Exercised	22.50	(3,750)
Cancelled or expired	27.50	(97,050)
Outstanding at December 31, 2000	$22.86	184,690
Exercisable options at		
December 31, 2000	$22.72	162,190
December 31, 1999	$24.42	220,439
December 31, 1998	$24.97	169,488

As of December 31, 2000, the Company had the following outstanding options:

Exercise Price	$22.44-$23.56	$26.75	$27.00
Options Outstanding	174,690	9,000	1,000
Weighted Average Exercise Price	$22.64	$26.75	$27.00
Weighted Average Remaining Life	5.8	7.3	6.6
Options Exercisable	156,940	4,500	750
Weighted Average Exercise Price	$22.58	$26.75	$27.00

Disclosure of pro forma information regarding net income and net income per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value of these options was estimated at the date of grant using the Black-Scholes options pricing model.

The Company's weighted average fair value of options granted and assumptions used were as follows:

	2000	1999	1998
Risk-free interest rate	5.22%	6.79%	4.97%
Dividend yield	2.00%	2.00%	2.00%
Stock price volatility factor	.19	.18	.18
Weighted-average expected life (years)	8	8	8
Weighted-average fair value of options granted	$6.25	$6.95	$6.80

For purposes of pro forma disclosures, the estimated fair value of options granted is amortized to expense over the option's vesting period. The pro forma effect on net income is not representative of the pro forma effect on net income in future years because grants made in 1996 and later years have an increasing vesting period.

The Company's pro forma information consisted of the following:

	2000	1999	1998
Net income - as reported	$28,135,673	$23,927,981	$19,474,229
Net income - pro forma	27,968,000	23,565,000	19,123,000
Basic earnings per share - as reported	2.85	2.29	1.77
Diluted earnings per share - as reported	2.85	2.29	1.76
Basic earnings per share - pro forma	2.84	2.26	1.73
Diluted earnings per share - pro forma	2.83	2.26	1.73

NOTE J-PROFIT SHARING AND SECURITY BONUS PLANS

The Company and certain subsidiaries have a profit sharing plan for office and warehouse personnel. The amounts of the companies' annual contributions are determined by the respective boards of directors subject to limitations based upon current operating profits (as defined) or participants' compensation (as defined).

The plan also has a 401(k) defined contribution savings feature. This feature, available to all participants, was provided to give employees a pre-tax investment vehicle to save for retirement. The Company does not match the contributions made by plan participants.

The Company and its subsidiaries also have in effect security bonus plans for the benefit of their regional managers and independent sales representatives, under the terms of which participants are credited with a percentage of their yearly earnings (as defined). Of the aggregate amounts credited to participants' accounts, 25% vests after five years and an additional 5% vests each year thereafter. For financial reporting purposes, amounts are charged to operations over the vesting period.

Provisions for profit sharing and security bonus plans aggregated $5,222,000, $5,051,000 and $4,845,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE K-INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In addition, deferred income taxes include net operating loss carryforwards of a foreign subsidiary which do not expire. The valuation allowance has been provided since there is no assurance that the benefit of the net operating loss carryforwards will be realized. Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

	2000	1999
Deferred Tax Assets:		
Compensation and benefits	$ 12,257,000	$ 12,327,000
Inventory	1,847,000	1,237,000
Net operating loss carryforwards of subsidiary	4,718,000	4,169,000
Accounts receivable	519,000	486,000
Other	873,000	583,000
Total Deferred Tax Assets	20,214,000	18,802,000
Valuation allowance for deferred tax assets	(4,718,000)	(4,169,000)
Net Deferred Tax Assets	15,496,000	14,633,000
Deferred Tax Liabilities:		
Property, plant & equipment	883,000	1,060,000
Investment(s) in real estate	1,949,000	3,063,000
Other	1,595,000	337,000
Total Deferred Tax Liabilities	4,427,000	4,460,000
Total Net Deferred Tax Assets	$ 11,069,000	$ 10,173,000

Net deferred tax assets include the tax impact of items in comprehensive income of $873,000 and $583,000 at December 31, 2000 and 1999, respectively.

Income before income taxes for the years ended December 31, consisted of the following:

	2000	1999	1998
United States	$ 49,259,320	$ 41,494,677	$ 36,288,309
Foreign	(1,693,647)	(1,224,696)	(2,698,080)
	$ 47,565,673	$ 40,269,981	$ 33,590,229

The provisions for income taxes for the years ended December 31, consisted of the following:

	2000	1999	1998
Current:			
Federal	$ 16,945,000	$ 15,187,000	$ 13,136,000
State	3,067,000	3,088,000	2,898,000
	20,012,000	18,275,000	16,034,000
Deferred benefit	(582,000)	(1,933,000)	(1,918,000)
	$ 19,430,000	$ 16,342,000	$ 14,116,000

The reconciliation between the effective income tax rate and the statutory federal rate is as follows:

	2000	1999	1998
Statutory federal rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	4.2	5.0	5.6
Foreign losses	1.5	1.5	2.7
Other items, net	.1	(.9)	(1.3)
Provision for income taxes	40.8%	40.6%	42.0%

Income taxes paid for the years ended December 31, 2000, 1999 and 1998 amounted to $21,212,000, $17,157,000 and $14,359,000, respectively.

NOTE L-COMMITMENTS

The Company's minimum rental commitments, principally for equipment, under noncancelable leases in effect at December 31, 2000 amounted to approximately $2,955,000. Such rentals are payable as follows: 2001-$1,834,000; 2002-$788,000; 2003-$228,000 and 2004 and thereafter-$105,000.

Total rental expense for the years ended December 31, 2000, 1999 and 1998 amounted to $2,783,000, $2,203,000 and $1,655,000, respectively.

NOTE M - INCOME PER SHARE

The computation of basic and diluted income per share consisted of the following:

	YEAR ENDED DECEMBER 31		
(In thousands, except per share data)	2000	1999	1998
NUMERATOR:			
Net income	$ 28,136	$ 23,928	$ 19,474
DENOMINATOR:			
Denominator for basic income per share - Weighted average shares	9,860	10,444	11,024
Effect of dilutive securities:			
Stock option plans	14	2	18
Denominator for diluted income per share - Adjusted weighted average shares	9,874	10,446	11,042
Basic income per share	$ 2.85	$ 2.29	$ 1.77
Diluted income per share	$ 2.85	$ 2.29	$ 1.76

NOTE N - SUMMARY OF UNAUDITED QUARTERLY RESULTS OF OPERATIONS

Unaudited quarterly results of operations for the years ended December 31, 2000 and 1999 are summarized as follows:

2000 (IN THOUSANDS, EXCEPT PER SHARE DATA)	QUARTER ENDED MAR. 31	JUN. 30	SEPT. 30	DEC. 31, (1)(2)
Net sales (3)	86,280	89,632	88,064	84,991
Cost of goods sold (3)	29,946	30,458	30,094	26,758
Income before income taxes	10,908	11,381	10,736	14,541
Provision for income taxes	4,463	4,664	4,358	5,945
Net income	6,445	6,717	6,378	8,596
Net income per share of common stock:				
Basic	.64	.68	.66	.89
Diluted	.64	.68	.65	.88
Diluted weighted average shares outstanding	10,093	9,895	9,718	9,729

1999 (IN THOUSANDS, EXCEPT PER SHARE DATA)	QUARTER ENDED MAR. 31	JUN. 30, (4)(5)	SEPT. 30,	DEC. 31, (2)(4)
Net sales (3)	$76,567	$80,859	$85,028	$86,533
Cost of goods sold (3)	25,877	26,716	29,630	27,147
Income before income taxes	8,992	8,716	9,942	12,620
Provision for income taxes	3,715	3,590	4,081	4,956
Net income	5,277	5,126	5,861	7,664
Net income per share of common stock				
Basic	.50	.49	.57	.75
Diluted	.50	.49	.57	.75
Diluted weighted average shares outstanding	10,651	10,495	10,360	10,282

(1) The fourth quarter includes a gain of $2,136,000, net of income taxes, relative to the sale of the Company's interest in a real estate investment.
(2) Inventories and cost of goods sold during interim periods are determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit rates used for the interim periods is adjusted in the fourth quarter. This adjustment increased net income by approximately $1,349,000 and $1,689,000 in 2000 and 1999, respectively.
(3) Net sales and costs of good sold amounts in 2000 and 1999 have been restated to reflect a shipping revenue reclassification. See Shipping and Handling Fees and Costs in Note B.
(4) During the second and fourth quarters of 1999, special charges were recorded related to severance and early retirement benefits, which reduced net income by $1,236,000, and $524,000, respectively.
(5) The second quarter of 1999 reflects a $554,000 gain, net of income taxes, on the sale of marketable securities.

NOTE O - SUBSEQUENT EVENT

In January 2001, the Company agreed to purchase certain assets of Premier Farnell's Cleveland-based North American Industrial Products and Kent Automotive Divisions for approximately $27,000,000 plus approximately $8,000,000 for related inventories. The all cash transaction is expected to close on March 30, 2001. Under the agreement, Lawson will acquire the field sales, telephone sales and customer service professionals, the customer accounts, certain administrative executives, and use of various intellectual properties, including trade marks and trade names of the Industrial Products and Kent Automotive divisions in certain territories. Lawson will combine its existing operations with Premier Farnell's Premier Fastener, Rotanium Products, Certanium Alloys, CT Engineering, JI Holcomb and Kent Automotive business units in the United States, Canada, Mexico, Central America and the Caribbean. This acquisition is not expected to require a significant investment by the Company in facilities or equipment.

SCHEDULE II

LAWSON PRODUCTS, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS-DESCRIBE(A)	BALANCE AT END OF PERIOD
Allowance deducted from assets to which it applies:				
Allowance for doubtful accounts:				
Year ended December 31, 2000	$1,601,649	$1,419,120	$1,362,184	$1,658,585
Year ended December 31, 1999	1,450,067	1,065,811	914,229	1,601,649
Year ended December 31, 1998	1,423,902	983,367	957,202	1,450,067

Note A - Uncollected receivables written off, net of recoveries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by Item 405 concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference from the section in the 2000 proxy statement captioned "Compliance with Section 16(a) of the Exchange Act."

a. Directors

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001, under the caption "Election of Directors," which information is incorporated herein by reference.

b Executive Officers

The information required by this Item is set forth in Item 1 - Business under "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001, under the caption "Remuneration of Executive Officers," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001 under the caption "Securities Beneficially Owned by Principal Stockholders and Management," which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of stockholders to be held on May 15, 2001 under the caption "Election of Directors," which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements

The following information is presented in this report:

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Income for the Years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the Years ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule

The following consolidated financial statement schedule of Lawson Products, Inc. and subsidiaries is included in Item 14(d):

Schedule II - Valuation and Qualifying Accounts is submitted with this report.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not submitted because they are not applicable or are not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

(a) (3) Exhibits.

3(a) Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

3(b) By-laws of the Company, as amended, incorporated herein by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the quarter year ended March 31, 1999.

*10(c)(1) Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.

*10(c)(2) Salary Continuation Agreement between the Company and Mr. Sidney L. Port dated January 7, 1980 incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

*10(c)(3) Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.

*10(c)(3.1) First Amendment to Employment Agreement dated as of August 1, 1996, incorporated herein by reference from Exhibit 10(c)(6.1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

*10(c)(4) Employment Agreement between the Company and Jeffrey B. Belford dated March 10, 1983, incorporated herein by reference from Exhibit 10(c)(5) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

*10(c)(5) Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

*10(c)(6) Employment Agreement dated July 21, 1994 between the Company and Roger F. Cannon, incorporated herein by reference to Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

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*Indicates management employment contracts or compensatory plans or arrangements.

*10(c)(7) Agreement between the Company and Bernard Kalish dated July 31, 1999, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

10(c)(8) Lawson Products, Inc. Stock Performance Plan

21 Subsidiaries of the Company.

23 Consent of Ernst & Young LLP.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the fiscal year covered by this Report.

(c) Exhibits

See item 14(a)(3) above for a list of exhibits to this report.

(d) Schedules

See item 14(a)(2) above for a list of schedules filed with this report.

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.

LAWSON PRODUCTS, INC.

Date: March 28, 2001

By /s/ Robert J. Washlow

Robert J. Washlow, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below this 28th day of March, 2001, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
/s/ Robert J. Washlow Robert J. Washlow	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)
/s/ Joseph L. Pawlick Joseph L. Pawlick	Chief Financial Officer (principal financial officer)
/s/ Victor G. Galvez Victor G. Galvez	Controller (principal accounting officer)
/s/ Jerome Shaffer Jerome Shaffer	Vice President, Treasurer and Director
/s/ James T. Brophy James T. Brophy	Director
/s/ Bernard Kalish Bernard Kalish	Director
/s/ Robert M. Melzer Robert M. Melzer	Director
/s/ Ronald B. Port Ronald B. Port	Director
/s/ Sidney L. Port Sidney L. Port	Director
/s/ Robert G. Rettig Robert G. Rettig	Director
/s/ Mitchell H. Saranow Mitchell H. Saranow	Director

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
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3(b)	By-laws of the Company, as amended, incorporated herein by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the quarter year ended March 31, 1999.
10(c)(1)	Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.
10(c)(2)	Salary Continuation Agreement between the Company and Mr. Sidney L. Port, dated January 7, 1980, incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
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10(c)(8)	Lawson Products, Inc. Stock Performance Plan
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.

EXHIBIT 10(C)(8)

LAWSON PRODUCTS, INC.
STOCK PERFORMANCE PLAN

1. PURPOSE. The purpose of the Lawson Products, Inc. Stock Performance Plan (the "Plan") is to attract and retain outstanding individuals as officers and key employees of Lawson Products, Inc. (the "Company") and to furnish performance-based incentives to such persons by providing opportunities to participate in the growth in value of the Company on advantageous terms as herein provided. No shares of Lawson Common Stock will be issued under the Plan but participants will be able to receive the gain in value of Lawson Common Stock, in cash.

2. ADMINISTRATION. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"). The Committee shall interpret the Plan, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Plan. Any interpretation or construction by the Committee of any provision of the Plan or any award granted under it shall be final. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any award granted under it.

3. PARTICIPANTS. Participants in the Plan will consist of such key management employees of the Company as the Committee in its sole discretion may designate from time to time to receive awards hereunder. The Committee's designation of a participant in any year shall not require the Committee to designate such person to receive an award in any other year. Nothing in the Plan or any award under it shall limit in any way the right of the Company to terminate any participant's employment at any time nor confer upon any employee any right to continue in the employ of the Company for any period of time.

4. AWARDS. All awards under the Plan shall be granted in the form of stock performance rights, in accordance with the following terms:

(a) The Committee shall determine the number of shares of Common Stock subject to each stock performance right, the term of each right, and subject to the following, any other terms and conditions applicable thereto.

(b) Each stock performance right will entitle the holder to elect to receive the appreciation in the fair market value of the shares subject thereto up to the date the right is exercised. Such appreciation shall be measured from the initial value established by the Committee which shall be not less than the fair market value of the Common Stock of the Company on the date the right is granted.

(c) The fair market value of the Company's Common Stock shall be the closing price of a share of Lawson Common Stock on the relevant date, as reported on NASDAQ or any exchange on which the Common Stock is then listed.

(d) Each stock performance right will be exercisable at the time and to the extent established by the Committee at the time of grant. Payment of the appreciation shall be made in cash as soon as practicable following exercise.

(e) The terms of each award shall indicate what rights, if any, the participant or his estate shall have in such award in the event of the death, total permanent disability, retirement or other termination of employment of the participant.

(f) In the event of a change of control, as hereinafter defined, all of the rights then outstanding under the Plan shall be deemed fully vested and exercised on the date of the transaction and the appreciation shall be paid as soon as possible to the holders thereof.

(g) A "change of control" shall be deemed to have occurred on the first date on which either: (i) any "person" is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act")), directly or indirectly of securities of the Company representing at least thirty (30) percent of the combined voting power of the Company's then outstanding securities, or (ii) a majority of the individuals comprising the Company's Board of Directors are not Continuing Directors, or (iii) the Company is involved in any merger, consolidation, share exchange or any other transaction if, after the consummation thereof, the holders of the voting securities of the Company immediately prior thereto do not own at least a majority of the combined voting power of the surviving or resulting corporation, or (iv) all or substantially all of the assets of the Company are sold or otherwise transferred, or (v) a change occurs of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A, promulgated under the Exchange Act, or any other successor disclosure item.

(h) A "person" means a person, (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) but excluding Sidney L. Port, the estate of Bettie Port, their descendants, their spouses, and trusts, partnerships or other entities for the benefit of any such persons, or in which any such persons have a controlling interest.

(i) A "Continuing Director" means an individual who was a member of the Board of Directors of the Company immediately prior to the transaction or election or other event which resulted in a Change of Control or who was designated (before his initial election or appointment as a director) as a Continuing Director by a majority of the whole Board of Directors but only if the majority of the whole Board of Directors then consisted of Continuing Directors or, if a majority of the whole Board of Directors shall not then consist of Continuing Directors, by a majority of the then Continuing Directors.

5. NONTRANSFERABILITY. All stock performance rights granted under the Plan shall not be transferable other than by will or the laws of descent and distribution and shall be exercisable during the participant's lifetime only by the participant or the participant's guardian or legal representative.

6. OTHER PROVISIONS. The grant of any stock performance right under the Plan may also be subject to other provisions (whether or not applicable to the rights awarded to any other participant) including conditions precedent to the right to exercise, as the Committee determines appropriate, including such provisions as may be required to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment.

7. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of shares of Common Stock outstanding without new consideration to the Company, a corresponding increase shall be made in the number of shares covered by each outstanding right and a decrease shall be made in the initial value of each right so that the aggregate net benefit to the participant shall not be changed. If the Company shall at any time decrease the number of shares of Common Stock outstanding without any distribution to its stockholders, a corresponding decrease shall be made in the number of shares covered by each outstanding right and an increase shall be made in the initial value of each right so that the aggregate net benefit to the participant shall not be changed.

(b) In the event of a reorganization, recapitalization or other change in the shares of Common Stock outstanding, the Committee shall make whatever changes in the Plan and in any rights then outstanding it deems necessary or appropriate.

8. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to the exercise of any right under the Plan and may defer making payment or delivery as to any exercise if any such tax is payable until indemnified to its satisfaction.

9. TERM OF PROGRAM; AMENDMENT OR CANCELLATION OF BENEFITS. The Plan shall continue in effect until terminated by the Committee pursuant to Section 10. The terms and conditions applicable to any rights granted hereunder may at any time be amended or cancelled by mutual agreement between the Committee and the participant or any other person as may then have an interest therein and may be unilaterally modified by the Committee whenever such modification is deemed necessary to protect the Company.

10. AMENDMENT OR DISCONTINUATION OF PLAN. The Committee may amend, suspend or discontinue the Plan at any time; provided, however, that no such action shall adversely affect any outstanding stock performance right.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

NAME	JURISDICTION OF INCORPORATION
Lawson Products, Inc.	New Jersey
Lawson Products, Inc.	Texas
Lawson Products, Inc.	Georgia
Lawson Products, Inc.	Nevada
Lawson Products, Inc. (Ontario)	Ontario, Canada
Lawson Products Limited	England
LPI Holdings, Inc.	Illinois
Lawson Products de Mexico S.A. de C.V.	Mexico
Drummond American Corporation	Illinois
Cronatron Welding Systems, Inc.	North Carolina
Assembly Component Systems, Inc.	Illinois
Automatic Screw Machine Products Company, Inc.*	Alabama
LP Service Co.	Illinois
C.B. Lynn Company	Illinois
ACS/SIMCO, Inc.*	Illinois

*subsidiary of Assembly Component Systems, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912) pertaining to the Lawson Products, Inc. Employees' Profit Sharing Trust, and in the related Prospectus of our report dated February 23, 2001, with respect to the consolidated financial statements and schedule of Lawson Products, Inc. included in the Annual Report (Form 10-K), for the year ended December 31, 2001.

/s/ Ernst & Young LLP

Chicago, Illinois
March 28, 2001