

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended June 30, 1996 Commission file no. 0-10546

LAWSON PRODUCTS, INC.

(Exact name of registrant as specified in its 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)

(Zip Code)

Registrant's telephone no., including area code: (847) 827-9666

Not applicable

Former name, former address and former fiscal year, if changed
since last report.

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 X No

Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practicable
date.

11,600,614 Shares, \$1 par value, as of July 23, 1996.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) June 30, 1996 December 31, 1995

(UNAUDITED)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 10,242	\$ 10,432
Marketable securities	10,969	16,068
Accounts receivable, less allowance for doubtful accounts	32,011	28,296
Inventories (Note B)	37,277	27,083
Miscellaneous receivables and prepaid expenses	5,425,635	
Deferred income taxes	625	464
Total Current Assets	96,546	87,978

Marketable securities	13,406	20,847
Property, plant and equipment, less allowances for depreciation and amortization	39,495	35,501
Investments in real estate	3,202	3,152
Deferred income taxes	3,508	3,201
Other assets	10,751	9,935
	-----	-----
Total Assets	\$166,908	\$160,614
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 5,283	\$ 3,219
Accrued expenses and other liabilities	13,482	14,329
Income taxes	1,144	962
	-----	-----
Total Current Liabilities	19,909	18,510
	-----	-----
Accrued liability under security bonus plans	12,081	11,422
Other	8,564	7,871
	-----	-----
	20,645	19,293
	-----	-----
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 - (1996 - 11,600,614 shares;		
1995 - 11,686,614 shares)		
	11,601	11,687
Capital in excess of par value	490	494
Retained earnings	115,053	111,321
	-----	-----
	127,144	123,502
Other	(790)	(691)
	-----	-----
Total Stockholders' Equity	126,354	122,811
	-----	-----
Total Liabilities and Stockholders' Equity	\$166,908	\$160,614
	=====	=====

See notes to condensed consolidated financial statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1996	1995	1996	1995
Net Sales	\$ 63,479	\$ 56,095	\$119,587	\$110,940
Investment and other income	419	515	1,050	1,541
	63,898	56,610	120,637	112,481
Cost of goods sold (Note B)	20,752	15,822	37,430	31,243
Selling, general and administrative expenses	35,042	32,306	68,314	64,517
	55,794	48,128	105,744	95,760
Income before income taxes	8,104	8,482	14,893	16,721
Provision for income taxes	3,375	3,205	6,140	6,419
Net income	\$ 4,729	\$ 5,277	\$ 8,753	\$ 10,302
Net income per share of common stock	\$0.41	\$0.43	\$0.75	\$0.84
Cash dividends declared per share of common stock	\$0.13	\$0.13	\$0.26	\$0.25
Weighted average shares outstanding	11,601	12,217	11,613	12,333

See notes to condensed consolidated financial statements.
/TABLE

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Amounts in thousands)

	For the Six months ended June 30,	
	1996	1995
	-----	-----
Operating activities:		
Net income	\$ 8,753	\$ 10,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,942	1,685
Changes in operating assets and liabilities	(7,098)	(7,811)
Other	1,276	1,091
	-----	-----
Net Cash Provided by Operating Activities	4,873	5,267
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(1,841)	(1,760)
Purchases of marketable securities	(239,963)	(124,563)
Proceeds from sale of marketable securities	252,279	141,246
Acquisition of Automatic Screw Machine Products, net of cash acquired	(10,506)	---
Other	90	683
	-----	-----
Net Cash Provided by Investing Activities	59	15,606
	-----	-----
Financing activities:		
Purchases of common stock	(2,095)	(19,541)
Dividends paid	(3,027)	(2,995)
Other	---	5
	-----	-----
Net Cash Used in Financing Activities	(5,122)	(22,531)
	-----	-----
Decrease in Cash and Cash Equivalents	(190)	(1,658)
Cash and Cash Equivalents at Beginning of Period	10,432	9,853
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 10,242	\$ 8,195
	=====	=====

See notes to condensed consolidated financial statements.

/TABLE

Part I

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Annual Report to Stockholders for the year ended December 31, 1995. The Condensed Consolidated Balance Sheet as of June 30, 1996 and the Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 1996 and 1995 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 1996 and 1995 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods.

B) Inventories (consisting of primarily finished goods) at June 30, 1996 and cost of goods sold for the six month periods ended June 30, 1996 and 1995 were determined through the use of estimated gross profit rates.

C) On April 30, 1996 the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic) for cash of approximately \$10,746,000. This transaction was accounted for as a purchase, accordingly, the accounts and transactions of Automatic have been included in the consolidated financial statements since the date of acquisition.

The following exhibits are attached to Part I:

1. Letter from independent accountants furnished pursuant to Rule 10.01 (d) of regulation S-X.
2. Letter from independent accountants furnished pursuant to Item 601, #15 of regulation S-K.

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Part I

Independent Accountant's Review Report

Board of Directors
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of June 30, 1996 and the related condensed consolidated statements of income for the three month and six month periods ended June 30, 1996 and 1995 and the condensed consolidated statements of cash flows for the six month periods ended June 30, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated February 26, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1995, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

July 19, 1996

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Part I

July 19, 1996

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated July 19, 1996 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended June 30, 1996.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

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ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows provided by operations for the six months ended June 30, 1996 decreased slightly to \$4,873,000 from \$5,267,000 in the similar period of the prior year. This decline was due primarily to a decrease in net income, partially offset by an increase in operating assets in the comparable period of 1995. Current investments and cash flows from operations are expected to finance the Company's future growth, cash dividends and capital expenditures. Additions to property, plant and equipment were \$1,841,000 and \$1,760,000, respectively, for the six months ended June 30, 1996 and 1995. Capital expenditures during 1996 reflect primarily purchases of computer related equipment and facility improvements, while 1995 additions include the completion of a Lawson outbound facility in Addison, Illinois, at a cost of approximately of \$5,600,000.

During the second quarter of 1996, the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic), headquartered in Decatur, Alabama, at a cost of approximately \$10,746,000. Automatic is a manufacturer and distributor of production components. The new subsidiary will be known as Assembly Component Systems, Inc (ACS).

In December of 1994, the Board of Directors authorized the purchase up to 1,000,000 shares of the Company's common stock. During the first six months of 1996, the Company expended \$2,095,000 to acquire the remaining 86,000 shares authorized for repurchase. These treasury shares were retired during the first quarter of 1996. In the similar period of 1995, the Company acquired 741,500 shares at a cost of \$19,541,000. Also, during the second quarter of 1995, the Company retired 5,235,176 treasury shares, representing purchases through June 30, 1995.

Net sales for the three and six month periods ended June 30, 1996, increased 13.2% to \$63,479,000 and 7.8% to \$119,587,000 relative to the comparable periods of 1995. The advances are principally the result of gains in the number of orders processed and sales made by ACS.

Net income for the second quarter declined 10.4% to \$4,729,000 (\$.41 per share) from \$5,277,000 (\$.43 per share) for the similar period of 1995. Net income for the six months ended June 30, 1996 decreased 15.0% to \$8,753,000 (\$.75 per share) from \$10,302,000 (\$.84 per share) for the comparable period of 1995. These decreases are attributable to lower gross margins and a higher effective tax rate, which more than offset the gains in net sales noted above. Per share net income for 1996 and 1995 was positively impacted by the Company's share repurchase program.

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Part II

OTHER INFORMATION

Items 1, 2, 3, and 5 are inapplicable and have been omitted from this report.

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The annual meeting of stockholders of Lawson Products, Inc. was held on May 7, 1996.
- (b) Not applicable.
- (c) Set forth below is the tabulation of the votes on each nominee for election as a director:

	For	Withheld Authority
Ronald B. Port, M.D.	10,006,128	437,616
Robert G. Rettig	9,996,543	447,201

(d) Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Not applicable.

(b) The registrant was not required to file Form 8-K for the most recently completed quarter.

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SIGNATURES

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

LAWSON PRODUCTS, INC.
(Registrant)

Dated July 23, 1996

/s/ Bernard Kalish
Bernard Kalish
Chairman of the Board

Dated July 23, 1996

/s/ Joseph L. Pawlick
Joseph L. Pawlick
Vice President and Controller

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1,000

6-MOS

DEC-31-1996

JUN-30-1996

10,242

24,375

32,011

0

37,277

96,546

39,495

0

166,908

19,909

0

11,601

0

0

114,753

166,908

119,587

120,637

37,430

37,430

0

511

15

14,893

6,140

8,753

0

0

0

8,753

0.75

0.75