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, 2002

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

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. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No ......

The aggregate market value of the Registrant's voting stock held by non-affiliates (based upon the per share closing price of $30.70) on June 30, 2002 was approximately $150,564,000.

As of March 1, 2003, 9,494,711 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

Proxy Statement for Annual Meeting of Stockholders to be held on May 13, 2003 filed with the SEC pursuant to Schedule 14D Part III

TABLE OF CONTENTS

"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.

PART I

ITEM 1. BUSINESS.

Lawson Products, Inc. was incorporated in Illinois in 1952 and reincorporated in Delaware in 1982. The Company has four reportable segments: (i) maintenance, repair and replacement distribution; (ii) original equipment manufacturer distribution and manufacturing; (iii) international maintenance, repair and replacement distribution in Canada; and (iv) international original equipment manufacturer distribution in Mexico and the United Kingdom. Please see Note P in the notes to the consolidated financial statements for additional information regarding segment results.

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 900,000 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 2002, 2001 and 2000 respectively:

	PERCENTAGE OF CONSOLIDATED NET SALES		
	2002	2001	2000
Fasteners, Fittings and Related Parts	43%	45%	47%
Industrial Supplies	48	47	49
Automotive and Equipment Maintenance Parts	9	8	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 3.1% of the Company's purchases in 2002.

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 26% of 2002 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 42% of 2002 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 16% of 2002 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 16% of 2002 sales were made to customers in this market.

At December 31, 2002, the Company had approximately 238,000 customers, the largest of which accounted for less than one percent of net sales during 2002. Sales were made through a force of approximately 1,900 sales representatives at December 31, 2002. Included in this group were 257 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 and 50 regional managers who 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 1,440 employees at December 31, 2002.

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 99.2% of all items stocked 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.

INVENTORY

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 $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 or expanded warehouses, some of which may be located in new geographical areas.

INTERNATIONAL OPERATIONS

Approximately 6% of the Company's net sales came from international sales, primarily in Canada, the United Kingdom and Mexico.

Canadian operations are conducted at the Company's 65,000 square foot general distribution center in Mississauga, Ontario, a suburb of Toronto. These operations constituted less than 5% of the Company's net sales during 2002.

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 2002.

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 2% of the Company's net sales during 2002.

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 all of whose terms of office expire on May 13, 2003, 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	92	1977	*
Robert J. Washlow Chairman of the Board, Chief Executive Officer and Director	58	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.

NAME AND PRESENT POSITION WITH COMPANY	AGE	YEAR FIRST ELECTED TO PRESENT OFFICE	OTHER OFFICES HELD DURING THE PAST FIVE YEARS
Jeffrey B. Belford Office of the President and Chief Operating Officer	56	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	54	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	75	1987	*
Joseph L. Pawlick, Chief Financial Officer	60	1999	Prior to 1999, Mr. Pawlick was Vice President, Controller and Assistant Secretary of the Company since 1987.
Victor G. Galvez Controller	46	1999	Mr. Galvez was Assistant Controller of the Company from 1994 to 1999.
John Murray Vice President -Corporate Affairs	47	2001	Mr. Murray is the Vice President - Corporate Affairs since July 2001. Mr. Murray has held the same office since joining the Company. From 1998 to 2001, Mr. Murray served as a consultant and outside director for KMR Industries, Inc., an internet company. From 1992 to 1997, Mr. Murray was President and Chief Operating Officer for Park Ohio Industries, a diversified public company.
Neil Jenkins Secretary	53	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.

AVAILABLE INFORMATION

The Company's Internet Address is: www.lawsonproducts.com. The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically filed with the SEC. Our internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

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. The Company also leases a facility in Des Plaines, Illinois (114,000 square feet). This building contains administrative and warehouse activities. 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 (65,000 square feet). The Company also leases administrative office space (25,300 square feet) in Independence, Ohio. 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 (23,400 sq. ft.) Memphis, Tennessee, (26,300 sq. ft.), Lenexa, Kansas (40,500 sq. ft.) and Cincinnati, Ohio (16,800 sq. ft.). The Company owns a 61,000 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. Management believes that the current facilities are adequate to meet its needs. See Item 1, "Business - Distribution and Manufacturing 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, 2002 was 901. 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 for each outstanding share of common stock paid by the Company during such periods.

	2002			2001		
	HIGH	LOW	CASH DIVIDENDS PER SHARE	HIGH	LOW	CASH DIVIDENDS PER SHARE
First Quarter	$29.00	$25.71	$.16	$28.69	$23.38	$.16
Second Quarter	33.09	26.80	.16	29.30	24.64	.16
Third Quarter	30.31	25.68	.16	29.47	22.79	.16
Fourth Quarter	31.90	27.55	.16	27.80	22.55	.16

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, 2002, are derived from the audited Financial Statements of the Company.

	2002	2001	2000	1999	1998
Net Sales (1)	$387,455,899	$379,407,075	$348,967,486	$328,987,099	$301,831,128
Income Before Income Taxes	23,188,915	17,142,193	47,565,673	40,269,981	33,590,229
Net Income (2)	12,446,915	8,787,193	28,135,673	23,927,981	19,474,229
Total Assets	225,830,649	234,206,007	222,721,466	215,990,877	198,982,290
Return on Assets (percent)	5.5	3.8	12.6	11.1	9.8
Noncurrent Liabilities	31,764,636	40,520,140	28,946,453	27,525,033	25,246,269
Stockholders' Equity	162,343,106	159,898.075	159,912,465	150,039,989	142,934,735
Return on Average Equity (percent)	7.7	5.4	18.6	16.5	13.5
Per Share of Common Stock:					
Basic Net Income	$1.30	$0.91	$2.85	$2.29	$1.77
Diluted Net Income	1.30	0.91	2.85	2.29	1.76
Stockholders' Equity (3)	16.96	16.51	16.22	14.37	12.97
Cash Dividends Declared	.64	.64	.60	.57	.56
Basic Weighted Average Shares Outstanding	9,569,947	9,684,510	9,859,610	10,444,076	11,023,934
Diluted Weighted Average Shares Outstanding	9,595,945	9,708,299	9,873,680	10,445,836	11,041,819

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(1) Net sales for the years 2000 and 1999 were positively impacted by the acquisition of ACS/SIMCO in the third quarter of 1999. In addition, net sales for 2002 and 2001 were also positively impacted by the acquisition of the North American Industrial Products and Kent Automotive Divisions in March 2001.

(2) In 2002, the Company recorded $421,000, net of tax, of restructuring charges for compensation arrangements related to management personnel reductions. The Company adopted SFAS No. 142 as of January 1, 2002. Therefore, the Company discontinued amortization of goodwill for 2002. Net income for 2001 was reduced by $731,000 related to goodwill amortization. In 2001, the Company recorded non-recurring charges for the write-off of capitalized software and implementation costs related to an enterprise information system project which the Company decided to discontinue as well as a promotional program related to the acquisition of Premier operations. These charges reduced net income by $5,138,000 and $2,021,000, respectively. During 2000, the Company recorded a gain of $2,136,000 as a result of 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 which reduced net income by $1,760,000 and $1,520,000, respectively. Additionally, in 1999, a gain of $554,000 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 OPERATIONS AND FINANCIAL CONDITION.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

As further described in the Notes to Consolidated Financial Statements, Note P - Segment Reporting, the Company distributes Maintenance, Repair and Replacement consumables, reporting this activity as the "MRO distribution" segment in the United States and as the "International MRO distribution" segment in Canada. The manufacture and distribution of specialized component parts in the United States is reported as the "OEM distribution" segment. Distribution of specialized component parts in Mexico and the United Kingdom is reported as the "International OEM distribution" segment.

In 2002, total sales increased by $8.1 million, or 2.1%, to $387.5 million from $379.4 million in 2001, comprising an increase of $2.5 million, or 0.8% in the MRO segments and $5.6 million, or 9.6% in the OEM segments. The MRO increase was attributable to sales generated by the addition of field and inside sales representatives from the IPD and Kent divisions of the North American business of Premier Farnell, acquired March 30, 2001, partially offset by the effects of continuing difficult market conditions and a planned reduction in the number of under-performing domestic sales agents from 2001 levels. The sales increase in the OEM segments was attributable to increased penetration of existing accounts as well as new customer development efforts, both domestically and internationally in these growing business segments.

Gross profit increased by $2.0 million, or 0.8%, to $250.3 million during 2002 from $248.3 million in 2001. This increase resulted from the sales increase noted above, partially offset by a decline in gross profit as a percent of total sales, to 64.6% from 65.5%. This reduction in gross profit percentage is due to relatively higher growth in the OEM segments, which traditionally carry a lower gross profit rate than MRO but also have lower operating costs. In 2002, OEM gross profit was 25.2% of sales, compared to 30.2% in 2001. In 2002, OEM gross profit was negatively impacted by a $2.1 million inventory write-off, principally resulting from a change in the inventory profile by our U.K. business to better serve our current customer base. Excluding this write-off, OEM gross profit was 28.5% and total gross profit was 65.1%. The gross profit percentage of the MRO segments was 72.4% of sales in 2002, compared to 71.9% in 2001.

Selling, general and administrative (S,G&A) expenses increased by $4.8 million, or 2.2%, to $226.6 million (58.5% of sales) in 2002 from $221.7 million (58.4% of sales) in 2001. The increase in S,G&A was attributable to wage and operating cost increases, and to continued investment in various selling and product education initiatives, coupled with higher health costs. The increase was partially offset by the cessation of amortization of goodwill pursuant to adoption of FASB Statement No. 142 by the Company at the beginning of 2002, reduced MRO promotional program costs put in place to support the newly acquired Premier business and the absence of non-recurring costs associated with the IPD/Kent acquisition. If FASB Statement No. 142 had been adopted at the beginning of 2001, the non-amortization of goodwill would have resulted in decreased S,G&A expenses of approximately $1.2 million.

Operating income increased by $5.6 million, or 34.6%, to $21.8 million in 2002 from $16.2 million in 2001. The increase resulted primarily from higher net sales, the $8.5 million write-off of an enterprise information system included in 2001 results and the absence of goodwill amortization and acquisition costs noted above, partially offset by the OEM inventory write-off.

Interest expense was $0.2 million in 2002 compared to $0.7 million in 2001. The decrease was attributable to the Company's repayment of all of its outstanding debt from a revolving line of credit, coupled with lower interest rates in 2002.

The effective income tax rates were approximately 46.3% and 48.7%, respectively, for 2002 and 2001.

Net income increased by $3.6 million, or 41.6%, to $12.4 million during 2002 from $8.8 million in 2001, while income per share increased 42.9% to $1.30 in 2002 from $0.91 in 2001. The principal factors affecting net income and earnings per share are stated above. Per share net income for 2002 and 2001 was positively impacted by the Company's share repurchase program.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

In 2001, net sales increased by $30.4 million, or 8.7%, to $379.4 million in 2001 from $349.0 million in 2000, reflecting an increase of $28.9 million, or 9.9% in the MRO segments and $1.5 million, or 2.6% in the OEM segments. The increase for the MRO segments was attributable to the $34.9 million in sales generated by the addition of field and inside sales representatives from the IPD and Kent divisions of the North American business of Premier Farnell, offset by reduced contributions from other MRO sales representatives. The sales increase in the OEM segments was principally attributable to increased penetration of existing accounts in Mexico and the U.S.

Gross profit increased by $16.6 million, or 7.2%, to $248.3 million during 2001 from $231.7 million in 2000. The increase was due to the MRO sales gain noted above, partially offset by a decrease in gross profit from the OEM segments. As a percent of net sales, gross profit decreased to 65.5% from 66.4%. In 2001, MRO gross profit was 71.9% of sales, compared to 72.8% in 2000. This decrease in gross profit percentage is primarily due to pricing inconsistencies on certain Premier product lines of the MRO segments added as part of the 2001 acquisition discussed above. The OEM gross profit in 2001 was 30.2%, compared to 33.7% in 2000. The OEM gross profit percentage in 2001 was adversely impacted by significant pricing pressures.

S,G&A expenses increased by $33.2 million, or 17.7%, to $221.7 million in 2001 from $188.5 million in 2000. This increase resulted principally from higher sales agent compensation relative to the sales generated by the field representatives added as part of the Premier acquisition, higher expenses incurred to expand the Company's national sales group, integrate approximately 400 Premier sales professionals, absorb over $1 million of transition costs to integrate acquired inventory, and to realign existing warehouses and upgrade information systems. Additionally, MRO results were adversely impacted by a $3.4 million non-recurring promotional program put in place to support the newly acquired Premier business. As a percent of net sales, S,G&A expenses increased to 58.4% from 54.0%.

Operating income decreased by $25.6 million, or 61.3%, to $16.2 million during 2001 from $41.8 million in 2000. The decrease was primarily attributable to the higher S,G&A expenses, the $8.5 million write-off of an enterprise information system and non-recurring promotional programs, which more than offset the higher net sales noted above. OEM operating income decreased due to lower gross margins resulting from significant pricing pressures, as noted above.

Investment and other income was $1.6 million in 2001 compared to $5.8 million in 2000. The 72.4% decrease is primarily attributable to a $3.5 million gain from the sale of a partnership interest in 2000 and to a lesser extent, lower interest income resulting from significantly lower marketable securities balances in 2001. The Company used the proceeds from the sale of marketable securities to partially finance the Premier acquisition.

Interest expense was $0.7 million in 2001 and was principally attributable to the interest incurred on the $50 million unsecured line of credit entered into in February 2001 in connection with the Premier acquisition.

The effective income tax rates were approximately 48.7% and 40.8%, respectively, for 2001 and 2000. The increase in the effective tax rate resulted from the increased effect of non-deductible foreign operation losses when measured against significantly lower income before income taxes in 2001.

Net income decreased by $19.3 million, or 68.8%, to $8.8 million during 2001 from $28.1 million in 2000, while diluted income per share declined 68.1% to $0.91 in 2001 from $2.85 in 2000. As discussed above, the principal factors attributable to the decline in net income and diluted earnings per share were significantly higher S,G&A expenses, the absence of a gain on sale of the Company's partnership interest recorded last year, lower investment and other income and a higher effective income tax rate, which more than offset the gain in net sales. Per share net income for 2001 and 2000 was positively impacted by the Company's share repurchase program.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations and a $50 million unsecured line of credit entered into in February 2001 have continued to be sufficient to fund operating requirements, cash dividends and capital improvements. Such internally generated funds and the line of credit are also expected to finance the Company's future growth.

Cash flows provided by operations for 2002, 2001 and 2000 were $29.0 million, $6.4 million and $22.9 million, respectively. The improvement in 2002 was due primarily to decreasing operating assets, increasing operating liabilities, as well as the gain in net income noted above. In 2001, cash flows from operations were negatively impacted by the decline in net income noted above, as well as increases in operating assets associated with the acquisition of IPD and Kent, and lower operating liabilities. Working capital at December 31, 2002 and 2001 was approximately $98 million and $101 million, respectively. At December 31, 2002 the current ratio was 4.1 to 1 as compared to 4.0 to 1 at December 31, 2001.

Additions to property, plant and equipment were $6.0 million, $5.2 million and $3.4 million, respectively, for 2002, 2001 and 2000. Consistent with prior years, capital expenditures were incurred primarily for improvement of existing facilities and for the purchase of related equipment, as well as for the improvement of new leased facilities. Capital expenditures during 2001 primarily reflect purchases of computer equipment and improvement of existing facilities and purchases of related equipment. In 2000, additions to property, plant and equipment primarily reflect purchases of computer equipment.

Future obligations and commitments to make future payments under contracts consisted of rental commitments as of December 31, 2002 as follows:

(In thousands)	2003	2004	2005	2006	2007	2008 and thereafter	Total
Total contractual cash obligations	$3,084	$2,660	$2,172	$1,890	$1,675	$4,151	$15,632

On March 30, 2001, the Company purchased certain assets of Premier Farnell's Cleveland based North American Industrial Products and Kent Automotive Divisions for approximately $28.4 million plus approximately $7.2 million for related inventories. The all-cash transaction was accounted for as a purchase; accordingly the accounts and transactions of the acquired business have been included in the consolidated financial statements since the date of acquisition. Under the agreement, the Company acquired 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. Premier Farnell's Premier Fastener, Rotanium Products, Certainium Alloys, CT Engineering, JI Holcomb and Kent Automotive business units in the United States, Canada, Mexico, Central America and the Caribbean were combined with the Company's existing operations.

The assets acquired were recorded at fair values based on actual purchase cost of inventories and valuations of various intellectual properties, including trademarks and trade names of the IPD and Kent divisions. This acquisition did not require a significant investment by the Company in facilities or equipment. The acquisition generated approximately $41.2 million of incremental sales. The Company only acquired inventory and portions of the IPD and Kent business, and is therefore unable to provide any meaningful pro forma information of prior period results.

During 2002, the Company purchased 196,250 shares of its common stock for approximately $5.6 million. Of these purchases, 193,415 shares were acquired pursuant to the 2000 Board authorization to purchase up to 500,000 shares. The additional 2,835 shares purchased during 2002 represented the remaining shares authorized for purchase under the 1999 Board authorization to purchase up to 500,000 shares. In 2001, the Company purchased 84,497 shares of its own common stock for approximately $2.2 million. These shares were acquired pursuant to the 1999 Board authorization to purchase up to 500,000 shares. 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 pursuant to the 1999 Board authorization described above and 88,600 shares represented the remaining shares authorized for purchase under the 1998 Board authorization to purchase up to 500,000 shares. At December 31, 2002, 306,585 shares were available for purchase pursuant to the 2000 Board authorizations. Funds to purchase these shares were provided by investments and cash flows from operations.

CRITICAL ACCOUNTING POLICIES

The Company has disclosed its accounting policies in Note B to the consolidated financial statements. The following provides supplemental information to these accounting policies as well as information on the accounts requiring more significant estimates.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - METHODOLOGY

The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings, substantial down-grading of credit ratings), a specific reserve for bad debts is recorded against amounts due to reduce the receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for bad debts based on the Company's historical experience of bad debt write-offs as a percent of accounts receivable outstanding. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations), the estimates of the recoverability of amounts due the Company could be revised by a material amount.

INVENTORIES - SLOW MOVING AND OBSOLESCENCE

The Company carries significant amounts of inventories, which is a part of the Company's strategy as a competitive advantage in its ability to fulfill the vast majority of our customers' orders the same day received. However, this strategy also increases the chances that portions of the inventory have decreased in value below their carrying cost. To reduce inventory to a lower of cost, or market value, the Company records a reserve for slow-moving and obsolete inventory. The Company defines obsolete as those inventory parts on hand which the Company plans to discontinue to offer to its customers. Slow-moving inventory is monitored by examining reports of parts which have not been sold for extended periods. The Company records the reserve needed based on its historical experience of how much the selling prices must be reduced to move these obsolete and slow-moving products. If experience or market conditions change, estimates of the reserves needed could be revised by a material amount.

IMPACT OF INFLATION AND CHANGING PRICES

The Company has continued to pass on to its customers most increases in product costs, 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.

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. A hypothetical 10% adverse movement in exchange rates would increase income by $469,000 in 2002 to offset the loss by the foreign subsidiaries.

The Company had nothing outstanding as of December 31, 2002 under its revolving line of credit.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this report:

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 2002 and 2001.

Consolidated Statements of Income for the Years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the Years ended December 31, 2002, 2001 and 2000.

Notes to Consolidated Financial Statements.

Schedule II

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying balance sheets of Lawson Products, Inc. as of December 31, 2002 and 2001, 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, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and schedule 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. at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with generally accepted accounting principles 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.

As discussed in Note H to the financial statements, in 2002 the Company changed its method for accounting for goodwill and other intangible assets.

/s/Ernst & Young LLP

Chicago, Illinois
February 20, 2003

LAWSON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2002	DECEMBER 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 7,590,922	$ 6,986,556
Marketable securities	696,043	1,737,129
Accounts receivable, less allowance for doubtful accounts (2002 - $1,830,112; 2001 - $1,803,179)	42,989,647	45,740,042
Inventories	63,851,013	65,542,890
Miscellaneous receivables	3,201,802	2,981,961
Prepaid expenses	7,968,600	9,027,089
Deferred income taxes	3,463,000	2,471,000
Total Current Assets	129,761,027	134,486,667
Property, plant and equipment, at cost, less allowances for depreciation and amortization (2002 - $49,499,466; 2001 - $45,931,265)	39,518,838	39,059,470
ther assets:		
Investments in real estate	1,305,000	945,000
Cash value of life insurance	10,932,602	16,390,758
Deferred income taxes	11,987,000	10,679,000
Goodwill, less accumulated amortization (2002 - $1,674,529; 2001 - $1,674,529)	28,649,216	28,649,216
Other intangible assets, less accumulated amortization (2002 - $700,313; 2001 - $323,549)	1,999,396	2,073,080
Other	1,677,570	1,922,816
	56,550,784	60,659,870
	$ 225,830,649	$ 234,206,007
Liabilities and Stockholders' Equity		
Current liabilities:		
Revolving line of credit	$ --	$ 4,000,000
Accounts payable	8,085,230	6,947,987
Accrued expenses and other liabilities	23,637,677	22,839,805
Total Current Liabilities	31,722,907	33,787,792
Noncurrent liabilities and deferred credits:		
Accrued liability under security bonus plans	20,614,050	19,296,652
Revolving line of credit	--	10,000,000
Deferred compensation and other liabilities	11,150,586	11,223,488
	31,764,636	40,520,140
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 - 2002 - 9,494,011 shares; 2001 - 9,629,307 shares	9,494,011	9,629,307
Capital in excess of par value	2,387,456	912,921
Retained earnings	152,494,591	151,553,577
	164,376,058	162,095,805
Foreign currency translation adjustment	(2,032,952)	(2,197,730)
Accumulated other comprehensive loss	(2,032,952)	(2,197,730)
	162,343,106	159,898,075
	$ 225,830,649	$ 234,206,007

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
Net sales	$387,455,899	$379,407,075	$348,967,486
Cost of goods sold	137,129,326	131,064,519	117,256,150
Gross profit	250,326,573	248,342,556	231,711,336
Selling, general and administrative expenses	226,570,836	221,743,271	188,468,661
Special charges	360,112	8,496,101	--
Provision for doubtful accounts	1,585,048	1,901,379	1,419,120
Operating Income	21,810,577	16,201,805	41,823,555
Interest and dividend income	52,886	654,257	1,072,730
Interest expense	(153,809)	(705,756)	(7,959)
Gain from sale of partnership interest	--	--	3,502,336
Other income - net	1,479,261	991,887	1,175,011
	1,378,338	940,388	5,742,118
Income Before Income Taxes	23,188,915	17,142,193	47,565,673
Federal and state income taxes (benefit):			
Current	12,919,000	10,126,000	20,012,000
Deferred	(2,177,000)	(1,771,000)	(582,000)
	10,742,000	8,355,000	19,430,000
Net Income	$ 12,446,915	$ 8,787,193	$ 28,135,673
Net Income Per Share of Common Stock:			
Basic	$1.30	$0.91	$2.85
Diluted	$1.30	$0.91	$2.85

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 LOSS	COMPREHENSIVE INCOME
Balance at January 1, 2000	$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				(568,000)	(568,000)
translation					
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)	
Net income			8,787,193		$8,787,193
Other comprehensive income, net of tax: Adjustment for foreign currency				(576,226)	(576,226)
translation					
Other comprehensive loss for the year					(576,226)
Comprehensive income for the year					$8,210,967
Cash dividends declared			(6,190,716)		
Stock issued under employee stock plans	7,400	159,100			
Purchase and retirement of common stock	(84,497)	(7,904)	(2,108,740)		
Balance at December 31, 2001	9,629,307	912,921	151,553,577	(2,197,730)	
Net income			$12,446,915		$12,446,915
Other comprehensive income, net of tax: Adjustment for foreign currency				164,778	164,778
translation					
Other comprehensive income for the year					164,778
Comprehensive income for the year					$12,611,693
Cash dividends declared			(6,115,046)		
Stock issued under employee stock plans	60,954	1,150,553			
Purchase and retirement of common stock	(196,250)	(36,018)	(5,390,855)		
Balance at December 31, 2002	$9,494,011	$2,387,456	$152,494,591	$(2,032,952)	

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2002	2001	2000
Operating activities			
Net income	$ 12,446,915	$ 8,787,193	$ 28,135,673
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,505,560	5,740,752	5,986,466
Amortization	1,321,150	2,405,261	677,197
Provision for allowance for doubtful accounts	1,585,048	1,901,379	1,419,120
Deferred income taxes	(2,177,000)	(1,771,000)	(582,000)
Deferred compensation and security bonus plans	2,703,603	3,399,366	3,922,781
Payments under deferred compensation and security bonus plans	(1,635,338)	(2,395,036)	(2,420,361)
Losses (Gains) from sale of marketable securities	(299,611)	(13,276)	803
Income from investments in real estate	(600,000)	(480,000)	(695,000)
Gain from sale of investment in real estate	--	--	(3,502,336)
Changes in operating assets and liabilities (Exclusive of effect of acquisition):			
Accounts receivable	1,165,347	(5,392,638)	(1,134,140)
Inventories	1,691,877	(3,093,011)	256,152
Prepaid expenses and other assets	4,867,084	3,258,709	(3,730,055)
Accounts payable and accrued expenses	1,958,330	(2,970,360)	(2,770,387)
Income taxes payable	--	(2,614,768)	(1,717,167)
Other	429,009	(315,698)	(961,691)
Net Cash Provided by Operating Activities	28,961,974	6,446,873	22,885,055
Investing activities			
Additions to property, plant and equipment	(5,964,928)	(5,228,929)	(3,392,458)
Purchases of marketable securities	(8,340,339)	(13,267,926)	(75,344,146)
Proceeds from sale of marketable securities	9,681,036	41,916,388	61,987,598
Proceeds from sale of investment in real estate	--	--	7,400,000
Acquisition of businesses, net of cash acquired	--	(36,890,933)	--
Other	456,500	240,000	200,000
Net Cash Used in Investing Activities	(4,167,731)	(13,231,400)	(9,149,006)
Financing Activities			
Proceeds from revolving line of credit	36,500,000	71,800,000	--
Payments on revolving line of credit	(50,500,000)	(57,800,000)	--
Purchases of common stock	(5,623,123)	(2,201,140)	(11,932,267)
Proceeds from exercise of stock options	1,571,507	166,500	84,375
Dividends paid	(6,138,261)	(6,105,987)	(5,951,058)
Net Cash Provided by (Used in) Financing Activities	(24,189,877)	5,859,373	(17,798,950)
Increase (Decrease) in Cash and Cash Equivalents	604,366	(925,154)	(4,062,901)
Cash and Cash Equivalents at Beginning of Year	6,986,556	7,911,710	11,974,611
Cash and Cash Equivalents at End of Year	$ 7,590,922	$ 6,986,556	$ 7,911,710

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
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.

NOTE B - SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts and transactions of the Company and its wholly owned and majority owned subsidiaries. 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: Costs related to shipping and handling fees are included on the Income Statement in the caption Selling, general and administrative expenses and totaled $11,898,000, $11,460,000, and $10,521,000 in 2002, 2001 and 2000, respectively. Amounts billed to customers for shipping fees are included in net sales.

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 3 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, the Company uses the intrinsic value method where 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.

The following table shows the effect on net income and earnings per share if the Company had applied the fair value recognition provision of FASB Statement No. 123, "Accounting for Stock-Based Compensation."

	2002	2001	2000
Net income - as reported	$12,446,915	$8,787,193	$28,135,673
Deduct: Total stock based employee compensation expense determined under fair value method, net of tax	(37,915)	(49,193)	(167,673)
Net income - pro forma	12,409,000	8,738,000	27,968,000
Basic and diluted earnings per share			

- as reported	1.30	.91	2.85
Basic earnings per share - pro forma	1.30	.90	2.84
Diluted earnings per share - pro forma	1.29	.90	2.83

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.

Goodwill and Other Intangibles: Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible assets acquired. Goodwill was amortized over 20 years using the straight-line method until the end of 2001.

In June 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142 "Goodwill and Other Intangibles," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives will no longer be amortized but subject to annual impairment tests. (See note H)

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, 2002, 2001 and 2000.

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 2001 and 2000 financial statements to conform with the 2002 presentation.

New Accounting Standards: Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the financial accounting and reporting for the impairment of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations" for a disposal of a segment of a business. The adoption of SFAS No. 144 on January 1, 2002 did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued statement No. 148 "Accounting for Stock-Based Compensation Transactions and Disclosure". SFAS No. 148 provides additional disclosure requirements for stock based compensation accounted for under APB No. 25.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses the financial reporting by companies involved with variable interest entities. A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. Previously, a company generally included an entity in its consolidated financial statements only if it controlled the entity through voting interests. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. Existing variable interest entities must be consolidated in the first fiscal year or interim period beginning after June 15, 2003. The Company has not determined what the effect of implementing FIN. No. 46 will be on earnings and financial position of the Company.

NOTE C - BUSINESS COMBINATION

On March 30, 2001, the Company purchased certain assets of Premier Farnell's Cleveland based North American Industrial Products (IPD) and Kent Automotive (Kent) Divisions for approximately $28.4 million plus approximately $7.2 million for related inventories. This all-cash transaction was accounted for as a purchase; accordingly, the accounts and transactions of the acquired business have been included in the consolidated financial statements since the date of acquisition. Under the agreement, the Company acquired the field sales, inside sales and customer service professionals, the customer accounts, certain administrative executives, and various intellectual properties, including trademarks and trade names of the divisions in certain territories. The identifiable intangibles acquired in the acquisitions were recorded at an independent appraised value of approximately $1.4 million. These intangibles are being amortized over a weighted average estimated life of 15.1 years. The remaining excess of purchase price over net assets acquired of approximately

$27.1 million represents goodwill. The assets acquired were recorded at fair values as determined by the Company's management. As the Company only acquired inventory and sales professionals of the IPD and Kent businesses, the Company is unable to provide any meaningful pro forma information of prior period results. Net sales attributed to the acquired division represented approximately $41,252,000 for 2001.

NOTE D - SPECIAL CHARGES

In the fourth quarter of 2002, the Company recorded a special charge of $568,000 for severance for several members of management. Approximately $196,000 was paid in 2002 and the remaining benefits will be paid through 2004.

In the fourth quarter of 2001, the Company wrote-off capitalized software and implementation costs of a discontinued enterprise information system project. This write-off represents a non-cash charge of $8,527,000 ($5,138,000 net of tax benefits).

The table below shows an analysis of the company's reserves for special charges:

Description of Item (In thousands)	Severance and Related Expenses	Asset Writedown	Total
Balance December 31, 1999	$4,032	$ -	$4,032
Charged to earnings 2000	-	-	-
Cash paid in 2000	(1,659)	-	(1,659)
Balance December 31, 2000	$2,373	$ -	$2,373
Charged to earnings 2001	-	8,527	8,527
Cash paid in 2001	(884)	-	(884)
Non-cash utilization	-	(8,527)	(8,527)
Adjustment to reserves	(31)	-	(31)
Balance December 31, 2001	$1,458	$ -	$1,458
Charged to earnings 2002	568	-	568
Cash paid in 2002	(942)	-	(942)
Adjustment to reserves	(208)	-	(208)
Balance December 31, 2002	$ 876	$ -	$ 876

NOTE E - MARKETABLE SECURITIES

The following is a summary of the Company's investments at December 31 which are classified as available-for-sale. The contractual maturity of all marketable securities at December 31, 2002 is less than one year.

(In Thousands)	Cost	Gross Unrealized Gain	Gross Unrealized Losses	Estimated Fair Value
2002				
Foreign government securities	$ 696	$ -	$ -	$ 696
2001				
Foreign government securities	$1,737	$ -	$ -	$1,737

The gross realized gains on sales of marketable securities totaled: $300,000, $13,000 and $1,000 in 2002, 2001 and 2000, respectively, and the gross realized losses totaled $0, $0 and $2,000, respectively. The net adjustment to unrealized holding gains included as a separate component of stockholders' equity, net of taxes, totaled $28,000 in 2000.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment consists of:

	2002	2001
Land	$ 6,607,670	$ 6,597,182
Buildings and improvements	42,090,375	40,905,512
Machinery and equipment	32,701,666	31,214,970
Furniture and fixtures	5,965,585	5,557,969
Vehicles	406,201	252,251
Construction in Progress	1,246,807	462,851
	$89,018,304	$84,990,735

NOTE G - INVESTMENT IN REAL ESTATE

The Company is a limited partner in a real estate limited partnership. An officer and member of the Board of Directors of the Company has a 1.5% interest as the general partner in this partnership. This interest is subordinated to the Company's interests in distributable cash. The partnership owns an office building which carries a mortgage of approximately $4.5 million at December 31, 2002.

In the fourth quarter of 2000, the Company sold its interest in a real estate partnership for $7,400,000 to the general partners, of which one is an officer 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 sales price after receiving independent appraisals of the property sold.

NOTE H- GOODWILL AND OTHER INTANGIBLES

As discussed in Note B - Summary of Major Accounting Policies, the Company adopted FASB statement No. 142 "Goodwill and Other Intangibles" as of January 1, 2002. The Company performed the initial test of impairment as of January 1, 2002 as well as the first annual impairment test during the fourth quarter of 2002. Both tests determined the Company's goodwill was not impaired.

The Company's pro forma information for intangible assets that are no longer being amortized effective January 1, 2002 consisted of the following:

	2002	2001	2000
Net income - as reported	$12,446,915	$8,787,193	$28,135,673
Goodwill amortization	-	730,911	118,965
Net income - pro forma	12,446,915	$9,518,104	28,254,638
Diluted earnings per share - as reported	1.30	.91	2.85
Diluted earnings per share - pro forma	1.30	.98	2.86

Intangible assets subject to amortization were as follows:

December 31, 2002

(in thousands)	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$668	$1,079
Customer lists	953	33	920
	$2,700	$701	$1,999

December 31, 2001

(in thousands)	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$324	$1,423
Customer lists	650	-	650
	$2,397	$324	$2,073

Trademarks and tradenames are being amortized over a weighted average 15.14 years. Customer lists are being amortized over 15.23 years. Amortization expense, all of which was included in the MRO distribution segment, for the intangible assets was $377,000 and $137,000 in 2002 and 2001, respectively. Amortization expense for each of the next five years is estimated as follows:

(In thousands)	2003	2004	2005	2006	2007
Amortization expense	$322,000	$176,000	$143,000	$143,000	$98,000

NOTE I - ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	2002	2001
Salaries, commissions and other compensation	$ 5,874,674	$ 5,547,617
Accrued special charges	875,584	1.458,054
Accrued and withheld taxes, other than income taxes	2,756,961	2,607,879
Accrued profit sharing contributions	3,269,578	2,843,621
Accrued self-insured health benefits	1,500,000	1,300,000
Cash dividends payable	1,519,042	1,540,689
Other	7,841,838	7,541,945
	$23,637,677	$22,839,805

NOTE J - LINE OF CREDIT

On February 21, 2001, the Company entered into a $50 million unsecured multi-currency line of credit. The Company had nothing outstanding under the line at December 31, 2002 and $14 million outstanding under the line at December 31, 2001 at an interest rate of 3.06 percent. Amounts outstanding under the line carried interest at 1.5% below the prime rate or .75% over the LIBOR rate as determined by the Company. The line matures on February 21, 2006. Since the line's interest rate floats on a variable basis with either prime or LIBOR, the carrying value of the debt approximates fair value. The line requires the Company to meet certain covenants, all of which were met on December 31, 2002. The Company paid interest of $220,000 and $605,000, respectively, in 2002 and 2001.

NOTE K - STOCK PLANS

In 2002, 2001 and 2000, the Company granted Stock Performance Rights (SPRs) pursuant to an incentive plan adopted in 2000. These SPRs have an exercise price ranging from $24.64 to $31.00 per share. These SPRs vest at 20% per year and entitle the recipient to receive a cash payment equal to the difference between the SPR price and the market value of the Company's common stock when the SPRs are surrendered. Compensation expense for the SPRs in 2002, 2001 and 2000 was $244,000, $0 and $0, respectively.

Additional information with respect to SPRs is summarized as follows:

	Average SPR Exercise Price	# of SPR's
Outstanding January 1, 2000	$ --	--
Granted	26.50	71,250*
Outstanding December 31, 2000	26.50	71,250
Granted	27.08	149,000**
Outstanding December 31, 2001	26.90	220,250
Granted	30.33	15,000
Outstanding December 31, 2002	$ 27.12	235,250

*Includes 29,300 SPRs vested at December 31, 2002
**Includes 29,000 SPRs vested at December 31, 2002

The 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, SPRs, stock purchase agreements and stock awards. 575,673 shares of Common Stock were available for issuance under the Plan as of December 31, 2002.

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, 2000	$24.18	270,190
Granted	23.56	11,000
Exercised	22.50	(3,750)
Canceled or expired	27.50	(97,050)

Outstanding December 31, 2000	22.86	180,390
Granted	--	--
Exercised	22.50	(7,400)
Canceled or expired	--	--
Outstanding December 31, 2001	22.87	172,990
Granted	--	--
Exercised	22.73	(50,954)
Canceled or expired	--	--
Outstanding December 31, 2002	$22.93	122,036
Exercisable options at		
December 31, 2002	$22.90	114,286
December 31, 2001	$22.79	157,990
December 31, 2000	$22.71	157,890

As of December 31, 2002, the Company had the following outstanding options:

Exercise Price	$22.44 - $23.56	$26.75	$27.00
Options Outstanding	112,536	9,000	500
Weighted Average Exercise Price	$22.60	$26.75	$27.00
Weighted Average Remaining Life	3.8	5.3	4.7
Options Exercisable	104,786	9,000	500
Weighted Average Exercise price	$22.55	$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.

No options were granted in 2002 or 2001. The Company's weighted average fair value of options granted in 2000 and assumptions used, were as follows:

	2000
Risk-free interest rate	5.22%
Dividend yield	2.00%
Stock price volatility factor	0.19
Weighted average expected life (years)	8
Weighted average fair value of options granted	$6.25

NOTE L - 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 saving 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 $5,689,000, $5,363,000 and $5,222,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE M - 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:

Deferred Tax Assets:	2002	2001
Compensation and benefits	$13,128,000	$11,938,000
Inventory	3,258,000	2,363,000
Net operating loss carryforwards of subsidiary	6,587,000	5,106,000
Accounts receivable	591,000	557,000
Other	1,095,000	1,183,000
Total Deferred Tax Assets	24,659,000	21,147,000
Valuation allowance for deferred tax assets	(6,587,000)	(5,106,000)
Net Deferred Tax Assets	18,072,000	16,041,000
Deferred Tax Liabilities:		
Property, plant & equipment	676,000	675,000
Investment in real estate	1,560,000	1,767,000
Other	386,000	449,000
Total Deferred Tax Liabilities	2,622,000	2,891,000
Total Net Deferred Tax Assets	$15,450,000	$13,150,000

Net deferred tax assets include the tax impact of items in comprehensive income of $1,095,000 and $1,183,000 at December 31, 2002 and 2001, respectively.

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

	2002	2001	2000
United States	$27,905,741	$18,522,707	$49,259,320
Foreign	(4,716,826)	(1,380,514)	(1,693,647)
	$23,188,915	$17,142,193	$47,565,673

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

	2002	2001	2000
Current:			
Federal	$10,972,000	$ 8,348,000	$16,945,000
State	1,947,000	1,778,000	3,067,000
	12,919,000	10,126,000	20,012,000
Deferred benefit	(2,177,000	(1,771,000)	(582,000)
	$10,742,000	$ 8,355,000	$19,430,000

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

	2002	2001	2000
Statutory federal rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	5.5	6.7	4.2
Foreign losses	9.3	5.1	1.5
Other items, net	(3.5)	1.9	.1
Provision for income taxes	46.3%	48.7%	40.8%

Income taxes paid for the years ended December 31, 2002, 2001, and 2000 amounted to $11,370,000, $13,399,000 and $21,212,000, respectively.

NOTE N - COMMITMENTS

The Company's minimum rental commitments, principally for equipment, under noncancelable leases in effect at December 31, 2002, amounted to approximately $15,632,000. Such rentals are payable as follows: 2003 - $3,084,000; 2004 - $2,660,000; 2005 - $2,172,000; 2006 - $1,890,000; 2007 - $1,675,000; and 2008 and thereafter - $4,151,000.

Total rental expense for the years ended December 31, 2002, 2001 and 2000 amounted to $3,669,000, $3,090,000 and $2,783,000, respectively.

NOTE O - INCOME PER SHARE

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

(In thousands, except per share data)	Year ended December 31, 2002	2001	2000
Numerator:			
Net income	$12,447	$8,787	$28,136
Denominator:			
Denominator for basic income per share - weighted average shares	9,570	9,685	9,860
Effect of dilutive securities:			
Stock option plans	26	23	14
Denominator for diluted income per share - adjusted weighted average shares	9,596	9,708	9,874
Basic income per share	$1.30	$0.91	$2.85
Diluted income per share	$1.30	$0.91	$2.85

NOTE P - SEGMENT REPORTING

The Company has four reportable segments: Maintenance, Repair and Replacement (MRO) distribution, Original Equipment Manufacturer (OEM) distribution and manufacturing, International Maintenance, Repair and Replacement (INTLMRO) distribution in Canada and International Original Equipment Manufacturer (INTLOEM) distribution in Mexico and the United Kingdom. Prior to 2002, the Company combined the results of INTLMRO and INTLOEM in one reportable segment. The Company has reclassified 2001 and 2000 presentation to conform to the 2002 presentation. The operations of the Company's MRO and INTLMRO distribution segments distribute a wide range of MRO parts to repair and maintenance organizations by the Company's force of independent sales agents. The operations of the Company's OEM segment manufacture and distribute component parts to large OEM manufacturers through a network of independent sales agents as well as internal sales employees.

The INTLMRO distribution segment distributes component parts to large OEM manufacturers through a network of independent sales agents as well as internal sales employees.

The Company's reportable segments are distinguished by the nature of products distributed and sold, types of customers, and geographical location.

The Company evaluates performance and allocates resources to reportable segments primarily based on operating income. The accounting polices of the reportable segments are the same as those described in the summary of significant policies except that the Company records its federal and state deferred tax assets and liabilities at corporate. Intersegment sales are not significant.

Financial information for the Company's reportable segments consisted of the following:

	Year Ended December 31, 2002	2001	2000
Net sales			
MRO distribution	$306,862,751	$306,917,045	$283,969,540
OEM distribution	55,546,938	52,350,227	52,001,028
International MRO distribution	16,504,952	13,998,416	7,980,367
International OEM distribution	8,541,258	6,141,387	5,016,551
Consolidated total	$387,455,899	$379,407,075	$348,967,486
Operating Income (loss)			
MRO distribution	$23,828,009	$15,167,119	$39,336,157
OEM distribution	2,490,409	2,165,731	4,052,210
International MRO distribution	1,050,523	870,255	341,257
International OEM distribution	(5,558,364)	(2,001,300)	(1,906,069)

Consolidated total	$21,810,577	$16,201,805	$41,823,555
Capital expenditures			
MRO distribution	$3,941,080	$4,496,163	$2,761,755
OEM distribution	868,480	683,937	570,225
International MRO distribution	944,109	39,976	46,812
International OEM distribution	211,259	8,853	13,666
Consolidated total	$5,964,928	$5,228,929	$3,392,458
Depreciation and amortization			
MRO distribution	$5,649,831	$6,553,422	$5,176,344
OEM distribution	798,582	1,060,392	1,130,394
International MRO distribution	120,992	278,437	100,790
International OEM distribution	257,305	253,762	256,135
Consolidated total	$6,826,710	$8,146,013	$6,663,663
Total assets			
MRO distribution	$155,439,382	$166,440,355	$160,169,065
OEM distribution	32,573,417	34,183,609	32,181,862
International MRO distribution	13,988,741	15,033,073	13,639,261
International OEM distribution	8,379,109	5,398,970	5,662,278
Segment total	210,380,649	221,056,007	211,652,466
Corporate	15,450,000	13,150,000	11,069,000
Consolidated total	$225,830,649	$234,206,007	$222,721,466
Goodwill			
MRO distribution	$22,103,856	$22,103,856	$ -
OEM distribution	2,251,247	2,251,247	2,251,247
International MRO distribution	4,294,113	4,294,113	-
International OEM distribution	-	-	-
Consolidated total	$28,649,216	$28,649,216	$2,251,247

The reconciliation of segment profit to consolidated income before income taxes consisted of the following:

	Year Ended December 31, 2002	2001	2000
Total operating income for reportable segments	$21,810,577	$16,201,805	$41,823,555
Interest and dividend income	52,886	654,257	1,072,730
Interest expense	(153,809)	(705,756)	(7,959)
Gain from sale of partnership interest	-	-	3,502,336
Other - net	1,479,261	991,887	1,175,011
Income before income taxes	$23,188,915	$17,142,193	$47,565,673

Financial information related to the Company's operations by geographic area consisted of the following:

	Year Ended December 31, 2002	2001	2000
Net sales			
United States	$362,409,689	$359,267,272	$335,970,568
Canada	16,504,952	13,998,416	7,980,367
Other foreign countries	8,541,258	6,141,387	5,016,551
Consolidated total	$387,455,899	$379,407,075	$348,967,486

	Year Ended December 31, 2002	2001	2000
Long-lived assets			
United States	$60,677,605	$61,012,500	$39,155,963
Canada	7,129,149	6,300,247	2,154,539
Other foreign countries	361,300	395,939	525,444
Consolidated total	$68,168,054	$67,708,686	$41,835,946

Net sales are attributed to countries based on the location of customers. Long-lived assets consist of total property, plant and equipment and intangible assets such as goodwill.

NOTE Q - SUMMARY OF UNAUDITED QUARTERLY RESULTS OF OPERATIONS

Unaudited quarterly results of operations for the years ended December 31, 2002 and 2001 are summarized as follows:

2002	Quarter ended Mar. 31	Jun. 30	Sept. 30	Dec.31(1),(2)
(In thousands, except per share data)				
Net sales(4)	$95,746	$99,890	$98,474	$93,346
Cost of goods sold(4)	33,704	35,343	35,211	32,871
Income before income taxes(4)	6,410	8,056	6,628	2,095
Provision for income taxes	2,578	3,360	2,869	1,935
Net income	3,832	4,696	3,759	160
Net income per share of common stock				
Basic and Diluted	.40	.49	.39	.02
Diluted weighted average shares				
outstanding	9,657	9,643	9,576	9,526

2001	Quarter ended Mar. 31	Jun. 30	Sept. 30	Dec. 31(1),(3)
(In thousands, except per share data)				
Net sales(4)	$83,650	$98,980	$100,000	$96,777
Cost of goods sold(4)	29,937	33,888	35,256	31,984
Income (loss) before income taxes(4),(5)	5,825	6,927	5,838	(1,448)
Provision for income taxes	2,587	2,939	2,525	304
Net income (loss)	3,238	3,988	3,313	(1,752)
Net income (loss) per share of common stock				
Basic and Diluted	.33	.41	.34	(.18)
Diluted weighted average shares				
outstanding	9,730	9,740	9,715	9,652

1 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 interim periods is adjusted in the fourth quarter. This adjustment increased net income by approximately $1,955,000 and $2,055,000 in 2002 and 2001, respectively.

2 The fourth quarter included $421,000 of restructuring charges for compensation arrangements related to management personnel reductions.

3 The fourth quarter included non-recurring charges for the write-off of capitalized software and implementation costs of an enterprise information system project which the Company decided to discontinue as well as a non-recurring promotional program related to the acquisition of Premier operations. These charges reduced net income by $5,138,000 and $2,021,000, respectively.

4 The Company acquired the business of Premier as of March 30, 2001. The results of the acquisition are included in the quarterly results since the date of the acquisition.

5 The Company adopted SFAS No. 142 as of January 1, 2002. Therefore, the Company discontinued amortization of goodwill for all quarters of 2002. Pre-tax income included goodwill amortization of $45,000, $388,000, $388,000, and $388,000 for the respective quarters in 2001.

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, 2002	$1,803,179	$1,585,048	$1,558,115	$1,830,112
Year ended December 31, 2001	1,658,585	1,901,379	1,756,785	1,803,179
Year ended December 31, 2000	1,601,649	1,419,120	1,362,184	1,658,585

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.

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 13, 2003, 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 13, 2003, 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 13, 2003 under the captions "Securities Beneficially Owned by Principal Stockholders and Management," and "Equity Compensation Plan", 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 13, 2003 under the caption "Election of Directors," which information is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation within 90 days of the filing date of this report, that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) are effective for gathering, analyzing and disclosing the information the Company is required to disclose in its reports filed under the Securities Exchange Act of 1934. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the previously mentioned evaluation.

PART IV

ITEM 15. 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, 2002 and 2001.

Consolidated Statements of Income for the Years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the Years ended December 31, 2002, 2001 and 2000.

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 15(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.

(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) Amended and Restated By-laws of the Company, incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

*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.

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*Indicates management employment contracts or compensatory plans or arrangements.

*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.
*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, 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, 2000.
10(c)(9)	Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
99.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(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 15(a)(3) above for a list of exhibits to this report.

(d) Schedules

See item 15(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 26, 2003

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 26th day of March, 2003, 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

CERTIFICATIONS

I, Robert J. Washlow, certify that:

1. I have reviewed this annual report on Form 10-K of Lawson Products, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/s/ Robert J. Washlow

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

CERTIFICATIONS

I, Joseph L. Pawlick, certify that:

1. I have reviewed this annual report on Form 10-K of Lawson Products, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/s/ Joseph L. Pawlick

Joseph L. Pawlick
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
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)	Amended and Restated By-laws of the Company, incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
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 to 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.
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, 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, 2000.
10(c)(9)	Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
99.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 10(C)(9)

LAWSON PRODUCTS, INC.

2002 STOCK EQUIVALENTS PLAN

FOR NON-EMPLOYEE DIRECTORS

1. Purpose. The purpose of the Lawson Products, Inc. 2002 Stock Equivalents Plan for Non-Employee Directors (the "Plan") is to aid Lawson Products, Inc. (the "Company") in attracting and retaining non-employee directors by encouraging and enabling the acquisition of a financial interest in the Company by such directors through the issuance of stock equivalents. Participation in this Plan is limited to non-employee directors of the Company. For purposes of the Plan, a non-employee director is any person who is a member of the Board of Directors of the Company (the "Board") and who is not, and has never been, a full-time employee of the Company or any of its subsidiaries.

2. Election to Receive Annual Retainer in Stock Equivalents. Each non-employee director may make an irrevocable election to receive all or any portion of his or her annual retainer in stock equivalents to be paid out at: (a) the death, permanent disability, retirement or other termination of the non-employee director's service on the Board (each of the foregoing being a "Termination Event") or (b) five years from the date of election or (c) ten years from the date of election. In the event an election under (b) or (c) is made, and a Termination Event occurs prior to the date elected for a payment, the payment date shall be accelerated to the date of the Termination Date. An election pursuant to this paragraph 2 must be made in writing on or before July 1st of each year and will entitle the non-employee director to a number of stock equivalents during each of the ensuing four calendar quarters determined by dividing 25% of the portion of the retainer for the year for which the election is being made by the fair market value of one share of the Company's Common Stock as of the first day of each such quarter of such year. In the event any person becomes a non-employee director after July 1, such person may make an election, before the date on which such person becomes a non-employee director, to receive all or any portion of his or her retainer during the period ending on June 30 in stock equivalents determined in accordance with the formula set forth in the preceding sentence.

3. Stock Equivalents. The number of stock equivalents determined under paragraph 2 hereunder for each non-employee director shall be credited to a bookkeeping account established in the name of that director subject to the following terms and conditions:

(a) If the Company pays a cash dividend with respect to the Common Stock at any time while stock equivalents are credited to a non-employee director's account, there shall be credited to the non-employee director's account additional stock equivalents equal to (i) the cash dividend the director would have received had he or she been the actual owner of the stock equivalents then credited to the director's account, divided by (ii) the fair market value of one share of the Company's Common Stock on the dividend payment date.

(b) Upon the death, permanent disability, retirement or other termination of the non-employee director's service on the Board, or such earlier time as the director shall designate at the time of the election in paragraph 2 above, the Company shall pay to the non-employee director (or his or her designated beneficiary or estate) in a lump sum an amount equal to the fair market value of one share of Company Common Stock on the date of termination (or other designated date) multiplied by the number of stock equivalents then credited to the director's account.

(c) The Company's obligation with respect to stock equivalents shall not be funded or secured in any manner, nor shall a participant's right to receive payment be assignable or transferable, voluntarily or involuntarily, except as expressly provided herein.

(d) Stock equivalents shall not entitle the holder thereof to any voting or other stockholder rights as a result of the credit of stock equivalents to the holder's account.

(e) All stock equivalents shall not be transferable in any manner other than by will or the laws of descent and distribution.

(f) No right or interest of any director in a stock equivalent shall be subject to any lien, claim, encumbrance, obligation, or liability of such director. Any payments required under the Plan during a director's lifetime shall be made only to the director.

4. Fair Market Value. For purposes of this Plan, fair market value shall mean the closing price of a share of Company Common Stock on the valuation date or on the next preceding trading day if the valuation date is not a trading day, as reported in the Midwest Edition of The Wall Street Journal.

5. Adjustments. If there is any change in the Company's Common Stock by means of a stock dividend or distribution, stock split-up, recapitalization, combination or exchange of shares, or by means of any merger, consolidation or other corporate reorganization in which the Company is the surviving corporation, the number of stock equivalents shall be automatically adjusted on the same basis to give proper effect to such change, and the Board of Directors shall make whatever changes in the Plan and in any stock equivalents then outstanding as it deems necessary or appropriate.

6. Amendment or Termination. The Board shall have the power to terminate the Plan at any time and to amend the Plan from time to time as it may deem proper; provided, however, that no such termination or amendment shall adversely affect any outstanding stock equivalents. Notwithstanding the foregoing, the Board shall have the right to terminate this Plan and all stock equivalents outstanding at any time by making a lump sum payment equal to the then fair market value of the then outstanding stock equivalents in cancellation of all rights of directors in the Plan.

7. Illinois Law. This Plan and all actions taken in connection herewith shall be governed and construed in accordance with the substantive laws of the state of Illinois (regardless of the law that might otherwise govern under applicable Illinois principles of conflict of laws).

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
Allprocure.com, Inc.(1)	Missouri
Assembly Component Systems, Inc.	Illinois
Automatic Screw Machine Products Company, Inc.(2)	Alabama
LP Service Co.	Illinois
C.B. Lynn Company	Illinois

(1) owned 65% by the Company
(2) 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) of our report dated February 20, 2003, 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, 2002.

/s/ Ernst & Young LLP

Chicago, Illinois
March 26, 2003

Exhibit 99.1

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

In connection with the Annual Report of Lawson Products, Inc. (the "Company") on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ Robert J. Washlow

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Robert J. Washlow, Chief Executive Officer

/s/ Joseph L. Pawlick

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Joseph L. Pawlick, Chief Financial Officer

March 26, 2003