

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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FORM 10-Q

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

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For Quarter Ended March 31, 1996          Commission file no. 0-10546

LAWSON PRODUCTS, INC.

-----  
(Exact name of registrant as specified in its charter)

Delaware

36-2229304

-----  
(State or other jurisdiction of  
incorporation or organization)

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

1666 East Touhy Avenue, Des Plaines, Illinois

60018

-----  
(Address of principal executive offices)

-----  
(Zip Code)

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

Not applicable

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

Indicate by check mark whether the registrant (1) has filed  
all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes  No

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

11,600,614 Shares, \$1 par value, as of April 19, 1996.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	March 31, 1996	December 31, 1995
	----- (UNAUDITED)	
<b>ASSETS</b>		
-----		
Current Assets:		
Cash and cash equivalents	\$ 10,487	\$ 10,432
Marketable securities	21,863	16,068
Accounts receivable, less allowance for doubtful accounts	28,188	28,296
Inventories (Note B)	29,527	27,083
Miscellaneous receivables and prepaid expenses	5,426	5,635
Deferred income taxes	636	464
	-----	-----
Total Current Assets	96,127	87,978
Marketable securities	15,775	20,847
Property, plant and equipment, less allowances for depreciation and amortization	35,586	35,501
Investments in real estate	3,197	3,152
Deferred income taxes	3,253	3,201
Other assets	10,661	9,935
	-----	-----
Total Assets	\$164,599	\$160,614
	=====	=====
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
-----		
Current Liabilities:		
Accounts payable	\$ 4,086	\$ 3,219
Accrued expenses and other liabilities	13,816	14,329
Income taxes	3,782	962
	-----	-----
Total Current Liabilities	21,684	18,510
Accrued liability under security bonus plans	11,735	11,422
Other	8,070	7,871
	-----	-----
	19,805	19,293
	-----	-----
Stockholders' Equity:		
Preferred Stock, \$1 par value:		
Authorized - 500,000 shares		
Issued and outstanding - None	---	---
Common Stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - (1996 - 11,600,614 shares; 1995 - 11,686,614 shares)	11,601	11,687
Capital in excess of par value	490	494
Retained earnings	111,832	111,321
	-----	-----
Other	123,923	123,502
	(813)	(691)
	-----	-----
Total Stockholders' Equity	123,110	122,811
	-----	-----
Total Liabilities and Stockholders' Equity	\$164,599	\$160,614
	=====	=====

See notes to condensed consolidated financial statements.





LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended March 31,	
	1996	1995
	-----	-----
Net sales	\$ 56,108	\$ 54,845
Investment and other income	631	1,026
	-----	-----
	56,739	55,871
	-----	-----
Cost of goods sold (Note B)	16,678	15,421
Selling, general and administrative expenses	33,272	32,211
	49,950	47,632
	-----	-----
Income before income taxes	6,789	8,239
Provision for income taxes	2,765	3,214
	-----	-----
Net income	4,024	5,025
Retained earnings at beginning of period	111,321	195,609
Deduct:		
Treasury stock retired	2,005	---
Cash dividends declared	1,508	1,482
	-----	-----
Retained earnings at end of period	\$111,832	\$199,152
	=====	=====
Net income per share of common stock	\$0.35	\$0.40
	=====	=====
Cash dividends declared per share of common stock	\$0.13	\$0.12
	=====	=====
Weighted average shares outstanding	11,622	12,454
	=====	=====

See notes to condensed consolidated financial statements.

/TABLE



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

(UNAUDITED)

(Amounts in thousands)

	For the Three months ended March 31,		
	1996	1995	
Operating activities:			
Net income	\$ 4,024	\$ 5,025	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,003	842	
Changes in operating assets and liabilities	22	(2,835)	
Other	545	499	
	5,594	3,531	
Net Cash Provided by Operating Activities			
Investing activities:			
Additions to property, plant and equipment	(1,079)	(1,120)	
Purchases of marketable securities	(141,305)	(60,404)	
Proceeds from sale of marketable securities	140,409	63,491	
Other	50	644	
	(1,925)	(1,925)	2,611
Net Cash (Used in)/Provided by Investing Activities			
Financing activities:			
Purchases of treasury stock	(2,095)	(6,414)	
Dividends paid	(1,519)	(1,512)	
	(3,614)	(7,926)	
Net Cash Used in Financing Activities			
Increase/(Decrease) in Cash and Cash Equivalents	55	(1,784)	
Cash and Cash Equivalents at Beginning of Period	10,432	9,853	
Cash and Cash Equivalents at End of Period	\$ 10,487	\$ 8,069	

See notes to condensed consolidated financial statements.

/TABLE



Part I

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

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

B) Inventories (consisting of finished goods) at March 31, 1996 and cost of goods sold for the three month periods ended March 31, 1996 and 1995 were determined through the use of estimated gross profit rates.

The following exhibits are attached to Part I:

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

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Part I

Independent Accountant's Review Report

Board of Directors  
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of March 31, 1996 and the related condensed consolidated statements of income and retained earnings and cash flows for the three month periods ended March 31, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons

responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

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

ERNST & YOUNG LLP

April 19, 1996

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Part I

April 19, 1996

Board of Directors  
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated April 19, 1996 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended March 31, 1996.

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

ERNST & YOUNG LLP

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Part I

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows provided by operations for the three months ended March 31, 1996 increased to \$5,594,000 from \$3,531,000 in the comparable period of the prior year. This advance was due primarily to an increase in accrued income taxes. In addition to satisfying operating requirements, current investments and cash flows from operations are expected to finance the Company's future growth, cash dividends and capital expenditures. Additions to property, plant and equipment were \$1,079,000 and \$1,120,000, respectively, for the three months ended March 31, 1996 and 1995. Capital expenditures during 1996 reflect primarily purchases of computer related equipment, while 1995 additions include the completion of a Lawson outbound facility in Addison, Illinois, at a cost of approximately \$5,600,000.

In December of 1994, the Board of Directors authorized the purchase of up to 1,000,000 shares of the Company's common stock. During the first three months of 1996, the Company expended \$2,095,000 to acquire the remaining 86,000 shares authorized for repurchase. Also, during the three month period ended March 31, 1995, the Company purchased 252,500 shares at a cost of \$6,414,000, relative to the share authorization noted above.

Net sales for the three month period ended March 31, 1996, gained 2.3% to \$56,108,000 relative to the comparable period of 1995. The gain is principally the result of an increase in the number of orders processed which more than offset a decrease in the average order size.

Net income declined 19.9% to \$4,024,000 (\$.35 per share) for the three months ended March 31, 1996 from \$5,025,000 (\$.40 per share) for the similar period of 1995. This decrease is attributable to lower gross margins and a higher effective income tax rate, which more than offset the advance in net sales noted above. Results for the three months ended March 31, 1995 include the effect of net life insurance proceeds of approximately \$300,000 (\$.02 per share). Per share net income for 1996 and 1995 was positively impacted by the Company's share repurchase program.

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Part II

OTHER INFORMATION

Items 1, 2, 3, 4, and 5 are inapplicable and have been omitted from this report.

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

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

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SIGNATURES

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

LAWSON PRODUCTS, INC.  
(Registrant)

Dated April 22, 1995

/s/ Bernard Kalish  
Bernard Kalish  
Chairman of the Board

Dated April 22, 1995

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



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3-MOS

DEC-31-1996		
MAR-31-1996		
		10,487
		37,638
	28,188	
	0	
	29,527	
96,127		35,586
	0	
	164,599	
21,684		0
		11,601
0		
	0	
	111,509	
164,599		56,108
	56,739	
		16,678
	16,678	
	0	
	252	
	10	
	6,789	
		2,765
4,024		
	0	
	0	
		0
		4,024
		0.35
		0.35