
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934

For quarterly period ended March 31, 2011

or

Transition Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file Number: 0-10546

LAWSON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-2229304

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

1666 East Touhy Avenue, Des Plaines, Illinois

(Address of principal executive offices)

60018

(Zip Code)

(847) 827-9666

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of shares outstanding of the registrant's common stock, \$1 par value, as of April 15, 2011 was 8,531,325.

“Safe Harbor” Statement under the Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “believe,” “continues,” “estimate,” “expect,” “intend,” “objective,” “plan,” “potential,” “project” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. 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. Factors that could cause or contribute to such differences or that might otherwise impact the business include:

- the effect of general economic and market conditions;
- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- changing customer demand and product mixes;
- increases in commodity prices;
- disruptions of the Company’s information and communication systems;
- the inability of management to successfully implement strategic initiatives;
- failure to manage change;
- failure to retain a talented workforce;
- the influence of controlling stockholders;
- changes in taxation; and,

all other factors discussed in the Company’s “Risk Factors” set forth in its Annual Report on Form 10-K for the year ended December 31, 2010 and in this Quarterly Report on Form 10-Q.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

Lawson Products, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except per share data)

| | March 31, 2011 (unaudited) | December 31, 2010 |
|--|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 27,242 | \$ 40,566 |
| Accounts receivable, less allowance for doubtful accounts | 36,749 | 33,398 |
| Inventories | 51,314 | 47,167 |
| Miscellaneous receivables and prepaid expenses | 9,022 | 8,905 |
| Deferred income taxes | 4,275 | 4,251 |
| Discontinued operations | 661 | 619 |
| Total current assets | 129,263 | 134,906 |
| Property, plant and equipment, net | 47,544 | 44,442 |
| Cash value of life insurance | 15,939 | 15,660 |
| Deferred income taxes | 10,570 | 11,492 |
| Goodwill | 28,504 | 28,307 |
| Other assets | 1,296 | 1,577 |
| Total assets | \$ 233,116 | \$ 236,384 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 20,637 | \$ 18,195 |
| Accrued expenses and other liabilities | 28,939 | 35,348 |
| Discontinued operations | 687 | 2,008 |
| Total current liabilities | 50,263 | 55,551 |
| Security bonus plan | 25,382 | 25,602 |
| Deferred compensation | 11,353 | 10,792 |
| Other liabilities | 1,585 | 1,574 |
| | 38,320 | 37,968 |
| 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 — 8,534,028 shares | | |
| Outstanding — 8,531,325 shares | 8,534 | 8,534 |
| Capital in excess of par value | 5,625 | 5,328 |
| Retained earnings | 127,095 | 126,098 |
| Treasury stock — 2,703 shares | (70) | (70) |
| Accumulated other comprehensive income | 3,349 | 2,975 |
| Stockholders' equity | 144,533 | 142,865 |
| Total liabilities and stockholders' equity | \$ 233,116 | \$ 236,384 |

See notes to condensed consolidated financial statements.

Lawson Products, Inc.
Condensed Consolidated Statements of Operations
(Amounts in thousands, except per share data)
(Unaudited)

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2011 | 2010 |
| Net sales | \$ 82,579 | \$ 74,910 |
| Cost of goods sold | 32,640 | 28,585 |
| Gross profit | 49,939 | 46,325 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 45,449 | 43,719 |
| Severance expenses | 745 | 426 |
| Gain on sale of assets | — | (1,701) |
| Legal settlement | — | (550) |
| Operating income | 3,745 | 4,431 |
| Interest expense | (512) | (85) |
| Other income | 16 | 16 |
| Income from continuing operations before income taxes | 3,249 | 4,362 |
| Income tax expense | 1,199 | 2,130 |
| Income from continuing operations | 2,050 | 2,232 |
| Discontinued operations, net of income taxes | (30) | 100 |
| Net income | \$ 2,020 | \$ 2,332 |
| Basic income per share of common stock: | | |
| Continuing operations | \$ 0.24 | \$ 0.26 |
| Discontinued operations | — | 0.01 |
| Net income | \$ 0.24 | \$ 0.27 |
| Diluted income per share of common stock: | | |
| Continuing operations | \$ 0.24 | \$ 0.26 |
| Discontinued operations | (0.01) | 0.01 |
| Net income | \$ 0.23 | \$ 0.27 |
| Cash dividends declared per share of common stock | \$ 0.12 | \$ 0.06 |
| Basic weighted average shares outstanding: | 8,531 | 8,522 |
| Dilutive effect of stock based compensation | 74 | — |
| Diluted weighted average share outstanding | 8,605 | 8,522 |

See notes to condensed consolidated financial statements.

Lawson Products, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

| | Three Months Ended March 31, | |
|---|------------------------------|-------------------|
| | 2011 | 2010 |
| Operating activities: | | |
| Net income | \$ 2,020 | \$ 2,332 |
| Loss (income) from discontinued operations | 30 | (100) |
| Income from continuing operations | 2,050 | 2,232 |
| Adjustments to reconcile to net cash used in operating activities: | | |
| Depreciation and amortization | 1,334 | 1,490 |
| Deferred income taxes | 898 | 2,957 |
| Stock based compensation | 227 | (269) |
| Gain on sale of property | — | (1,701) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,335) | (3,177) |
| Inventories | (4,026) | (2,532) |
| Prepaid expenses and other assets | (385) | (1,378) |
| Accounts payable and accrued expenses | (3,110) | 1,321 |
| Other | (510) | (653) |
| Net cash used in operating activities of continuing operations | \$ (6,857) | \$ (1,710) |
| Investing activities: | | |
| Additions to property, plant and equipment | \$ (4,301) | \$ (299) |
| Net outlay from sale of businesses | (692) | — |
| Proceeds from sale of property | — | 2,027 |
| Net cash (used in) provided by investing activities of continuing operations | \$ (4,993) | \$ 1,728 |
| Financing activities: | | |
| Dividends paid | \$ (1,023) | \$ (511) |
| Other | — | (32) |
| Net cash used in financing activities of continuing operations | \$ (1,023) | \$ (543) |
| Net cash (used in) provided by operating activities of discontinued operations | \$ (451) | \$ 569 |
| Increase (decrease) in cash and cash equivalents | (13,324) | 44 |
| Cash and cash equivalents at beginning of period | 40,566 | 8,787 |
| Cash and cash equivalents at end of period | \$ 27,242 | \$ 8,831 |

See notes to condensed consolidated financial statements.

Lawson Products, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 — Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Lawson Products, Inc. (the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of the Company, all normal recurring adjustments have been made, that are necessary to present fairly the results of operations for the interim periods. Operating results for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The condensed consolidated financial statements have been reclassified for all prior periods presented to reflect current discontinued operations treatment (see Note 2 — *Discontinued Operations*). Unless noted otherwise, discussions in the Notes to Condensed Consolidated Financial Statements pertain to continuing operations. Certain other reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.

There have been no material changes in our significant accounting policies during the three months ended March 31, 2011 as compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2010. The Company has determined that there were no subsequent events to recognize or disclose in these financial statements.

Note 2 — Discontinued operations

In December 2010, the Company sold substantially all of the assets of Rutland Tool & Supply Company, Inc. (“Rutland”). Accordingly, Rutland’s results of operations have been reflected in discontinued operations. Rutland’s results of operations, which were previously included in the Company’s Maintenance Repair and Operations (“MRO”) segment, consisted of net sales and loss from operations for the first quarter of 2010 of \$7.7 million and \$0.1 million respectively.

In August 2010, the Company sold substantially all of the assets of Assembly Component Systems, Inc. (“ACS”) and as a result, ACS’s results of operations have been reflected in discontinued operations. ACS’s results of operations, which were previously included in the Company’s Original Equipment Marketplace (“OEM”) segment, consisted of net sales and operating income for the first quarter of 2010 of \$12.5 million and \$0.2 million, respectively.

Note 3 — Inventories

Components of inventories were as follows:

| | (Amounts in thousands) | |
|---|------------------------|----------------------|
| | March 31, 2011 | December 31, 2010 |
| Finished goods | \$ 52,628 | \$ 49,084 |
| Work in progress | 1,424 | 1,203 |
| Raw materials | 1,557 | 1,591 |
| Total | 55,609 | 51,878 |
| Reserve for obsolete and excess inventory | (4,295) | (4,711) |
| | <u>\$ 51,314</u> | <u>\$ 47,167</u> |

Lawson Products, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 4 — Severance Reserve

The table below shows the changes in the Company's reserve for severance and related payments, included in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets as of March 31, 2011 and 2010:

| | (Amounts in thousands) | |
|------------------------------|------------------------------|-----------------|
| | Three Months Ended March 31, | |
| | 2011 | 2010 |
| Balance at beginning of year | \$ 3,062 | \$ 4,086 |
| Charged to earnings | 745 | 426 |
| Cash paid | (1,111) | (1,087) |
| Balance at end of the period | <u>\$ 2,696</u> | <u>\$ 3,425</u> |

Note 5 — Gain on Sale of Assets

In the first three months of 2010, the Company received cash proceeds of \$2.0 million from the sale of its Dallas, Texas distribution center, resulting in a gain of \$1.7 million.

Note 6 — Legal Settlement

In the first quarter of 2010, the Company recorded a \$0.6 million benefit related to proceeds received from legal remedies related to the actions of several former sales agents and the Share Corporation alleging, among other things, breach of contract and interference with customer relationships.

Note 7 — Income Tax

The Company and its subsidiaries are subject to U.S. Federal income tax as well as income tax of multiple state and foreign jurisdictions. As of March 31, 2011, the Company is subject to U.S. Federal income tax examinations for the year 2009 and income tax examinations from various other jurisdictions for the years 2005 through 2009.

Note 8 — Comprehensive Income

Components of comprehensive income for the three months ended March 30, 2011 and 2010 are as follows:

| | (Amounts in thousands) | |
|---|------------------------------|-----------------|
| | Three Months Ended March 31, | |
| | 2011 | 2010 |
| Net income | \$ 2,020 | \$ 2,332 |
| Foreign currency translation adjustment | 374 | 352 |
| Comprehensive income | <u>\$ 2,394</u> | <u>\$ 2,684</u> |

Lawson Products, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 9 — Related Party Transaction

The Company's Chairman of the Board, Dr. Port, was a partner in two partnerships that had an interest in Lawson's common stock. During 2010, litigation was initiated against Dr. Port, requesting that the partnerships be changed to allow the partners to have more control over their respective shares. The suit named Dr. Port as a defendant based on his role in the partnerships and as a Director of the Company. The Company was not a party to the lawsuit.

On March 17, 2011 the litigation was settled with assets distributed under the terms of a settlement agreement and all parties agreed to release Dr. Port, individually and as a Director of the Company, from any and all claims related to the litigation. Through March 31, 2011, the Company had incurred \$0.8 million for legal services provided to Dr. Port in relation to this litigation of which \$0.1 million was incurred in the three months ended March 31, 2011.

Note 10 — Segment Reporting

The Company has two operating segments: MRO and OEM. The Company's MRO segment is a distributor of products and services to the industrial, commercial, institutional, and governmental maintenance, repair and operations marketplace. The Company's OEM segment manufactures, sells and distributes production and specialized component parts to the original equipment marketplace. The Company's two reportable segments are distinguished by the nature of products distributed and sold, types of customers and manner of servicing them. The Company evaluates performance and allocates resources to reportable segments primarily based on operating income.

The following table presents summary financial information for the Company's reportable segments:

| | (Amounts in thousands) | |
|---|------------------------------|------------------|
| | Three Months Ended March 31, | |
| | 2011 | 2010 |
| Net sales | | |
| MRO | \$ 79,255 | \$ 71,935 |
| OEM | 3,324 | 2,975 |
| Consolidated total | <u>\$ 82,579</u> | <u>\$ 74,910</u> |
| Operating income | | |
| MRO | \$ 4,345 | \$ 2,745 |
| OEM | 145 | (139) |
| Severance expenses | (745) | (426) |
| Gain on sale of assets | — | 1,701 |
| Legal settlement | — | 550 |
| Consolidated total | <u>3,745</u> | <u>4,431</u> |
| Interest expense | (512) | (85) |
| Other income | <u>16</u> | <u>16</u> |
| Income from continuing operations before income taxes | <u>\$ 3,249</u> | <u>\$ 4,362</u> |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Quarter ended March 31, 2011 compared to Quarter ended March 31, 2010

The following table presents a summary of our financial performance for the three months ended March 31, 2011 and 2010:

| (\$ in thousands) | 2011 | | 2010 | |
|---|------------------|----------------|------------------|----------------|
| | Amount | % of Net Sales | Amount | % of Net Sales |
| Net sales | | | | |
| MRO | \$ 79,255 | 96.0% | \$ 71,935 | 96.0% |
| OEM | 3,324 | 4.0 | 2,975 | 4.0 |
| Consolidated total | <u>\$ 82,579</u> | <u>100.0%</u> | <u>\$ 74,910</u> | <u>100.0%</u> |
| Gross profit | | | | |
| MRO | \$ 49,280 | 62.2% | \$ 45,926 | 63.8% |
| OEM | 659 | 19.8 | 399 | 13.4 |
| Consolidated total | 49,939 | 60.5 | 46,325 | 61.8 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 45,449 | 55.0 | 43,719 | 58.4 |
| Severance expenses | 745 | 1.0 | 426 | 0.6 |
| Gain on sale of assets | — | — | (1,701) | (2.3) |
| Legal settlement | — | — | (550) | (0.8) |
| Operating income | 3,745 | 4.5 | 4,431 | 5.9 |
| Other expense, net | (496) | (0.6) | (69) | (0.1) |
| Income from continuing operations before income tax expense | 3,249 | 3.9 | 4,362 | 5.8 |
| Income tax expense | 1,199 | 1.4 | 2,130 | 2.8 |
| Income from continuing operations | <u>\$ 2,050</u> | <u>2.5%</u> | <u>\$ 2,232</u> | <u>3.0%</u> |

Net Sales

Net sales for the first quarter of 2011 increased 10.2% to \$82.6 million, from \$74.9 million in the first quarter of 2010. Excluding the Canadian exchange rate impact, net sales increased 9.6% for the quarter.

MRO net sales increased 10.2% in the first quarter of 2011, to \$79.3 million from \$71.9 million in the prior year period, primarily reflecting continued growth within our national, governmental and automotive sectors of our business. MRO average daily sales increased to \$1.258 million in the first quarter of 2011 compared to \$1.142 million in the first quarter of 2010 driven by improvements in average orders per day and average order size.

OEM net sales increased 11.7% in the first quarter of 2011, to \$3.3 million from \$3.0 million in the prior year period driven by strength in our aerospace customer base and new customer growth.

Gross Profit

Gross profit increased \$3.6 million in the first quarter of 2011, to \$49.9 million from \$46.3 million in the prior year period. MRO gross profit as a percent of net MRO sales decreased to 62.2% in the first quarter of 2011, compared to 63.8% achieved in the first quarter of 2010 primarily due to the intentional shift toward higher volume national customers with lower margins. On a combined basis, national and government accounts represent approximately 19% of net sales for the quarter versus approximately 14% in the prior year quarter.

OEM gross profit increased \$0.3 million and increased as a percent of OEM sales to 19.8% in the first quarter of 2011 from 13.4% in the first quarter of 2010. The improvement as a percent of sales was primarily driven by lower manufacturing costs and higher margin new business growth.

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses increased \$1.7 million or 4.0% to \$45.4 million in the first quarter of 2011 from \$43.7 million in 2010. As a percent of net sales, SG&A improved by 3.4 percentage points to 55.0% in the first quarter of 2011 compared to 58.4% in the first quarter of 2010.

Commission expenses decreased to \$16.1 million in the first quarter of 2011 from \$17.4 million in the first quarter of 2010 and decreased as a percent of MRO sales to 20.3% in 2011 from 24.1% in 2010. The decrease, as a percent of sales, reflects the changes of the district sales managers transitioning to full-time employees during 2010, the planned shift toward higher volume lower margin national customers that pay a lower commission and lower agent insurance costs.

Excluding commission expenses, the remaining SG&A expenses increased \$3.0 million. The increase was primarily driven by the transition of independent district sales managers to full-time employees no longer earning commissions and \$1.9 million of ERP implementation expenses.

Severance Expenses

Severance expense was \$0.7 million in the first quarter of 2011 compared to \$0.4 million in the first quarter of 2010 primarily related to employees supporting distribution services related to a divested business.

Gain on Sale of Assets

During the first quarter of 2010 we recorded a gain on sale of assets of \$1.7 million related to the sale of our Dallas, Texas distribution center.

Legal Settlement

In the first quarter of 2010, we recorded a \$0.6 million benefit related to proceeds received from legal remedies related to the actions of several former sales agents and the Share Corporation alleging, among other things, breach of contract and interference with customer relationships.

Interest Expense

Interest expense of \$0.5 million in the first quarter of 2011 relates primarily to interest assessed on unclaimed property settlements.

Income Tax Expense

Income tax expense of \$1.2 million was recorded based on pre-tax income of \$3.2 million for the three months ended March 31, 2011, resulting in an effective tax rate of 36.9%. For the three months ended March 31, 2010, income tax expense was \$2.1 million resulting in an effective tax rate of 48.8%. The 2010 tax rate was higher primarily due to the effect of valuation reserves.

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Income from Continuing Operations

We reported income from continuing operations of \$2.1 million or \$0.24 per diluted share in the first quarter of 2011. First quarter 2010 income from continuing operations, which included the gain from the sale of the Dallas distribution center and a favorable legal settlement, was \$2.2 million or \$0.26 per diluted share. Excluding these items, income from continuing operations per diluted share in 2010 was \$0.13.

Liquidity and Capital Resources

Cash and cash equivalents were \$27.2 million on March 31, 2011 compared to \$40.6 million on December 31, 2010. Net cash used in continuing operations was \$6.9 million for the first three months of 2011. Accounts receivable at March 31, 2011 increased \$3.3 million or 10.0% compared to December 31, 2010, as net sales in March 2011 were 16.4% higher than net sales in December 2010. Inventories increased by \$4.0 million in the first quarter of 2011 to support the increased sales and to temporarily build fast moving items as we prepare for our ERP implementation.

Capital expenditures were \$4.3 million for the first three months of 2011 compared to \$0.3 million for the first three months of 2010. Capital expenditures related to the ERP implementation were \$3.2 million for the first quarter of 2011. We anticipate that total capital expenditures for 2011 will be \$12.0 to \$15.0 million. Overall, we anticipate the total cost of the ERP implementation, including both capital and expense, will range from \$20.0 million to \$25.0 million of which \$15.4 million has been incurred through March 31, 2011.

The net outlay for the sale of businesses in the first quarter of 2011 consisted of a payment of approximately \$0.9 million due to the final value of Rutland's working capital that was sold in the fourth quarter of 2010, partially offset by \$0.3 million received as payment on the note receivable from the sale of ACS in the third quarter of 2010. Cash flows from investing activities in the first three months of 2010 benefited from the receipt of \$2.0 million from the sale of our Dallas, Texas distribution center.

Net cash used in financing activities primarily consisted of dividend payments of \$1.0 million and \$0.5 million for the first three months of 2011 and 2010, respectively. On March 31, 2011 and 2010, we had no borrowings outstanding on our revolving line of credit.

At March 31, 2011 we were in compliance with all covenants related to our revolving line of credit as detailed below:

| Covenant | Minimum Requirement | Actual |
|---|---------------------|----------------|
| Cash plus accounts receivable and inventory to debt ratio | 2.00:1.00 | 87.42:1.00 |
| Tangible net worth | \$55.0 million | \$90.8 million |
| Debt service ratio | 1.2 | 15.3 |

We believe that cash on hand, cash provided by future operations and our \$55.0 million revolving line of credit will be sufficient to fund our operating requirements, capital expenditures, ERP implementation and other commitments and obligations in the next twelve months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at March 31, 2011 from that reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that (i) the information relating to Lawson, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II
OTHER INFORMATION**

ITEMS 1, 1A, 2, 3 and 5 of Part II are inapplicable and have been omitted from this report.

ITEM 6. EXHIBITS

| <u>Exhibit #</u> | |
|------------------|--|
| 31.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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 28, 2011

/s/ Thomas J. Neri

Thomas J. Neri
President and Chief Executive Officer
(principal executive officer)

Dated April 28, 2011

/s/ Ronald J. Knutson

Ronald J. Knutson
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

CERTIFICATION

I, Thomas J. Neri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 28, 2011

/s/ Thomas J. Neri

Thomas J. Neri

President and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Ronald J. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (b) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 28, 2011

/s/ Ronald J. Knutson

Ronald J. Knutson

Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

**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 Quarterly Report of Lawson Products, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2011 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. §1350, as adopted pursuant to §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.

April 28, 2011

/s/ Thomas J. Neri

Thomas J. Neri

Lawson Products, Inc.
President and Chief Executive Officer
(principal executive officer)

/s/ Ronald J. Knutson

Ronald J. Knutson

Lawson Products, Inc.
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)