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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

December 26, 2007

Date of Report (Date of earliest event reported)

LAWSON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

0-10546

36-2229304

(State or other jurisdiction
of incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

1666 East Touhy Avenue, Des Plaines, Illinois

60018

(Address of principal executive offices)

(Zip Code)

(847) 827-9666

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 **Entry into a Material Definitive Agreement.**

On December 26, 2007, Lawson Products, Inc. (the "Company") entered into its Seventh Modification of Loan Documents (the "Seventh Modification") with LaSalle Bank National Association to modify the Company's Credit Agreement dated as of March 27, 2001, as amended (the "Credit Agreement"). The Seventh Modification provides that severance payments made to former management executives accrued by the Company in fiscal year 2007 totaling approximately \$11,071,000 shall not be classified as a reduction to EBITDA for purposes of calculating the fixed charge coverage and debt to EBITDA financial covenant ratios. Under the Credit Agreement, the Company is obligated to maintain a fixed charge coverage ratio of (a) total EBITDA (as defined in Section 1.1 of the Credit Agreement) minus capital expenditures to (b) the sum of interest charges, principal payments on liabilities, dividends and income taxes paid in cash by the Company, of not less than 1.10 to 1.00. The Company is also obligated to maintain a ratio of debt to EBITDA of not greater than 3.0 to 1.0. The Company has not breached any of the financial covenants as provided for in the Credit Agreement.

The fixed charge coverage and debt to EBITDA ratios are tested at the end of each fiscal quarter measuring the past four fiscal quarters (i.e., the one year period encompassing the last fiscal quarter and the previous three fiscal quarters then elapsed). Once the fiscal quarters for fiscal year 2007 have ceased being a part of the calculation of the financial covenant ratios, the modification to calculating EBITDA shall no longer be in effect. Certain definitions contained in the Credit Agreement were also amended.

The following summary of the Seventh Modification is qualified in its entirety by the Seventh Modification, which is attached to this Form 8-K as Exhibit 10.1.

Item 9.01 **Financial Statements and Exhibits.**

(d) Exhibits.

10.1 Seventh Modification of Loan Documents, dated December 26, 2007, by and among the Company and LaSalle Bank National Association.

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 hereunto duly authorized.

LAWSON PRODUCTS, INC.
(Registrant)

Dated: January 2, 2008

By: /s/ Neil E. Jenkins

Name: Neil E. Jenkins
Title: Executive Vice President, General Counsel and
Secretary

SEVENTH MODIFICATION OF LOAN DOCUMENTS

DATED AS OF DECEMBER 26, 2007

by and among

Lawson Products, Inc., a Delaware Corporation

AND

LASALLE BANK NATIONAL ASSOCIATION

SEVENTH MODIFICATION OF LOAN DOCUMENTS

THIS SEVENTH MODIFICATION OF LOAN DOCUMENTS (this "Modification") is made as of the 26th day of December 2007, by and among Lawson Products, Inc., a Delaware Corporation ("Lawson"), with its principal place of business and chief executive office at 1666 E. Touhy Ave., Des Plaines, Illinois, 60018, various Subsidiaries of Lawson listed on Schedule 6.12 to the Credit Agreement (Lawson and the Subsidiaries may be referred to herein collectively as the "Borrower") and **LASALLE BANK NATIONAL ASSOCIATION**, a national banking association, its successors and assigns ("Lender").

RECITALS:

A. Lender has heretofore made a loan ("Loan") to Borrower in the principal amount of Fifty Million and no/100 Dollars (\$50,000,000) pursuant to the terms and conditions of a Credit Agreement dated as of March 27, 2001 between Borrower and Lender, (the "Credit Agreement", all terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement, as amended), and as evidenced by a Promissory Note dated March 27, 2001, in the principal amount of the Loan made payable by Borrower to the order of Lender ("Note").

B. The Credit Agreement was amended (i) as of August 12, 2002 to, among other things, add a letter of credit subfacility; (ii) as of July 11, 2003 to, among other things, increase the availability under the letter of credit subfacility; (iii) as of May 31, 2005 to, among other things, increase the Maximum Facility, (iv) as of November 30, 2006 to, among other things, modify the interest rate to be charged on the facility; (v) as of January 31, 2007 to, among other things, acknowledge Lawson's liquidation and dissolution Assembly Component Systems, Limited, a United Kingdom corporation ("ACSL"), a Subsidiary of Lawson, and therefore release ACSL from the facility; and (vi) as of June 21, 2007 to, among other things, increase the letter of credit subfacility and modify certain financial covenants.

C. Borrower has requested that the Credit Agreement be further modified in order to increase certain subfacilities, and the Lender has agreed modify those subfacilities upon the terms and conditions hereinafter set forth.

AGREEMENTS:

NOW, THEREFORE, in consideration of (i) the facts set forth hereinabove (which are hereby incorporated into and made a part of this Modification with the intent that Lender may rely upon the matters therein recited as representations and warranties of Borrower), (ii) the agreements by Lender to modify the Loan Documents, as provided herein, (iii) the covenants and agreements contained herein, and (iv) for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Modification to the Loan Agreement Definitions.** Section 1.1 of the Credit Agreement is hereby amended by amending and restating the definitions of “Maximum Commercial Card Obligation” and “Maximum Letter of Credit Obligation”:

“**Maximum Letter of Credit Obligation**” shall mean Ten Million and no/100 Dollars (\$10,000,000).

“**Maximum Commercial Card Obligation**” shall mean Bank Product Obligations incurred with respect to purchase cards pursuant to Master Commercial Card Agreement (as hereinafter defined), not to exceed at any, time Seven Hundred Thousand and no/100 Dollars (\$700,000).

2. **Modification certain financial covenants.** Borrower has accrued during Fiscal Year 2007 severance to one or more of the Borrower’s former management executives in the approximate aggregate amount of \$11,071,000 (the “**Severance Obligations**”). For purposes of calculating Fixed Charge Coverage Covenant set forth in Section 8.13(C) of the Agreement, and Total Debt to consolidated EBITDA set forth in Section 8.13(G) of the Agreement, the Severance Obligations accrued in any Fiscal Quarter during Fiscal Year 2007 shall not be classified as a reduction to EBITDA for the applicable measurement period for such Fiscal Quarter. After all Fiscal Year 2007 Fiscal Quarters have, on a rolling Fiscal Quarter basis, ceased being a part of the financial covenants described above, this modification to EBITDA shall be of no force or effect.

3. **Representations and Warranties of Borrower.** Borrower hereby represents, covenants and warrants to Lender as follows:

(a) The representations and warranties in the Credit Agreement, and the other Loan Documents are true and correct as of the date hereof.

(b) There is currently no Default under the Note, the Credit Agreement or the other Loan Documents and Borrower does not know of any event or circumstance which would constitute a Default under the Note, the Credit Agreement or the other Loan Documents.

(c) The Loan Documents are in full force and effect and, following the execution and delivery of this Modification, they continue to be the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms, subject to limitations imposed by general principles of equity.

(d) There has been no material adverse change in the financial condition of Borrower or any other party whose financial statement has been delivered to Lender in connection with the Loan from the date of the most recent financial statement received by Lender.

(e) As of the date hereof, Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

(f) Borrower is validly existing under the laws of the State of its formation or organization and has the requisite power and authority to execute and deliver this Modification and to perform the Loan Documents as modified herein. The execution and delivery of this Modification and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of Borrower. This Modification has been duly executed and delivered on behalf of Borrower.

4. **Conditions Precedent.** The agreement of Lender to amend the Loan Documents as set forth herein is subject to the following conditions precedent:

(a) Lender shall have received this Modification duly executed by an authorized individual for each entity that is a party hereto.

(b) Lender shall have received resolutions of each Borrower approving the execution of this Modification in form and content acceptable to Lender.

(c) Borrower shall pay all out-of-pocket costs and expenses incurred by Lender in connection with this Modification, including, without limitation, title charges, recording fees, appraisal fees and attorneys' fees and expenses.

(d) Lender shall have received such other documents as may be reasonably requested by Lender or its counsel.

5. **Miscellaneous.**

(a) This Modification shall be governed by and construed in accordance with the laws of the State of Illinois.

(b) This Modification shall not be construed more strictly against Lender than against Borrower merely by virtue of the fact that the same has been prepared by counsel for Lender, it being recognized that Borrower and Lender have contributed substantially and materially to the preparation of this Modification, and Borrower and Lender each acknowledges and waives any claim contesting the existence and the adequacy of the consideration given by the other in entering into this Modification. Each of the parties to this Modification represents that it has been advised by its respective counsel of the legal and practical effect of this Modification, and recognizes that it is executing and delivering this Modification, intending thereby to be legally bound by the terms and provisions thereof, of its own free will, without promises or threats or the exertion of duress upon it. The signatories hereto state that they have read and understand this Modification, that they intend to be legally bound by it and that they expressly warrant and represent that they are duly authorized and empowered to execute it.

(c) Notwithstanding the execution of this Modification by Lender, the same shall not be deemed to constitute Lender a venturer or partner of or in any way associated with Borrower nor shall privity of contract be presumed to have been established with any third party.

(d) Borrower and Lender each acknowledges that there are no other understandings, agreements or representations, either oral or written, express or implied, that are not embodied in the Loan Documents and this Modification, which collectively represent a complete integration of all prior and contemporaneous agreements and understandings of Borrower and Lender; and that all such prior understandings, agreements and representations are hereby modified as set forth in this Modification. Except as expressly modified hereby, the terms of the Loan Documents are and remain unmodified and in full force and effect.

(e) This Modification shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

(f) Any references to the "Note", the "Credit Agreement," or the "Loan Documents" contained in any of the Loan Documents shall be deemed to refer to the Note, Credit Agreement and the other Loan Documents as amended hereby. The paragraph and section headings used herein are for convenience only and shall not limit the substantive provisions hereof. All words herein which are expressed in the neuter gender shall be deemed to include the masculine, feminine and neuter genders. Any word herein which is expressed in the singular or plural shall be deemed, whenever appropriate in the context, to include the plural and the singular.

(g) This Modification may be executed in one or more counterparts, all of which, when taken together, shall constitute one original Agreement.

(h) Time is of the essence of each of Borrower's obligations under this Modification.

(i) Customer Identification - USA Patriot Act Notice. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act"), and the Lender's policies and practices, the Lender is required to obtain, verify and record certain information and documentation that identifies the Borrower, which information includes the name and address of the Borrower and such other information that will allow the Lender to identify the Borrower in accordance with the Act.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have executed this Modification dated as of the day and year first above written
LASALLE BANK NATIONAL ASSOCIATION (as Lender)

By: /s/ Michael Vrchota
Michael Vrchota
Its: Senior Vice President

LAWSON PRODUCTS, INC., a Delaware Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LAWSON PRODUCTS, INC., a Georgia Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LAWSON PRODUCTS, INC., a New Jersey Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LAWSON PRODUCTS, INC., a Nevada Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LAWSON PRODUCTS, INC., a Texas corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LAWSON PRODUCTS, INC., a Canadian Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LP SERVICE CO., an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

LPI HOLDINGS, INC., an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

CRONATRON WELDING SYSTEMS, INC., a North Carolina Corporation (as Borrower)

By: /s/ Thomas Neri
Thomas Neri
Its: Chief Executive Officer

DRUMMOND AMERICAN Corporation, an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer

ASSEMBLY COMPONENT SYSTEMS, INC., an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer

AUTOMATIC SCREW MACHINE PRODUCTS COMPANY, INC., an Alabama Corporation (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer

C.B. LYNN COMPANY, an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer

LP INDUSTRIAL PRODUCTS COMPANY, an Illinois Corporation (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer

LAWSON PRODUCTS DE MEXICO, S.A. DE C.V. (as Borrower)

By: /s/ Thomas Neri

Thomas Neri

Its: Chief Executive Officer