SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For Quarter Ended March 31, 1997 Commission file no. 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)

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

Not applicable

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
11,130,464 Shares, $1 par value, as of April 18, 1997.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	March 31, 1997 (UNAUDITED)	December 31, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,726	$ 14,515
Marketable securities	15,465	14,266
Accounts receivable, less allowance for doubtful accounts	30,873	30,326
Inventories (Note B)	38,515	37,047
Miscellaneous receivables and prepaid expenses6,5336,340		
Deferred income taxes	668	606
Total Current Assets	103,780	103,100
Marketable securities	12,875	13,453
Property, plant and equipment, less allowances for depreciation and		

amortization	40,291	40,053
Investments in real estate	3,377	3,305
Deferred income taxes	3,748	3,758
Other assets	12,268	11,493
Total Assets	$176,339	$175,162

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$ 6,390	$ 6,007
Accrued expenses and other liabilities	14,864	15,850
Income taxes	4,717	2,493
Total Current Liabilities	25,971	24,350
Accrued liability under security bonus plans	13,101	12,887
Other	9,379	9,179
	22,480	22,066
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 - (1997 - 11,137,464 shares; 1996 - 11,311,464 shares)	11,137	11,311
Capital in excess of par value	504	512
Retained earnings	116,930	117,234
	128,571	129,057
Other	(683)	(311)
Total Stockholders' Equity	127,888	128,746
Total Liabilities and Stockholders' Equity	$176,339	$175,162

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, 1997	1996
Net sales	$65,883	$56,108
Investment and other income	418	631
	66,301	56,739
Cost of goods sold (Note B)	22,731	16,678
Selling, general and administrative expenses	35,621	33,272
	58,352	49,950
Income before income taxes	7,949	6,789
Provision for income taxes	3,227	2,765
Net income	$ 4,722	$ 4,024
Net income per share of common stock	$0.42	$0.35
Cash dividends declared per share of common stock	$0.13	$0.13
Weighted average shares outstanding	11,209	11,622

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands)

	For the Three months ended March 31, 1997	1996	
Operating activities:			
Net income	$ 4,722	$ 4,024	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,111	1,003	
Changes in operating assets and liabilities	(1,586)	22	
Other	478	545	
Net Cash Provided by Operating Activities	4,725	5,594	
Investing activities:			
Additions to property, plant and equipment	(1,339)	(1,079)	
Purchases of marketable securities	(61,986)	(141,305)	
Proceeds from sale of marketable securities	61,080	140,409	
Other	---	50	
Net Cash Used in Investing Activities	(2,245)	(1,925)	
Financing activities:			
Purchases of treasury stock	(3,761)	(2,095)	
Dividends paid	(1,508)	(1,519)	
Net Cash Used in Financing Activities	(5,269)	(3,614)	
Increase/(Decrease) in Cash and Cash Equivalents	(2,789)	55	
Cash and Cash Equivalents at Beginning of Period		14,515	10,432
Cash and Cash Equivalents at End of Period	$ 11,726	$ 10,487	

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, 1996. The Condensed Consolidated Balance Sheet as of March 31, 1997, the Condensed Consolidated Statements of Income for the three month periods ended March 31, 1997 and 1996 and the Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 1997 and 1996 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, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

B) Inventories (consisting of primarily finished goods) at March 31, 1997 and cost of goods sold for the three month periods ended March 31, 1997 and 1996 were determined through the use of estimated gross profit rates.

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

D) In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of Statement 128 on the calculation of primary and fully diluted earnings per share for the quarters ended March 31, 1997 and March 31, 1996 is not expected to be material.

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.

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, 1997 and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 1997 and 1996. 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, 1996, 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 21, 1997, 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, 1996, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

April 18, 1997

Part I

April 18, 1997

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 18, 1997 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, 1997.

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

ERNST & YOUNG LLP

Part I

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows provided by operations for the three months ended March 31, 1997 decreased to $4,725,000 from $5,594,000 in the similar period of the prior year. This decline was due primarily to an increase in inventory, which more than offset the gain in net income from the comparable period of 1996. Current investments and cash flows from operations are expected to be sufficient to finance the Company's future growth, cash dividends and capital expenditures. Additions to property, plant and equipment were $1,339,000 and $1,079,000, respectively, for the three months ended March 31, 1997 and 1996. Capital expenditures during 1997 primarily reflect costs incurred for the completion of the facilities expansion at the Company's specialty chemical subsidiary, Drummond American Corporation. This project, the total cost of which is approximately $3,000,000, is expected to be completed during the second quarter of 1997. Capital expenditures during 1996 primarily reflect purchases of computer related equipment.

During the second quarter of 1996, the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic), headquartered in Decatur, Alabama, at a cost of approximately $10,746,000. Automatic is a manufacturer and distributor of production components. The former business operations of Automatic are conducted by new subsidiaries known as Assembly Component Systems, Inc. and Automatic Screw Machine Products Company.

In 1996, 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 1997, the Company expended $3,761,000 to acquire 174,000 shares under the 1996 stock repurchase program. To date, 466,000 shares have been purchased relative to the 1996 stock repurchase program. During the first quarter of 1996, the Company spent $2,095,000 to acquire the remaining 86,000 shares authorized under the 1994 stock repurchase program. All treasury shares purchased as of March 31, 1997 have been retired.

Net sales for the three month period ended March 31, 1997, increased 17.4% to $65,883,000 relative to the similar period of 1996. The sales advance is principally the result of both an increase in the number of orders processed and sales related to the business acquired in April, 1996.

Net income advanced 17.3% to $4,722,000 ($.42 per share) for the three months ended March 31, 1997 from $4,024,000 ($.35 per share) for the comparable period of 1996. This increase is attributable to the gain in net sales noted above and cost containment efforts, which more than offset lower gross margins. Per share net income for 1997 and 1996 was positively impacted by the Company's share repurchase program.

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.

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 18, 1997 /s/ Bernard Kalish
Bernard Kalish
Chairman of the Board

Dated April 18, 1997 /s/ Joseph L. Pawlick
Joseph L. Pawlick
Vice President and Controller

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3-MOS
DEC-31-1997
MAR-31-1997
11,726
28,340
30,873
0
38,515
103,780
40,291
0
176,339
25,971
0
11,137
0
0
116,751
176,339
65,883
66,301
22,731
22,731
0
259
10
7,949
3,227
4,722
0
0
0
4,722
0.42
0.42