

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q/A

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

For Quarter Ended March 31, 2001

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 9,711,804 Shares, \$1 par value, as of April 16, 2001.

EXPLANATORY NOTE: This Amendment No. 1 on Form 10-Q/A amends Part I, Item 1, "Financial Statements" to include segment reporting in Lawson Products, Inc.'s condensed consolidated financial statements. See Note G to the condensed consolidated financial statements.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

	March 31, 2001	December 31, 2000
	(unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,643	\$ 7,912
Marketable securities	8,907	29,973
Accounts receivable, less allowance for doubtful accounts	40,500	40,823

Inventories (Note B)	62,822	55,228
Miscellaneous receivables and prepaid expenses	7,964	9,356
Deferred income taxes	1,892	1,857
	-----	-----
Total Current Assets	124,728	145,149
Marketable securities	---	401
Property, plant and equipment, less allowances for depreciation and amortization	40,168	39,405
Investments in real estate	825	705
Deferred income taxes	9,760	9,212
Goodwill, less accumulated amortization	30,929	2,431
Other assets	28,016	25,418
	-----	-----
Total Assets	\$ 234,426	\$ 222,721
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Revolving line of credit	\$ 7,000	\$ ---
Accounts payable	13,520	6,730
Accrued expenses and other liabilities	18,330	24,518
Income taxes	4,603	2,615
	-----	-----
Total Current Liabilities	43,453	33,863
	-----	-----
Accrued liability under security bonus plans	18,555	17,968
Other	11,274	10,978
	-----	-----
	29,829	28,946
	-----	-----
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 and outstanding - (2001- 9,711,804 shares; 2000 - 9,706,404 shares)	9,712	9,706
Capital in excess of par value	878	762
Retained earnings	152,750	151,066
Accumulated other comprehensive income	(2,196)	(1,622)
	-----	-----
Total Stockholders' Equity	161,144	159,912
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 234,426	\$ 222,721
	=====	=====
Equity		

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended March 31,	
	2001	2000
	-----	-----
Net sales	\$ 83,650	\$ 86,280
Cost of goods sold (Note B)	29,937	29,946
	-----	-----
Gross Profit	53,713	56,334
Selling, general and administrative expenses	48,631	45,992
	-----	-----
Operating income	5,082	10,342
Investment and other income	743	566
	-----	-----
Income before income taxes	5,825	10,908
Provision for income taxes	2,587	4,463
	-----	-----
Net income	\$ 3,238	\$ 6,445
	=====	=====
Net income per share of common stock:		
Basic	\$ 0.33	\$ 0.64
	=====	=====
Diluted	\$ 0.33	\$ 0.64
	=====	=====
Cash dividends declared per share of common stock	\$ 0.16	\$ 0.15
	=====	=====
Weighted average shares outstanding:		
Basic	9,710	10,093
	=====	=====
Diluted	9,730	10,098
	=====	=====

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,	
	2001	2000
	-----	-----
Operating activities:		
Net income	\$ 3,238	\$ 6,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,764	1,560
Changes in operating assets and liabilities	(7,077)	(37)
Other	222	553
	-----	-----
Net Cash Provided by (Used in) Operating Activities	(1,853)	8,521
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(2,191)	(871)
Purchases of marketable securities	(7,257)	(14,460)
Proceeds from sale of marketable securities	28,735	14,298
Acquisition of IPD and Kent Automotive	(28,369)	---
	-----	-----
Net Cash Used in Investing Activities	(9,082)	(1,033)
	-----	-----
Financing activities:		
Purchases of treasury stock	---	(4,404)
Proceeds from revolving line of credit	7,000	---
Dividends paid	(1,456)	(1,532)
Other	122	---
	-----	-----
Net Cash Provided by (Used in) Financing Activities	5,666	(5,936)
Increase (Decrease) in Cash and Cash Equivalents	(5,269)	1,552
Cash and Cash Equivalents at Beginning of Period	7,912	11,975
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 2,643	\$ 13,527
	=====	=====

See notes to condensed consolidated financial statements.

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 on Form 10-K for the year ended December 31, 2000. The Condensed Consolidated Balance Sheet as of March 31, 2001, the Condensed Consolidated Statements of Income for the three month periods ended March 31, 2001 and 2000 and the Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 2001 and 2000 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, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

B) Inventories (consisting of primarily finished goods) at March 31, 2001 and cost of goods sold for the three month periods ended March 31, 2001 and 2000 were determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit is adjusted in the fourth quarter. In 2000, this adjustment increased net income by approximately \$1,349,000.

C) Total comprehensive income and its components, net of related tax, for the first quarter of 2001 and 2000 are as follows (in thousands):

	2001	2000
	----	----
Net income	\$3,238	\$6,445
Unrealized losses on securities	---	(4)
Foreign currency translation adjustments	(574)	(119)
	-----	-----
Comprehensive income	\$2,664	\$6,322
	=====	=====

The components of accumulated other comprehensive income, net of related tax, at March 31, 2001 and December 31, 2000 are as follows (in thousands):

	2001	2000
	----	----
Foreign currency translation adjustments	\$(2,196)	\$(1,622)
	-----	-----
Accumulated other comprehensive income	\$(2,196)	\$(1,622)
	=====	=====

D) Earnings per Share

The calculation of dilutive weighted average shares outstanding at March 31, 2001 and 2000 are as follows (in thousands):

	2001	2000
	----	----
Basic weighted average shares outstanding	9,710	10,093
Dilutive impact of options outstanding	20	5
	-----	-----
Dilutive weighted average shares outstanding	9,730	10,098
	=====	=====

E) Revolving Line of Credit

In March 2001 the Company entered into a \$50 million revolving line of credit. The revolving line of credit matures five years from the closing date and carries an interest rate of prime minus 150 basis points floating or LIBOR plus 75 basis points, at the Company's option. Interest is payable quarterly on prime borrowings and at the earlier of quarterly or maturity with respect to LIBOR contracts. The line of credit contains certain financial covenants regarding interest coverage, minimum stockholders' equity and working capital, all of which the Company was in compliance with at March 31, 2001.

F) 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 \$8.0 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, 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 IPD and Kent divisions in certain territories. The assets acquired were recorded at estimated fair values as determined by the Company's management based on information currently available. Accordingly, the allocation of the purchase price is subject to revision. The Company will combine its existing operations with Premier Farnell's Premier Fastener, Rotanium Products, Certanium Alloys, CT Engineering, JI Holcomb and Kent Automotive business units in the United States, Canada, Mexico, Central America and the Caribbean.

G) Segment Reporting

The Company has three reportable segments: Maintenance, Repair and Replacement (MRO) distribution, OEM distribution and manufacturing (OEM), and international distribution.

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

In thousands	Three Months Ended March 31,	
	2001	2000
-----		
Net sales		
MRO distribution	\$ 67,171	\$ 69,167
OEM distribution	13,296	13,860
International distribution	3,183	3,253
	-----	
Consolidated total	\$ 83,650	\$ 86,280
-----		
Operating income		
MRO distribution	\$ 4,941	\$ 9,541
OEM distribution	604	1,004
International distribution	(463)	(203)
	-----	
Consolidated total	\$ 5,082	\$ 10,342
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The reconciliation of segment profit to consolidated income before income taxes consisted of the following:

In thousands	Three Months Ended March 31,	
	2001	2000
-----		
Total operating income from reportable segments	\$ 5,082	\$ 10,342
Investment and other income	743	566
	-----	
Income before income taxes	\$ 5,825	\$ 10,908
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Asset information related to the Company's reportable segments consisted of the following:

In thousands	March 31, 2001	December 31, 2000
	-----	
Total assets		
MRO distribution	\$ 171,495	\$ 160,169
OEM distribution	32,057	32,182
International distribution	19,222	19,301
	-----	
Total for reportable segments	222,774	211,652
Corporate	11,652	11,069
	-----	
Consolidated total	\$ 234,426	\$ 222,721
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Independent Accountants' Review Report

Board of Directors and Stockholders  
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of March 31, 2001 and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 2001 and 2000. 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 auditing standards generally accepted in the United States, 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 review, 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 accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 2000, 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 23, 2001, 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, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/S/ ERNST & YOUNG LLP

April 16, 2001

Part II

OTHER INFORMATION

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

(a) 15 Letter from Ernst & Young LLP regarding  
Unaudited Interim Financial Information

(b) The registrant filed a Current Report on Form 8-K January  
31, 2001.

SIGNATURES

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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 August 29, 2001

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/s/ Robert J. Washlow

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Robert J. Washlow  
Chairman of the Board  
(principal executive officer)

Dated August 29, 2001

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/s/ Joseph L. Pawlick

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Joseph L. Pawlick  
Chief Financial Officer  
(principal financial officer)

August 29, 2001

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 16, 2001 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q/A for the quarter ended March 31, 2001.

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.

/s/ ERNST & YOUNG LLP