

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 June 30, 1995      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: (708) 827-9666

Not applicable

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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.

11,830,614 Shares, \$1 par value, as of July 25, 1995.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	June 30, 1995	December 31, 1994
	----- (UNAUDITED)	
<b>ASSETS</b>		
-----		
Current Assets:		
Cash and cash equivalents	\$ 8,195	\$ 9,853
Marketable securities	18,364	21,798
Accounts receivable, less allowance for doubtful accounts	28,216	27,319
Inventories (Note B)	28,612	26,839
Miscellaneous receivables and prepaid expenses	4,797	5,625
Deferred income taxes	611	815
	-----	-----
Total Current Assets	88,795	92,249
Marketable securities	13,334	26,102
Property, plant and equipment, less allowances for depreciation and amortization	35,946	35,858
Investments in real estate	2,942	3,084
Deferred income taxes	2,709	2,461
Other assets	8,937	8,376
	-----	-----
Total Assets	\$152,663	\$168,130
	=====	=====
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
-----		
Current Liabilities:		
Accounts payable	\$ 3,015	\$ 3,274
Accrued expenses and other liabilities	12,107	14,524
Income taxes	474	2,017
	-----	-----
Total Current Liabilities	15,596	19,815
	-----	-----
Accrued liability under security bonus plans	10,821	10,163
Other	6,861	6,922
	-----	-----
	17,682	17,085
	-----	-----
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 - (1995 - 11,862,614 shares; 1994 - 17,097,490 shares)	11,863	17,097
Capital in excess of par value	501	716
Retained earnings	107,916	195,609
Cost of common stock in treasury 1994 - 4,493,676 shares	---	(80,884)
	-----	-----
	120,280	132,538
Other	(895)	(1,308)
	-----	-----
Total Stockholders' Equity	119,385	131,230
	-----	-----
Total Liabilities and Stockholders' Equity	\$152,663	\$168,130
	=====	=====

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 June 30,		For the Six Months Ended June 30,	
	1995	1994	1995	1994
Net Sales	\$ 56,095	\$ 53,749	\$110,940	\$103,521
Investment and other income	515	338	1,541	592
	-----	-----	-----	-----
	56,610	54,087	112,481	104,113
	-----	-----	-----	-----
Cost of goods sold (Note B)	15,822	15,302	31,243	29,555
Selling, general and administrative expenses	32,306	30,558	64,517	59,781
	-----	-----	-----	-----
	48,128	45,860	95,760	89,336
	-----	-----	-----	-----
Income before income taxes	8,482	8,227	16,721	14,777
Provision for income taxes	3,205	3,068	6,419	5,550
	-----	-----	-----	-----
Net income	5,277	5,159	10,302	9,227
Retained earnings at beginning of period	199,152	183,821	195,609	181,381
Deduct:				
Treasury stock retired	94,971	---	94,971	---
Cash dividends declared	1,542	1,628	3,024	3,256
	-----	-----	-----	-----
Retained earnings at end of period	\$107,916	\$187,352	\$107,916	\$187,352
	=====	=====	=====	=====
Net income per share of common stock	\$0.43	\$0.38	\$0.84	\$0.68
	=====	=====	=====	=====
Cash dividends declared per share of common stock	\$0.13	\$0.12	\$0.25	\$0.24
	=====	=====	=====	=====
Weighted average shares outstanding	12,217	13,480	12,333	13,515
	=====	=====	=====	=====

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 Six months ended June 30,	
	1995	1994
	-----	-----
Operating activities:		
Net income	\$ 10,302	\$ 9,227
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,685	1,710
Changes in operating assets and liabilities	(7,811)	(5,388)
Other	1,091	1,115
	-----	-----
Net Cash Provided by Operating Activities	5,267	6,664
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(1,760)	(3,765)
Purchases of marketable securities	(124,563)	(121,834)
Proceeds from sale of marketable securities	141,246	125,657
Other	683	25
	-----	-----
Net Cash Provided by Investing Activities	15,606	83
	-----	-----
Financing activities:		
Purchases of treasury stock	(19,541)	(6,323)
Dividends paid	(2,995)	(3,255)
Other	5	32
	-----	-----
Net Cash Used in Financing Activities	(22,531)	(9,546)
	-----	-----
Decrease in Cash and Cash Equivalents	(1,658)	(2,799)
Cash and Cash Equivalents at Beginning of Period	9,853	17,952
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 8,195	\$ 15,153
	=====	=====

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, 1994. The Condensed Consolidated Balance Sheet as of June 30, 1995 and the Condensed Consolidated Statements of Income and Retained Earnings for the three and six month periods ended June 30, 1995 and 1994 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 1995 and 1994 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.

B) Inventories (consisting of finished goods) at June 30, 1995 and cost of goods sold for the six month periods ended June 30, 1995 and 1994 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.

## 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 June 30, 1995 and the related condensed consolidated statements of income and retained earnings for the three month and six month periods ended June 30, 1995 and 1994 and the condensed consolidated statements of cash flows for the six month periods ended June 30, 1995 and 1994. 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, 1994, and the related consolidated statements of income and retained earnings and cash flows for the year then ended, not presented herein, and in our report dated February 23, 1995, 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, 1994, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

July 21, 1995

Part I

July 21, 1995

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 July 21, 1995 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 June 30, 1995.

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 six months ended June 30, 1995 decreased to \$5,267,000 from \$6,664,000 in the comparable period of the prior year. This decline was due primarily to an increase in operating assets and a decrease in accrued expenses and income taxes payable, which more than offset higher net income. 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 \$1,760,000 and \$3,765,000, respectively, for the six months ended June 30, 1995 and 1994. Capital expenditures during 1995 and 1994 include the construction of a Lawson outbound facility in Addison, Illinois, which was substantially completed by the end of 1994, at a cost of approximately of \$5,600,000. This facility opened during the first quarter of 1995.

At December 31, 1994, the Company was authorized to purchase up to 1,000,000 shares of its common stock. During the first six months of 1995, the Company acquired 741,500 shares at a cost of \$19,541,000. Also, during the second quarter of 1995, the Company retired 5,235,176 treasury shares, representing purchases through June 30, 1995.

Net sales for the three and six month periods ended June 30, 1995, increased 4.4% to \$56,095,000 and 7.2% to \$110,940,000 relative to the comparable periods of 1994. The advances are principally the result of gains in both the average order size and number of orders processed.

Net income for the second quarter advanced 2.3% to \$5,277,000 (\$.43 per share) from \$5,159,000 (\$.38 per share) for the similar period of 1994. This increase is attributable to the gain in net sales noted above, a slight improvement in gross margins, and cost containment efforts, which more than offset a higher effective income tax rate. The income per share increase was positively impacted by the Company's share repurchase program. Net income for the six months ended June 30, 1995 rose 11.6% to \$10,302,000 (\$.84 per share) from \$9,227,000 (\$.68 per share) for the comparable period of 1994. In addition to net life insurance proceeds received during the first quarter of 1995, the reasons for the gain in the six months ended June 30, 1995 are consistent with those for the second quarter noted above.

## Part II

#### OTHER INFORMATION

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

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The annual meeting of stockholders of Lawson Products, Inc. was held on May 9, 1995.
- (b) Not applicable.
- (c) Set forth below is the tabulation of the votes on each nominee for election as a director:

	For	Withheld Authority
Bernard Kalish	12,171,036	21,761
Sidney L. Port	12,166,387	26,410

- (d) Not applicable.

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



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6-MOS

DEC-31-1995  
JUN-30-1995  
8,195  
31,698  
28,216  
0  
28,612  
88,795  
35,946  
0  
152,663  
15,596  
0  
11,863  
0  
107,522  
110,940  
112,481  
31,243  
95,760  
0  
506  
10  
16,721  
6,419  
10,302  
0  
0  
0  
10,302  
0.84  
0.84

152,663