

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 Sept 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

-----  
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.

11,765,114 Shares, \$1 par value, as of October 20, 1995.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	September 30, 1995	December 31, 1994
	----- (UNAUDITED)	
<b>ASSETS</b>		
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Current Assets:		
Cash and cash equivalents	\$ 9,202	\$ 9,853
Marketable securities	24,025	21,798
Accounts receivable, less allowance for doubtful accounts	28,800	27,319
Inventories (Note B)	27,312	26,839
Miscellaneous receivables and prepaid expenses	5,466	5,625
Deferred income taxes	646	815
	-----	-----
Total Current Assets	95,451	92,249
Marketable securities	10,635	26,102
Property, plant and equipment, less allowances for depreciation and amortization	35,628	35,858
Investments in real estate	3,016	3,084
Deferred income taxes	2,865	2,461
Other assets	8,968	8,376
	-----	-----
Total Assets	\$156,563	\$168,130
	=====	=====
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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Current Liabilities:		
Accounts payable	\$ 2,570	\$ 3,274
Accrued expenses and other liabilities	13,840	14,524
Income taxes	513	2,017
	-----	-----
Total Current Liabilities	16,923	19,815
Accrued liability under security bonus plans	11,087	10,163
Other	7,225	6,922
	-----	-----
	18,312	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 - 11,797,114 shares; 1994 - 17,097,490 shares)	11,797	17,097
Capital in excess of par value	498	716
Retained earnings	109,790	195,609
Cost of common stock in treasury		
1994 - 4,493,676 shares	---	(80,884)
	-----	-----
	122,085	132,538
Other	(757)	(1,308)
	-----	-----
Total Stockholders' Equity	121,328	131,230
	-----	-----
Total Liabilities and Stockholders' Equity	\$156,563	\$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 September 30,		For the Nine Months Ended September 30,	
	1995	1994	1995	1994
Net Sales	\$ 56,177	\$ 55,539	\$167,117	\$159,060
Investment and other income	462	217	2,003	809
	56,639	55,756	169,120	159,869
Cost of goods sold (Note B)	15,832	15,847	47,075	45,402
Selling, general and administrative expenses	32,368	31,219	96,885	91,001
	48,200	47,066	143,960	136,403
Income before income taxes	8,439	8,690	25,160	23,466
Provision for income taxes	3,348	3,443	9,767	8,993
Net income	5,091	5,247	15,393	14,473
Retained earnings at beginning of period	107,916	187,352	195,609	181,381
Deduct:				
Treasury stock retired	1,683	---	96,654	---
Cash dividends declared	1,534	1,528	4,558	4,783
Retained earnings at end of period	\$109,790	\$191,071	\$109,790	\$191,071
Net income per share of common stock	\$0.43	\$0.40	\$1.26	\$1.08
Cash dividends declared per share of common stock	\$0.13	\$0.12	\$0.38	\$0.36
Weighted average shares outstanding	11,826	13,107	12,177	13,374

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands)

	For the Nine months ended September 30,	
	1995	1994
Operating activities:		
Net income	\$ 15,393	\$ 14,473
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,527	2,570
Changes in operating assets and liabilities	(6,722)	(5,620)
Other	2,090	2,393
	13,288	13,816
Net Cash Provided by Operating Activities	13,288	13,816
Investing activities:		
Additions to property, plant and equipment	(2,280)	(5,545)
Purchases of marketable securities	(184,507)	(193,338)
Proceeds from sale of marketable securities	197,988	197,607
Other	684	70
	11,885	(1,206)
Net Cash Provided by/(Used in) Investing Activities	11,885	(1,206)
Financing activities:		
Purchases of common stock	(21,292)	(12,955)
Dividends paid	(4,537)	(4,783)
Other	5	32
	(25,824)	(17,706)
Net Cash Used in Financing Activities	(25,824)	(17,706)
Decrease in Cash and Cash Equivalents	(651)	(5,096)
Cash and Cash Equivalents at Beginning of Period	9,853	17,952
	\$ 9,202	\$ 12,856
Cash and Cash Equivalents at End of Period	\$ 9,202	\$ 12,856

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 to Stockholders for the year ended December 31, 1994. The Condensed Consolidated Balance Sheet as of September 30, 1995 and the Condensed Consolidated Statements of Income and Retained Earnings for the three and nine month periods ended September 30, 1995 and 1994 and the Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 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 September 30, 1995 and cost of goods sold for the nine month periods ended September 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 September 30, 1995 and the related condensed consolidated statements of income and retained earnings for the three month and nine month periods ended September 30, 1995 and 1994 and the condensed consolidated statements of cash flows for the nine month periods ended September 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

October 20, 1995

Part I

October 20, 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 October 20, 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 September 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 nine months ended September 30, 1995 decreased to \$13,288,000 from \$13,816,000 in the comparable period of the prior year. This decline was due primarily to an increase in operating assets and a decrease in operating liabilities, which more than offset higher net income. In addition to satisfying operating requirements, 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 \$2,280,000 and \$5,545,000, respectively, for the nine months ended September 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 nine months of 1995, the Company acquired 807,000 shares at a cost of \$21,292,000. Also, during the nine month period ending September 30, 1995, the Company retired 5,300,676 treasury shares, representing cumulative purchases through September 30, 1995.

Net sales for the three and nine month periods ended September 30, 1995, gained 1.1% to \$56,177,000 and 5.1% to \$167,117,000

relative to the comparable periods of 1994. The increases are principally the result of gains in the average order size, which more than offset a slight decline in the number of orders processed.

Net income for the third quarter decreased 3.0% to \$5,091,000 (\$.43 per share) from \$5,247,000 (\$.40 per share) for the similar period of 1994 as the sales gain was not sufficient to offset higher operating expenses in the quarter. Net income for the nine months ended September 30, 1995 advanced 6.4% to \$15,393,000 (\$1.26 per share) from \$14,473,000 (\$1.08 per share) for the comparable period of 1994. This increase is attributable to the gain in net sales noted above, a slight improvement in gross margins, net life insurance proceeds received during the first quarter of 1995, and cost containment efforts, which more than offset a higher effective income tax rate. The increases in income per share for the three and nine month periods of 1995 were positively impacted by the Company's share repurchase program.

## 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.

- (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 October 20, 1995

/s/ Bernard Kalish  
Bernard Kalish  
Chairman of the Board



Dated October 20, 1995

/s/ Joseph L. Pawlick  
Joseph L. Pawlick  
Vice President and Controller

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1,000

9-MOS

DEC-31-1995

SEP-30-1995

9,202

34,660

28,800

0

27,312

95,451

35,628

0

156,563

16,923

0

11,797

0

0

109,531

156,563

167,117

169,120

47,075

143,960

0

760

10

25,160

9,767

15,393

0

0

0

15,393

1.26

1.26