

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

**FORM 10-Q**

(Mark One)

**Quarterly Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934**

For quarterly period ended **June 30, 2021**  
or

**Transition Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file Number: **0-10546**

**LAWSON PRODUCTS, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**8770 W. Bryn Mawr Avenue, Suite 900,**  
(Address of principal executive offices)

**Chicago, Illinois**

**(773) 304-5050**  
(Registrant's telephone number, including area code)

**36-2229304**  
(I.R.S. Employer  
Identification No.)

**60631**  
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$1.00 par value	LAWS	NASDAQ Global Select Market

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 by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, \$1 par value, as of July 15, 2021 was 9,078,347.

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**“Safe Harbor” Statement under the Securities Litigation Reform Act of 1995:**

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “objective,” “plan,” “potential,” “project” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management’s current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include:

- the effect of the COVID-19 virus on the overall economy, demand for our products, our supply chain, our employees and our operating results;
- the effect of general economic and market conditions;
- the ability to generate sufficient cash to fund our operating requirements;
- the ability to meet the covenant requirements of our line of credit;
- the market price of our common stock may decline;
- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- changing customer demand and product mixes;
- increases in energy costs, tariffs and the cost of raw materials, including commodity prices;
- decreases in demand from oil and gas customers due to lower oil prices;
- disruptions of our information and communication systems;
- cyber attacks or other information security breaches;
- failure to recruit, integrate and retain a talented workforce including productive sales representatives;
- the inability to successfully make or integrate acquisitions into the organization;
- foreign currency fluctuations
- failure to manage change within the organization;
- highly competitive market;
- changes that affect governmental and other tax-supported entities;
- violations of environmental protection or other governmental regulations;
- negative changes related to tax matters;
- Luther King Capital's significant influence over the Company given its ownership percentage; and
- all other factors discussed in the Company’s “Risk Factors” set forth in its Annual Report on Form 10-K for the year ended December 31, 2020 and in this Quarterly Report on Form 10-Q for the period ended June 30, 2021.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

**PART I - FINANCIAL INFORMATION**
**ITEM 1 - FINANCIAL STATEMENTS**

**Lawson Products, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Dollars in thousands, except share data)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>	(Unaudited)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,855	\$ 28,393
Restricted cash	1,003	998
Accounts receivable, less allowance for doubtful accounts of \$680 and \$654, respectively	46,228	44,515
Inventories, net	63,029	61,867
Miscellaneous receivables and prepaid expenses	7,545	7,289
<b>Total current assets</b>	<b>123,660</b>	<b>143,062</b>
Property, plant and equipment, net	17,439	15,800
Goodwill	35,674	35,176
Deferred income taxes	19,456	18,482
Intangible assets, net	17,592	18,503
Cash value of life insurance	16,895	16,185
Right of use assets	13,483	8,764
Other assets	329	332
<b>Total assets</b>	<b>\$ 244,528</b>	<b>\$ 256,304</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accrued acquisition liability	\$ —	\$ 32,673
Accounts payable	23,787	22,262
Lease obligation	4,417	4,568
Accrued expenses and other liabilities	38,024	38,492
<b>Total current liabilities</b>	<b>66,228</b>	<b>97,995</b>
Revolving line of credit	5,000	—
Security bonus plan	10,958	11,262
Deferred compensation	11,493	10,461
Lease obligation	10,611	5,738
Deferred tax liability	3,560	2,841
Other liabilities	5,780	5,585
<b>Total liabilities</b>	<b>113,630</b>	<b>133,882</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, Issued and outstanding — None	—	—
Common stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - 9,304,366 and 9,287,625 shares, respectively		
Outstanding - 9,077,512 and 9,061,039 shares, respectively	9,304	9,288
Capital in excess of par value	20,798	19,841
Retained earnings	108,140	101,609
Treasury stock – 226,854 and 226,586 shares, respectively	(9,028)	(9,015)
Accumulated other comprehensive income	1,684	699
<b>Total stockholders' equity</b>	<b>130,898</b>	<b>122,422</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 244,528</b>	<b>\$ 256,304</b>

See notes to condensed consolidated financial statements.

**Lawson Products, Inc.**  
**Condensed Consolidated Statements of Income and Comprehensive Income**  
(Dollars in thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 106,540	\$ 72,146	\$ 210,096	\$ 163,181
Cost of goods sold	51,920	33,833	100,916	75,947
<b>Gross profit</b>	<b>54,620</b>	<b>38,313</b>	<b>109,180</b>	<b>87,234</b>
<b>Operating expenses:</b>				
Selling expenses	24,235	16,306	48,037	36,290
General and administrative expenses	27,003	21,438	52,951	31,737
Operating expenses	51,238	37,744	100,988	68,027
<b>Operating income</b>	<b>3,382</b>	<b>569</b>	<b>8,192</b>	<b>19,207</b>
Interest expense	(268)	(72)	(591)	(187)
Other income (expense), net	639	511	1,011	(600)
<b>Income before income taxes</b>	<b>3,753</b>	<b>1,008</b>	<b>8,612</b>	<b>18,420</b>
Income tax expense	818	389	2,081	5,268
<b>Net income</b>	<b>\$ 2,935</b>	<b>\$ 619</b>	<b>\$ 6,531</b>	<b>\$ 13,152</b>
<b>Basic income per share of common stock</b>	<b>\$ 0.32</b>	<b>\$ 0.07</b>	<b>\$ 0.72</b>	<b>\$ 1.46</b>
<b>Diluted income per share of common stock</b>	<b>\$ 0.31</b>	<b>\$ 0.07</b>	<b>\$ 0.70</b>	<b>\$ 1.41</b>
<b>Weighted average shares outstanding:</b>				
Basic weighted average shares outstanding	9,078	9,002	9,073	9,017
Effect of dilutive securities outstanding	271	296	269	310
Diluted weighted average shares outstanding	9,349	9,298	9,342	9,327
<b>Comprehensive income:</b>				
Net income	\$ 2,935	\$ 619	\$ 6,531	\$ 13,152
Other comprehensive income (expense), net of tax				
Adjustment for foreign currency translation	354	1,178	985	(1,316)
Net comprehensive income	\$ 3,289	\$ 1,797	\$ 7,516	\$ 11,836

See notes to condensed consolidated financial statements.

**Lawson Products, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(Dollars in thousands)  
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Outstanding Shares	\$1 Par Value					
Balance at December 31, 2020	9,061,039	\$ 9,288	\$ 19,841	\$ 101,609	\$ (9,015)	\$ 699	\$ 122,422
Net income	—	—	—	3,596	—	—	3,596
Adjustment for foreign currency translation	—	—	—	—	—	631	631
Stock-based compensation	—	—	422	—	—	—	422
Shares issued	5,776	5	(5)	—	—	—	—
Shares repurchased held in treasury	(268)	—	—	—	(13)	—	(13)
Balance at March 31, 2021	9,066,547	\$ 9,293	\$ 20,258	\$ 105,205	\$ (9,028)	\$ 1,330	\$ 127,058
Net income	—	—	—	2,935	—	—	2,935
Adjustment for foreign currency translation	—	—	—	—	—	354	354
Stock-based compensation	—	—	551	—	—	—	551
Shares issued	10,965	11	(11)	—	—	—	—
Balance at June 30, 2021	9,077,512	\$ 9,304	\$ 20,798	\$ 108,140	\$ (9,028)	\$ 1,684	\$ 130,898

**Lawson Products, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
**(Dollars in thousands)**  
**(Unaudited)**

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Outstanding Shares	\$1 Par Value					
Balance at December 31, 2019	9,043,771	\$ 9,190	\$ 18,077	\$ 86,496	\$ (5,761)	\$ (1)	\$ 108,001
Net income	—	—	—	12,533	—	—	12,533
Shares repurchased held in treasury	(47,504)	—	—	—	(1,756)	—	(1,756)
Adjustment for foreign currency translation	—	—	—	—	—	(2,494)	(2,494)
Stock-based compensation	—	—	451	—	—	—	451
Balance at March 31, 2020	8,996,267	\$ 9,190	\$ 18,528	\$ 99,029	\$ (7,517)	\$ (2,495)	\$ 116,735
Net income	—	\$ —	\$ —	\$ 619	\$ —	\$ —	619
Adjustment for foreign currency translation	—	—	—	—	—	1,178	1,178
Stock-based compensation	—	—	498	—	—	—	498
Shares issued	11,144	11	3	—	—	—	14
Balance at June 30, 2020	9,007,411	\$ 9,201	\$ 19,029	\$ 99,648	\$ (7,517)	\$ (1,317)	\$ 119,044

See notes to condensed consolidated financial statements.

**Lawson Products, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(Dollars in thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>Operating activities:</b>		
Net income	\$ 6,531	\$ 13,152
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,939	3,020
Stock-based compensation	2,574	(7,513)
Deferred income taxes	(308)	2,514
Changes in operating assets and liabilities, net of acquisition		
Accounts receivable	(1,664)	3,887
Inventories	(752)	311
Miscellaneous receivables, prepaid expenses and other assets	(975)	(499)
Accounts payable and other liabilities	(561)	(7,527)
Other	508	492
<b>Net cash provided by operating activities</b>	<b>\$ 9,292</b>	<b>\$ 7,837</b>
<b>Investing activities:</b>		
Purchases of property, plant and equipment	\$ (3,874)	\$ (720)
Business acquisition	(33,000)	—
<b>Net cash used in investing activities</b>	<b>\$ (36,874)</b>	<b>\$ (720)</b>
<b>Financing activities:</b>		
Net proceeds from revolving line of credit	\$ 5,000	\$ (559)
Repurchase treasury shares	(13)	(1,756)
Payment of financing lease principal	(135)	(135)
Proceeds from stock option exercise	—	15
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 4,852</b>	<b>\$ (2,435)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>\$ 197</b>	<b>\$ (165)</b>
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(22,533)</b>	<b>4,517</b>
Cash, cash equivalents and restricted cash at beginning of period	29,391	6,297
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 6,858</b>	<b>\$ 10,814</b>
Cash and cash equivalents	\$ 5,855	\$ 10,012
Restricted cash	1,003	802
Cash, cash equivalents and restricted cash	\$ 6,858	\$ 10,814
Supplemental disclosure of cash flow information		
Net cash paid for income taxes	\$ 3,671	\$ 207
Net cash paid for interest	\$ 317	\$ 247

See notes to condensed consolidated financial statements.



**Notes to Condensed Consolidated Financial Statements**

**Note 1 — Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements of Lawson Products, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of the Company, all normal recurring adjustments have been made that are necessary to present fairly the results of operations for the interim periods. Operating results for the three and six month periods ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

The Company has two operating segments. The Lawson operating segment, distributes maintenance, repair and operations ("MRO") products to customers primarily through a network of sales representatives offering vendor managed inventory ("VMI") service to customers throughout the United States and Canada. The Bolt Supply House Ltd. ("Bolt Supply") operating segment, distributes MRO products primarily through its branches located in Western Canada. Bolt Supply had 14 branches in operation at the end of the second quarter 2021. See the 2020 Consolidated Financial Statements included in the Company's Annual Report on Form 10K for further details of the significant accounting policies of the Company.

**Note 2 - Acquisition**

On August 31, 2020, the Company acquired Partsmaster from NCH Corporation. Partsmaster is a leading maintenance, MRO solutions provider that serves approximately 16,000 customers with approximately 200 sales representatives. The acquisition was made primarily to expand the Company's sales coverage, expand product lines, add experienced sales representatives, and leverage the Company's infrastructure.

The purchase price was \$35.3 million in cash plus the assumption of certain liabilities. The Company paid \$2.3 million of the purchase price in cash at closing and paid the remaining \$33.0 million in May 2021. The payment obligation has been discounted to present value and was recognized as an accrued acquisition liability of \$32.7 million as of December 31, 2020 in the Company's condensed consolidated balance sheet. Interest expense of \$0.1 million and \$0.3 million was recorded in the three and six months ended June 30, 2021, respectively. Payment was guaranteed under the Purchase Agreement, and included the issuance of a \$33.0 million irrevocable standby letter of credit. The letter of credit was released upon payment of the acquisition liability in May 2021.

The purchase price of the acquisition was allocated to the fair value of Partsmaster's assets and liabilities on the acquisition date. The fair market value appraisals of the majority of the assets and liabilities was determined by a third party valuation firm using management estimates and assumptions including intangible assets of \$5.0 million for customer relationships and \$2.8 million for trade names, and their estimated useful lives of 10 and 5 years, respectively. The \$15.8 million allocated to goodwill reflects the purchase price less the fair market value of the identifiable net assets. The goodwill is attributable to the workforce of the acquired business and the synergies expected to arise after Lawson's acquisition of Partsmaster. The entire amount of goodwill is expected to be deductible for tax purposes.

The accounting for this acquisition was complete as of June 30, 2021. Partsmaster contributed \$15.3 million of revenue and \$0.5 million of operating income in the second quarter of 2021 and \$31.0 million of revenue and \$1.1 million of operating income in the first six months of 2021.

A summary of the purchase price allocation of the acquisition is as follows (Dollars in thousands):

<b><u>Cash paid and payable and liabilities assumed</u></b>	
Cash paid and payable	\$ 34,5
Accounts payable and accrued expenses	4,0
Deferred compensation	2,9
Lease obligation	6
	\$ 42,1
<b><u>Fair value of assets acquired</u></b>	
Goodwill	\$ 15,8
Inventories	7,7
Accounts receivable	7,7
Customer relationships	4,9
Trade names	2,7
Property, plant and equipment	2,1
Right of use asset	6
Other assets	3
	\$ 42,1

The unaudited pro forma revenue and net income for the Company for the three months ended June 30, 2020, assuming the Partsmaster acquisition closed on January 1, 2019, was \$91.1 million and \$1.4 million, respectively. The unaudited pro forma revenue and net income for the Company for the six months ended June 30, 2020, assuming the Partsmaster acquisition closed on January 1, 2019, was \$197.3 million and \$14.3 million, respectively.

The pro forma disclosures include adjustments for amortization of intangible assets, implied interest expense and acquisition costs to reflect results as if the acquisition of Partsmaster had closed on January 1, 2019 rather than on the actual acquisition date. This pro forma information utilizes certain estimates, is presented for illustrative purposes only and is not intended to be indicative of the actual results of operation. In addition, future results may vary significantly from the results

reflected in the pro forma information. The unaudited pro forma financial information does not reflect the impact of future positive or negative events that may occur after the acquisition, such as anticipated cost savings from operating synergies.

### Note 3 - Revenue Recognition

As part of the Company's revenue recognition analysis, it concluded that it has two separate performance obligations, and accordingly, two separate revenue streams: products and services. Under the definition of a contract as defined by ASC 606, the Company considers contracts to be created at the time an order to purchase product and services is agreed upon regardless of whether or not there is a written contract.

#### Performance Obligations

The Company has two operating segments; the Lawson segment and the Bolt Supply segment.

The Lawson segment has two distinct performance obligations from contracts with its customers: a product performance obligation and a service performance obligation. While the Company offers both a product and a service obligation, customers receive one invoice per transaction with no price breakout between these obligations. The Company does not separately price performance obligations.

The Lawson segment generates revenue primarily from the sale of MRO products to its customers. Revenues related to product sales is recognized at the time that control of the product has been transferred to the customer, either at the time the product is shipped or the time the product has been received by the customer. The Company does not commit to long-term contracts to sell customers a certain minimum quantity of products.

The Lawson segment, including the recent Partsmaster acquisition, offers a vendor managed inventory ("VMI") service proposition to its customers. A portion of these services, primarily related to stocking of product and maintenance of the MRO inventory, is provided a short period of time after control of the purchased product has been transferred to the customer. Since some components of VMI service have not been provided at the time the control of the product transfers to the customer, that portion of expected consideration is deferred until the time that those services have been provided.

The Bolt Supply segment provides product sales and does not provide VMI services or other services. Revenue is recognized at the time that control of the product has been transferred to the customer which is either upon delivery or shipment depending on the terms with the customer.

In previous financial statements, the Company presented the disaggregated components of total revenue: product revenue and service revenue, along with the cost of sales associated with each of these revenue streams as the service revenues exceeded 10% of consolidated revenue. Since the Company qualifies as a smaller reporting company, the Company has elected to discontinue disclosure of the disaggregated components of revenue and cost of sales in its condensed consolidated statements of income and comprehensive income and in the related notes to the condensed consolidated financial statements. For the three months ended June 30, 2020, service revenue of \$7.6 million was reported as service revenue which has now been combined and reported within total revenue. For the six months ended June 30, 2020, service revenue of \$17.3 million was reported as service revenue, which has now been combined and reported within total revenue.

Disaggregated revenue by geographic area follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	\$ 86,249	\$ 57,096	\$ 171,234	\$ 130,679
Canada	20,291	15,050	38,862	32,502
Consolidated total	\$ 106,540	\$ 72,146	\$ 210,096	\$ 163,181

Disaggregated revenue by product type follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Fastening Systems	21.1	%	23.8	%	21.0	%	23.3	%
Cutting Tools and Abrasives	14.5	%	12.5	%	14.7	%	12.9	%
Fluid Power	13.2	%	13.2	%	13.3	%	13.8	%
Electrical	10.2	%	10.0	%	10.4	%	10.4	%
Specialty Chemicals	10.1	%	12.8	%	9.9	%	11.9	%
Aftermarket Automotive Supplies	7.1	%	6.0	%	6.9	%	7.2	%
Safety	5.0	%	6.1	%	4.9	%	6.2	%
Welding and Metal Repair	1.6	%	1.5	%	1.6	%	1.5	%
Other	17.2	%	14.1	%	17.3	%	12.8	%
Consolidated Total	100.0%		100.0%		100.0%		100.0%	

#### Activities as lessor

Prior to acquisition, Partsmaster leased parts washer machines to customers through its Torrents leasing program. The Torrents leasing program comprised a minor portion of the Partsmaster business. The Company will continue the leasing program for the foreseeable future. These leases are classified as operating leases. The leased machines are recognized as fixed assets on the Company's consolidated balance sheet and the leasing revenue is recognized on a straight line basis. The Torrents machine leasing program generated \$0.7 million and \$1.4 million of revenue in the three and six months ended June 30, 2021. The Company has adopted the practical expedient not to separate non-lease components that would be within the scope of ASC 606 from the associated lease components as the relevant criteria under ASC 842 are met.

#### Note 4 — Restricted Cash

The Company has agreed to maintain \$0.8 million in a money market account as collateral for an outside party that is providing certain commercial card processing services for the Company. The Company has also agreed to maintain \$0.2 million in a guaranteed investment certificate as collateral for an outside party that is providing certain commercial credit card services for Bolt. The Company is restricted from withdrawing this balance without the prior consent of the outside party during the term of the agreement.

#### Note 5 — Inventories

Inventories, net, consisting primarily of purchased goods offered for resale, were as follows:

	(Dollars in thousands)			
	June 30, 2021		December 31, 2020	
Inventories, gross	\$	70,324	\$	67,137
Reserve for obsolete and excess inventory		(7,295)		(5,270)
Inventories, net	\$	63,029	\$	61,867

During the six months ended June 30, 2021, the Company increased its reserve for obsolete and excess inventory by \$0.4 million for which its cost exceeded its estimated selling price and \$1.0 million for rationalization of inventory related to Partsmaster.

**Note 6 - Goodwill**

Goodwill activity for the first six months of 2021 is included in the table below:

	(Dollars in Thousands)		
	Goodwill By Reportable Segment		
	Lawson	Bolt	Total
Beginning balance December 31, 2020	\$ 21,352	\$ 13,824	\$ 35,176
Impact of foreign exchange rates	278	220	498
Balance at June 30, 2021	<u>\$ 21,630</u>	<u>\$ 14,044</u>	<u>\$ 35,674</u>

Goodwill activity for the first six months of 2020 is included in the table below:

	(Dollars in Thousands)		
	Goodwill By Reportable Segment		
	Lawson	Bolt	Total
Beginning balance December 31, 2019	\$ 7,369	\$ 13,554	\$ 20,923
Impact of foreign exchange rates	(45)	(728)	(773)
Balance at June 30, 2020	<u>\$ 7,324</u>	<u>\$ 12,826</u>	<u>\$ 20,150</u>

**Note 7 - Intangible Assets**

The gross carrying amount and accumulated amortization by intangible asset class were as follows:

	(Dollars in thousands)					
	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 11,528	\$ (3,369)	\$ 8,159	\$ 11,289	\$ (2,733)	\$ 8,556
Customer relationships	12,520	(3,087)	9,433	12,349	(2,402)	9,947
	<u>\$ 24,048</u>	<u>\$ (6,456)</u>	<u>\$ 17,592</u>	<u>\$ 23,638</u>	<u>\$ (5,135)</u>	<u>\$ 18,503</u>

Amortization expense of \$1.2 million and \$0.7 million related to intangible assets was recorded in General and administrative expenses for the six months ended June 30, 2021 and 2020, respectively.

**Note 8 - Leases**
*Activities as Lessee*

The Company leases equipment, distribution centers, office space, and branch locations throughout the US and Canada.

Expenses related to leasing activities for the three months ended June 30, 2021 and June 30, 2020 are as follows (Dollars in thousands):

Lease Type	Classification	Three Months Ended June 30,	
		2021	2020
Operating Lease Expense	Operating expenses	\$ 1,434	\$ 1,183
Financing Lease Amortization	Operating expenses	57	50
Financing Lease Interest	Interest expense	5	7
Financing Lease Expense		62	57
Net Lease Cost		<u>\$ 1,496</u>	<u>\$ 1,240</u>

Expenses related to leasing activities for the six months ended June 30, 2021 and June 30, 2020 are as follows (Dollars in thousands):

Lease Type	Classification	Six Months Ended June 30,	
		2021	2020
Operating Lease Expense	Operating expenses	\$ 2,929	\$ 2,361
Financing Lease Amortization	Operating expenses	135	101
Financing Lease Interest	Interest expense	10	10
Financing Lease Expense		145	111
Net Lease Cost		\$ 3,074	\$ 2,483

Net assets and liabilities related to leasing activities as of June 30, 2021 and December 31, 2020 are as follows (Dollars in thousands):

Lease Type	June 30, 2021	December 31, 2020
Total Right Of Use ("ROU") operating lease assets <sup>(1)</sup>	\$ 13,044	\$ 8,246
Total ROU financing lease assets <sup>(2)</sup>	439	518
Total lease assets	\$ 13,483	\$ 8,764
Total current operating lease obligation	\$ 4,253	\$ 4,360
Total current financing lease obligation	164	208
Total current lease obligations	\$ 4,417	\$ 4,568
Total long term operating lease obligation	\$ 10,423	\$ 5,498
Total long term financing lease obligation	188	240
Total long term lease obligation	\$ 10,611	\$ 5,738

<sup>(1)</sup> Operating lease assets are recorded net of accumulated amortization of \$7.6 million and \$5.9 million as of June 30, 2021 and December 31, 2020, respectively

<sup>(2)</sup> Financing lease assets are recorded net of accumulated amortization of \$0.5 million and \$0.4 million as of June 30, 2021 and December 31, 2020, respectively

Liabilities generated by leasing activities as of June 30, 2021 were as follows (Dollars in thousands):

Maturity Date of Lease Liabilities	Operating Leases	Financing Leases	Total
Year one	\$ 4,666	\$ 177	\$ 4,843
Year two	4,041	130	4,171
Year three	3,067	55	3,122
Year four	2,299	9	2,308
Year five	300	—	300
Subsequent years	1,350	—	1,350
Total lease payments	15,723	371	16,094
Less: Interest	1,047	19	1,066
Present value of lease liabilities	\$ 14,676	\$ 352	\$ 15,028

(1) Minimum lease payments exclude payments to landlord for real estate taxes and common area maintenance \$0.4 million

The weighted average lease terms and interest rates of the leases held by Lawson as of June 30, 2021 are as follows:

Lease Type	Weighted Average Term in Years	Weighted Average Interest Rate
Operating Leases	4.3	3.56%
Financing Leases	2.4	5.01%

The cash outflows of the leasing activity for the three months ending June 30, 2021 are as follows (Dollars in thousands):

Cash Flow Source	Classification	Amount
Operating cash flows from operating leases	Operating activities	\$ 2,304
Operating cash flows from financing leases	Operating activities	10
Financing cash flows from financing leases	Financing activities	135

In March 2021 the Company signed a three year extension for their lease at the McCook distribution center. ("McCook"). The lease extension created a right of use asset of \$5.3 million and a lease liability of \$5.3 million.

Refer to Note 3 - Revenue Recognition for a discussion on Lawson activities as lessor.

#### Note 9 — Revolving Credit Facility

The Revolving Credit Facility matures on October 11, 2024 and provides \$100.0 million of revolving commitments. The facility is primarily for general corporate purposes. Net of outstanding letters of credit, the Company had \$91.9 million of borrowing availability under its Revolving Credit Facility as of June 30, 2021 and \$66.0 million as of December 31, 2020. Weighted average interest rates for the six months ended June 30, 2021 and June 30, 2020 were 3.25% and 2.64%, respectively.

Fees are reported as interest expense and include customary charges relating to letters of credit and an unused commitment fee ranging from 0.15% to 0.30%, depending on the Total Net Leverage Ratio as defined in the Credit Agreement. Fees for the six months ended June 30, 2021 and June 30, 2020 were \$0.2 million and \$0.1 million, respectively.

In connection with the Revolving Credit Facility originated in 2019, deferred financing costs of \$0.6 million were incurred. Deferred financing costs are amortized over the life of the debt instrument and reported as interest expense. As of June 30, 2021 and December 31, 2020 deferred financing costs net of accumulated amortization were \$0.4 million and are included in Other assets.

Borrowings are designed as alternate base rate loans, Canadian prime rate loans, Eurodollar loans, and Canadian dollar offered rate loans. Interest rates vary by the type of borrowing and Total Net Leverage Ratio as defined in the Credit Agreement of the most recent fiscal quarter.

The Revolving Credit Facility includes customary financial covenants representations and warranties. The Company was in compliance with all financial covenants as of June 30, 2021.

In the third quarter of 2020 the Company entered into an amendment to the Credit Agreement which among other items temporarily increased the allowed letter of credits from \$15.0 million to \$40.0 million until August 31, 2021 and authorized indebtedness not to exceed \$36.0 million for the acquisition of Partsmaster.

#### Note 10 - Accrued Acquisition Liability

On August 31, 2020, Lawson acquired Partsmaster from NCH Corporation. As part of the purchase price the Company agreed to pay \$33.0 million in May 2021. The payment obligation was discounted to present value using an implied interest rate of 1.8%. A discounted current liability of \$32.7 million was recognized as of December 31, 2020 in the Company's consolidated balance sheet. In May 2021, the Company paid the outstanding \$33.0 million accrued acquisition liability.

Payment was guaranteed under the Purchase Agreement which included the issuance of a \$33.0 million irrevocable standby letter of credit. The letter of credit was released in June 2021 subsequent to payment of the liability in May 2021.

Interest expense of \$0.3 million was recorded in the six months ended June 30, 2021.

#### Note 11 - Stock Repurchase Program

In the second quarter of 2019, the Board of Directors authorized a program in which the Company may repurchase up to \$7.5 million of the Company's common stock from time to time in open market transactions, privately negotiated transactions or by other methods. The Company had \$4.5 million remaining under its repurchase plan as of June 30, 2021. No shares were repurchased in the first or second quarters of 2021 under the Company stock repurchase plan. The Company purchased 47,504 of common stock at an average price of \$36.93 under the repurchase program in the second quarter of 2020.

#### Note 12 - Severance Reserve

Changes in the Company's reserve for severance included in Accrued expenses and other liabilities, as of June 30, 2021 and 2020 were as follows:

	(Dollars in thousands)	
	Six Months Ended June 30,	
	2021	2020
Balance at beginning of period	\$ 1,251	\$ 90
Charged to earnings	278	1,03
Payments	(765)	(91)
Balance at end of period	\$ 764	\$ 1,03

#### Note 13 - Stock-Based Compensation

The Company recorded stock-based compensation expense of \$2.6 million and benefit of \$7.5 million for the first six months of 2021 and 2020, respectively. A portion of stock-based compensation is related to the change in the market value of the Company's common stock. Stock-based compensation liability of \$15.9 million as of June 30, 2021 and \$14.4 million as of December 31, 2020 is included in Accrued expenses and other liabilities.

A summary of stock-based awards issued during the six months ended June 30, 2021 follows:

##### Restricted Stock Units ("RSUs")

The Company issued 7,862 RSUs to key employees that cliff vest on December 31, 2023. The Company issued 2,000 RSUs to one key employee that vest ratably through June 15, 2023 and 5,000 RSUs to one key employee that cliff vest on April 15, 2024. Additionally the Company issued 28,600 RSUs to various employees that vest ratably through December 31, 2024. The Company issued 6,995 RSUs to certain members of the Company's Board of Directors with a vesting date of May 11, 2022. Each RSU is exchangeable for one share of the Company's common stock at the end of the vesting period.

##### Market Stock Units ("MSUs")

The Company issued 19,688 MSUs to key employees that cliff vest on December 31, 2023. MSUs are exchangeable for the Company's common stock at the end of the vesting period. The number of shares of common stock that will be issued upon vesting, ranging from zero to 29,532 shares, will be determined based upon the trailing sixty-day average closing price of the Company's common stock on December 31, 2023.

##### Performance Awards ("PAs")

The Company issued 15,723 PAs to key employees that cliff vest on December 31, 2023. PAs are exchangeable for shares of the Company's common stock ranging from zero to 23,585 shares, or the equivalent amount in cash, based upon the achievement of certain financial performance metrics.

#### Note 14 — Income Taxes

The Company recorded income tax expense of \$2.1 million, a 24.2% effective tax rate for the six months ended June 30, 2021. The effective tax rate is higher than the U.S. statutory rate due primarily to state taxes and other permanent items. Income tax expense of \$5.3 million, a 28.6% effective tax rate was recorded for the six months ended June 30, 2020. The effective tax rate is higher than the U.S. statutory rate due primarily to state taxes, recording of reserves for uncertain tax positions, and an inclusion for Global Intangible Low Tax Income.



The Company and its subsidiaries are subject to U.S. Federal income tax, as well as income tax of multiple state and foreign jurisdictions. As of June 30, 2021, the Company is subject to U.S. Federal income tax examinations for the years 2017 through 2019 and income tax examinations from various other jurisdictions for the years 2013 through 2019.

Earnings from the Company's foreign subsidiaries are considered to be indefinitely reinvested. A distribution of these non-U.S. earnings in the form of dividends or otherwise may subject the Company to foreign withholding taxes and U.S. federal and state taxes.

**Note 15 — Contingent Liabilities**

In 2012, it was determined a Company owned site in Decatur, Alabama, contained hazardous substances in the soil and groundwater as a result of historical operations prior to the Company's ownership. The Company retained an environmental consulting firm to further investigate the contamination, prepare a remediation plan, and enroll the site in the Alabama Department of Environmental Management ("ADEM") voluntary cleanup program.

The remediation plan, approved by ADEM in 2018, consists of chemical injections throughout the affected area and subsequent monitoring. The injection process was completed in the first quarter of 2019 and monitoring is ongoing pending certification by ADEM. At June 30, 2021 estimated costs for future monitoring are not significant and have been fully accrued. The Company does not expect to capitalize any amounts related to the remediation plan.

**Note 16 — Related Party Transaction**

During the three and six months ended June 30, 2021, the Company purchased approximately \$0.1 million of inventory from a company owned by an immediate relative of a Board member at fair market value. The Company paid substantially all of the amount owed in the second quarter and therefore immaterial remaining liabilities exist as of June 30, 2021.

**Note 17 – Segment Information**

The Company's operating segments, Lawson and Bolt, also represent its reportable segments because of differences in the businesses' financial characteristics and the methods they employ to deliver product to customers. The results of the Company's operating segments are reviewed by the Company's chief operating decision maker responsible for reviewing operating performance and allocating resources. The Lawson segment primarily relies on its large network of sales representatives to visit the customer at the customers' location and produce sales orders for product that is then shipped to the customer and also provides VMI services. The Bolt segment primarily sells product to customers when the customers visit one of Bolt's 14 branch locations and the product is delivered to the customers at the point of sale. The Bolt segment total assets include the value of the acquired intangibles and the related amortization within its operating income.

Financial information for the Company's reportable segments follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenue</b>				
Lawson	\$ 94,861	\$ 63,214	\$ 188,191	\$ 144,771
Bolt Supply	11,679	8,932	21,905	18,471
Consolidated total	\$ 106,540	\$ 72,146	\$ 210,096	\$ 163,242
<b>Gross profit</b>				
Lawson	\$ 49,901	\$ 34,873	\$ 100,309	\$ 79,971
Bolt Supply	4,719	3,440	8,871	7,242
Consolidated total	\$ 54,620	\$ 38,313	\$ 109,180	\$ 87,213
<b>Operating income</b>				
Lawson	\$ 2,443	\$ (202)	\$ 6,699	\$ 17,871
Bolt Supply	939	771	1,493	1,321
Consolidated total	3,382	569	8,192	19,192
Interest expense	(268)	(72)	(591)	(161)
Other income (expense), net	639	511	1,011	(60)
Income before income taxes	\$ 3,753	\$ 1,008	\$ 8,612	\$ 18,442

**Note 18 - COVID-19 Risks and Uncertainties**

There is substantial uncertainty as to the effect the COVID-19 pandemic will have on the future results of the Company. Various events related to COVID-19 may impact revenue, product sourcing, sales functions, and customers' ability to pay timely.

The government of the State of Illinois defines Lawson Products as an essential business. A change in this status could result in the temporary closure of our business. The COVID-19 pandemic could result in a temporary closure of any or all of our office space, distribution facilities, or Bolt branch locations, as well as disruptions to our supply chain and interactions with customers. The pandemic may have a material adverse impact on future financial results, liquidity, and overall performance of the Company. It is reasonably possible that estimates made in the financial statements may be materially and adversely impacted as a result of these conditions, including delay in payment of receivables, impairment losses related to goodwill and other long-lived assets, and inability to utilize deferred tax assets.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide certain relief as a result of the COVID-19 outbreak. The Company has elected to defer the employer side social security payments in accordance with the CARES Act. The total amount deferred is \$3.5 million, with \$1.7 million expected to be paid in the second half of 2021 and the remainder in 2022.

The Company will continue to evaluate how the provisions of the CARES Act will impact its financial position, results of operations and cash flows.

The Company will continue to closely monitor the operating environment and will take appropriate actions to protect the safety for its employees, customers and suppliers.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Partsmaster Acquisition**

In August 2020, we acquired Partsmaster, a leading Maintenance, Repair and Operations ("MRO") distributor from NCH Corporation, with approximately 200 sales representatives and approximately 16,000 customers throughout the United States and Canada. The purchase price of the acquisition was \$35.3 million in cash and the assumption of certain liabilities. We paid \$2.3 million at the time of the acquisition and paid the remaining \$33.0 million in May 2021. Partsmaster contributed \$15.3 million of revenue and \$0.5 million of operating income in the second quarter of 2021 and \$31.0 million of revenue and \$1.1 million of operating income in the first six months of 2021.

Additional information related to the Partsmaster acquisition is provided in Note 2 - Acquisition in the notes to the consolidated financial statements.

### **COVID-19 Pandemic**

There is substantial uncertainty as to the effect the COVID-19 pandemic will have on the future results of the Company. Various events related to COVID-19 may impact revenue, product sourcing, sales functions, and customers' ability to pay timely.

The government of the State of Illinois defines Lawson Products as an essential business. A change in this status could result in the temporary closure of our business. The COVID-19 pandemic could result in a temporary closure of any or all of our office space, distribution facilities, or Bolt branch locations, as well as disruptions to our supply chain and interactions with customers. The pandemic may have a material adverse impact on future financial results, liquidity, and overall performance of the Company. It is reasonably possible that estimates made in the financial statements may be materially and adversely impacted as a result of these conditions, including delay in payment of receivables, impairment losses related to goodwill and other long-lived assets, and inability to utilize deferred tax assets.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide certain relief as a result of the COVID-19 outbreak. The Company has elected to defer the employer side social security payments in accordance with the CARES Act. The total amount deferred is \$3.5 million, with \$1.7 million expected to be paid in 2021 and the remainder in 2022. The Company will continue to evaluate how the provisions of the CARES Act will impact its financial position, results of operations and cash flows.

The onset of the COVID-19 pandemic occurred in March 2020. This resulted in widespread closures of businesses, decreased travel and other substantial restrictions on economic activity beginning in the first quarter. The most severe restrictions were effective in the second quarter of 2020, particularly the month of April. These restrictions began to be relaxed subsequent to April 2020, which led to an improved business climate and increased economic activity throughout the remainder of the year. The relaxed restrictions continued in the first and second quarters of 2021, which led to increased business activity and contributed to improved operating results compared to the first six months of 2020.

We will continue to closely monitor the overall economic and operating environment and we will take appropriate actions to protect the safety of our employees, customers and suppliers. While COVID-19 continues to negatively impact our sales, cost control measures and ability to effectively service our customers, we have continued to generate positive cash flow that has enabled us to maintain a strong financial position. We plan to continue to respond to pandemic developments in a prompt and disciplined manner with an emphasis on maintaining our strong financial position.

### **Sales Drivers**

The MRO distribution industry is highly fragmented. We compete for business with several national distributors as well as a large number of regional and local distributors. The MRO business is significantly impacted by the overall strength of the manufacturing sector of the U.S. economy which has been significantly affected by the COVID-19 pandemic. One measure used to evaluate the strength of the industrial products market is the PMI index published by the Institute for Supply Management, which is considered by many economists to be a reliable near-term economic barometer of the manufacturing sector. A measure above 50 generally indicates expansion of the manufacturing sector while a measure below 50 generally

represents contraction. The average monthly PMI was 60.8 in the second quarter of 2021 compared to 45.7 in the second quarter of 2020.

Our sales are also influenced by the number of sales representatives and their productivity. Our average sales rep headcount for the second quarter of 2021 was 1,081 sales representatives, including the Partsmaster sales representatives. This is compared to the average sales rep headcount of 957 sales reps in the second quarter of 2020. Lawson segment sales representative productivity, measured as sales per rep per day and including Partsmaster sales reps, increased 33.0% to \$1,361 in the second quarter of 2021 compared to \$979 in the prior year quarter. Partsmaster contributed \$15.3 million in sales in the second quarter. Excluding the impact of Partsmaster, sales rep productivity measured as average sales per rep per day increased 36.1% compared to the year ago quarter, primarily driven by the improved business conditions and relaxation of pandemic-related restrictions in the second quarter of 2021 compared to the year ago quarter. Additionally we instituted a company-wide price increase on our entire product line in June 2021 in response to rising supplier costs. We plan to continue to concentrate our efforts on increasing the productivity of our sales representatives.

#### **Non-GAAP Financial Measure - Adjusted Non-GAAP Operating Income**

We believe that certain non-GAAP financial measures may provide users of this financial information with additional meaningful comparisons between current results and results in prior operating periods. We believe that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain infrequently occurring, seasonal or non-operational items that impact the overall comparability. These non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Adjusted operating income is defined by us as GAAP operating income excluding stock-based compensation, severance expenses, acquisition costs, and other non-recurring items in the period in which these items are incurred. Operating income was \$3.4 million for the second quarter of 2021 compared to \$0.6 million for the second quarter of 2020. Excluding stock-based compensation, severance expense, acquisition costs and other non-recurring costs, adjusted non-GAAP operating income was \$6.8 million in the second quarter of 2021 compared to \$4.8 million in the second quarter of 2020; and \$14.1 million of adjusted non-GAAP operating income for the first six months of 2021 compared to \$12.7 million of adjusted non-GAAP operating income for the prior year period. The increase in adjusted non-GAAP operating income was driven by increased sales in 2021 as the overall business environment improved and pandemic-related restrictions were relaxed in the first six months of 2021 compared to the prior year, as well as the inclusion of \$0.9 million of adjusted non-GAAP operating income from Partsmaster in the second quarter of 2021 and \$2.5 million of adjusted non-GAAP operating income from Partsmaster for the first six months of 2021.

#### **Reconciliation of GAAP Operating Income to Adjusted Non-GAAP Operating Income (Unaudited)**

(Dollars in Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating income as reported by GAAP	\$ 3,382	\$ 569	\$ 8,192	\$ 19,200
Stock based compensation <sup>(1)</sup>	1,574	3,187	2,574	(7,510)
Inventory reserves <sup>(2)</sup>	500	—	1,325	—
Severance expense and employee acquisition costs	29	1,025	605	1,000
Costs related to potential acquisitions <sup>(3)</sup>	1,354	—	1,354	—
Adjusted non-GAAP operating income	\$ 6,839	\$ 4,781	\$ 14,050	\$ 12,700

(1) Expense for stock-based compensation, of which a portion varies with the Company's stock price

(2) Expense for Partsmaster inventory rationalization plan and write-down of personal protective equipment (PPE) to net realizable value

(3) Including costs related to the evaluation of the LKCM proposal disclosed in a Schedule 13D amendment filed on May 17, 2021

**Three months ended June 30, 2021 compared to quarter ended June 30, 2020**

(Dollars in thousands)	2021		2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Revenue	\$ 106,540	100.0 %	\$ 72,146	100.0 %
Cost of goods sold	51,920	48.7 %	33,833	46.9 %
Gross profit	54,620	51.3 %	38,313	53.1 %
Operating expenses:				
Selling expenses	24,235	22.7 %	16,306	22.6 %
General and administrative expenses	27,003	25.4 %	21,438	29.7 %
Total operating expenses	51,238	48.1 %	37,744	52.3 %
Operating income	3,382	3.2 %	569	0.8 %
Interest expense	(268)	(0.3)%	(72)	(0.1)%
Other income (expenses), net	639	0.6 %	511	0.7 %
Income before income taxes	3,753	3.5 %	1,008	1.4 %
Income tax expense	818	0.7 %	389	0.5 %
Net income	\$ 2,935	2.8 %	\$ 619	0.9 %

**Revenue and Gross Profits**

(Dollars in thousands)	Three Months Ended June 30,		Increase	
	2021	2020	Amount	%
Revenue				
Lawson	\$ 94,861	\$ 63,214	\$ 31,647	50.1%
Bolt Supply	11,679	8,932	2,747	30.8%
Consolidated	\$ 106,540	\$ 72,146	\$ 34,394	47.7%
Gross profit				
Lawson	\$ 49,901	\$ 34,873	\$ 15,028	43.1%
Bolt Supply	4,719	3,440	1,279	37.2%
Consolidated	\$ 54,620	\$ 38,313	\$ 16,307	42.6%
Gross profit margin				
Lawson	52.6 %	55.2 %		
Bolt Supply	40.4 %	38.5 %		
Consolidated	51.3 %	53.1 %		

## Revenue

Total sales increased 47.7% to \$106.5 million in the second quarter of 2021 compared to \$72.1 million in the second quarter of 2020. All customer sales categories were negatively impacted by the impact of the COVID-19 pandemic in the second quarter of 2020. Business conditions have substantially improved in the second quarter of 2021 compared to the second quarter of 2020, which led to greater business activity and increased sales. Sales from the second quarter of 2021 also benefited from the inclusion of \$15.3 million of Partsmaster sales. Sales productivity, measured as sales per rep per day, increased 33.0% compared to the second quarter of 2020. Bolt Supply sales also improved 30.8% compared to the prior year quarter. Consolidated average daily sales increased 47.7% to \$1.665 million in the second quarter of 2021 compared to \$1.127 million in the prior year quarter. Partsmaster contributed \$0.239 million of average daily sales in the second quarter of 2021. Both the second quarter of 2021 and 2020 had 64 selling days. Excluding the impact of foreign currency, average daily sales increased 44.5% in the second quarter of 2021.

## Gross Profit

Driven by increased sales, reported gross profit increased \$16.3 million to \$54.6 million in the second quarter of 2021 compared to \$38.3 million in the prior year quarter. Partsmaster contributed \$9.0 million to reported gross profit in the second quarter of 2021 before the classification of certain service-related costs in gross profit. Consolidated gross profit as a percent of sales was 51.3% in the second quarter of 2021 compared to 53.1% in the prior year quarter.

The organic Lawson MRO segment gross margin as a percent of sales declined to 57.3% in the second quarter of 2021 compared to 58.7% a year ago quarter before the classification of certain service-related costs in gross profit, primarily as a result of increased freight and additional costs from global supply chain disruptions in the quarter compared to the prior year quarter and additional inventory reserves related to the rationalization of inventory related to the Partsmaster acquisition.

## Selling, General and Administrative Expenses

(Dollars in thousands)	Three Months Ended June 30,		Increase	
	2021	2020	Amount	%
<b>Selling expenses</b>				
Lawson	\$ 23,193	\$ 15,652	\$ 7,541	48.2%
Bolt Supply	1,042	654	388	59.3%
Consolidated	\$ 24,235	\$ 16,306	\$ 7,929	48.6%
<b>General and administrative expenses</b>				
Lawson	\$ 24,265	\$ 19,423	\$ 4,842	24.9%
Bolt Supply	2,738	2,015	723	35.9%
Consolidated	\$ 27,003	\$ 21,438	\$ 5,565	26.0%

Selling expenses consist of compensation and support for our sales representatives. Selling expenses increased to \$24.2 million in the second quarter of 2021 compared to \$16.3 million in the prior year quarter. The increase in selling expense is primarily driven by increased sales, along with the inclusion of \$5.3 million in selling expense in the second quarter of 2021 from the Partsmaster acquisition. As a percent of sales, selling expenses slightly increased to 22.7% from 22.6% in the second quarter of 2020 on a higher sales base, partial reinstatement of normalized selling activities not incurred during the pandemic and higher Partsmaster selling expenses as a percent of sales.

General and administrative expenses consist of expenses to operate our distribution network and overhead expenses to manage the business. General and administrative expenses increased to \$27.0 million in the second quarter of 2021 from \$21.4 million in the prior year quarter. The increased General and administrative expense was driven by the inclusion of Partsmaster operating expenses of \$3.3 million, \$1.4 million of costs related to the evaluation of the LKCM proposal disclosed in a Schedule 13D amendment filed on May 17, 2021, and restored employee compensation expense compared to the second quarter of 2020. These costs were offset by a decrease in stock-based compensation expense of \$1.6 million compared to the second quarter of 2021.

*Interest Expense*

Interest expense was \$0.3 million in the second quarter of 2021, an increase of \$0.2 million compared to the second quarter of 2020 primarily due to interest on the accrued acquisition liability.

*Other Income, Net*

Other income, net increased \$0.1 million in the second quarter of 2021 over the prior year quarter primarily due to Canadian currency exchange rate effect.

*Income Tax Expense*

Income tax expense was \$0.8 million, resulting in a 21.8% effective tax rate for the three months ended June 30, 2021 compared to an income tax expense of \$0.4 million and an effective tax rate of 38.6% for the three months ended June 30, 2020.



**Six months ended June 30, 2021 compared to June 30, 2020**

(Dollars in thousands)	2021		2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Revenue	\$ 210,096	100.0 %	\$ 163,181	100.0 %
Cost of goods sold	100,916	48.0 %	75,947	46.5 %
Gross profit	109,180	52.0 %	87,234	53.5 %
Operating expenses:				
Selling expenses	48,037	22.9 %	36,290	22.2 %
General and administrative expenses	52,951	25.2 %	31,737	19.5 %
Total operating expenses	100,988	48.1 %	68,027	41.7 %
Operating income	8,192	3.9 %	19,207	11.8 %
Interest expense	(591)	(0.3)%	(187)	(0.1)%
Other income (expense), net	1,011	0.5 %	(600)	(0.4)%
Income before income taxes	8,612	4.1 %	18,420	11.3 %
Income tax expense	2,081	1.0 %	5,268	3.2 %
Net income	\$ 6,531	3.1 %	\$ 13,152	8.1 %

**Revenue and Gross Profit**

(Dollars in thousands)	Six Months Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	%
Revenue				
Lawson	\$ 188,191	\$ 144,705	\$ 43,486	30.1%
Bolt Supply	21,905	18,476	3,429	18.6%
Consolidated	\$ 210,096	\$ 163,181	\$ 46,915	28.8%
Gross profit				
Lawson	\$ 100,309	\$ 79,993	\$ 20,316	25.4%
Bolt Supply	8,871	7,241	1,630	22.5%
Consolidated	\$ 109,180	\$ 87,234	\$ 21,946	25.2%
Gross profit margin				
Lawson	53.3 %	55.3 %		
Bolt Supply	40.5 %	39.2 %		
Consolidated	52.0 %	53.5 %		

**Revenue**

Revenue for the six months ended June 30, 2021 increased 28.8% to \$210.1 million from \$163.2 million for the six months ended June 30, 2020. All customer sales categories were negatively impacted by the COVID-19 pandemic in the first and second quarters of 2020. Business conditions improved in the first six months of 2021, which led to greater business activity and increased sales. Additionally Partsmaster contributed \$31.0 million in sales in the first six months of 2021. Average daily sales increased 29.7% to \$1.654 million in the first six months of 2021 compared to \$1.275 million in the prior year period with one fewer selling day in the current year to date period compared to the corresponding prior year period.

### Gross Profit

Gross profit increased to \$109.2 million in the first six months of 2021 compared to \$87.2 million in the first six months of 2020, primarily driven by increased sales and the inclusion of the Partsmaster acquisition. Consolidated gross profit as a percent of sales was 52.0% compared to 53.5% a year ago. The organic Lawson MRO segment gross profit before the classification of certain service-related costs in gross profit as a percent of sales was 57.8% in the first six months of 2021 compared to 60.3% a year ago, primarily related to increased freight and supply chain costs, as well as changes in product and customer sales mix.

### Selling, General and Administrative Expenses

(Dollars in thousands)	Six Months Ended June 30,		Decrease	
	2021	2020	Amount	%
<b>Selling expenses</b>				
Lawson	\$ 46,084	\$ 34,839	\$ 11,245	32.3%
Bolt Supply	1,953	1,451	502	34.6%
Consolidated	<u>\$ 48,037</u>	<u>\$ 36,290</u>	<u>\$ 11,747</u>	<u>32.4%</u>
<b>General and administrative expenses</b>				
Lawson	\$ 47,526	\$ 27,263	\$ 20,263	74.3%
Bolt Supply	5,425	4,474	951	21.3%
Consolidated	<u>\$ 52,951</u>	<u>\$ 31,737</u>	<u>\$ 21,214</u>	<u>66.8%</u>

Selling expenses increased to \$48.0 million for the first six months of 2021 compared to \$36.3 million in the same period a year ago and, as a percent of sales, increased to 22.9% in the first six months of 2021 from 22.2% a year ago. The increase in selling expense is primarily related to increased sales compensation from higher sales, and the inclusion of \$10.8 million of selling expenses from the Partsmaster acquisition.

General and administrative expenses increased to \$53.0 million in the first six months of 2021 from \$31.7 million in the prior year period. This was driven by an increase in stock-based compensation expense of \$10.1 million, a portion of which varies with the Company stock price, as well as the inclusion of \$7.2 million of general and administrative expense from the Partsmaster acquisition, and restored employee compensation compared to the second quarter of 2020 and \$1.4 million of costs related to the evaluation of the LKCM proposal disclosed in a Schedule 13D amendment filed on May 17, 2021.

### Interest Expense

Interest expenses increased \$0.4 million in the first six months of 2021, due primarily to interest on the accrued acquisition liability.

### Other Income (Expense), Net

Other income (expense), net increased \$1.6 million in the first six months of 2021, primarily due to Canadian currency exchange rate effect.

### Income Tax Expense

Income tax expenses were \$2.1 million resulting in a 24.2% effective tax rate for the first six months of 2021 compared to income tax expense of \$5.3 million and a 28.6% effective tax rate for the first six months of 2020.

## **Liquidity and Capital Resources**

Available cash and cash equivalents were \$5.9 million on June 30, 2021 compared to \$28.4 million on December 31, 2020. The decrease in available cash is primarily due to the payment of the outstanding liability related to the acquisition of Partsmaster for \$33.0 million in May 2021.

Net cash provided by operations for the six months ended June 30, 2021 was \$9.3 million, primarily driven by reported operating earnings.

Capital expenditures were \$3.9 million and \$0.7 million for the six month period ended June 30, 2021 and 2020, respectively, primarily for improvements to our distribution centers and information technology.

Cash provided by financing activities was \$4.9 million for the first six months of 2021, primarily due to a net drawdown of \$5.0 million of our Revolving Credit Facility driven by the final Partsmaster payment.

In 2019, our Board of Directors authorized a program in which we may repurchase up to \$7.5 million of our common stock from time to time in open market transactions, privately negotiated transactions or by other methods. We did not repurchase any shares of stock in the first six months of 2021 under this plan.

The Company anticipates that outstanding stock performance rights with a value of \$9.7 million at June 30, 2021 will be paid out within the next twelve months prior to expiration.

### *Revolving Credit Facility*

On June 30, 2021, we had \$5.0 million in outstanding borrowings and \$91.9 million of borrowing availability remaining, net of outstanding letters of credit, under our Revolving Credit Facility. We issued a \$33.0 million irrevocable standby letter of credit to guarantee payment of the liability related to the Partsmaster acquisition. This letter of credit was released upon payment of the acquisition liability in May 2021.

Along with certain standard terms and conditions of our Credit Agreement, we are able to borrow up to 3.25 times our EBITDA, as defined, and maintain a minimum fixed charge ratio, as defined, of 1.15. As of June 30, 2021, we were in compliance with all financial covenants.

While we were in compliance with our financial covenants included in our Credit Agreement for the quarter ended June 30, 2021. Failure to meet the covenant requirements of the Credit Agreement in future quarters could lead to higher financing costs, increased restrictions, or reduce or eliminate our ability to borrow funds and could have a material adverse effect on our business, financial condition and results of operations.

We believe cash provided by operations and funds available under our Credit Agreement are sufficient to fund our operating requirements, strategic initiatives and capital improvements, including the potential impact of COVID-19 over the next twelve months although we cannot provide assurance that events beyond our control will not have a material adverse impact on our liquidity.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 3 of Part I is inapplicable and has been omitted from this report.

### ITEM 4. CONTROLS AND PROCEDURES

#### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to Lawson, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) includes, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that materially affected or are reasonably likely to materially offset our internal control over financial reporting. We are in the process of integrating the internal control procedures of Partsmaster into our internal control structure. Partsmaster constituted approximately 15% of total assets as of June 30, 2021 and approximately 14% of revenue and approximately 14% of operating income in the first six months of 2021.

## PART II OTHER INFORMATION

ITEMS 1, 1A, 3, 4 and 5 of Part II are inapplicable and have been omitted from this report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

### ITEM 6. EXHIBITS

Exhibit #	
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated May 18, 2020.</a>
<a href="#">3.2</a>	<a href="#">Amended and Restated By-Laws of the Company, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 000-10546) dated May 18, 2020.</a>
<a href="#">10.1</a>	<a href="#">Credit Agreement dated October 11, 2019 among the Company and JP Morgan Chase Bank, N.A. as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated October 16, 2019.</a>
<a href="#">10.2</a>	<a href="#">First Amendment to Credit Agreement dated August 31, 2020, between the Company and JP Morgan Chase Bank, N.A. as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated September 2, 2020.</a>
<a href="#">10.3</a>	<a href="#">Agreement of Lease dated June 30, 2014 between the Company and KTR Property Trust III incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated July 2, 2014.</a>
<a href="#">10.4</a>	<a href="#">Lawson Products, Inc. Executive Deferral Plan (as Amended and Restated Effective November 1, 2015).</a>

<a href="#">10.5</a>	<a href="#">Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017).</a>
<a href="#">10.6</a>	<a href="#">Amendment of the Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017), dated December 23, 2020, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2020.</a>
<a href="#">10.7</a>	<a href="#">Form Letter regarding Stock Performance Rights, incorporated by reference to Exhibit 10(c)(16) to the Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2004.</a>
<a href="#">10.8</a>	<a href="#">Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019), incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated May 3, 2019.</a>
<a href="#">10.9</a>	<a href="#">First Amendment to the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019), incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-10546) dated May 3, 2019.</a>
<a href="#">10.10</a>	<a href="#">Amendment to the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019), dated December 23, 2020, incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2020.</a>
<a href="#">10.11</a>	<a href="#">Form of Award Agreement under the 2009 Equity Compensation Plan (Target Units, SPRs and Restricted Units).</a>
<a href="#">10.12</a>	<a href="#">Form of Award Agreement under the 2009 Equity Compensation Plan (MSU Target Units, ROIC Target Units and Restricted Units).</a>
<a href="#">10.13</a>	<a href="#">Form of Award Agreement under the 2009 Equity Compensation Plan (MSU Target Units, ROIC Target Units and Restricted Units).</a>
<a href="#">10.14</a>	<a href="#">Lawson Products, Inc. 2021 Annual Incentive Plan Summary.</a>
<a href="#">10.15</a>	<a href="#">Form of Indemnification Agreement for Directors and Officers incorporated by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K (File No. 000-10546) dated September 15, 2008.</a>
<a href="#">10.16</a>	<a href="#">Form of Change in Control Agreement for Officers.</a>
<a href="#">10.17</a>	<a href="#">Employment Agreement dated as of August 14, 2017 by and between Lawson Products, Inc., an Illinois corporation, and Michael G. DeCata, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated August 14, 2017.</a>
<a href="#">10.18</a>	<a href="#">Amendment No.1 to the Employment Agreement entered into on April 11, 2018 between the Company and Michael G. DeCata, incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 000-10546) dated April 11, 2018.</a>
<a href="#">10.19</a>	<a href="#">Employment Agreement dated as of August 29, 2012 by and between Lawson Products, Inc., an Illinois corporation, and Ron Knutson, incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 000-10546) dated August 29, 2012.</a>
<a href="#">10.20</a>	<a href="#">Retirement and Consulting Agreement, dated as of March 2, 2021, by and between the Company and Neil Jenkins, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) dated March 5, 2021.</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<b>101</b>	The following financial statements from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Income and Comprehensive Income, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
<b>104</b>	The cover page from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL

<b>101.INS</b>	XBRL Instance Document
<b>101.SCH</b>	XBRL Taxonomy Extension Schema Document
<b>101.CAL</b>	XBRL Taxonomy Extension Calculation Linkbase Document
<b>101.DEF</b>	XBRL Taxonomy Extension Definition Linkbase Document
<b>101.LAB</b>	XBRL Taxonomy Extension Label Linkbase Document
<b>101.PRE</b>	XBRL Taxonomy Extension Presentation Linkbase Document

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: July 29, 2021

/s/ Michael G. DeCata

Michael G. DeCata  
President and Chief Executive Officer  
(principal executive officer)

Dated: July 29, 2021

/s/ Ronald J. Knutson

Ronald J. Knutson  
Executive Vice President, Chief Financial Officer and Treasurer  
(principal financial officer)

Dated: July 29, 2021

/s/ David Lambert

David Lambert  
Vice President, Controller and Chief Accounting Officer  
(principal accounting officer)

**Lawson Products, Inc. Executive Deferral Plan**  
As Amended and Restated Effective November 1, 2015

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**LAWSON PRODUCTS, INC. EXECUTIVE DEFERRAL PLAN**

As Amended and Restated Effective November 1, 2015

**Purpose**

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of Lawson Products, Inc., a Delaware corporation, and its Affiliates, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. This Plan is intended to comply with all applicable law, including Code Section 409A and related Treasury guidance and Regulations, and shall be operated and interpreted in accordance with this intention.

**Effective Date**

The Company initially established this Plan effective in 1987. The Company previously has amended the Plan and most recently amended and restated the Plan effective June 1, 2015. The Company has further as amended and restated the Plan in this document, effective November 1, 2015.

**ARTICLE I**  
**DEFINITIONS**

For the purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" shall mean, with respect to a Participant, an entry on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the Supplemental Benefit Account balance, and (iii) Equity Award Deferral Account balance. The Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 "Affiliate" or "Affiliates" shall mean any corporation or enterprise, other than the Company, which, as of a given date, is a member of the same controlled group of corporations, the same groups of trades or businesses, or the same affiliated serviced group, determined in accordance with Sections 414(b), (c), (m) and (o) of the Code, as is the Company.
- 1.3 "Annual Deferral Amount" shall mean that portion of a Participant's Base Salary, Bonus, and LTIP Amounts that a Participant defers in accordance with Article 3 for any one Plan Year, without regard to whether such amounts are withheld and credited during such Plan Year. In the event of a Participant's Disability, death or Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.

- 1.4 “Annual Installment Method” shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows: (i) for the first annual installment, the Participant’s vested Account Balance shall be calculated as of the close of business on or as soon as practicable following the Participant’s Benefit Distribution Date, and (ii) for remaining annual installments, the Participant’s vested Account Balance shall be calculated on every anniversary of such Benefit Distribution Date, as applicable. Each annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a five (5) year Annual Installment Method for the benefit payable on his or her Benefit Distribution Date, the first payment shall be 1/5 of the vested Account Balance, calculated as described in this definition. The following year, the payment shall be 1/4 of the vested Account Balance, calculated as described in this definition.
- 1.5 “Base Salary” shall mean the annual cash compensation relating to services performed during any calendar year, excluding distributions from non-qualified deferred compensation plans, bonuses, commissions, overtime, fringe benefits, equity awards, relocation expenses, incentive payments, non-monetary awards, director fees and other fees, and automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee’s gross income). Base Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or nonqualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant’s gross income under Code Sections 125, 132(f), 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in compensation only to the extent that had there been no such plan, the amount would have been payable in cash to the Employee.
- 1.6 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 6, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.7 “Beneficiary Designation Form” shall mean the form established from time to time by or at the direction of the Committee that a Participant completes, signs and returns to the Committee or its designated agent to designate one or more Beneficiaries.
- 1.8 “Benefit Distribution Date” shall mean, with respect to an Annual Deferral Amount or an Equity Award Deferral Amount, the earliest to occur of (i) a Scheduled Distribution, if any, as may be modified by Section 4.4; (ii) the last day of the six-month period immediately following the date on which the Participant experiences a Termination of Employment, as may be modified by Section 4.4; (iii) the date on which the Participant becomes Disabled, or (iv) the date of the Participant’s death.
- 1.9 “Board” shall mean the board of directors of the Company.

- 1.10 "Bonus" shall mean any compensation, other than Base Salary, LTIP Amounts, and Equity Awards, that is earned by a Participant for services rendered during a Plan Year under any Employer's annual bonus and cash incentive plans.
- 1.11 "Claimant" shall have the meaning set forth in Section 11.1.
- 1.12 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.
- 1.13 "Committee" shall mean the committee described in Article 9.
- 1.14 "Company" shall mean Lawson Products, Inc., a Delaware corporation, and any successor to all or substantially all of the Company's assets or business.
- 1.15 "Death Benefit" shall mean the benefit set forth in Article 5.
- 1.16 "Deduction Limitation" shall mean the limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan, as set forth in Section 13.16.
- 1.17 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited or debited to the Participant's Deferral Account in accordance with this Plan, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.
- 1.18 "Deferral Election" shall mean an election to defer filed by a Participant as to his or her Base Salary, Bonus, Equity Awards, and/or LTIP Amounts.
- 1.19 "Disability" or "Disabled" shall mean that a Participant is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employee of the Participant's Employer. For purposes of this Plan, a Participant shall be deemed Disabled if determined to be totally disabled by the Social Security Administration. A Participant shall also be deemed Disabled if determined to be disabled in accordance with the applicable disability insurance program of such Participant's Employer, provided that the definition of "disability" applied under such disability insurance program complies with the requirements of this Section and Code Section 409A and related Treasury guidance and Regulations.
- 1.20 "Election Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.
- 1.21 "Employee" shall mean a person who is an employee of any Employer.

- 1.22 “Employer(s)” shall mean the Company and/or any of its Affiliates (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.
- 1.23 “Equity Award” shall mean equity-based compensation awards under the Lawson Products, Inc. 2009 Equity Compensation Plan, as amended and restated from time to time, or any similar or successor plan.
- 1.24 “Equity Award Deferral Amount” shall mean the amount of a Participant’s Equity Award, if any, for which the Participant files a Deferral Election in accordance with Section 3.1, which will be credited to the Participant’s Equity Award Deferral Account.
- 1.25 “Equity Award Deferral Account” shall mean the sum of all of a Participant’s Equity Award Deferral Amounts, plus (ii) amounts credited or debited to the Participant’s Equity Award Deferral Account in accordance with this Plan, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Equity Award Deferral Account.
- 1.26 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.27 “LTIP Amounts” shall mean any portion of the compensation attributable to a Plan Year that is earned by a Participant as an Employee under any Employer’s long-term incentive plan or any other long-term incentive arrangement designated by the Committee.
- 1.28 “Measurement Funds” shall mean funds selected by the Committee, in its sole discretion, for the purpose of crediting or debiting additional amounts to Participants’ Account Balances, which are based on certain mutual funds. A Participant’s Equity Award Deferral Account shall be deemed to be invested in Stock Units.
- 1.29 “Participant” shall mean any Employee (i) who is selected to participate in the Plan, (ii) who submits an executed Plan Agreement, Election Form and Beneficiary Designation Form, which are accepted by the Committee, and (iii) whose Plan Agreement has not terminated.
- 1.30 “Plan” shall mean the Lawson Products, Inc. Executive Deferral Plan, as amended and restated in this document, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.
- 1.31 “Plan Agreement” shall mean a written agreement, as may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant’s Employer shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement, except to the extent contrary to Section 409A. The terms of any Plan Agreement may be different for any Participant, and

any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.

- 1.32 "Plan Year" shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.33 "Predecessor Plan" shall mean the Executive Deferral Plan for Lawson Products, Inc. and Certain Affiliates, which was superseded by earlier versions of this Plan.
- 1.34 "Profit Sharing Plan" shall mean the Lawson Products, Inc. and Certain Affiliates Retirement Plan, as amended from time to time.
- 1.35 "Rollover Amount" shall mean the amount set forth in Section 3.5.
- 1.36 "Scheduled Distribution" shall mean a date selected by the Participant to serve as a potential Benefit Distribution Date with respect to an Annual Deferral Amount or an Equity Award Deferral Amount. The Scheduled Distribution election shall be the first day of any Plan Year designated by the Participant, which may be no sooner than three (3) Plan Years after the end of the Plan Year to which the Participant's Deferral Election relates.
- 1.37 "Stock Units" means units based upon the fair market value of the common stock of the Company and credited to an Equity Award Deferral Account.
- 1.38 "Supplemental Benefit Account" shall mean (i) that portion of a Participant's Rollover Amount that is represented by the Participant's aggregate supplemental benefits described in Section 5.3 of the Predecessor Plan, as well as any appreciation (or depreciation) specifically attributable to such supplemental benefits accumulated under the Predecessor Plan, plus (ii) the sum of all of a Participant's Supplemental Benefit Amounts, plus (iii) amounts credited or debited to the Participant's Supplemental Benefit Account in accordance with this Plan, less (iv) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Supplemental Benefit Account.
- 1.39 "Supplemental Benefit Amount" shall mean, for any one Plan Year, the benefit determined in accordance with Section 3.6.
- 1.40 "Terminate the Plan", "Termination of the Plan" shall mean a determination by an Employer's board of directors that (i) all of its Participants shall no longer be eligible to participate in the Plan, (ii) all Deferral Elections for such Participants shall terminate, and (iii) such Participants shall no longer be eligible to receive supplemental benefits under this Plan. Any distribution of Account Balances in connection with a Termination of the Plan shall be made in accordance with Code Section 409A.
- 1.41 "Termination of Employment" shall mean the Participant's death or other termination of employment with the Company and all Affiliates that also constitutes a "Separation from



Service” under Code Section 409A. A Separation from Service shall occur when the facts and circumstances indicate that the Company and the employee reasonably anticipate that no further services will be performed by the employee for the Company or any Affiliate after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor), will permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or as an independent contractor) over the immediately preceding thirty-six (36)-month period (or full period of services to the Company and all Affiliates if the employee provided services to the Company and all Affiliates less than thirty-six (36) months). For purposes of determining whether a Termination of Employment has occurred pursuant to Section 409A, an Affiliate shall be determined by applying Code Section 414 using a 50% or more ownership threshold in lieu of an 80% or more ownership threshold.

- 1.42 “Trust” shall mean one or more trusts established by the Company in accordance with Article 12.
- 1.43 “Unforeseeable Emergency” shall mean a severe financial hardship of the Participant resulting from (a) an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary or the Participant’s dependent (as defined in Code Section 152 without regard to paragraphs (b)(1), (b)(2) and (d)(1)(b) thereof), (b) a loss of the Participant’s property due to casualty, or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined by the Committee based on the relevant facts and circumstances.

## **ARTICLE II**

### **SELECTION, ENROLLMENT, ELIGIBILITY**

- 2.1 Selection by Committee.** Participation in the Plan shall be limited to a select group of management or highly compensated Employees, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, Employees to participate in the Plan.
- 2.2 Enrollment and Eligibility Requirements: Commencement of Participation.**
- (a) As a condition to participation, each Employee who is eligible to participate in the Plan effective as of the first day of a Plan Year shall complete, execute and return to the Committee or its designated agent a Plan Agreement, an Election Form and a Beneficiary Designation Form, prior to the first day of such Plan Year or such other earlier deadline as may be established by the Committee in its sole discretion and as permitted under Code Section 409A. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

- (b) As a condition to participation, each Employee who becomes eligible to participate in the Plan effective after the first day of a Plan Year shall complete, execute and return to the Committee or its designated agent a Plan Agreement, an Election Form and a Beneficiary Designation Form, all within thirty (30) calendar days after such Employee's eligibility to participate in the Plan becomes effective or at such other time permitted by Code Section 409A. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.
- (c) Each Employee who is eligible to participate in the Plan shall commence participation in the Plan on the date that the Committee determines, in its sole discretion, that the Employee has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee or its designated agent within the specified time period. Notwithstanding the foregoing, the Committee or its designated agent shall process such Participant's Deferral Election as soon as administratively practicable after such Deferral Election is submitted to and accepted by the Committee or its designated agent.
- (d) If an Employee fails to meet all requirements contained in this Section 2.2 within the period required, that Employee shall not be eligible to participate in the Plan during such Plan Year.

**2.3 Termination of a Participant's Eligibility.** A Participant shall no longer be eligible after the Participant's Termination of Employment after the Participant is determined by the Committee to no longer be an eligible employee. If the Committee determines that a Participant is no longer eligible to participate in the Plan, the Committee shall have the right, in its sole discretion and subject to Code Section 409A, to (i) terminate any Deferral Election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future Deferral Elections, and/or (iii) take further action that the Committee deems appropriate. Notwithstanding the foregoing, in the event of a Termination of the Plan in accordance with Article 7, the termination of the affected Participants' eligibility for participation in the Plan shall not be governed by this Section 2.3, but rather shall be governed by Article 7.

**ARTICLE III**  
**DEFERRAL ELECTIONS/SUPPLEMENTAL BENEFIT**  
**AMOUNTS/VESTING/CREDITING/TAXES**

**3.1 Deferral Elections.** For each Plan Year, a Participant may make a Deferral Election to defer (i) as his or her Annual Deferral Amount, Base Salary, Bonus, and/or LTIP Amounts, and (ii) as his or her Equity Award Deferral Amount, a portion of his or her Equity Award. Any such election to defer shall be made by filing an Election Form no later than the date provided in Section 3.3 in accordance with the terms and conditions set forth by the Committee. If no such Election

Form is timely delivered for a Plan Year, the Annual Deferral Amount and the Equity Award Deferral Amount shall be zero for that Plan Year.

**3.2 Maximum Deferral.** For each Plan Year, a Participant may elect to defer up to the following maximum percentages:

<u>Deferral</u>	<u>Maximum Percentage</u>
Base Salary	80%
Bonus, LTIP Amounts and/or Equity Awards	100%

In the event a Participant first becomes a Participant after the first day of a Plan Year, the maximum Annual Deferral Amount shall be limited to the amount of compensation attributable to services performed after the date the Participant submits a Plan Agreement and Election Form to the Committee or its designated agent for acceptance.

**3.3 Timing of Deferral Elections.**

- (a) **First Plan Year.** In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable Deferral Election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee or its designated agent (in accordance with Section 2.2 above) and accepted by the Committee or its designated agent.
- (b) **Subsequent Plan Years.** For each succeeding Plan Year, an irrevocable Deferral Election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering a new Election Form to the Committee or its designated agent, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, or such other deadline as may be established by the Committee in its sole discretion and in accordance with Section 2.2 above and Code Section 409A.
- (c) **Performance Based Compensation.** To the extent a Bonus, LTIP Amount or Equity Award qualifies as "performance-based compensation" under Code Section 409A that is measured over a period of at least 12 months, the Committee may permit the Participant to make a Deferral Election with respect to such performance-based compensation no later than six (6) months before the end of the applicable performance period. Any such election to defer shall be made by filing a Deferral Election and shall be subject to the terms and conditions set forth by the Committee.

**3.4 Withholding and Crediting of Deferral Amounts.** For each Plan Year, the Base Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Base

Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Salary. The Bonus and/or LTIP Amounts portion of the Annual Deferral Amount shall be withheld at the time the Bonus or LTIP Amounts are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself. The Equity Award Deferral Amounts shall be withheld at the time the Equity Awards are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

**3.5 Rollover Amount.** With respect to Participants who participated in the Predecessor Plan and who were active Employees as of July 1, 2004, an amount equal to their “deferred benefit account” as set forth in such Predecessor Plan, valued as of July 1, 2004, shall be the Rollover Amount. The Rollover Amount shall be comprised of elective deferrals and company contributions accumulated under the Predecessor Plan, and shall retain their character as elective deferrals and company contributions under this Plan. Such Rollover Amount shall be credited to the Participant’s Deferral Account and Supplemental Benefit Account, as applicable, under this Plan on July 1, 2004 and shall be subject to the terms and conditions of this Plan. Any Participant with a Rollover Amount shall have no right to demand distribution of such amounts other than as specifically provided for herein.

**3.6 Supplemental Benefit Amounts.**

(a) **Supplemental Benefits Attributable to Participant Deferrals.** The following amount may, in the Company’s discretion, be credited to a Participant’s Supplemental Benefit Account for any Plan Year:

- (i) The amount of the Participant’s Annual Deferral Amount, or a portion thereof as determined by the Company; multiplied by
- (ii) The rate of the employer matching contributions under the Profit Sharing Plan with respect to such calendar year.

(b) **Supplemental Benefits Attributable to Code Section 401(a)(17) Limits.** If the application of Code Section 401(a)(17) in any calendar year results in a reduction of the amount of employer contributions otherwise allocable to a Participant under the Profit Sharing Plan, then the following amount may, in the Company’s discretion, be credited to a Participant’s Supplemental Benefit Account for any Plan Year:

- (i) The amount of employer contributions the Participant would be entitled to receive with respect to such calendar year under the Profit Sharing Plan without giving effect to the Section 401(a)(17) limits; less
- (ii) The amount of employer contributions the Participant was entitled to receive under the Profit Sharing Plan with respect to such calendar year after application of the Code Section 401(a)(17) limits.

- (c) **Crediting of Supplemental Benefit Amounts.** The amounts described in this Section 3.6, if any, shall be credited to the Participant's Supplemental Benefit Account on a date or dates to be determined by the Committee, in its sole discretion.
- 3.7 **Crediting of Amounts after Benefit Distribution.** Notwithstanding any provision in this Plan to the contrary, should the complete distribution of a Participant's vested Account Balance occur prior to the date on which any portion of (i) the Annual Deferral Amount that a Participant has elected to defer for a Plan Year, (ii) the Equity Award Deferral Amount that a Participant has elected to defer for Plan Year, or (iii) the Supplemental Benefit Amount would otherwise be credited to the Participant's Account Balance, such amounts shall not be credited to the Participant's Account Balance, but shall be paid to the Participant in a manner determined by the Committee, in its sole discretion and in accordance with Code Section 409A.
- 3.8 **Vesting.** A Participant shall at all times be 100% vested in his or her Deferral Account and Supplemental Benefit Account, and shall vest in his or her Equity Award Deferral Account in accordance with the vesting provisions of the underlying Equity Award; provided, however, that, in the event any portion of a Participant's Account Balance (whether or not distributed from the Plan) is attributable to incentive compensation that is otherwise required to be recouped pursuant to the Company's clawback or similar policy then in effect, such portion of the Account Balance shall be forfeited and, as applicable, repaid in full by the Participant.
- 3.9 **Deemed Investment of Account Balances.** In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:
- (a) **Measurement Funds.** The Participant may elect one or more of the Measurement Funds for the purpose of crediting or debiting additional amounts to his or her Account Balance, except for amounts credited to the Participant's Equity Award Deferral Account, which at all times shall be deemed invested in Stock Units. As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first day of the first calendar quarter that begins at least thirty (30) calendar days after the day on which the Committee gives Participants advance written notice of such change or such other date designated by the Committee, in its sole discretion.
- (b) **Election of Measurement Funds.** A Participant, in connection with his or her initial Deferral Election in accordance with Section 3.3(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.9(a) above) to be used to determine the amounts to be credited or debited to his or her Account Balance. If a Participant does not elect any of the Measurement Funds as described in the previous sentence, the Participant's Account Balance shall automatically be allocated into the lowest-risk Measurement Fund, as determined by the Committee, in its sole discretion. The Participant may (but is not required to) elect, by submitting an Election

Form to the Committee that is accepted by the Committee, to add or delete one or more Measurement Fund(s) to be used to determine the amounts to be credited or debited to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Committee, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.

- (c) **Proportionate Allocation.** In making any election described in Section 3.9(b) above, the Participant shall specify on the Election Form, in increments of one percent (1%), the percentage of his or her Account Balance or Measurement Fund, as applicable, to be allocated/reallocated.
- (d) **Crediting or Debiting Method.** The performance of each Measurement Fund (either positive or negative) will be determined by the Committee, in its sole discretion, on a daily basis based on the manner in which such Participant's Account Balance has been hypothetically allocated among the Measurement Funds by the Participant.
- (e) **No Actual Investment.** Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation of his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the investments on which the Measurement Funds are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured creditor of the Company.
- (f) **Crediting of Stock Units.** The number of Stock Units to be credited to a Participant's Equity Award Deferral Account shall be equal to the number of shares of the Company's common stock that would have been distributed to the Participant but for his or her Deferral Election under the Plan. Each such Stock Unit, as of any given date, shall have a value equal to the fair market value of a share of common stock of the Company on such date. For purposes of this Section 3.9(f), fair market value of common stock of the Company shall be defined as the closing price of such common stock on the National Market System's NASDAQ Quotation Service on the trading day immediately preceding the date as of which fair market value is determined. Additional credits shall be made to a Participant's Equity Award Deferral Account in dollar

amounts equal to the cash value (or the fair market value of dividends paid in property other than the Company's common stock) that the Participant would have received had the Participant been the owner on each record date of a number of shares of common stock equal to the number of Stock Units credited to his or her Equity Award Deferral Account on such date. In the case of a dividend in common stock of the Company, additional credits will be made to the Equity Award Deferral Account of the Participant of a number of Stock Units equal to the number of shares of common stock that the Participant would have received if the Participant had been the owner on each record date of a number of shares of such common stock equal to the number of Stock Units credited to the Participant's Equity Award Deferral Account. Any cash dividends (or the value of dividends paid in property other than common stock of the Company) shall be converted into Stock Units based upon the fair market value of common stock of the Company on the record date for payment of any such dividend.

### **3.10 FICA and Other Taxes**

- (a) **Annual Deferral Amounts**. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Salary, Bonus, and/or LTIP Amounts that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.10.
- (b) **Equity Award Deferral Amounts**. For each Plan Year in which an Equity Award Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Salary, Bonus, LTIP Amounts and/or Equity Awards that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Equity Award Deferral Amount. If necessary, the Committee may reduce the Equity Award Deferral Amount in order to comply with this Section 3.10.
- (c) **Supplemental Benefit Amounts**. Generally, for each Plan Year in which a Supplemental Benefit Amount is credited to a Participant's Supplemental Benefit Account, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Salary, Bonus and/or LTIP Amounts that is not deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Supplemental Benefit Amount. If necessary, the Committee may reduce the vested portion of the Participant's Supplemental Benefit Account, as applicable, in order to comply with this Section 3.10.
- (d) **Distributions**. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the

trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust. In the event that payments with respect to Equity Award Deferral Amounts are made in shares of the Company's common stock and such shares are surrendered to satisfy such withholding obligations, the number of shares so surrendered shall be limited to the number of equity interests that have a fair market value on the date of such surrender equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

#### **ARTICLE IV DISTRIBUTIONS**

**4.1 Commencement of Distributions.** Each Annual Deferral Amount and/or Equity Award Deferral Amount (as adjusted in accordance with Section 3.9) will become distributable to the Participant (or his or her Beneficiary) upon the earliest to occur of the following:

- (i) a Scheduled Distribution, if any, designated by the Participant with respect to such amounts, or such later date designated by the Participant in accordance with Section 4.4 below;
- (ii) the six-month anniversary of the Participant's Termination of Employment, or such later date designated by the Participant in accordance with Section 4.4 below;
- (iii) the Participant's death; or
- (iv) the Participant's Disability.

**4.2 Form and Timing of Distributions.** Amounts that become distributable pursuant to Section 4.1 will be distributed as set forth below. Any distribution with respect to an Annual Deferral Account shall be distributed in cash. Any distribution with respect to an Equity Award Deferral Amount shall be distributed in shares of the Company's common stock, except for fractional shares, which will be distributed in cash.

- (a) **Distributions upon a Scheduled Distribution.** Distributions pursuant to Section 4.1(i) shall be made within sixty (60) days of the designated Scheduled Distribution date, and shall be made in a single lump sum. The value of such lump sum will be calculated as of the close of business on as soon as practicable following the Scheduled Distribution date, as determined in the sole discretion of the Committee.
- (b) **Distributions upon Termination of Employment.** Distributions pursuant to Section 4.1(ii) shall be made or commence within sixty (60) days of the six-month anniversary of the Participant's Termination of Employment. Distributions shall be made in a single



lump sum or pursuant to an Annual Installment Method over a number of years (not to exceed five (5)) to the extent designated by the Participant upon commencing participation in the plan in accordance with Section 2.2. The value of any lump sum or first installment payment will be calculated as of the close of business on or as soon as practicable following the six-month anniversary of the Participant's Termination of Employment and each installment thereafter on the applicable anniversary of such date, in each case as determined in the sole discretion of the Committee.

- (c) **Distributions upon Death or Disability.** Distributions pursuant to Sections 4.1(iii) or (iv) shall be made or commence within sixty (60) days of the Participant's death or Disability, as applicable. Distributions shall be made in a single lump sum or pursuant to an Annual Installment Method over a number of years (not to exceed fifteen (15)) to the extent designated by the Participant upon commencing participation in the plan in accordance with Section 2.2. The value of any lump sum or first installment payment will be calculated as of the close of business on or as soon as practicable following the Participant's death or Disability and each installment thereafter on the applicable anniversary of such date, in each case as determined in the sole discretion of the Committee.

#### **4.3 Unforeseeable Emergencies.**

- (a) If the Participant experiences an Unforeseeable Emergency prior to the occurrence of a distribution event described in Section 4.1, the Participant may petition the Committee to cancel the Participant's Deferral Election and suspend deferrals of Base Salary, Bonus, LTIP Amounts, and Equity Award Deferral Amounts to the extent deemed necessary by the Committee to satisfy the Unforeseeable Emergency, plus amounts reasonably necessary to pay taxes reasonably anticipated as a result of the distribution. If suspension of deferrals is not sufficient to satisfy the Participant's Unforeseeable Emergency, or if suspension of deferrals is not required under applicable tax law, the Participant may further petition the Committee to receive a partial or full payout from the Plan. The Participant shall only receive a payout from the Plan to the extent such payout is deemed necessary by the Committee to satisfy the Participant's Unforeseeable Emergency. Any such payout shall reduce the Participant's Account Balance on a pro-rated basis from all subaccounts of the Participant.
- (b) The payout shall not exceed the lesser of (i) the Participant's vested Account Balance, calculated as of the close of business on or around the date on which the amount becomes payable, as determined by the Committee in its sole discretion, or (ii) the amount necessary to satisfy the Unforeseeable Emergency, plus amounts reasonably necessary to pay taxes reasonably anticipated as a result of the distribution. Notwithstanding the foregoing, a Participant may not receive a payout from the Plan to the extent that the Unforeseeable Emergency is or may be relieved (A) through reimbursement or compensation by insurance or otherwise, (B) by liquidation of the

Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (C) by suspension of deferrals under this Plan.

- (c) If the Committee, in its sole discretion, approves a Participant's petition for suspension, the Participant's deferrals under this Plan shall be suspended as of the date of such approval. If the Committee, in its sole discretion, approves a Participant's petition for suspension and payout, the Participant's deferrals under this Plan shall be suspended as of the date of such approval and the Participant shall receive a payout from the Plan within sixty (60) calendar days of the date of such approval.
- (d) Notwithstanding the foregoing, the Committee shall interpret all provisions relating to suspension and/or payout under this Section 4.3 in a manner that is consistent with Code Section 409A, including but not limited to regulations and guidance issued thereunder.

**4.4 Redeferral of Distributions.** A Participant may elect pursuant terms and conditions set forth by the Committee to postpone and to modify the form of payment with respect to distributions pursuant to Sections 4.1(i) (Scheduled Distributions) and/or 4.1(ii) above (Termination of Employment). To make such an election, the Participant must submit an Election Form to the Committee or its designated agent in accordance with the following criteria:

- (a) The election shall have no effect until at least 12 months after the date on which the redeferral election is made;
- (b) The election must delay the distribution for no less than 5 years from the date the distribution would have otherwise occurred or commenced; and
- (c) The election must be made at least twelve (12) months prior to the date the distribution would have otherwise occurred or commenced.

Elections under this Section 4.4 with respect to a distribution upon a Termination of Employment may designate that the distribution shall be made in a lump sum or pursuant to an Annual Installment Method (over a period not to exceed five (5) years).

## **ARTICLE V**

### **BENEFICIARY DESIGNATION**

**5.1 Beneficiary.** Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

**5.2 Beneficiary Designation; Change; Spousal Consent.** A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by

completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. If the Participant names someone other than his or her spouse as a Beneficiary, the Committee may, in its sole discretion, determine that spousal consent is required to be provided in a form designated by the Committee, executed by such Participant's spouse and returned to the Committee. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.

- 5.3 Acknowledgment.** No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.
- 5.4 No Beneficiary Designation.** If a Participant fails to designate a Beneficiary as provided in Sections 6.1, 6.2 and 6.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be the Person designated as beneficiary in the Profit Sharing Plan or, if none, then his or her surviving spouse or, if no surviving spouse, then the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 5.5 Doubt as to Beneficiary.** If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 5.6 Discharge of Obligations.** The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

## **ARTICLE VI**

### **TERMINATION OF PLAN, AMENDMENT OR MODIFICATION**

- 6.1 Termination of Plan.** Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to terminate the Plan with respect to all of its Participants provided that the Plan's termination shall not adversely affect the right of any Participant to receive, or otherwise result in a material adverse effect on the Participant's rights under the Plan with respect to, his or her vested benefits as determined on the date of termination. In the event of a Plan termination no new Deferral Elections shall be permitted for the affected Participants, such Participants shall no longer be eligible to receive new company contributions, and Participant Account Balances shall be distributed in accordance with Code Section 409A.

- 6.2 Amendment.** Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer. Notwithstanding the foregoing, (i) no amendment or modification shall be effective to decrease the value of a Participant's vested Account Balance in existence at the time the amendment or modification is made, and (ii) no amendment or modification of Section 7.1, this Section 7.2 or Section 9.2 of the Plan shall be effective.
- 6.3 Plan Agreement.** Despite the provisions of Sections 7.1 and 7.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions with the written consent of the Participant.
- 6.4 Effect of Payment.** The full payment of the Participant's vested Account Balance under Articles 4 and 5 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan, and the Participant's Plan Agreement shall terminate.

## **ARTICLE VII**

### **LEAVE OF ABSENCE**

- 7.1 Paid Leave of Absence.** If a Participant is authorized by the Participant's Employer to take a paid leave of absence from the employment of the Employer, and such leave of absence does not constitute a Termination of Employment, (a) the Participant shall continue to be considered eligible for the benefits provided under the Plan, and (b) the Annual Deferral Amount and/or Equity Award Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Article 3.
- 7.2 Unpaid Leave of Absence.** If a Participant is authorized by the Participant's Employer to take an unpaid leave of absence from the employment of the Employer for any reason, and such leave of absence does not constitute a Termination of Employment, such Participant shall continue to be eligible for the benefits provided under the Plan. During the unpaid leave of absence, the Participant shall not be allowed to make any additional Deferral Elections. However, if the Participant returns to employment, the Participant may elect to defer an Annual Deferral Amount for the Plan Year following his or her return to employment and for every Plan Year thereafter while a Participant in the Plan, provided such Deferral Elections are otherwise allowed and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

## **ARTICLE VIII**

### **ADMINISTRATION**

- 8.1 Committee Duties.** Except as otherwise provided in this Article 9, this Plan shall be administered by a Committee, which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan (ii) decide or resolve any and

all questions including interpretations of this Plan and whether a claimant is entitled to benefits under the Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.

- 8.2 Administration Upon Change In Control.** For purposes of this Plan, the Committee shall be the “Administrator” at all times prior to the occurrence of a Change in Control. Within one hundred and twenty (120) calendar days following a Change in Control, an independent third party “Administrator” may be selected by the individual who, immediately prior to the Change in Control, was the Company’s Chief Executive Officer or, if not so identified, the Company’s highest ranking officer (the “Ex-CEO”), and approved by the Trustee. The Committee, as constituted prior to the Change in Control, shall continue to be the Administrator until the earlier of (i) the date on which such independent third party is selected and approved, or (ii) the expiration of the one hundred and twenty (120) day period following the Change in Control. If an independent third party is not selected within one hundred and twenty (120) calendar days of such Change in Control, the Committee, as described in Section 9.1 above, shall be the Administrator. The Administrator shall have the discretionary power to determine all questions arising in connection with the administration of the Plan and the interpretation of the Plan and Trust including, but not limited to benefit entitlement determinations; provided, however, upon and after the occurrence of a Change in Control, the Administrator shall have no power to direct the investment of Plan or Trust assets or select any investment manager or custodial firm for the Plan or Trust. Upon and after the occurrence of a Change in Control, the Company must: (1) pay all reasonable administrative expenses and fees of the Administrator; (2) indemnify the Administrator against any costs, expenses and liabilities including, without limitation, attorney’s fees and expenses arising in connection with the performance of the Administrator hereunder, except with respect to matters resulting from the gross negligence or willful misconduct of the Administrator or its employees or agents; and (3) supply full and timely information to the Administrator on all matters relating to the Plan, the Trust, the Participants and their Beneficiaries, the Account Balances of the Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of the Participants, and such other pertinent information as the Administrator may reasonably require. Upon and after a Change in Control, the Administrator may be terminated (and a replacement appointed) by the Trustee only with the approval of the Ex-CEO. Upon and after a Change in Control, the Administrator may not be terminated by the Company.

For purpose of this Section 9.2 only, “Change in Control” shall mean the first to occur of any of the following events:

- (a) Any “person” (as that term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company’s capital stock entitled to vote in the election of directors;

- (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a), (c), (d) or (e) of this Section 9.2) whose election by the board of directors or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
  - (c) The shareholders of the Company approve any consolidation or merger of the Company, other than a consolidation or merger of the Company in which the holders of the common stock of the Company immediately prior to the consolidation or merger hold more than fifty percent (50%) of the common stock of the surviving corporation immediately after the consolidation or merger;
  - (d) The shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or
  - (e) The shareholders of the Company approve the sale or transfer of all or substantially all of the assets of the Company to parties that are not within a "controlled group of corporations" (as defined in Code Section 1563) in which the Company is a member.
- 8.3 Agents.** In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 8.4 Binding Effect of Decisions.** The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 8.5 Indemnity of Committee.** All Employers shall indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee or the Administrator.
- 8.6 Employer Information.** To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or

Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

**ARTICLE IX**  
**OTHER BENEFITS AND AGREEMENTS**

The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

**ARTICLE X**  
**CLAIMS PROCEDURES**

**10.1 Presentation of Claim.** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) calendar days after such notice was received by the Claimant. All other claims must be made within 180 calendar days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

**10.2 Notification of Decision.** The Committee shall consider a Claimant's claim within a reasonable time, but no later than ninety (90) calendar days after receiving the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) calendar day period. In no event shall such extension exceed a period of ninety (90) calendar days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. Notwithstanding the foregoing, if the claim relates to a Disability determination, the Committee shall notify the Claimant of the decision within forty-five (45) calendar days (which may be extended for an additional thirty (30) calendar days if required by special circumstances). The Committee shall notify the Claimant in writing:

- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
- (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
  - (i) the specific reason(s) for the denial of the claim, or any part of it;

- (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;
- (iv) an explanation of the claim review procedure set forth in Section 13.3 below; and
- (v) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

**10.3 Review of a Denied Claim.** On or before sixty (60) calendar days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):

- (a) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Committee, in its sole discretion, may grant.

**10.4 Decision on Review.** The Committee shall render its decision on review promptly, and no later than sixty (60) calendar days after the Committee receives the Claimant's written request for a review of the denial of the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) calendar days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. Notwithstanding the foregoing, if the claim relates to a Disability determination, the Committee shall notify the Claimant of the decision within 45 days (which may be extended for an additional 45 days if required by special circumstances) In rendering its decision, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;



- (c) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
- (d) a statement describing any voluntary appeal procedures offered by the Plan and a statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

**10.5 Legal Action.** A Claimant's compliance with the foregoing provisions of this Article 11 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan and such action must be filed in a court of law no later than six (6) months after the Committee's final decision on review of an appealed claim.

## **ARTICLE XI**

### **TRUST**

- 11.1 Establishment of the Trust.** In order to provide assets from which to fulfill the obligations of the Participants and their beneficiaries under the Plan, the Company may establish a trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property, including securities issued by the Company, to provide for the benefit payments under the Plan, (the "Trust"). The Trust shall be a grantor trust of the type commonly known as a "rabbi trust"
- 11.2 Interrelationship of the Plan and the Trust:** The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.
- 11.3 Distributions From the Trust.** Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan. To the extent that a Participant or another person acquires a right to receive payments from the Employer, such rights shall be no greater than the right of a general unsecured creditor.

## **ARTICLE XII**

### **MISCELLANEOUS**

- 12.1 Status of Plan.** The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent. The Plan is intended to comply with the requirements of Section

Code Section 409A and shall be interpreted and administered in a manner consistent with that intent.

- 12.2 Unsecured General Creditor.** Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 12.3 Employer's Liability.** An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.
- 12.4 Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 12.5 Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer or to interfere with the right of any Employer to discipline or discharge the Participant at any time.
- 12.6 Furnishing Information.** A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.
- 12.7 Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

**12.8 Captions.** The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

**12.9 Governing Law.** Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Delaware without regard to its conflicts of laws principles. Any action or proceeding relating in any way to this Plan must be brought and enforced in the federal courts in the state of Illinois, County of Cook, and the Company, the Committee, and each Participant, irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

**12.10 Notice.** Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Lawson Products, Inc. Attn: Corporate Secretary  
8770 West Bryn Mawr  
Suite 900  
Chicago, IL 60631

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

**12.11 Successors.** The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

**12.12 Spouse's Interest.** The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

**12.13 Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

**12.14 Incompetent.** If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a

benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

**12.15 Court Order.** The Committee is authorized to comply with any court order in any action in which the Plan or the Committee has been named as a party, including any action involving a determination of the rights or interests in a Participant's benefits under the Plan. Notwithstanding the foregoing, the Committee shall interpret this provision in a manner that is consistent with applicable tax law, including but not limited to guidance issued after the effective date of this Plan.


**12.16 Deduction Limitation on Benefit Payments.** If an Employer determines in good faith that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.9 above, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m).

**12.17 Insurance.** The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

**12.18 Distributions to Section 16(a) Officers.** Notwithstanding any provision in this Plan to the contrary, no distribution shall be made to any Participant who is subject to the requirements of Section 16(a) of the Securities Exchange Act of 1934 during the one-year period following a Change in Control.

IN WITNESS WHEREOF, the undersigned duly authorized officer of the Company has signed this Plan document on this 1<sup>st</sup> day of November 2015.

LAWSON PRODUCTS, INC.

By:   
Title: Ex. V.P., Secretary and  
General Counsel



**LAWSON PRODUCTS, INC.**  
**AMENDED STOCK PERFORMANCE PLAN**  
(As Amended and Restated Effective January 24, 2017)

1. **Purpose.** The purpose of the Lawson Products, Inc. Amended Stock Performance Plan, as further amended (the “Plan”) is to attract and retain outstanding individuals as officers, key employees and directors of, and consultants to, Lawson Products, Inc. (the “Company”) and to furnish performance-based incentives to such persons by providing opportunities to participate in the growth in value of the Company on advantageous terms as herein provided. No shares of Lawson Common Stock will be issued under the Plan but participants will be able to receive the gain in value of Lawson Common Stock, in cash.

2. **Administration.** The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company (the “Committee”). The Committee shall interpret the Plan, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Plan. Any interpretation or construction by the Committee of any provision of the Plan or any award granted under it shall be final. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any award granted under it.

3. **Participants.** Participants in the Plan will consist of such key management employees and Qualifying Directors (as hereinafter defined) of, and consultants to, the Company as the Committee in its sole discretion may designate from time to time to receive awards hereunder. The Committee’s designation of a participant in any year shall not require the Committee to designate such person to receive an award in any other year. Nothing in the Plan or any award under it shall limit in any way the right of the Company to terminate the Company’s employment or consulting relationship (if any) with a participant at any time nor confer upon any employee or consultant any right to continue in the employ of, or as a consultant to, the Company for any period of time.

4. **Awards.** All awards under the Plan shall be granted in the form of stock performance rights, in accordance with the following terms:

(a) The Committee shall determine the number of shares of Common Stock subject to each stock performance right, the term of each right, and subject to the following, any other terms and conditions applicable thereto.

(b) Each stock performance right will entitle the holder to elect to receive the appreciation in the fair market value of the shares subject thereto up to the date the right is exercised. Such appreciation shall be measured from the initial value established by the Committee which shall be not less than the fair market value of the Common Stock of the Company on the date the right is granted.

(c) The fair market value of the Company’s Common Stock shall be the closing price of a share of Lawson Common Stock on the relevant date, as reported on NASDAQ or any exchange on which the Common Stock is then listed.

(d) Each stock performance right will be exercisable at the time and to the extent established by the Committee at the time of grant. Payment of the appreciation shall be made in cash as soon as practicable following exercise.

(e) The terms of each award shall indicate what rights, if any, the participant or his estate shall have in such award in the event of the death, total

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permanent disability, retirement or other termination of the participant's relationship with the Company.

(f) In the event of a change of control, as hereinafter defined, all of the rights then outstanding under the Plan shall be deemed fully vested.

(g) A "change of control" shall be deemed to have occurred on the first date on which either: (i) any Person is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act")), directly or indirectly of securities of the Company representing at least fifty (50) percent of the combined voting power of the Company's then outstanding securities, or (ii) a majority of the individuals comprising the Company's Board of Directors are not Continuing Directors, or (iii) the Company is involved in any merger, consolidation, share exchange or any other transaction if, after the consummation thereof, the holders of the voting securities of the Company immediately prior thereto do not own at least a majority of the combined voting power of the surviving or resulting corporation, or (iv) all or substantially all of the assets of the Company are sold or otherwise transferred, or (v) a change occurs of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A, promulgated under the Exchange Act, or any other successor disclosure item.

(h) "Person" has the meaning given such term in Sections 13(d) and 14(d) of the Exchange Act.

(i) "Continuing Director" means an individual who was a member of the Board of Directors of the Company immediately prior to the transaction or election or other event which resulted in a Change of Control or who was designated (before his initial election or appointment as a director) as a Continuing Director by a majority of the whole Board of Directors but only if the majority of the whole Board of Directors then consisted of Continuing Directors or, if a majority of the whole Board of Directors shall not then consist of Continuing Directors, by a majority of the then Continuing Directors.

(j) A "Qualifying Director" means an individual who is a member of the Board of Directors of the Company but is not an employee or former employee of the Company or any subsidiary of the Company.

5. **Nontransferability.** All stock performance rights granted under the Plan shall not be transferable other than by will or the laws of descent and distribution and shall be exercisable during the participant's lifetime only by the participant or the participant's guardian or legal representative.

6. **Other Provisions.** The grant of any stock performance right under the Plan may also be subject to other provisions (whether or not applicable to the rights awarded to any other participant) including conditions precedent to the right to exercise, as the Committee determines appropriate, including such provisions as may be required to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the employment of any participant who is an employee.

7. **Adjustment Provisions.**

(a) If the Company shall at any time change the number of shares of Common Stock outstanding without new consideration to the Company, a corresponding increase shall be made in the number of shares covered by each



outstanding right and a decrease shall be made in the initial value of each right so that the aggregate net benefit to the participant shall not be changed. If the Company shall at any time decrease the number of shares of Common Stock outstanding without any distribution to its stockholders, a corresponding decrease shall be made in the number of shares covered by each outstanding right and an increase shall be made in the initial value of each right so that the aggregate net benefit to the participant shall not be changed.

(b) In the event of a reorganization, recapitalization, or other change in the shares of Common Stock outstanding, the Committee shall make whatever changes in the Plan and in any rights then outstanding it deems necessary or appropriate.

8. **Taxes.** The Company shall be entitled to withhold the amount of any tax attributable to the exercise of any right under the Plan, if withholding is appropriate, and may defer making payment or delivery as to any exercise if any such tax is payable until indemnified to its satisfaction.

9. **Term of Program: Amendment or Cancellation of Benefits.** The Plan shall continue in effect until terminated by the Committee pursuant to Section 10. The terms and conditions applicable to any rights granted hereunder may at any time be amended or cancelled by mutual agreement between the Committee and the participant or any other person as may then have an interest therein and may be unilaterally modified by the Committee whenever such modification is deemed necessary to protect the Company.

10. **Amendment or Discontinuation of Plan.** The Committee may amend, suspend or discontinue the Plan at any time; provided, however, that no such action shall adversely affect any outstanding stock performance right.



LAWSON PRODUCTS, INC. AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 5<sup>th</sup> day of March 2019, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 13, 2014) (the "Equity Plan") and the Company's Amended Stock Performance Plan (the "SP Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan, the SP Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of March 5, 2019 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("Target Units") equal to [NUMBER] ( ) Target Units (the "Target Unit Award") under the Equity Plan.

(b) [NUMBER] ( ) Stock Performance Rights ("SPRs") under the SP Plan, with each of the SPRs having an initial value of \$30.54 for purposes of Section 4(b) of the SP Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2021 (the "Final Stock Price"):

(i) 0% of the Target Unit Award if the Final Stock Price is less than \$40.00 (the "Threshold Price");

(ii) 50% of the Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$44.00 (the "Target Price");

(iii) 100% of the Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$49.00 (the "Maximum Price"); or

(iv) 150% of the Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested Target

Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested Target Unit as soon as practicable after December 31, 2021.

(b) The SPR award evidenced by this Agreement shall vest in full on December 31, 2021, provided that the Participant remains continuously employed by the Company through such date.

(c) The Restricted Units shall vest in full on December 31, 2021, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the Target Unit, Restricted Unit and SPR awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the Target Unit, SPR, and Restricted Unit awards equal to the Target Unit Award, the total number of SPRs, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2021. The pro rata portion of the SPR awards held by the Participant on the date of termination as provided in Section 3 shall remain exercisable until the end of the ninety (90) calendar day period following the date of the termination.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all portions of the awards evidenced by this Agreement, both vested and unvested, shall immediately be forfeited, and any previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.

5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become 100% vested and (ii) SPRs and Restricted Units shall automatically become 100% vested.

6. Except as otherwise provided in Section 4 above, the vested portion of the SPR award evidenced by this Agreement shall remain outstanding and exercisable until December 31, 2026 and may be exercised in whole or in part by the Participant (or a permitted successor in interest) by giving written notice to the Company of such exercise in accordance with the terms of the SP Plan.

7. Each cash payment or vesting of Target Units, Restricted Units or SPRs pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan or Section 8 of the SP Plan, as applicable.

8. The Target Units, Restricted Units and SPRs under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan, the SP Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

9. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan and the SP Plan, as applicable, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan or the SP Plan, as the case may be, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and either the Equity Plan or the SP Plan, the terms of the relevant plan shall control.

10. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan or the SP Plan and any or all of the provisions this Agreement in accordance

with Article 17 of the Equity Plan or Sections 9 and 10 of the SP Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan or the SP Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the Target Units, Restricted Units, and SPRs covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO

## LAWSON PRODUCTS, INC. AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 5<sup>th</sup> day of March 2019, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 13, 2014) (the "Equity Plan") and the Company's Amended Stock Performance Plan (the "SP Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan, the SP Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of March 5, 2019 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("Target Units") equal to [NUMBER] ( ) Target Units (the "Target Unit Award") under the Equity Plan.

(b) [NUMBER] ( ) Stock Performance Rights ("SPRs") under the SP Plan, with each of the SPRs having an initial value of \$30.54 for purposes of Section 4(b) of the SP Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2021 (the "Final Stock Price"):

(i) 0% of the Target Unit Award if the Final Stock Price is less than \$40.00 (the "Threshold Price");

(ii) 50% of the Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$44.00 (the "Target Price");

(iii) 100% of the Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$49.00 (the "Maximum Price"); or

(iv) 150% of the Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested Target

Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested Target Unit as soon as practicable after December 31, 2021.

Notwithstanding anything in the Equity Plan or this Agreement to the contrary, the Participant is required to hold (and not transfer or otherwise dispose of) one-hundred percent (100%) of the Target Units and Restricted Units that vest and convert to shares of Common Stock, net of taxes ("Net Shares"), until two (2) years after December 31, 2021 [the conversion date with respect to such Net Shares]; provided, that this requirement shall lapse in the event of the Participant's death, Disability or a Change in Control.

(b) The SPR award evidenced by this Agreement shall vest in full on December 31, 2021, provided that the Participant remains continuously employed by the Company through such date.

(c) The Restricted Units shall vest in full on December 31, 2021, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the Target Unit, Restricted Unit and SPR awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the Target Unit, SPR, and Restricted Unit awards equal to the Target Unit Award, the total number of SPRs, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2021. The pro rata portion of the SPR awards held by the Participant on the date of termination as provided in Section 3 shall remain exercisable until the end of the ninety (90) calendar day period following the date of the termination.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all portions of the awards evidenced by this Agreement, both vested and unvested, shall immediately be forfeited, and any previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.



5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become 100% vested and (ii) SPRs and Restricted Units shall automatically become 100% vested.

6. Except as otherwise provided in Section 4 above, the vested portion of the SPR award evidenced by this Agreement shall remain outstanding and exercisable until December 31, 2026 and may be exercised in whole or in part by the Participant (or a permitted successor in interest) by giving written notice to the Company of such exercise in accordance with the terms of the SP Plan.

7. Each cash payment or vesting of Target Units, Restricted Units or SPRs pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan or Section 8 of the SP Plan, as applicable.

8. The Target Units, Restricted Units and SPRs under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan, the SP Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

9. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan and the SP Plan, as applicable, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan or the SP Plan, as the case may be, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and either the Equity Plan or the SP Plan, the terms of the relevant plan shall control.

10. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any

employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan or the SP Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan or Sections 9 and 10 of the SP Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan or the SP Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the Target Units, Restricted Units, and SPRs covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO



LAWSON PRODUCTS, INC.  
AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 25<sup>th</sup> day of February, 2020, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019) (the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of February 25, 2020 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("MSU Target Units") equal to [NUMBER] ( ) MSU Target Units (the "MSU Target Unit Award") under the Equity Plan.

(b) A target award of ROIC Stock Units ("ROIC Target Units") equal to [NUMBER] ( ) ROIC Target Units (the "ROIC Target Unit Award") under the Equity Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( [ ] ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The MSU Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2022 (the "Final Stock Price"):

(i) 0% of the MSU Target Unit Award if the Final Stock Price is less than \$62.50 (the "Threshold Price");

(ii) 50% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$71.50 (the "Target Price");

(iii) 100% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$81.00 (the "Maximum Price"); or

(iv) 150% of the MSU Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

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If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested MSU Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested MSU Target Unit as soon as practicable after December 31, 2022.

(b) The ROIC Target Units shall vest in the proportions set forth below, based on the Company's Average ROIC (as defined below) during the period commencing on January 1, 2020 and ending on December 31, 2022 (the "ROIC Performance Period"). The payout of the ROIC Target Units will be calculated based on the Company's aggregate of the ROIC achieved during each calendar year of the ROIC Performance Period (i.e., 2020, 2021 and 2022) divided by 3. A threshold, target and maximum performance level will be set at the commencement of each calendar year consistent with the Company's approved operating plan. The award payout will be calculated based on the Company's 3-year cumulative Average ROIC results relative to the cumulative 3-year average ROIC performance goal. The Participant will receive:

(i) 0% of the ROIC Target Unit Award if the Average ROIC is less than the cumulative average of the Company's "Threshold ROIC" for the three fiscal years during the ROIC Performance Period (such average, the "Average Threshold ROIC");

(ii) 50% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Threshold ROIC, and (y) less than the cumulative average of the Company's "Target ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Target ROIC");

(iii) 100% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Target ROIC and (y) less than the cumulative average of the Company's "Maximum ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Maximum ROIC"); or

(iv) 150% of the ROIC Target Unit Award if the cumulative Average ROIC is equal to or greater than the Average Maximum ROIC.

If the Average ROIC is between the Average Threshold ROIC and the Average Target ROIC or between the Average Target ROIC and the Average Maximum ROIC, then the number of vested ROIC Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock or an equivalent cash amount for each vested ROIC Target Unit as soon as practicable after December 31, 2022.

For purposes of this Agreement, (x) "Average ROIC" means the Company's cumulative ROIC for each of the three fiscal years of the Company during the ROIC Performance Period divided by 3 and (y) "ROIC" means, with respect to each fiscal year of the Company during the ROIC Performance Period, (A) the Company's earnings before interest and taxes, as adjusted to exclude the impact of non-recurring items such as stock-based compensation, accounting changes, severance, fluctuations in currency

exchange and other non-recurring items divided by (B) the Company's average invested capital, as determined by the Company's book equity value in accordance with U.S. Generally Accepted Accounting Principles plus debt less cash and cash equivalents, as adjusted to exclude the impact of real estate transactions, lease obligations, stock-based compensation payments, acquisition costs and other non-recurring items. The Committee, in its sole discretion, shall establish the Threshold ROIC, Target ROIC and Maximum ROIC goals for each fiscal year during the ROIC Performance Period as soon as practicable following the commencement of such fiscal year and, following such determination, notify the Participant of such Threshold ROIC, Target ROIC and Maximum ROIC goals. Any and all determinations as to Average ROIC and ROIC shall be made by the Committee in its sole discretion and shall be final and binding on the Company and the Participant.

(c) The Restricted Units shall vest in full on December 31, 2022, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the MSU Target Unit, ROIC Target Unit and Restricted Unit awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the MSU Target Unit, ROIC Target Unit, and Restricted Unit awards equal to the MSU Target Unit Award, the ROIC Target Unit Award, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2022.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all unvested portions of the awards evidenced by this Agreement shall immediately be forfeited, and any previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.

5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of MSU Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become

100% vested, (ii) the number of ROIC Target Units earned based on (x) the formula specified in Section 2(b) above, and (y) the greater of the Average Target ROIC or the Average ROIC for the period ending on the effective date of the Change of Control, as determined by the Committee in its discretion, shall automatically become 100% vested and (iii) Restricted Units shall automatically become 100% vested.

6. Each cash payment or vesting of MSU Target Units, ROIC Target Units or Restricted Units pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

7. The MSU Target Units, ROIC Target Units Restricted Units under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

8. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

9. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions



of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the MSU Target Units, ROIC Target Units, and Restricted Units covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO

LAWSON PRODUCTS, INC.  
AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 25<sup>th</sup> day of February, 2020, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019) (the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of February 25, 2020 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("MSU Target Units") equal to [NUMBER] ( ) MSU Target Units (the "MSU Target Unit Award") under the Equity Plan.

(b) A target award of ROIC Stock Units ("ROIC Target Units") equal to [NUMBER] ( ) ROIC Target Units (the "ROIC Target Unit Award") under the Equity Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( [ ] ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The MSU Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2022 (the "Final Stock Price");

(i) 0% of the MSU Target Unit Award if the Final Stock Price is less than \$62.50 (the "Threshold Price");

(ii) 50% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$71.50 (the "Target Price");

(iii) 100% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$81.00 (the "Maximum Price"); or

(iv) 150% of the MSU Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

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If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested MSU Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested MSU Target Unit as soon as practicable after December 31, 2022.

Notwithstanding anything in the Equity Plan or this Agreement to the contrary, the Participant is required to hold (and not transfer or otherwise dispose of) one-hundred percent (100%) of the MSU Target Units, ROIC Target Units, if applicable, and Restricted Units that vest and convert to shares of Common Stock, net of taxes ("Net Shares"), until two (2) years after December 31, 2022 [the conversion date with respect to such Net Shares]; provided, that this requirement shall lapse in the event of the Participant's death, Disability or a Change in Control.

(b) The ROIC Target Units shall vest in the proportions set forth below, based on the Company's Average ROIC (as defined below) during the period commencing on January 1, 2020 and ending on December 31, 2022 (the "ROIC Performance Period"). The payout of the ROIC Target Units will be calculated based on the Company's aggregate of the ROIC achieved during each calendar year of the ROIC Performance Period (i.e., 2020, 2021 and 2022) divided by 3. A threshold, target and maximum performance level will be set at the commencement of each calendar year consistent with the Company's approved operating plan. The award payout will be calculated based on the Company's 3-year cumulative Average ROIC results relative to the cumulative 3-year average ROIC performance goal. The Participant will receive:

(i) 0% of the ROIC Target Unit Award if the Average ROIC is less than the cumulative average of the Company's "Threshold ROIC" for the three fiscal years during the ROIC Performance Period (such average, the "Average Threshold ROIC");

(ii) 50% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Threshold ROIC, and (y) less than the cumulative average of the Company's "Target ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Target ROIC");

(iii) 100% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Target ROIC and (y) less than the cumulative average of the Company's "Maximum ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Maximum ROIC"); or

(iv) 150% of the ROIC Target Unit Award if the cumulative Average ROIC is equal to or greater than the Average Maximum ROIC.

If the Average ROIC is between the Average Threshold ROIC and the Average Target ROIC or between the Average Target ROIC and the Average Maximum ROIC, then the number of vested ROIC Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock

or an equivalent cash amount for each vested ROIC Target Unit as soon as practicable after December 31, 2022.

For purposes of this Agreement, (x) "Average ROIC" means the Company's cumulative ROIC for each of the three fiscal years of the Company during the ROIC Performance Period divided by 3 and (y) "ROIC" means, with respect to each fiscal year of the Company during the ROIC Performance Period, (A) the Company's earnings before interest and taxes, as adjusted to exclude the impact of non-recurring items such as stock-based compensation, accounting changes, severance, fluctuations in currency exchange and other non-recurring items divided by (B) the Company's average invested capital, as determined by the Company's book equity value in accordance with U.S. Generally Accepted Accounting Principles plus debt less cash and cash equivalents, as adjusted to exclude the impact of real estate transactions, lease obligations, stock-based compensation payments, acquisition costs and other non-recurring items. The Committee, in its sole discretion, shall establish the Threshold ROIC, Target ROIC and Maximum ROIC goals for each fiscal year during the ROIC Performance Period as soon as practicable following the commencement of such fiscal year and, following such determination, notify the Participant of such Threshold ROIC, Target ROIC and Maximum ROIC goals. Any and all determinations as to Average ROIC and ROIC shall be made by the Committee in its sole discretion and shall be final and binding on the Company and the Participant.

(c) The Restricted Units shall vest in full on December 31, 2022, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the MSU Target Unit, ROIC Target Unit and Restricted Unit awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the MSU Target Unit, ROIC Target Unit, and Restricted Unit awards equal to the MSU Target Unit Award, the ROIC Target Unit Award, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2022.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all unvested portions of the awards evidenced by this Agreement shall immediately be forfeited, and any

previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.

5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of MSU Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become 100% vested, (ii) the number of ROIC Target Units earned based on (x) the formula specified in Section 2(b) above, and (y) the greater of the Average Target ROIC or the Average ROIC for the period ending on the effective date of the Change of Control, as determined by the Committee in its discretion, shall automatically become 100% vested and (iii) Restricted Units shall automatically become 100% vested.

6. Each cash payment or vesting of MSU Target Units, ROIC Target Units or Restricted Units pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

7. The MSU Target Units, ROIC Target Units Restricted Units under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

8. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

9. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the

purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the MSU Target Units, ROIC Target Units, and Restricted Units covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO





LAWSON PRODUCTS, INC.  
AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 5<sup>th</sup> day of January, 2021, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019) (the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of January 5, 2021 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("MSU Target Units") equal to [NUMBER] ( ) MSU Target Units (the "MSU Target Unit Award") under the Equity Plan.

(b) A target award of ROIC Stock Units ("ROIC Target Units") equal to [NUMBER] ( ) ROIC Target Units (the "ROIC Target Unit Award") under the Equity Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( [ ] ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The MSU Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2023 (the "Final Stock Price"):

(i) 0% of the MSU Target Unit Award if the Final Stock Price is less than \$61.50 (the "Threshold Price");

(ii) 50% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$71.50 (the "Target Price");

(iii) 100% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$81.00 (the "Maximum Price"); or

(iv) 150% of the MSU Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

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If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested MSU Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested MSU Target Unit as soon as practicable after December 31, 2023.

(b) The ROIC Target Units shall vest in the proportions set forth below, based on the Company's Average ROIC (as defined below) during the period commencing on January 1, 2021 and ending on December 31, 2023 (the "ROIC Performance Period"). The payout of the ROIC Target Units will be calculated based on the Company's aggregate of the ROIC achieved during each calendar year of the ROIC Performance Period (i.e., 2021, 2022 and 2023) divided by 3. A threshold, target and maximum performance level will be set at the commencement of each calendar year consistent with the Company's approved operating plan. The award payout will be calculated based on the Company's 3-year cumulative Average ROIC results relative to the cumulative 3-year average ROIC performance goal. The Participant will receive:

(i) 0% of the ROIC Target Unit Award if the Average ROIC is less than the cumulative average of the Company's "Threshold ROIC" for the three fiscal years during the ROIC Performance Period (such average, the "Average Threshold ROIC");

(ii) 50% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Threshold ROIC, and (y) less than the cumulative average of the Company's "Target ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Target ROIC");

(iii) 100% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Target ROIC and (y) less than the cumulative average of the Company's "Maximum ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Maximum ROIC"); or

(iv) 150% of the ROIC Target Unit Award if the cumulative Average ROIC is equal to or greater than the Average Maximum ROIC.

If the Average ROIC is between the Average Threshold ROIC and the Average Target ROIC or between the Average Target ROIC and the Average Maximum ROIC, then the number of vested ROIC Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock or an equivalent cash amount for each vested ROIC Target Unit as soon as practicable after December 31, 2023.

For purposes of this Agreement, (x) "Average ROIC" means the Company's cumulative ROIC for each of the three fiscal years of the Company during the ROIC Performance Period divided by 3 and (y) "ROIC" means, with respect to each fiscal year of the Company during the ROIC Performance Period, (A) the Company's earnings before interest and taxes, as adjusted to exclude the impact of non-recurring items such as stock-based compensation, accounting changes, severance, fluctuations in currency

exchange and other non-recurring items divided by (B) the Company's average invested capital, as determined by the Company's book equity value in accordance with U.S. Generally Accepted Accounting Principles plus debt less cash and cash equivalents, as adjusted to exclude the impact of real estate transactions, lease obligations, stock-based compensation payments, acquisition costs and other non-recurring items. The Committee, in its sole discretion, shall establish the Threshold ROIC, Target ROIC and Maximum ROIC goals for each fiscal year during the ROIC Performance Period as soon as practicable following the commencement of such fiscal year and, following such determination, notify the Participant of such Threshold ROIC, Target ROIC and Maximum ROIC goals. Any and all determinations as to Average ROIC and ROIC shall be made by the Committee in its sole discretion and shall be final and binding on the Company and the Participant.

(c) The Restricted Units shall vest in full on December 31, 2023, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the MSU Target Unit, ROIC Target Unit and Restricted Unit awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the MSU Target Unit, ROIC Target Unit, and Restricted Unit awards equal to the MSU Target Unit Award, the ROIC Target Unit Award, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2023.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all unvested portions of the awards evidenced by this Agreement shall immediately be forfeited, and any previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.

5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of MSU Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become

100% vested, (ii) the number of ROIC Target Units earned based on (x) the formula specified in Section 2(b) above, and (y) the greater of the Average Target ROIC or the Average ROIC for the period ending on the effective date of the Change of Control, as determined by the Committee in its discretion, shall automatically become 100% vested and (iii) Restricted Units shall automatically become 100% vested.

6. Each cash payment or vesting of MSU Target Units, ROIC Target Units or Restricted Units pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

7. The MSU Target Units, ROIC Target Units Restricted Units under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

8. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

9. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions

of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the MSU Target Units, ROIC Target Units, and Restricted Units covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO

LAWSON PRODUCTS, INC.  
AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this 5<sup>th</sup> day of January, 2021, by and between Lawson Products, Inc. (the "Company") and [NAME] (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Lawson Products, Inc. 2009 Equity Compensation Plan (as Amended and Restated Effective May 14, 2019) (the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement are effective as of January 5, 2021 (the "Grant Date") and consist of:

(a) A target award of Market Stock Units ("MSU Target Units") equal to [NUMBER] ( ) MSU Target Units (the "MSU Target Unit Award") under the Equity Plan.

(b) A target award of ROIC Stock Units ("ROIC Target Units") equal to [NUMBER] ( ) ROIC Target Units (the "ROIC Target Unit Award") under the Equity Plan.

(c) A restricted award of Stock Units ("Restricted Units") equal to [NUMBER] ( [ ] ) Restricted Units (the "Restricted Unit Award") under the Equity Plan.

2. Except as otherwise provided in Sections 3 through 5 below:

(a) The MSU Target Units shall vest in the proportions set forth below, based on weighted average closing price of the Company's common stock (the "Common Stock") for 60 trading days as of December 31, 2023 (the "Final Stock Price");

(i) 0% of the MSU Target Unit Award if the Final Stock Price is less than \$61.50 (the "Threshold Price");

(ii) 50% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Threshold Price, and (y) less than \$71.50 (the "Target Price");

(iii) 100% of the MSU Target Unit Award if the Final Stock Price is (x) equal to or greater than the Target Price and (y) less than \$81.00 (the "Maximum Price"); or

(iv) 150% of the MSU Target Unit Award if the Final Stock Price is equal to or greater than the Maximum Price.

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If the Final Stock Price is between the Threshold Price and the Target Price or between the Target Price and the Maximum Price, then the number of vested MSU Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock for each vested MSU Target Unit as soon as practicable after December 31, 2023.

Notwithstanding anything in the Equity Plan or this Agreement to the contrary, the Participant is required to hold (and not transfer or otherwise dispose of) one-hundred percent (100%) of the MSU Target Units, ROIC Target Units, if applicable, and Restricted Units that vest and convert to shares of Common Stock, net of taxes ("Net Shares"), until two (2) years after December 31, 2023 [the conversion date with respect to such Net Shares]; provided, that this requirement shall lapse in the event of the Participant's death, Disability or a Change in Control.

(b) The ROIC Target Units shall vest in the proportions set forth below, based on the Company's Average ROIC (as defined below) during the period commencing on January 1, 2021 and ending on December 31, 2023 (the "ROIC Performance Period"). The payout of the ROIC Target Units will be calculated based on the Company's aggregate of the ROIC achieved during each calendar year of the ROIC Performance Period (i.e., 2021, 2022 and 2023) divided by 3. A threshold, target and maximum performance level will be set at the commencement of each calendar year consistent with the Company's approved operating plan. The award payout will be calculated based on the Company's 3-year cumulative Average ROIC results relative to the cumulative 3-year average ROIC performance goal. The Participant will receive:

(i) 0% of the ROIC Target Unit Award if the Average ROIC is less than the cumulative average of the Company's "Threshold ROIC" for the three fiscal years during the ROIC Performance Period (such average, the "Average Threshold ROIC");

(ii) 50% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Threshold ROIC, and (y) less than the cumulative average of the Company's "Target ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Target ROIC");

(iii) 100% of the ROIC Target Unit Award if the Average ROIC is (x) equal to or greater than the Average Target ROIC and (y) less than the cumulative average of the Company's "Maximum ROIC" for the three fiscal years during the ROIC Performance Period (the "Average Maximum ROIC"); or

(iv) 150% of the ROIC Target Unit Award if the cumulative Average ROIC is equal to or greater than the Average Maximum ROIC.

If the Average ROIC is between the Average Threshold ROIC and the Average Target ROIC or between the Average Target ROIC and the Average Maximum ROIC, then the number of vested ROIC Target Units shall be calculated using straight-line interpolation. The Participant will be entitled to receive one share of the Common Stock

or an equivalent cash amount for each vested ROIC Target Unit as soon as practicable after December 31, 2023.

For purposes of this Agreement, (x) "Average ROIC" means the Company's cumulative ROIC for each of the three fiscal years of the Company during the ROIC Performance Period divided by 3 and (y) "ROIC" means, with respect to each fiscal year of the Company during the ROIC Performance Period, (A) the Company's earnings before interest and taxes, as adjusted to exclude the impact of non-recurring items such as stock-based compensation, accounting changes, severance, fluctuations in currency exchange and other non-recurring items divided by (B) the Company's average invested capital, as determined by the Company's book equity value in accordance with U.S. Generally Accepted Accounting Principles plus debt less cash and cash equivalents, as adjusted to exclude the impact of real estate transactions, lease obligations, stock-based compensation payments, acquisition costs and other non-recurring items. The Committee, in its sole discretion, shall establish the Threshold ROIC, Target ROIC and Maximum ROIC goals for each fiscal year during the ROIC Performance Period as soon as practicable following the commencement of such fiscal year and, following such determination, notify the Participant of such Threshold ROIC, Target ROIC and Maximum ROIC goals. Any and all determinations as to Average ROIC and ROIC shall be made by the Committee in its sole discretion and shall be final and binding on the Company and the Participant.

(c) The Restricted Units shall vest in full on December 31, 2023, and one share of the Common Stock shall be distributed to the Participant for each vested Restricted Unit, provided that the Participant remains continuously employed by the Company through such date.

(d) In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan) or upon the Participant's death or Disability (as defined in Section 1.12 of the Equity Plan), the unvested portions of the MSU Target Unit, ROIC Target Unit and Restricted Unit awards evidenced by this Agreement shall be immediately forfeited and cancelled.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause or upon the Participant's death or Disability, then the Participant (or the Participant's beneficiary or legal representative) shall be entitled to receive, as soon as is practicable after the aforementioned triggering event, a pro rata portion of the MSU Target Unit, ROIC Target Unit, and Restricted Unit awards equal to the MSU Target Unit Award, the ROIC Target Unit Award, and the total number of Restricted Units granted under this Agreement, respectively, multiplied by a fraction, the numerator of which is the number of calendar days elapsed between the Grant Date and the Participant's date of termination and the denominator of which is the number of calendar days between the Grant Date and December 31, 2023.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all unvested portions of the awards evidenced by this Agreement shall immediately be forfeited, and any

previously paid or released portion of those awards (including any cash payments made with respect to such awards) shall be promptly returned to the Company by the Participant (or any successor in interest) in accordance with the procedure set forth in Section 14.2 of the Equity Plan.

5. Upon the consummation of a Change in Control (as defined in Section 1.6 of the Equity Plan), (i) the number of MSU Target Units earned based on (x) the formula specified in Section 2(a) above, and (y) the greater of the Target Price or the transaction price with respect to the Common Stock on the effective date of the Change of Control, shall automatically become 100% vested, (ii) the number of ROIC Target Units earned based on (x) the formula specified in Section 2(b) above, and (y) the greater of the Average Target ROIC or the Average ROIC for the period ending on the effective date of the Change of Control, as determined by the Committee in its discretion, shall automatically become 100% vested and (iii) Restricted Units shall automatically become 100% vested.

6. Each cash payment or vesting of MSU Target Units, ROIC Target Units or Restricted Units pursuant to any of the awards evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

7. The MSU Target Units, ROIC Target Units Restricted Units under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of the Equity Plan and/or this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance, so that neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

8. All aspects of the awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. Each initially capitalized word used in this Agreement shall have the meaning set forth in the Equity Plan, except as otherwise specified in this Agreement. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

9. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an award evidenced by this Agreement would constitute an "excess parachute payment" for the

purposes of Section 280G of the Internal Revenue Code, then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of any employment agreement between the Participant and the Company, or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Notwithstanding anything in this Agreement to the contrary, the MSU Target Units, ROIC Target Units, and Restricted Units covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding against the parties relating in any way to this Agreement must be brought and enforced in the federal courts in the state of Illinois, county of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

\_\_\_\_\_  
Participant

By: \_\_\_\_\_  
Its: President and CEO





**Lawson Products, Inc.**

**2021 Annual Incentive Plan  
Summary**

January 2021

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## Annual Incentive Plan

### Establishment and Objectives of the Plan

Lawson Products, Inc. (the "Company") hereby establishes an incentive compensation plan to be known as the 2021 Annual Incentive Plan (hereinafter referred to as the "AIP" or "Plan"). The objectives of the AIP are to optimize the profitability and growth of the Company through incentives consistent with the Company's goals and that link and align personal interests of eligible participants with an incentive for excellence in individual performance. Eligible participants may receive a payment under the AIP if established 2021 Company and individual goals are achieved. Such payments are subject to approval by the Board of Directors.

### Definitions

"Reg G EBITDA" – Earnings before interest, taxes, depreciation, and amortization (EBITDA) adjusted to exclude the effects of mainly nonrecurring items of revenue or gain and expense or loss as determined by the Company.

"Average Daily Sales Per Sales Representative" – Sales representative productivity as defined by Sales excluding freight divided by the monthly average number of sales representatives.

"Inventory Turns" – Defined as an internal calculation on stock inventory turn rate.

"Lawson Non-Sales Executives" - Eligible Vice Presidents who do not have responsibility for sales revenue.

"Lawson Sales Executives" - Eligible Vice Presidents who have responsibility for sales revenue and operations.

"Lawson Non-Executives" - Eligible employees who hold position levels below the role of Vice President.

"Consolidated Sales" – product and service sales and freight and handling charges less returns and credits, excluding acquisition activity not included in original budget when targets established.

"Net Sales from Acquisitions" – sales of acquired company for 12 months prior to transaction date.

"Order Completion Rate" - Percentage of orders filled complete from home distribution center during first pass.

"Plan Year" – Defined as the start of the performance period on January 1, 2021 and concluding at the end of the performance period on December 31, 2021.

"Service Level" – Defined as Line Service Level with Line Routing.



### **How the Incentive Plan Works**

Bonus payments or awards under the AIP are driven by the Company's financial results and by individual performance. For 2021, there are three measures for the Company's financial results. The Company financial performance measures are Reg G EBITDA, Consolidated Sales, and Net Sales from Acquisitions. Net Sales from Acquisitions applies to only Chief Executive Officer, Executive Vice Presidents and Senior Vice Presidents. For all other employees including Vice Presidents, only Reg G EBITDA and Consolidated Sales apply.

In order to receive an AIP payout based upon a Company or subsidiary financial measure, a "Threshold" result must be achieved. For example, if the Company meets the Threshold measure for Reg G EBITDA but not for Consolidated Sales, then a bonus would be earned for the first measure but not for the second measure (subject to the other terms of this Plan).

The individual performance measures are the annual goals established for each Plan participant. Each Plan participant has one or more individual goals, which may include certain operating goals established by the Company. See the 2021 AIP Appendix for the operating goals. If an individual does not earn some level of payout through their individual objectives, they may not be eligible for payout through the corporate objectives.

### **Bonus Plan Eligibility**

Eligibility for the Plan is determined by the Company each year. The AIP is intended for full-time Company employees in department management level positions, and other exempt positions, to drive and reward accomplishment of Company and individual results. The Company will notify Plan participants in writing of their eligibility for the Plan.

Eligibility to participate in the AIP is not (in itself) an evaluation of individual work performance, and is not a guarantee that an award payment will be earned or paid. Actual payment of awards is subject to the achievement of business and individual goals, the potential proration adjustments for time in an eligible position during the Plan Year, and the continuation of the Plan by the Company.

Sales employees who participate in a sales commission bonus plan, or other employees who participate in other position-specific bonus programs (other than spot bonus awards), are not eligible to participate in this Plan.

## How the Incentive is Determined

**Bonus targets:** An employee's bonus award will depend on both the Company's level of financial performance relative to pre-established financial goals and the participant's attainment of individual goals as set in the 2021 AIP Goal Statement. The bonus opportunity below reflects 100% of Company and individual performance. Actual AIP payments will vary with the different levels of achievement. Results falling above or below the target will be interpolated to determine the payout. The target bonus opportunity is a percentage of the eligible participant's annual salary as of the end of the Plan Year (*subject to exceptions described under the **Plan Administration** section.*)

AIP participants will each receive a 2021 AIP Participant Statement with their individual target bonus potential, calculated as a percentage of base salary.

### 2021 Plan

Position Level	Threshold	Target	Stretch
Exempt Employees in Salary Grade 6	1.5%	3%	4.5%
Exempt Employees in Salary Grade 7	1.5%	3%	4.5%
Exempt Employees in Salary Grade 8	1.5%	3%	4.5%
Exempt Employees in Salary Grade 9	2.5%	5%	7.5%
Exempt Employees in Salary Grade 10	4%	8%	12%
Exempt Employees in Salary Grade 11	5%	10%	15%
Exempt Employees in Salary Grade 12	7.5%	15%	22.5%
Exempt Employees in Salary Grade 13	10%	20%	30%
Exempt Employees in Salary Grade 14	12.5%	25%	37.5%
<i>Supvs &amp; Program/Project Mgrs (min)</i>	4%	8%	12%
<i>Managers of Departments (min)</i>	5%	10%	15%
<i>Directors (min)</i>	7.5%	15%	22.5%
VP / SVP / EVP / CEO	15% / 25% / 30% / 50%	30% / 50% / 60% / 100%	45% / 75% / 90% / 150%

**Bonus Weighting:** The weighting of the Company's performance and the individual performance for the AIP award will vary depending on an individual's role in the Company. Corporate and business unit results will be determined by management based on the year-end corporate financials. Individual performance results will be determined by achievement of individual goals established, tracked and evaluated in the "2021 AIP Goal Input Template".

Company Level	Lawson Corporate Performance	Individual Performance
Lawson Non-Sales Executives	100%	0%
Lawson Sales Executives	100%	0%
Lawson Non-Executives	70%	30%

**2021 Lawson Bonus Measures:** The financial performance component of the bonus is based on the financial targets set for 2021. For 2021, the AIP results measures are Reg G EBITDA, Consolidated Sales and Net Sales from Acquisitions. The 2021 AIP targets are listed below.

All goals, including financial targets set, are subject to approval and revision by the Compensation Committee of the Company's Board of Directors (or its designee, as appropriate) in its sole discretion.

**Lawson Non-Sales CEO, Executive Vice President, Senior Vice President participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	30%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	30%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	15%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	15%		\$213,704,000	\$222,608,000	\$231,512,000
Net Sales from Acquisitions	10%		\$12,000,000	\$20,000,000	\$60,000,000

**Lawson Sales Senior Vice President participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	20%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	20%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	25%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	25%		\$213,704,000	\$222,608,000	\$231,512,000
Net Sales from Acquisitions	10%		\$12,000,000	\$20,000,000	\$60,000,000

**Lawson Non-Sales / Non-Mergers and Acquisitions Vice President participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	30%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	30%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	20%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	20%		\$213,704,000	\$222,608,000	\$231,512,000

**Lawson Sales Vice President participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	20%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	20%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	30%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	30%		\$213,704,000	\$222,608,000	\$231,512,000

**Lawson Mergers and Acquisitions Vice President participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	25%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	25%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	10%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	10%		\$213,704,000	\$222,608,000	\$231,512,000
Net Sales from Acquisitions	30%		\$12,000,000	\$20,000,000	\$60,000,000

**Lawson Non-Executive participants:**

Measurement	Weighting	Below Threshold	Threshold	Target	Stretch
% of Target Earned		0%	50%	100%	150%
2021 1 <sup>st</sup> -Half Reg G EBITDA	20%		\$18,242,000	\$21,461,000	\$24,680,000
2021 2 <sup>nd</sup> -Half Reg G EBITDA	20%		\$22,553,000	\$26,533,000	\$30,513,000
2021 1 <sup>st</sup> -Half Consolidated Sales	15%		\$204,733,000	\$213,264,000	\$221,795,000
2021 2 <sup>nd</sup> -Half Consolidated Sales	15%		\$213,704,000	\$222,608,000	\$231,512,000
Individual Goals	30%		\$12,000,000	\$20,000,000	\$60,000,000

## Plan Administration

Participants must be in employee status with the Company on December 31<sup>st</sup> of the Plan Year in order to receive any award.

### **New Hire and Rehire**

During the first year of employment, bonus awards are prorated based upon the date of hire within the Plan Year. Note: Employees hired after October 1 are not eligible to participate in the AIP during that Plan Year.

Employees who terminate during the Plan Year and return to the Company within 30 days are eligible to receive an AIP payment prorated for the days worked for the Company during the Plan Year. Employees who are rehired after more than 30 days may receive an AIP payment prorated based on their rehire date, if the rehire date is prior to October 2.

### **Promotions and Transfers**

Individuals who are promoted or transferred during the Plan Year may participate in the Plan in the following situations:

- **From a non-bonus eligible position to an AIP eligible position:** Individuals promoted during the Plan Year from a non-bonus eligible position to a position covered by the Plan are eligible to receive an award under the Plan based upon their position and salary as of December 31, 2021, prorated for the time in the AIP-eligible position.
- **From an AIP eligible position to another AIP eligible position:** Individuals promoted from one position covered by the Plan to another such position during the Plan Year are eligible to receive an award in the following situations:
  - **Change to the AIP target percentage:** Job changes resulting in a change to the AIP target percentage are eligible to receive an award prorated to reflect their salary, goals and results in each respective position.
  - **No change to the AIP target percentage:** Job changes resulting in no change to the AIP target percentage are eligible to receive an award under the Plan based on their position and salary as of December 31, 2021 (with no proration to reflect the time in each respective position.)
- **From a sales incentive plan to an AIP eligible position:** Individuals who transfer from a position that is compensated in part by sales commissions or eligible for a sales incentive plan to a position covered by this Plan are eligible to receive an award under this Plan based on their position and salary as of December 31, 2021, prorated for the time in the AIP-eligible position.
- **From an AIP eligible position to a non-bonus eligible position:** Individuals who transfer from a position covered by the Plan to a non-bonus eligible position are eligible to receive an award prorated to reflect their salary, goals, results, and portion of the year in the AIP-eligible position. If an employee moves out of an eligible position during the first six months of the year, only Corporate goals will be considered when calculating the pro-rated award at the end of the year.

Individuals who change jobs within the Plan Year should document their progress on individual goals to that point, and confirm their progress with their prior manager.

### **Leaves of Absence**

If a Plan participant is granted one or more Leaves of Absence of any type (whether paid or unpaid) during the Plan Year, and if the amount of leave time exceeds 20 work days in the aggregate during the Plan Year, then the Company reserves the right to prorate any bonus otherwise earned under this Plan, based upon time worked during the Plan Year.

### **Death**

If a Plan participant dies during the Plan Year, the Company will pay a bonus earned under the Plan, prorated through the date of death, to the participant's beneficiary designated under the Company's Basic Life Insurance program.

In the case of death, any AIP payments will be made at the time other awards are made under the Plan.

### **Separation from Employment**

Except as specified above, Plan participants who leave employment with the Company for any reason, other than death, at any time prior to the end of the Plan Year are not eligible to receive an award, and will not be considered to have earned an award under the Plan.

## **Plan Distribution**

The Plan is tracked and managed on a Plan Year basis. The Company's financial results and individual performance results are determined after completion of the Plan Year. When final results are compiled by Company management, if Threshold level performance results are reached, then AIP payments will be made within the first quarter of the next Plan Year. In all cases, eligibility to receive an AIP payment, the amount of any AIP payment, and the portion paid will be determined and approved by the Compensation Committee of the Company's Board of Directors (or its designee, as appropriate) in its sole discretion. Bonuses are not considered calculable or payable prior to the payment date.

### **Taxes and Deductions**

All AIP payments are subject to applicable payroll tax withholdings. Bonuses are not subject to 401(k) and Registered Retirement Savings Plan (RRSP) elections, or other benefit plan deductions, except for deferrals made pursuant to the terms of the Company's Executive Deferral Program. Bonuses under this Plan are not included in determining any contribution of the Company for any benefits payable to an employee under the Lawson Products, Inc. and Certain Affiliates Retirement Plan.

### **Special Circumstances**

Special circumstances that fall outside the normal management of this Plan are subject to review and final approval at the sole discretion of the Company's Chief Executive Officer or his/her designee. Special circumstances include cases that cannot be reasonably and consistently adjudicated through the interpretation and application of the Plan provisions detailed in this document. The Company retains discretion to administer the AIP and address any special circumstances.

### **Coordination with Other Bonus Programs**

Participation in the AIP is coordinated with other Company bonus programs (i.e., sales incentive programs) in the case of partial year eligibility. Employees are not eligible to participate in the AIP and any other incentive compensation programs during the same time period, except for a discretionary spot bonus or equity awards.

### **Loyalty and Confidentiality Agreement**

Participation in this Plan is conditioned upon your entry into a Loyalty and Confidentiality Agreement (“LCA”) for your business unit. If you have previously entered into an LCA, your participation in this Plan represents additional consideration from the Company for your LCA.

### **General Terms**

The Company reserves the right to modify or terminate this Plan for any reason at any time. This includes, for example, the right to make adjustments in the Plan deemed advisable in order to give consideration to changes in accounting rules, principles or methods, and/or extraordinary events, and to make adjustments in financial performance measures for purposes of evaluating performance under this Plan in recognition of such occurrences. The Company also reserves the right to adjust the amount of any payment otherwise due under this Plan if it determines that a Participant engaged in misconduct or violated the Company’s Code of Business Conduct or other policies, or if it determines that an adjustment is appropriate to better reflect the Participant’s actual contribution during the Plan year.

This document is designed to communicate the basic provisions of the AIP, and should not be construed as either a guarantee of payment or a contract of employment between any Plan participant and the Company. No employee of the Company shall have a vested interest in the AIP prior to any payment. Participation in the AIP is at the sole discretion of the Company. The payment of a bonus under this Plan does not necessarily indicate that a Participant is performing all job duties at a satisfactory level, or that overall job performance is considered satisfactory. It is the Plan participant’s responsibility to review amounts paid under this Plan for accuracy, and to bring any discrepancies to the attention of the Company on a timely basis after the payment date. The Company reserves the right to offset any overpayments made under this Plan to a Plan participant against any other amounts owed by the Company to the Plan participant. This Plan will be covered by and interpreted under Illinois law, without regard to its choice of law rules.

## 2021 AIP APPENDIX

### 2021 AIP OPERATING GOALS

Operational Metrics for Individual Goals (where applicable)	Goal Payout Levels		
	Threshold*	Target*	Stretch*
Order Complete % by Quarter	Q1: 70.0%	Q1: 72.0%	Q1: 74.0%
	Q2: 70.0%	Q2: 72.0%	Q2: 74.0%
Orders Shipped Complete For Single Shipments by Quarter	Q3: 74.0%	Q3: 76.0%	Q3: 78.0%
	Q4: 80.0%	Q4: 82.0%	Q4: 84.0%
<b><u>Two-Prong Goal: Service Level &amp; Inventory</u></b>			
Service Level (with Line Routing Maintained)	97.80%	98.10%	98.50%
Inventory	2.2	2.3	2.4
OPEX (less freight) as % of Sales	7.72%	7.66%	7.60%

\* Any *Threshold / Target / Stretch* amount found to be inconsistent with the goal intent may be adjusted subject to approval.





## CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (the “**Agreement**”) is made and entered into as of **DATE** (the “**Effective Date**”), by and between Lawson Products, Inc., an Illinois corporation (the “**Company**”), and **NAME** (the “**Executive**”).

WHEREAS, the Company wishes to assure itself of the continuity of the Executive’s services and has determined that it is appropriate that the Executive receive certain payments in the event that the Executive’s employment is terminated under specified circumstances as more fully described below; and

WHEREAS, the Company and the Executive accordingly desire to enter into this Agreement on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the parties hereto agree as follows:

1. Agreement Term. The “**Term**” of this Agreement shall begin on the Effective Date and shall continue through the one-year anniversary of the Effective Date; provided, however, that as of the one-year anniversary of the Effective Date and on each one-year anniversary thereafter, the Term shall automatically be extended for one additional year unless, not later than 30 days prior to such applicable anniversary date, either party shall have given written notice to the other party that it does not wish to extend the Term; provided, further, that if a Change in Control shall have occurred on or prior to the date that this Agreement would otherwise terminate, and notwithstanding any prior notice from one party to the other party to the contrary, the Term of this Agreement shall automatically be deemed extended and shall continue until the one-year anniversary of the date on which the Change in Control occurs.

2. Certain Definitions. In addition to terms otherwise defined herein, the following capitalized terms used in this Agreement shall have the meanings specified below:

- (a) Accrued Compensation. The term “**Accrued Compensation**” shall mean:
  - (i) any accrued and unpaid base salary and any accrued and unused vacation pay through the effective date of Executive’s termination;
  - (ii) any annual incentive bonus earned with respect to a prior year and unpaid as of the effective date of Executive’s termination;
  - (iii) any additional payments, awards, or benefits, if any, which Executive is eligible to receive pursuant to the terms of any applicable Benefit Plans; and
  - (iv) all post-employment benefits required under applicable law.

(b) Benefit Plans. The term “**Benefit Plans**” means the following standard benefits, and any other benefit plans in which Executive may participate pursuant to such plan’s terms, it being understood and agreed that the Company or Parent may modify or terminate such

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benefits from time to time to the extent and on such terms as the Company or Parent shall determine in its sole discretion:

- (i) coverage under the Company's group health plan on such terms as provided to other Company officers;
  - (ii) long-term disability insurance coverage;
  - (iii) group term life insurance;
  - (iv) accidental death insurance; and
  - (v) participation in the Company's 401(k) plan, profit-sharing retirement plan and executive deferral plan.
- (c) Board. The term "**Board**" shall mean the Board of Directors of Parent.
- (d) Cause. The term "**Cause**" shall mean any of the following:
- (i) violation by Executive of any agreement between Executive and the Company or any law relating to non-competition, trade secrets, inventions, non-solicitation or confidentiality;
  - (ii) material breach or default of any of Executive's duties or other obligations or covenants under this Agreement, which has not been cured within 30 days of written notice thereof to Executive;
  - (iii) Executive's gross negligence, dishonesty or willful misconduct;
  - (iv) any act or omission by Executive which has a material adverse effect on the Company's business, reputation, goodwill or customer relations;
  - (v) conviction of or pleading *nolo contendere* to a crime by Executive (other than traffic related offenses);
  - (vi) any act or omission by Executive which, at the time it occurs, is in material violation of any Company policy, such as they now exist or hereafter are supplemented, amended, modified or restated; or
  - (vii) an act of fraud or embezzlement or the misappropriation of property by Executive.
- (e) Change in Control. The term "**Change in Control**" shall mean the occurrence of any of the following:
- (i) any "person" or "group" of "persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder) is or becomes
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the beneficial owner, directly or indirectly, of securities representing voting power, as of the date of determination, of then outstanding voting securities representing 50% or more of the combined voting power of Parent's then outstanding securities as of such date of determination; or

- (ii) there is a merger, consolidation or reorganization involving Parent, or any direct or indirect subsidiary of Parent, unless:
    - (A) the stockholders of Parent immediately before such merger, consolidation or reorganization will own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "**Surviving Corporation**") or any parent thereof in substantially the same proportion as their ownership of the voting securities of Parent immediately before such merger, consolidation or reorganization; and
    - (B) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute a majority of the members of the board of directors of the Surviving Corporation (or parent thereof); and
    - (C) no "person" or "group" of "persons" as defined above is the beneficial owner of forty percent (40%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation (or parent thereof); or
  - (iii) there is a sale or other disposition of all or substantially all of the assets of Parent to an entity other than an entity:
    - (A) of which at least fifty percent (50%) of the combined voting power of the outstanding voting securities are owned, directly or indirectly, by stockholders of Parent in substantially the same proportion as their then current ownership of the voting securities of Parent; and
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- (B) of which a majority of the board of directors is comprised of the individuals who were members of the Board immediately prior to the execution of the agreement providing for such sale or disposition; and
  - (C) of which no “person” or “group” of “persons” as defined above is the beneficial owner of forty percent (40%) or more of the combined voting power of the then outstanding voting securities of such entity (or parent thereof); or
- (iv) Individuals who, as of the date hereof, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date hereof whose election, or nomination for election by Parent stockholders, was approved by a vote of at least four-fifths (4/5) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, unless any such individual’s initial assumption of office occurs as a result of either an actual or threatened election contest (including, but not limited to, a consent solicitation).
- (f) Code. The term “**Code**” shall mean the Internal Revenue Code of 1986, as amended.
- (g) Code Section 409. The term “**Code Section 409A**” shall mean Section 409A of the Code and all regulations issued thereunder and applicable guidance thereto.
- (h) Competitive Products, Systems and Services. The term “**Competitive Products, Systems and Services**” shall mean products, systems or services in existence or under development during Executive’s employment with the Company which are the same as or substantially similar to or functional equivalents of those of the Lawson Entities including, without limitation, those which are or may be provided to the Lawson Entities’ customers on behalf of the Lawson Entities by employees, agents, or sales representatives of the Lawson Entities.
- (i) Confidential Information. The term “**Confidential Information**” shall mean all information, including, but not limited to, trade secrets disclosed to Executive or known by Executive as a consequence of or through Executive’s employment by the Company, concerning the products, services, systems, customers and agents of the Lawson Entities, and specifically including without limitation: computer programs and software, unpatented inventions, discoveries or improvements; marketing, organizational and product research and development; marketing techniques; promotional programs; compensation and incentive programs; customer loyalty programs; inventory systems; business plans; sales forecasts; personnel information, including but not limited to the identity of employees and agents of the
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Lawson Entities, their responsibilities, competence, abilities, and compensation; pricing and financial information; customer lists and information on customers or their employees, or their needs and preferences for the Lawson Entities' Products, Systems and Services; information concerning planned or pending acquisitions or divestitures; and information concerning purchases of major equipment or property, and which:

- (i) has not been made generally available to the public; and
- (ii) is useful or of value to the current or anticipated business or research or development activities of the Lawson Entities, or of any customer or supplier of the Lawson Entities.

Confidential Information shall not include information which:

- (x) is in or hereafter enters the public domain through no fault of Executive;
- (y) is obtained by Executive from a third party having the legal right to use and to disclose the same without restriction; or
- (z) was in the possession of Executive prior to receipt from the Lawson Entities (as evidenced by Executive's written records predating the first date of employment with the Company).

Confidential Information also does not include Executive's general skills and experience as defined under the governing law of this Agreement.

(j) Equity Awards. The term "**Equity Awards**" shall mean the stock options, restricted stock, stock awards, phantom stock units, stock appreciation units, stock performance rights, shareholder value appreciation rights or other such equity-based compensation as shall have been granted to Executive on or before the effective date of the termination of Executive's employment.

- (k) Good Reason. The term "**Good Reason**" shall mean any of the following:
    - (i) a material diminution in Executive's base compensation;
    - (ii) a material diminution in Executive's authority, duties or responsibilities;
    - (iii) a material change (with such change to be not less than 50 miles) in the geographic location at which Executive must perform Executive's services; or
    - (iv) any other action or inaction that constitutes a material breach by the Company of this Agreement.
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(l) Lawson Entities. The term “**Lawson Entities**” shall mean Parent, any Subsidiary of Parent and any other entity in which any one or more of them has an ownership interest at any time during Executive’s employment with the Company and during the Restriction Period whether such entity is in the United States or elsewhere.

(m) Lawson Entities’ Products, Systems and Services. The term “**Lawson Entities’ Products, Systems and Services**” shall mean:

- (i) the acquisition for and the distribution and sale of fasteners, parts, hardware, pneumatics, hydraulic and other flexible hose fittings, tools, safety items and electrical and shop supplies, automotive and vehicular products, chemical specialties, maintenance chemicals and other chemical products, welding products and related items, all as more particularly described in the Lawson Entities’ sales kits and manuals;
- (ii) the sale and distribution and the providing of systems and services related to the items described in clause (i);
- (iii) the manufacture, sale and distribution of production and specialized parts and supplies described in clause (i);
- (iv) the provision of just-in-time inventories of component parts described in clause (i) to original equipment manufacturers and of maintenance and repair parts described in clause (i) to a wide variety of users; and
- (v) the provision of in-plant inventory systems and of electronic vendor-managed, inventory systems to various customers, related to the items described in clause (i).

(n) Parent. The term “**Parent**” shall mean Lawson Products, Inc., a Delaware corporation.

(o) Restriction Period. The term “**Restriction Period**” shall mean the period of time in which Executive is employed by the Company and a period of twelve months after the effective date of Executive’s termination.

(p) Section 409A Change in Control. The term “**Section 409A Change in Control**” means any “change in control event” within the meaning of Code Section 409A determined in accordance with the uniform methodology and procedures adopted by the Company.

(q) Subsidiary. The term “**Subsidiary**” means, with respect to any person or entity, any corporation, association or other entity of which more than 50% of the combined voting power is owned, directly or indirectly, by such person or entity and one or more other Subsidiaries of such person or entity.

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(r) Unauthorized Person or Entity. The term “**Unauthorized Person or Entity**” shall mean any individual or entity who or which has not signed an appropriate secrecy or confidentiality agreement with the Lawson Entities, or is not a current or target customer with whom Confidential Information is shared in the mutual interest of that person or entity and the Lawson Entities.

3. Payments Due Upon Specified Terminations.

(a) Payments Due Upon Termination Without Cause by the Company or for Good Reason by Executive After a Change in Control. In lieu of the payments and other benefits due under any other severance policy maintained by or on behalf of the Company in which Executive is otherwise entitled to participate, in the event the Company terminates Executive’s employment without “Cause” or if the Executive terminates Executive’s employment for “Good Reason”, but only in each case within one year following a Change in Control, the Company shall have no obligation to Executive, except:

- (i) the Company shall pay Executive any Accrued Compensation;
  - (ii) the Company shall pay Executive (x) an amount equal to one times Executive’s then current annual base salary, and (y) an amount equal to the greater of (A) Executive’s target annual incentive bonus with respect to the year in which Executive’s termination occurs or (B) the annual incentive bonus most recently paid to Executive. Subject to Section 3(b), such amounts shall be paid in a lump sum, to the extent a Section 409A Change in Control has occurred contemporaneously with the Change in Control (or anytime in the calendar year prior to the effective date of Executive’s termination) no later than 30 days after the effective date of Executive’s termination, or to the extent a Section 409A Change in Control has not occurred during such period, they shall be paid in twelve equal monthly installments commencing one month after the effective date of Executive’s termination;
  - (iii) Executive shall continue to be covered under the Company’s group health plan as set forth in the definition of “Benefit Plans”, including any spousal and dependent coverage, at active employee rates, for twelve months after the effective date of Executive’s termination (which coverage may result in imputed income), and, thereafter, Executive shall be eligible to exercise Executive’s rights to COBRA continuation coverage with respect to such group health plan for Executive, and, where applicable, Executive’s spouse and eligible dependents, at Executive’s expense; and
  - (iv) all of Executive’s outstanding Equity Awards, if any, shall immediately vest upon the effective date of Executive’s termination to the extent not already vested, and Executive shall have until the earlier of (A) ninety (90) days following the
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effective date of Executive's termination (or such longer exercise period that may be provided in an award agreement evidencing such Equity Award) and (B) the term of such equity Award to exercise any vested Equity Award that is subject to being exercised.

(b) Six (6) Month Delay. If, at the time Executive becomes entitled to payments and benefits under Section 3(a) of this Agreement ("**Severance Payment**"), Executive is a Specified Employee (within the meaning of Code Section 409A and using the identification methodology selected by the Company from time to time), then, notwithstanding any other provision in Section 3(a) to the contrary, the following provision shall apply. No Severance Payment considered by the Company in good faith to be deferred compensation under Code Section 409A that is payable upon Executive's separation from service (as defined and determined under Code Section 409A), and not subject to an exception or exemption thereunder, shall be paid to Executive until the date that is six (6) months after Executive's effective date of termination. Any such Severance Payment that would otherwise have been paid to Executive during this six-month period shall instead be aggregated and paid to Executive on or as soon as administratively feasible after the date that is six (6) months after Executive's effective date of termination, but not later than 60 days after such date. Any Severance Payment to which Executive is entitled to be paid after the date that is six (6) months after Executive's effective date of termination shall be paid to Executive in accordance with the terms of Section 3(a).

(c) Release. Executive shall not be entitled to receive any of the payments or benefits set forth in this Section 3 (except Accrued Compensation), and said payments and benefits shall be forfeited without further action by the Company, unless Executive (or if applicable, Executive's beneficiaries and/or estate) executes a general release substantially in the form of Exhibit A (the "**General Release**") and, on or prior to the 60<sup>th</sup> day following the date of termination (or such shorter period as set forth therein), such General Release becomes effective and irrevocable in accordance with the terms thereof. With respect to any of the payments or benefits pursuant to this Section 3 considered by the Company in good faith to be deferred compensation under Code Section 409A, any amounts that would otherwise be payable during the 60-day period in the absence of the preceding General Release requirement shall be payable and effective on the 60th day after Executive's termination of employment.

(d) Additional Provisions for Termination for Good Reason. Executive is entitled to terminate Executive's employment for Good Reason only if:

- (i) one or more of the conditions constituting Good Reason occurs without Executive's written consent;
  - (ii) Executive provides notice to the Company of the existence of a condition constituting Good Reason within 15 days of the initial occurrence of such condition;
  - (iii) the Company fails to remedy such condition constituting Good Reason within 30 days of being provided notice of such condition by Executive; and
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- (iv) Executive voluntarily terminates Executive's employment within 15 days of the expiration of the remedy period specified in clause (iii).

(e) Other Events of Employment Termination. If the Company terminates Executive's employment with "Cause" or if Executive terminates Executive's employment for any reason not constituting "Good Reason", the Company shall have no obligation to Executive, except that the Company shall pay Executive any Accrued Compensation.

#### 4. Protection of Company Assets.

(a) Non-Competition. Executive expressly agrees that, during the Restriction Period, provided that there shall not have occurred and be continuing any material non-compliance by the Company with its obligations under this Agreement, Executive shall not, in the United States, Canada and Mexico, directly or indirectly, as an owner, officer, director, employee, agent, advisor, financier, or in any other form or capacity, on behalf of Executive or any other person, firm or other business entity, engage in or be concerned with any Competitive Products, Systems and Services, or any other duties or pursuits for monetary gain which interfere with or restrict Executive's activities on behalf of the Lawson Entities or constitute competition with the business of the Lawson Entities as conducted or proposed to be conducted during the term of this Agreement or, with respect to applicable periods following Executive's termination, as conducted or proposed to be conducted as of the date of Executive's termination. The foregoing notwithstanding, nothing herein contained shall be deemed to prevent Executive from investing Executive's money in the capital stock or other securities of any corporation whose stock or securities are publicly-owned or are regularly traded on any public exchange, provided that Executive does not own more than a one percent (1%) interest therein.

(b) Confidentiality. Executive hereby acknowledges that, during the course of Executive's employment, Executive has and will learn or develop Confidential Information in trust and confidence. Executive agrees to use the Confidential Information solely for the purpose of performing Executive's duties on behalf of the Lawson Entities and not for Executive's own private use or commercial purposes. Executive acknowledges that unauthorized disclosure or use of Confidential Information, other than in discharge of Executive's duties, will cause the Lawson Entities irreparable harm. Executive shall maintain Confidential Information in strict confidence at all times and shall not divulge Confidential Information to any Unauthorized Person or Entity, or use in any manner, or knowingly allow another to use, any Confidential Information, without the Company's prior written consent, during the term of employment or thereafter, for as long as such Confidential Information remains confidential. Executive further acknowledges that the Lawson Entities operate and compete internationally and that the Lawson Entities will be harmed by the unauthorized disclosure or use of Confidential Information regardless of where such disclosure or use occurs, and that therefore this confidentiality agreement is not limited to any single state or other jurisdiction. Nothing in this Agreement shall be construed to prohibit Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission and any agency inspector general, or making other disclosures that are protected under the whistleblower provisions of law or regulation.

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(c) Non-Solicitation. During the Restriction Period, provided that there shall not have occurred and be continuing any material non-compliance by the Company with its obligations under this Agreement, Executive shall not, directly or indirectly, for himself or on behalf of any person, firm, or other entity, solicit, induce or encourage any person to leave her/his employment, agency or office with the Lawson Entities. During the Restriction Period, provided that there shall not have occurred and be continuing any material non-compliance by the Company with its obligations under this Agreement, Executive shall not, directly or indirectly, for Executive or on behalf of any person, firm or other entity, hire or retain or participate in hiring or retaining any person who then is an employee of or agent for the Lawson Entities or any person who has been an employee of or agent for the Lawson Entities at any time in the ninety (90) days prior to termination of Executive's employment, unless the Company is informed and gives its approval in writing prior to the hiring or retention.

Given Executive's office and Executive's participation in the development, sales, marketing, servicing and provision of the Lawson Entities' Products, Systems and Services, Executive acknowledges that Executive has and will learn or develop Confidential Information relating to the development, sales, marketing, servicing or provision of the Lawson Entities' Products, Systems and Services, and the Lawson Entities' customers and prospective customers. Executive further acknowledges that the Lawson Entities' relationships with its customers have substantial value to the Lawson Entities. Therefore, during the Restriction Period, provided that there shall not have occurred and be continuing any material non-compliance by the Company with its obligations under this Agreement, Executive shall not, directly or indirectly, for Executive or on behalf of any person, firm, or other entity, solicit or sell, attempt to sell, or supervise, participate in, or assist the sale or solicitation of Competitive Products and Systems to any person, firm or other entity to which the Lawson Entities sold any of the Lawson Entities' Products, Systems and Services during the last two (2) years of Executive's employment with the Company prior to the effective date of termination. However, this Section 4(c) shall not prohibit the solicitation of any actual or potential customer of the Lawson Entities which does not fall within the preceding description. This Section 4(c) is independent of the obligations of confidentiality under this Agreement and the non-compete provisions of this Agreement.

(d) Return of Property. All notes, lists, reports, sketches, plans, data contained in computer hardware or software, memoranda or other documents concerning or related to the Lawson Entities' business which are or were created, developed, generated or held by Executive during employment, whether containing or relating to Confidential Information or not, are the property of the Lawson Entities and shall be promptly delivered to the Company upon termination of Executive's employment for any reason whatsoever. During the course of employment, Executive shall not remove any of the above property, including but not limited to, Confidential Information, or reproductions or copies thereof, or any apparatus containing any such property or Confidential Information, from the Company's premises without prior written authorization from the Company, other than in the normal execution of Executive's duties.

(e) Assignment of Intellectual Property Rights. Executive agrees to assign to the Company any and all intellectual property rights including patents, trademarks, copyrights and business plans or systems developed, authored or conceived by Executive, whether alone or jointly, while employed by and relating to the business of the Lawson Entities. Executive agrees to cooperate with the Company to perfect ownership rights thereof in the Company. This

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agreement does not apply to an invention for which no equipment, supplies, facility or Confidential Information was used and which was developed entirely on Executive's own time, unless: (1) the invention relates to the business of the Lawson Entities or to actual or anticipated research or development of the Lawson Entities; or (2) the invention results from any work performed by Executive for the Lawson Entities.

(f) Unfair Trade Practices. During the term of this Agreement and at all times thereafter, Executive shall not, directly or indirectly, engage in or assist others in engaging in any unfair trade practices with respect to the Lawson Entities.

(g) Remedies. Executive acknowledges that failure to comply with the terms of this Section 4 will cause irreparable loss and damage to Company. Therefore, Executive agrees that, in addition and cumulative to any other remedies at law or equity available to the Company for Executive's breach or threatened breach of this Agreement, the Company is entitled to specific performance or injunctive relief against Executive to prevent such damage or breach, and a temporary restraining order and preliminary injunction may be granted to the Company for this purpose immediately at its request upon commencement of any suit, without prior notice and without posting any bond. The existence of any claim or cause of action Executive may have against the Company will not constitute a defense thereto. In addition, the Company will be relieved of any obligation to provide to Executive any and all termination payments and benefits (excepting Accrued Compensation) which would otherwise occur, be continued, or become due and payable under this Agreement following such breach or threatened breach, except that such payments and benefits shall accrue during the period of alleged threatened breach or alleged breach and shall be due and payable to Executive immediately upon either (a) a determination by the Company or arbitrator or court, or (b) agreement of the parties, that Executive was not in breach. Each party agrees that all remedies expressly provided for in this Agreement are cumulative of any and all other remedies now existing at law or in equity. In addition to the remedies provided in this Agreement, the parties will be entitled to avail themselves of all such other remedies as may now or hereafter exist at law or in equity for compensation, and for the specific enforcement of the covenants contained in this Agreement. Resort to any remedy provided for in this Section 4 or provided for by law will not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies, or preclude a recovery of monetary damages and compensation. Each party agrees that no party hereto shall be required to post a bond or other security to seek an injunction. In the event that a court of competent jurisdiction declares that any of the remedies outlined in this Section 4(g) are unavailable as a matter of law, the remainder of the remedies outlined in this Section 4(g) shall remain available to the Company.

(h) Enforceability. If any of the provisions of this Section 4 are deemed by a court or arbitrator having jurisdiction to exceed the time, geographic area, or activity limitations the law permits, the limitations will be reduced to the maximum permissible limitation, and Executive and the Company authorize a court or arbitrator having jurisdiction to reform the provisions to the maximum time, geographic area, and activity limitations the law permits; provided, however, that such reductions apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made.

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(i) Sufficiency of Consideration. Executive acknowledges that the consideration that Executive will receive pursuant to this Agreement serves as sufficient consideration for Executive's promises to abide by the restrictive covenants set forth in this Section 4.

5. Governing Law and Disputes.

(a) This Agreement shall be interpreted and enforced in accordance with the laws of the State of Illinois, without regard to its conflict of law principles.

(b) The Company and Executive agree to attempt to resolve any dispute between them related to this Agreement quickly and fairly, and in good faith. Should such a dispute remain unresolved, the Company and Executive irrevocably and unconditionally agree to submit to the exclusive jurisdiction of the courts of the State of Illinois and of the United States located in Chicago, Illinois over any suit, action or proceeding arising out of or relating to this Agreement. The Company and Executive irrevocably and unconditionally agree to personal jurisdiction and venue of any such suit, action or proceeding in the courts of the State of Illinois or of the United States located in Chicago, Illinois.

6. Cooperation After Termination of Employment. Following termination of Executive's employment, regardless of the reason for termination, Executive will reasonably cooperate with the Company and Parent in the prosecution or defense of any claims, controversies, suits, arbitrations or proceedings involving events occurring prior to the termination of employment. Executive acknowledges that in light of Executive's position with the Company, Executive is in the possession of Confidential Information that may be privileged under the attorney-client and/or work product privileges. Executive agrees to maintain the confidences and privileges of the Company and Parent and acknowledges that any such confidences and privileges belong solely to the Company and Parent and can only be waived by the Company or Parent, as applicable, not Executive. In the event Executive is subpoenaed to testify or otherwise requested to provide information in any matter, including without limitation, any court action, administrative proceeding or government audit or investigation, relating to the Company or Parent, Executive agrees that: (a) he will promptly notify the Company and Parent of any subpoena, summons or other request to testify or to provide information of any kind no later than three (3) days after receipt of such subpoena, summons or request and, in any event, prior to the date set for him to provide such testimony or information; (b) he will cooperate with the Company and Parent with respect to such subpoena, summons or request for information; (c) he will not voluntarily provide any testimony or information without permission of the Company unless otherwise required by law; and (d) he will permit the Company to be represented by an attorney of the Company's choosing at any such testimony or with respect to any such information to be provided, and will follow the instructions of the attorney designated by the Company with respect to whether testimony or information is privileged by the attorney-client and/or work product privileges of the Company or Parent, unless otherwise required by law. The parties agree that the Company shall be responsible for all reasonable expenses of Executive incurred in connection with the fulfillment of Executive's obligations under this Section 6. The parties agree and acknowledge that nothing in this Section 6 is meant to preclude Executive from fully and truthfully cooperating with any government investigation.

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7. Miscellaneous.

(a) Superseding Effect. The Agreement supersedes all prior or contemporaneous negotiations, commitments, agreements, and writings, and expresses the entire agreement between the parties with respect to the payment of benefits upon a termination of Executive's employment with the Company within one year following a Change in Control; provided, however, that the terms of any Benefit Plans will remain applicable to the particular Benefit Plan, except as expressly modified herein. All such other negotiations, commitments, agreements and writings will have no further force or effect, and the parties to any such other negotiation, commitment, agreement or writing will have no further rights or obligations thereunder. The parties agree and acknowledge that the definitions of terms applicable to this Agreement may be different than the definitions of those same terms in Benefit Plans and may result in seemingly contradictory results. The parties agree and acknowledge that such seemingly contradictory results are intended, and that this Agreement shall be governed solely by the terms and definitions set forth herein and that the Benefit Plans shall be governed solely by the terms and definitions set forth in the Benefit Plans, except as expressly modified herein.

(b) Amendment and Modification. Except as provided in Section 7(c), neither Executive nor the Company may modify, amend, or waive the terms of this Agreement other than by a written instrument signed by Executive and the Company. Either party's waiver of the other party's compliance with any specific provision of this Agreement is not a waiver of any other provision of this Agreement or of any subsequent breach by such party of a provision of this Agreement. No delay on the part of any party in exercising any right, power or privilege hereunder will operate as a waiver thereof,

(c) Section 409A. It is also the intention of this Agreement that all income tax liability on payments made pursuant to this Agreement or any Benefit Plans be deferred until Executive actually receives such payment to the extent Code Section 409A applies to such payments, and this Agreement shall be interpreted in a manner consistent with this intent. Therefore, if any provision of this Agreement or any Benefit Plans is found not to be in compliance with any applicable requirements of Code Section 409A, that provision will be deemed amended and will be construed and administered, insofar as possible, so that this Agreement and any Benefit Plans, to the extent permitted by law and deemed advisable by the Company, do not trigger taxes and other penalties under Code Section 409A; provided, however, that Executive will not be required to forfeit any payment otherwise due without Executive's consent. In the event that, despite the parties' intentions, any amount hereunder becomes taxable prior to the date that it would otherwise be paid, the Company shall pay to the Executive (which payment may be made in whole or in part by way of direct remittance to appropriate tax authorities) the portion of such amount needed to pay applicable income and excise taxes and any interest or other penalties on such amounts. Any remaining portion of such amount shall be paid to Executive at the time otherwise specified in this Agreement, subject to Section 3(b).

Solely for purposes of determining the time and form of payments due under this Agreement or otherwise in connection with his termination of employment with the Company and that are subject to Code Section 409A, Executive shall not be deemed to have incurred a termination of employment unless and until he shall incur a "separation from service" within the meaning of Code Section 409A. It is intended that each payment or installment of a payment

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and each benefit provided under this Agreement shall be treated as a separate “payment” for purposes of Code Section 409A. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Code Section 409A to the extent that such reimbursements or in-kind benefits are subject to Code Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during Executive’s lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year (except that a plan providing medical or health benefits may impose a generally applicable limit on the amount that may be reimbursed or paid), (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

Nothing in this Section 7(c) increases the Company’s obligations to Executive under this Agreement or any Benefit Plans. Executive remains solely liable for any taxes, including but not limited to any penalties or interest due to Code Section 409A or otherwise, on the payments made hereunder or under any Benefit Plans. The preceding provisions shall not be construed as a guarantee by the Company of any particular tax effect for payments made pursuant to this Agreement or any Benefit Plans.

(d) Parachute Payments. Notwithstanding anything to the contrary herein or in any Benefit Plan, in the event it shall be determined that any monetary amounts or benefits due or payable by the Company to Executive (whether paid or payable, or due or distributed) are or will become subject to any excise tax under Section 4999 of the Code (collectively “**Excise Taxes**”), then the amounts or benefits otherwise due or payable to Executive pursuant to this Agreement or any Benefit Plans shall be reduced to the extent necessary so that no portion of such amounts or benefits shall be subject to the Excise Taxes, but only if (i) the net amount of such amounts and benefits, as so reduced (and after the imposition of the total amount of taxes under federal, state and local law on such amounts and benefits), is greater than (ii) the excess of (A) the net amount of such amounts and benefits, without reduction (but after imposition of the total amount of taxes under federal, state and local law) over (B) the amount of Excise Taxes to which Executive would be subject on such unreduced amounts and benefits.

If it is determined that Excise Taxes will or might be imposed on Executive in the absence of such reduction, the Company and Executive shall make good faith efforts to seek to identify and pursue reasonable action to avoid or reduce the amount of Excise Taxes; provided, however, that this sentence shall not be construed to require Executive to accept any further reduction in the amount or benefits that would be payable to him in the absence of this sentence. The provisions of this Section 7(d) shall override and control any inconsistent provision in any applicable Benefit Plan.

All determinations required to be made under this Section 7(d), including whether reduction is required, the amount of such reduction and the assumptions to be utilized in arriving at such determination, shall be made in good faith by an independent accounting firm selected by the Company in accordance with applicable law (the “**Accounting Firm**”), in consultation with tax counsel reasonably acceptable to Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company. If the Accounting Firm determines that no excise tax

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under Section 4999 of the Code is payable by Executive, the Company shall request that the Accounting Firm furnish Executive with written guidance that failure to report such excise tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty.

(e) Withholding. The Company will reduce its compensatory payments to Executive hereunder for withholding and FICA and Medicare taxes and any other withholdings and contributions required by law.

(f) Severability. If the final determination of an arbitrator or a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision of this Agreement is invalid or unenforceable, the remaining terms and provisions will be unimpaired, and the invalid or unenforceable term or provision will be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Any prohibition or finding of unenforceability as to any provision of this Agreement in any one jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

(g) Legal Fees. Each of the Company and Executive will bear its own expenses in connection with the negotiation of this Agreement and the resolution of any disputes hereunder.

(h) Binding Agreement; Assignment. The Agreement is binding upon and shall inure to the benefit of Executive's heirs, executors, administrators or other legal representatives, upon the successors of the Company and upon any entity into which the Company merges or consolidates. The Company shall assign or otherwise transfer this Agreement and all of its rights, duties, obligations, or interests under it or to any successor to all or substantially all of its assets. Upon such assignment or transfer, any such successor will be deemed to be substituted for the Company for all purposes. Executive may not assign or delegate the obligations of Executive under this Agreement.

(i) Interpretation. This Agreement will be interpreted without reference to any rule or precept of law that states that any ambiguity in a document be construed against the drafter.

(j) Executive Acknowledgment. Executive acknowledges that Executive has read and understands this Agreement and is entering into this Agreement knowingly and voluntarily.

(k) Continuing Obligations. Notwithstanding the termination of Executive's employment hereunder for any reason or anything in this Agreement to the contrary, all post-employment rights and obligations of the parties, including but not limited to those set forth in Sections 3, 4, 5 and 6, and any provisions necessary to interpret or enforce those rights and obligations under any provision of this Agreement, will survive the termination or expiration of this Agreement and remain in full force and effect for the applicable periods.

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(l) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(m) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(n) Notice. Any notice by any party to the other party must be mailed by registered or certified mail, postage prepaid, to the address specified below, or to any change of address indicated by either party upon receipt of written notice of same:

First Last  
Address  
City, State Zip Code

Lawson Products, Inc.  
8770 W. Bryn Mawr Avenue  
Suite 900  
Chicago, IL 60631  
Attention: General Counsel

Notice will be deemed received on the third business day following the day on which it was mailed, postage prepaid.

**[SIGNATURE LINES ON NEXT PAGE]**

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

EXECUTIVE:

\_\_\_\_\_  
NAME

LAWSON PRODUCTS, INC.

By \_\_\_\_\_  
Michael G. DeCata  
President and Chief Executive Officer

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**CONFIDENTIAL GENERAL RELEASE**

In consideration of the payments and other benefits set forth in Section 3 of the Change in Control Agreement (hereinafter the "**Agreement**") made and entered into by and between [Executive] (hereinafter the "**Executive**") and Lawson Products, Inc. (hereinafter the "**Employer**") on \_\_\_\_\_, 2015, Executive hereby executes this Confidential General Release (hereinafter the "**Release**"):

1. Executive hereby releases Employer, its past and present parents, subsidiaries, affiliates, predecessors, successors, assigns, related companies, entities or divisions, its or their past and present employee benefit plans, trustees, fiduciaries and administrators, and any and all of its and their respective past and present officers, directors, partners, insurers, agents, representatives, attorneys and employees (all collectively included in the term the "Employer" for purposes of this release), from any and all claims, demands or causes of action which Executive, or Executive's heirs, executors, administrators, agents, attorneys, representatives or assigns (all collectively included in the term "Executive" for purposes of this release), have, had or may have against Employer, based on any events or circumstances arising or occurring prior to and including the date of Executive's execution of this Release to the fullest extent permitted by law, regardless of whether such claims are now known or are later discovered, including but not limited to any claims relating to Executive's employment or termination of employment by Employer, any rights of continued employment, reinstatement or reemployment by Employer, and any costs or attorneys' fees incurred by Executive (collectively, the "**Released Claims**"); provided, however, Executive is not waiving, releasing or giving up any rights Executive may have to workers' compensation benefits, to vested benefits under any pension or savings plan, to payment of earned and accrued but unused vacation pay, to continued benefits in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, to unemployment insurance, to any vested Equity Awards, to any vested awards or benefits under any Benefit Plan, to indemnification provided by applicable law, the certificate of incorporation or bylaws of Parent to the extent applicable, the articles of incorporation or bylaws of Employer or the Indemnification Agreement dated as of \_\_\_\_\_, 20\_\_ between [Parent/Employer] and Executive, each as they exist on the date of Executive's termination, or to enforce the terms of the Agreement, or any other right which cannot be waived as a matter of law. In the event any claim or suit is filed on Executive's behalf with respect to a Released Claim, Executive waives any and all rights to receive monetary damages or injunctive relief in favor of Executive.

2. Executive agrees and acknowledges: that this Release is intended to be a general release that extinguishes all Released Claims by Executive against Employer; that Executive is waiving any claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act, the Rehabilitation Act, the Illinois Human Rights Act, and all other federal, state and local statutes, ordinances and common law, including but not limited to any and all claims alleging personal injury, emotional distress or other torts, to the fullest extent permitted by law; that Executive is waiving all Released Claims against Employer, known or unknown, arising or occurring prior to and including the date of Executive's execution of this Release; that the consideration that

Executive will receive in exchange for Executive's waiver of the Released Claims exceeds anything of value to which Executive is already entitled; that Executive has entered into this Release knowingly and voluntarily with full understanding of its terms and after having had the opportunity to seek and receive advice from counsel of Executive's choosing; and that Executive has had a reasonable period of time within which to consider this Release. Executive represents that Executive has not assigned any claim against Employer to any person or entity. Executive agrees not to apply for or seek employment with Employer.

3. Executive agrees to keep the terms of this Release confidential and not to disclose the terms of this Release to anyone except to Executive's spouse, attorneys, tax consultants or as otherwise required by law, and agrees to take all steps necessary to assure confidentiality by those recipients of this information.

4. Executive hereby agrees and acknowledges that Executive has carefully read this Release, fully understands what this Release means, and is signing this Release knowingly and voluntarily, that no other promises or agreements have been made to Executive other than those set forth in the Agreement or this Release, and that Executive has not relied on any statement by anyone associated with Employer that is not contained in the Agreement or this Release in deciding to sign this Release.

5. This Release will be governed by the laws of the State of Illinois and all disputes arising under this Release must be submitted to a court of competent jurisdiction in Chicago, Illinois. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Agreement.

6. Executive may accept this Release by delivering an executed copy of the Release to:

[NAME]  
[ADDRESS]

on or before \_\_\_\_\_ **[insert a date at least 21 calendar days after Executive's receipt of this Agreement].**

7. Executive may revoke this Release within seven (7) days after it is executed by Executive by delivering a written notice of revocation to:

[NAME]  
[ADDRESS]

no later than the close of business on the seventh (7th) calendar day after this Release was signed by Executive. This Release will not become effective or enforceable until the eighth (8th) calendar day after Executive signs it. If Executive revokes this Release, Employer shall have no obligation to provide the payments and other benefits set forth Section 3 of the Agreement.

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EXECUTIVE:

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

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**CERTIFICATION**

I, Michael G. DeCata, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal nine months (the registrant’s fourth fiscal nine months in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2021

/s/ Michael G. DeCata

Michael G. DeCata  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION**

I, Ronald J. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal nine months (the registrant’s fourth fiscal nine months in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2021

/s/ Ronald J. Knutson

Ronald J. Knutson  
Executive Vice President, Chief Financial Officer and Treasurer  
(principal financial officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lawson Products, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

July 29, 2021

/s/ Michael G. DeCata  
Michael G. DeCata  
Lawson Products, Inc.  
President and Chief Executive Officer  
(principal executive officer)

/s/ Ronald J. Knutson  
Ronald J. Knutson  
Lawson Products, Inc.  
Executive Vice President, Chief Financial Officer, and Treasurer  
(principal financial officer)