SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1996

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

Commission file number: 0-10546

LAWSON PRODUCTS, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	36-2229304
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1666 East Touhy Avenue, Des Plaines, Illinois 60018
(Address of principal executive offices)

Registrant's telephone number, including area code: (847) 827-9666

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

Title of Each Class	Name of each exchange on which registered
None	None

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

Common Stock, $1.00 Par Value
(Title of class)

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

As of March 1, 1997, 11,137,464 shares of Common Stock were outstanding.

The aggregate market value of the Registrant's Common Stock held by nonaffiliates on March 1, 1997 was approximately $167,822,000.

The following documents are incorporated into this Form 10-K by reference:

Proxy Statement for Annual Meeting of Stockholders to be held on May 28, 1997 Part III

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

PART I

Item 1. Business.

Lawson Products, Inc. was incorporated in Illinois in 1952 and reincorporated in Delaware in 1982.

Products

The Company is a distributor of approximately 33,000 expendable maintenance, repair and replacement products. In addition, the Company distributes 12,000 production components (mostly fasteners) to the O.E.M. marketplace. It manufactures approximately 1,000 of these items. These products may be divided into three broad categories: Fasteners, Fittings and Related Parts, such as screws, nuts, rivets and other fasteners; Industrial Supplies, such as hoses and hose fittings, lubricants, cleansers, adhesives and other chemicals, as well as files, drills, welding products and other shop supplies; and Automotive and Equipment Maintenance Parts, such as primary wiring, connectors and other electrical supplies, exhaust and other automotive parts. The Company estimates that these categories of products accounted for the indicated percentages of its total consolidated net sales for 1996, 1995 and 1994 respectively:

	Percentage of Consolidated Net Sales 1996	1995	1994
Fasteners, Fittings and Related Parts . . .			

	45%	41%	41%
Industrial Supplies	50%	54%	53%
Automotive and Equipment Maintenance Parts	5%	5%	6%
	100%	100%	100%

All of the Company's maintenance products are manufactured by others and must meet the Company's specifications. Approximately 90% of the Company's products are sold under the Company label. Substantially all maintenance items which the Company distributes are purchased by the Company in bulk and subsequently repackaged in smaller quantities. The Company regularly uses a large number of suppliers but has no long-term or fixed price contracts with any of them. Most maintenance items which the Company distributes are purchased from several sources, and the Company believes that the loss of any single supplier would not significantly affect its operations. No single supplier accounted for more than 6% of the Company's purchases in 1996.

Production components sold to the O.E.M. marketplace may be manufactured to customers' specification or purchased from other sources.

Marketing

The Company's principal markets are as follows:

Heavy Duty Equipment Maintenance. Customers in this market include operators of trucks, buses, agricultural implements, construction and road building equipment, mining, logging and drilling equipment and other off-the-road equipment. The Company estimates that approximately 42% of 1996 sales were made to customers in this market.

In-Plant and Building Maintenance. This market includes plants engaged in a broad range of manufacturing and processing activities, as well as institutions such as hospitals, universities, school districts and government units. The Company estimates that approximately 39% of 1996 sales were made to customers in this market.

Passenger Car Maintenance. Customers in this market include automobile service center chains, independent garages, automobile dealers, car rental agencies and other fleet operators. The Company estimates that approximately 10% of 1996 sales were made to customers in this market.

Original Equipment Manufacturers. This market includes plants engaged in a broad range of manufacturing and processing activities. The Company estimates that approximately 7% of 1996 sales were made to customers in this market.

The Company has approximately 210,000 customers, the largest of which accounted for less than one percent of net sales during 1996. Sales are made through a force of approximately 1,841 independent sales representatives of which 114 serve the O.E.M. marketplace. Included in this group are 223 district and zone managers, each of whom, in addition to his own sales activities, acts in an advisory capacity to other sales representatives in a designated area of the country. The Company employs 36 regional managers to coordinate regional marketing efforts. Most sales representatives, including district and zone managers, are compensated on a commission basis and are responsible for repayment of commissions on their respective uncollectible accounts. In addition to the sales representatives and district, zone and regional managers discussed above, the Company has 1,021 employees.

The Company's products are sold in all 50 states, Mexico, Puerto Rico, the District of Columbia, Canada and England. The Company believes that an important factor in its success is its ability to service customers promptly. During the past five years, more than 99% of all items were shipped to the customer within 24 hours after an order was received by the Company. This rapid delivery is facilitated by computer controlled order entry and inventory control systems in each general distribution center. In addition, the receipt of customer orders at Lawson distribution facilities has been accelerated by portable facsimile transmission equipment and personal computer systems used by sales representatives operating in certain areas of the country. Customer orders are delivered by common carriers.

The Company is required to carry significant amounts of inventory in order to meet its high standards of rapid processing of customer orders. The Company funds its working capital requirements internally.

Distribution and Manufacturing Facilities

Substantially all of the Company's maintenance products are stocked in and distributed from each of its seven general distribution centers in; Addison, Illinois; Reno, Nevada; Farmers Branch, Texas; Norcross, Georgia; Fairfield, New Jersey; Mississauga, Ontario, Canada and Bradley Stoke (Bristol) England. Chemical products are distributed from a facility in Vernon Hills, Illinois and welding products are distributed from a facility in Charlotte, North Carolina. Production components are stocked in and distributed from five centers located in Decatur, Alabama; Conway, Arkansas; Burr Ridge, Illinois; Tupelo, Mississippi; and Memphis, Tennessee. Production components are manufactured in Decatur, Alabama. In the opinion of the Company, all existing facilities are in good condition and are well maintained. All are being used substantially to capacity on a single shift basis, except the manufacturing facility in Decatur, Alabama which operates three shifts.

Most of the Company's facilities are relatively new. Further expansion of warehousing capacity may require new warehouses, some of which may be located in new geographical areas.

Canadian Operations

Canadian operations are conducted at the Company's 40,000 square foot general distribution center in Mississauga, Ontario, a suburb of Toronto. These operations constituted less than 3% of the Company's net sales during 1996.

United Kingdom Operations

Operations in the United Kingdom are conducted under the name of Lawson Products Limited from a 19,000 square foot general distribution center in Bradley Stoke (Bristol) England. These operations constituted approximately 1% of the Company's net sales during 1996.

Mexican Operations

Operations in Mexico are conducted under the name of Lawson Products de Mexico S.A. de C.V. from a 5,000 square foot facility in Guadalajara, Mexico. These operations constituted less than 1% of the Company's net sales during 1996.

Competition

The Company encounters intense competition from several national distributors and manufacturers and a large number of regional and local distributors. Due to the nature of its business and the absence of reliable trade statistics, the Company cannot estimate its position in relation to its competitors. However, the Company recognizes that some competitors may have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than the Company. Although the Company believes that the prices of its products are competitive, it endeavors to meet competition primarily through the quality of its product line and its service.

Item 2. Properties.

The Company owns two facilities located in Des Plaines, Illinois, (152,600 and 27,000 square feet, respectively). These buildings contain the Company's main administrative activities and an inbound warehouse facility that principally supports the Addison, Illinois facility and other distribution facilities to a lesser degree. Additional administrative, warehouse and distribution facilities owned by the Company are located in Addison, Illinois (65,000 square feet); Fairfield, New Jersey (61,000 square feet); Reno, Nevada (97,000 square feet); Norcross, Georgia (61,300 square feet); Farmers Branch, Texas (54,500 square feet); and Mississauga, Ontario, Canada (40,000 square feet). Chemical products are distributed from a 56,300 square foot owned facility in Vernon Hills, Illinois and welding products are distributed from a 40,000 square foot owned facility located in Charlotte, North Carolina. Administrative, warehouse and distribution facilities in Bradley Stoke (Bristol) England (19,000 square feet) are leased by the Company. Administrative and distribution facilities in Guadalajara, Mexico (5,000 square feet) are leased by the Company. Production components are distributed from facilities leased in Conway, Arkansas (6,500 sq. ft.) Burr Ridge, Illinois (24,000 sq. ft.) Tupelo, Mississippi, (10,000 sq. ft.) and Memphis, Tennessee, (40,000 sq. ft.). The Company owns a 54,000 square foot facility in Decatur, Alabama which distributes and manufactures production components. From time to time, the Company leases additional warehouse space near its present facilities. See Item 1, "Business - Distribution Facilities" for further information regarding the Company's properties.

Item 3. Legal Proceedings.

There is no material pending litigation to which the Company, or any of its subsidiaries, is a party or to which any of their property is subject.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's Common Stock is traded on the NASDAQ National Market System under the symbol of "LAWS." The approximate number of stockholders of record at December 31, 1996 was 1,185. The following table sets forth the high and low closing sale prices as reported on the NASDAQ National Market System during the last two years. The table also indicates the cash dividends paid by the Company during such periods.

	1996			1995		
	High	Low	Cash Dividends	High	Low	Cash Dividends
First Quarter . . .	$26 1/4	$22	$.13	$27 3/16	$25	$.12

Second Quarter . .	25 1/4	21 1/2	.13	27 1/2	26	.12
Third Quarter . . .	25 1/8	21 1/2	.13	28 1/2	26 1/2	.13
Fourth Quarter . .	22 1/4	21	.13	27 1/8	23 1/8	.13

Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with the Financial Statements of the Company and notes thereto included elsewhere in this Report. The income statement data and balance sheet data for and as of the end of each of the fiscal years in the five-year period ended December 31, 1996, are derived from the audited Financial Statements of the Company.

	1996	1995	1994	1993	1992
Net Sales	$250,289,124	$223,537,182	$213,097,143	$195,735,202	$186,709,454
Income Before Income Taxes	33,884,637	34,815,029	34,031,074	27,767,480	25,379,448
Net Income	19,994,637	21,120,029	20,524,074	18,117,480	15,343,448
Total Assets	175,161,839	160,613,798	168,130,848	171,428,606	158,029,952
Noncurrent Liabilities	22,065,583	19,292,794	17,084,617	15,160,121	13,319,626
Stockholders' Equity	128,746,212	122,810,577	131,230,469	140,649,876	128,755,648
Return on Equity (percent)	15.8%	16.9%	14.7%	13.4%	12.3%
Per Share of common Stock:					
Net Income	$1.73	$1.75	$1.55	$1.34	$1.13
Stockholders' Equity	11.13	10.17	9.91	10.37	9.49
Cash Dividends Declared	.52	.51	.48	.44	.40
Weighted Average Shares Outstanding	11,563,052	12,072,668	13,237,181	13,556,714	13,564,114

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Net sales for 1996 and 1995 advanced 12.0% and 4.9%, respectively, over the immediately preceding years. The sales gain for 1996 occurred primarily as a result of an increase in the number of orders shipped and sales generated by our new subsidiary, Assembly Component Systems, Inc., while the sales advance for 1995 resulted principally from increases in unit sales and the average order size.

Net income in 1996 declined 5.3% from 1995 to $19,994,637, while net income per share in 1996 decreased 1.1% to $1.73 from $1.75 in 1995. The decline in net income for 1996 resulted principally from marketing programs that provided lower gross margins on selected products, increased costs incurred in our U.K. subsidiary, and a higher effective tax rate, which more than offset sales gains.

Net income in 1995 increased 2.9% from 1994 to $21,120,029. The increase in net income for 1995 over 1994 resulted primarily from sales gains, proceeds from redemption of life insurance, and cost containment efforts, partially offset by a decrease in gross margins. Per share net income for 1996 and 1995 was positively affected by the Company's share repurchases discussed below.

Liquidity and Capital Resources

Cash flows provided by operations for 1996, 1995, and 1994 were $24,552,774, $21,309,287 and $23,041,066, respectively. The 1996 improvement over 1995 resulted principally from increases in operating liabilities, which more than offset increases in operating assets and lower net income from 1995 levels. The decrease in 1995 was due primarily to increases in operating assets and declines in operating liabilities from 1994 levels, which more than offset the advance in net income noted above. Current investments and cash flows from operations have continued to be sufficient to fund operating requirements, cash dividends and capital improvements. Such internally generated funds are also expected to finance the Company's future growth.

Capital expenditures for 1996, 1995, and 1994, respectively, were $4,820,724, $3,020,330, and $6,888,262. As in prior years, additions to property, plant and equipment were incurred primarily for new facilities, improvement of existing facilities, and for the purchase of related equipment. During 1996, construction began relative to the facilities expansion of the Company's specialty chemical subsidiary, Drummond American Corporation. Total capital expenditures for this project are expected to be approximately $3,000,000, with completion during the second quarter of 1997. The construction of Lawson's outbound facility in Addison, Illinois was substantially completed by the end of 1994, at a cost of approximately $5,600,000, and opened during the first quarter of 1995. In addition, during the first quarter of 1994, the Company established a new Lawson subsidiary in Guadalajara, Mexico, which operates out of a leased facility.

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

In 1996, the Board of Directors authorized the purchase of up to 1,000,000 shares of the Company's common stock, of which 292,000 shares were purchased for approximately $6,386,000. Also, during 1996, the remaining 86,000 shares relative to the 1994 authorization noted below, were purchased for $2,095,000. In 1994, the Board of Directors authorized the purchase of up to a 1,500,000 shares of the Company's common stock. During 1995, 917,500 shares were purchased for approximately $24,085,000, relative to the 1994 share authorization. Also, during 1994, the Company expended approximately $23,105,000 for the purchase of 961,500 shares, consisting of 496,500 shares relative to the 1,500,000 shares authorized for purchase in 1994 and 465,500 shares relating to the share purchases previously authorized during 1990. Funds to purchase these shares were provided by investments and cash flows from operations.

Impact of Inflation and Changing Prices

The Company has continued to be successful in passing higher product costs on to its customers and, accordingly, gross margins have not been materially impacted. The impact from inflation has been more significant on the Company's fixed and semi-variable operating expenses, primarily wages and benefits, although to a lesser degree in recent years due to moderate inflation levels.

Although the Company expects that future costs of replacing warehouse and distribution facilities will increase due to inflation, such higher costs are not anticipated to have a material effect on future earnings.

Item 8. Financial Statements and Supplementary Data.

The following information is presented in this report:

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 1996 and 1995.

Consolidated Statements of Income for the Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows for the Years ended December 31, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements.

Schedule II

Report of Independent Auditors

Stockholders and Board of Directors
Lawson Products, Inc.

We have audited the accompanying consolidated balance sheets of Lawson Products, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and related schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and related schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lawson Products, Inc. and subsidiaries at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Chicago, Illinois
February 21, 1997

LAWSON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,515,158	$ 10,432,139
Marketable securities	14,266,412	16,068,113
Accounts receivable, less allowance for doubtful accounts (1996-$1,357,662; 1995-$1,111,337)	30,326,067	28,295,687
Inventories	37,047,114	27,082,903
Miscellaneous receivables	2,812,809	2,977,144
Prepaid expenses	3,526,375	2,657,933
Deferred income taxes	606,000	464,000
Total Current Assets	103,099,935	87,977,919
Property, plant and equipment, at cost, less allowances for depreciation and amortization (1996-$24,634,950; 1995-$22,894,444)	40,052,534	35,501,105
Other assets:		
Marketable securities	13,452,931	20,847,081
Investments in real estate	3,304,664	3,152,164
Cash value of life insurance	10,361,091	8,790,756
Deferred income taxes	3,758,000	3,201,000
Other	1,132,684	1,143,773
	32,009,370	37,134,774
	$175,161,839	$160,613,798
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,006,695	$ 3,218,887
Accrued expenses and other liabilities	15,850,415	14,329,710
Income taxes	2,492,934	961,830
Total Current Liabilities	24,350,044	18,510,427
Noncurrent liabilities and deferred credits:		
Accrued liability under security bonus plans	12,886,934	11,421,646
Deferred compensation and other liabilities	9,178,649	7,871,148
	22,065,583	19,292,794
Stockholders' equity:		
Preferred Stock, $1 par value: Authorized-500,000 shares Issued and outstanding-None	-	-
Common Stock, $1 par value: Authorized-35,000,000 shares Issued-1996-11,311,464 shares; 1995-11,686,614 shares	11,311,464	11,686,614
Capital in excess of par value	512,008	493,783
Retained earnings	117,234,229	111,320,907
	129,057,701	123,501,304
Foreign currency translation adjustment	(819,489)	(1,160,727)
Unrealized gain on marketable securities	508,000	470,000
	128,746,212	122,810,577
	$175,161,839	$160,613,798

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 1996	1995	1994
Net sales	$250,289,124	$223,537,182	$213,097,143
Interest and dividend income	1,499,993	1,671,383	1,725,871
Other income - net	362,282	977,451	18,170
	252,151,399	226,186,016	214,841,184
Cost of goods sold	81,116,518	63,535,746	58,559,096
Selling, general and administrative expenses	136,265,322	126,839,711	121,357,853
Interest expense	25,596	10,271	44,831
Provision for doubtful accounts	859,326	985,259	848,330
	218,266,762	191,370,987	180,810,110

Income Before Income Taxes	33,884,637	34,815,029	34,031,074
Federal and state income taxes (benefit):			
Current	14,610,000	14,472,000	14,100,000
Deferred	(720,000)	(777,000)	(593,000)
	13,890,000	13,695,000	13,507,000
Net Income	$ 19,994,637	$ 21,120,029	$ 20,524,074
Per share of Common Stock:			
Net Income	$1.73	$1.75	$1.55

See notes to consolidated financial statements

Lawson Products, Inc.
Consolidated Statements of
Changes in Stockholders' Equity

	Common Stock, $1 par value	Capital in excess of par value	Retained Earnings	Cost of Common Stock in Treasury	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Marketable Securities
Balance at January 1, 1994	$17,093,915	$687,296	$181,380,565	$(57,779,689)	$(732,211)	$ -
Net income			20,524,074			
Cash dividends declared			(6,295,407)			
Stock issued under employee stock plans	3,575	28,815				
Purchase of common stock				(23,104,516)		
Translation adjustment					(354,948)	
Unrealized loss on marketable securities						(221,000)
Balance at December 31, 1994	17,097,490	716,111	195,609,232	(80,884,205)	(1,087,159)	(221,000)
Net income			21,120,029			
Cash dividends declared			(6,076,922)			
Stock issued under employee stock plans	300	4,551				
Purchase of common stock				(24,085,282)		
Retirement of treasury stock	(5,411,176)	(226,879)	(99,331,432)	104,969,487		
Translation adjustment					(73,568)	
Unrealized gain on marketable securities						691,000
Balance at December 31, 1995	11,686,614	493,783	111,320,907	-	(1,160,727)	470,000
Net income			19,994,637			
Cash dividends declared			(5,994,808)			
Stock issued under employee stock plans	2,850	34,718				
Purchase of common stock				(8,481,000)		
Retirement of treasury stock	(378,000)	(16,493)	(8,086,507)	8,481,000		
Translation adjustment					341,238	
Unrealized gain on marketable securities						38,000
Balance at December 31, 1996	$11,311,464	$512,008	$117,234,229	$ -	$(819,489)	$508,000

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 1996	1995	1994
Operating activities:			
Net income	$ 19,994,637	$ 21,120,029	$ 20,524,074
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,014,251	3,349,186	3,085,476
Provision for allowance for doubtful accounts	859,326	985,259	848,330
Deferred income taxes	(720,000)	(777,000)	(593,000)
Deferred compensation and security bonus plans	3,734,727	3,739,807	2,767,055
Payments under deferred compensation and security bonus plans	(1,068,542)	(1,509,086)	(847,666)
Losses from sale of property, plant and equipment	274,717	18,884	36,058
(Income)/losses from investments in real estate	(232,500)	(148,000)	208,500
Changes in operating assets and liabilities (Exclusive of effect of acquisition):			

Accounts receivable	(864,397)	(1,961,852)	(3,095,661)
Inventories	(3,965,081)	(243,629)	(3,183,058)
Prepaid expenses and other assets	(2,265,095)	(2,248,330)	(1,383,412)
Accounts payable and accrued expenses	2,751,842	(256,456)	2,116,976
Income taxes payable	1,531,104	(1,055,180)	2,079,249
Other	507,785	295,655	478,145
Net Cash Provided by Operating Activities	24,552,774	21,309,287	23,041,066
Investing activities:			
Additions to property, plant and equipment	(4,820,724)	(3,020,330)	(6,888,262)
Purchases of marketable securities	(367,665,946)	(293,575,770)	(246,580,492)
Proceeds from sale of marketable securities	376,705,975	305,232,277	251,437,202
Proceeds from sale of property, plant and equipment	94,421	36,000	5,200
Proceeds from life insurance policies	130,000	668,372	173,297
Acquisition of Automatic Screw Machine Products, net of cash acquired of $240,545	(10,506,472)	-	-
Other	80,000	80,000	80,000
Net Cash (Used In) Provided by Investing Activities	(5,982,746)	9,420,549	(1,773,055)
Financing Activities:			
Purchases of common stock	(8,481,000)	(24,085,282)	(23,104,516)
Proceeds from exercise of stock options	37,568	4,851	32,390
Dividends paid	(6,043,577)	(6,070,121)	(6,294,979)
Net Cash Used in Financing Activities	(14,487,009)	(30,150,552)	(29,367,105)
Increase/(Decrease) in Cash and Cash Equivalents	4,083,019	579,284	(8,099,094)
Cash and Cash Equivalents at Beginning of Year	10,432,139	9,852,855	17,951,949
Cash and Cash Equivalents at End of Year	$ 14,515,158	$ 10,432,139	$ 9,852,855

See notes to consolidated financial statements

Lawson Products, Inc. and subsidiaries principally are distributors of expendable parts and supplies for maintenance, repair and operation of equipment. The Company's operations are principally conducted in North America.

NOTE A-SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, each of which is wholly owned. All inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition: Sales and associated cost of goods sold are recognized when products are shipped to customers.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Investments in Real Estate: The Company's investments in real estate representing limited partnership interests are carried on the basis of the equity method.

Marketable Securities: Marketable equity securities and debt securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, recorded in shareholders' equity. Realized gains and losses, declines in value judged to be other-than-temporary, and interest and dividends are included in investment income. The cost of securities sold is based on the specific identification method.

Inventories: Inventories (principally finished goods) are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment: Provisions for depreciation and amortization are computed by the straight-line method for buildings using useful lives of 20 to 30 years and by the double declining balance method for machinery and equipment, furniture and fixtures and vehicles using useful lives of 4 to 10 years.

Investment Tax Credits: Investment tax credits on assets leased to others (see Investments in Real Estate) are deferred and amortized over the useful life of the related asset.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Stock Options: Stock options are accounted for under Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued to Employees." Under APB 25, no compensation expense is recognized because the exercise price of the stock options granted equals the market price of the underlying stock at the date of grant.

Foreign Currency Translation: The financial statements of foreign entities have been translated in accordance with Statement of Financial Accounting Standards No. 52 and, accordingly, unrealized foreign currency translation adjustments are reflected as a component of stockholders' equity. Realized foreign currency transaction gains and losses were not significant for the years ended December 31, 1996, 1995 and 1994.

Reclassifications: Certain amounts have been reclassified in the 1994 and 1995 financial statements to conform with the 1996 presentation.

NOTE B-BUSINESS COMBINATION

On April 30, 1996, the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic) for cash of approximately $10,746,000. This transaction was accounted for as a purchase; accordingly, the accounts and transactions of the acquired company have been included in the consolidated financial statements since the date of acquisition. Automatic manufactures precision machine components and distributes parts used in the assembly of original equipment. Automatic's operations are being conducted through the Company's new subsidiaries, Assembly Component Systems, Inc. and Automatic Screw Machine Products Company.

Pro forma consolidated net sales, assuming the purchase had occurred as of January 1, 1995, would approximate $257,218,000 and $246,298,000 for 1996 and 1995, respectively; pro forma net income or net income per share would not differ materially from reported amounts.

NOTE C-MARKETABLE SECURITIES

The following is a summary of the Company's investments at December 31 which are all classified as available-for-sale:

(In Thousands) 1996	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of states and political subdivisions	$25,368	$252	$1	$25,619
Foreign government securities	1,563	-	-	1,563
Total debt securities	26,931	252	1	27,182
Equity securities	6	537	6	537
	$26,937	$789	$7	$27,719
1995				
Obligations of states and political subdivisions	$34,472	$287	$2	$34,757
Foreign government securities	1,516	-	-	1,516
Other debt securities	204	-	-	204
Total debt securities	36,192	287	2	36,477
Equity securities	-	438	-	438
	$36,192	$725	$2	$36,915

The gross realized gains on sales totaled: $127,603, $116,062, and $11,867 in 1996, 1995, and 1994, respectively, and the gross realized losses totaled $28,285, $46,186 and $55,050, respectively. The net adjustment to unrealized holding gains included as a separate component of shareholders' equity, net of taxes, totaled $38,000 and $691,000 in 1996 and 1995, respectively. In 1996 and 1995 the Company received equity shares on the conversion of certain mutual insurance companies, from which the Company held policies, to stock companies. These shares carry no cost.

The amortized cost and estimated fair value of marketable securities at December 31, 1996, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of certain securities have the right to prepay obligations without prepayment penalties.

(In Thousands)	Cost	Estimated Fair Value
Due in one year or less	$14,067	$14,266
Due after one year through five years	12,864	12,916

Total debt securities	26,931	27,182
Equity securities	6	537
	$26,937	$27,719

NOTE D-PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment consists of:

	1996	1995
Land	$ 6,113,574	$ 5,976,341
Buildings and improvements	33,467,535	32,360,549
Machinery and equipment	18,315,412	14,475,356
Furniture and fixtures	4,962,178	4,618,726
Vehicles	218,593	303,317
Construction in Progress	1,610,192	661,260
	$64,687,484	$58,395,549

NOTE E-INVESTMENTS IN REAL ESTATE

The Company is a limited partner in three real estate limited partnerships. An affiliate of the Company has a 1.5% interest and 5% interest, respectively, as a general partner in two of the partnerships, which interests are subordinated to the Company's interests in distributable cash.

NOTE F-ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	1996	1995
Salaries, commissions and other compensation	$ 5,940,828	$ 5,416,903
Accrued and withheld taxes, other than income taxes	1,636,558	1,408,108
Accrued profit sharing contributions	1,944,232	1,994,328
Accrued self-insured health benefits	1,300,000	1,300,000
Cash dividends payable	1,471,465	1,519,260
Other	3,557,332	2,691,111
	$15,850,415	$14,329,710

NOTE G-STOCK PLAN

The Company's Incentive Stock Plan (Plan), as amended, provides for the issuance of up to 750,000 shares of Common Stock to officers and key employees pursuant to stock options, stock appreciation rights, stock purchase agreements and stock awards.

The Plan permits the grant of incentive stock options, subject to certain annual limitations, with substantially the same terms as non-qualified stock options, except that incentive stock options are not exercisable within six months from date of grant and may not be exercisable while an optionee holds a prior incentive stock option. Incentive stock options may be granted at prices not less than the fair market value of the shares at the dates of grant.

Benefits currently may be granted under the Plan through December 16, 1996. However, the Board of Directors has approved, subject to ratification by the Company's shareholders at their 1997 annual meeting, a ten year extension to the Plan.

Additional information with respect to the Plan is summarized as follows:

	Shares		
	1996	1995	1994
As of December 31:			
Options outstanding (per share: $12.83 to $29.75)	293,081	126,131	126,431
Available for grant	366,791	536,591	536,591
Options exercisable	123,281	126,131	126,431
For the year ended December 31:			
Options granted (per share: $22.50)	169,800	-	-
Options exercised (per share: 1996, 1995, and 1994-$8.78 to $27.50)	2,850	300	3,575
Benefits cancelled	-	-	750

As of December 31, 1996, the Company has the following outstanding options:

Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life	Options Exercisable
$12.83-$16.17	1,931	$14.93	.9 years	1,931
27.50-29.75	121,350	27.51	4.1	121,350
22.50	169,800	22.50	9.5	-

Disclosure of pro forma information regarding net income and net income per share is required by Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its employee stock options granted in 1996 (no options were granted in 1995) under the fair value method using the Black-Scholes options pricing model. The following assumptions were utilized in the valuation: risk-free interest rate of 6.61%; dividend yield of 2.0%; volatility factor of the expected market price of the Company's Common Stock of .21; and a weighted-average expected life of the option of 8 years.

The weighted-average fair value of options granted in 1996 was $7.24. Had compensation cost for the Company's stock options granted in 1996 been determined based on the fair value at the date of grant, the Company's net income and net income per share would have been reduced to the pro forma amounts of $19,801,000 and $1.73, respectively.

The pro forma effect on net income for 1996 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

At December 31, 1996, 659,872 shares of Common Stock were reserved for issuance under the Plan.

NOTE H-PROFIT SHARING AND SECURITY BONUS PLANS

The Company and certain subsidiaries have a profit sharing plan for office and warehouse personnel. The amounts of the companies' annual contributions are determined by the respective boards of directors subject to limitations based upon current operating profits (as defined) or participants' compensation (as defined).

The Company and its subsidiaries also have in effect security bonus plans for the benefit of their regional managers and independent sales representatives, under the terms of which participants are credited with a percentage of their yearly earnings (as defined). Of the aggregate amounts credited to participants' accounts, 25% vests after five years and an additional 5% vests each year thereafter. For financial reporting purposes, amounts are charged to operations over the vesting period.

Provisions for profit sharing and security bonus plans aggregated $3,945,825, $3,890,250 and $3,517,052 for the years ended December 31, 1996, 1995 and 1994, respectively.

In 1994 the Company established a 401(k) defined contribution savings plan. The plan, which is available to all employees, was provided to give employees a pre-tax investment vehicle to save for retirement. All contributions to the plan are made by plan participants.

NOTE I-INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In addition, deferred income taxes include net operating loss carryforwards of a foreign subsidiary which do not expire. The valuation allowance has been provided since there is no assurance that the benefit of the net operating loss carryforwards will be realized. Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

Deferred Tax Assets:	1996	1995
Compensation and benefits	$8,541,000	$7,630,000
Inventory	492,000	509,000
Net operating loss carryforward of subsidiary	2,800,000	2,047,000
Accounts receivable	419,000	373,000
Total Deferred Tax Assets	12,252,000	10,559,000
Valuation allowance for deferred tax assets	(2,800,000)	(2,047,000)
Net Deferred Tax Assets	9,452,000	8,512,000
Deferred Tax Liabilities:		
Property, plant & equipment	1,416,000	1,200,000
Investments in real estate	3,163,000	3,167,000
Marketable securities	274,000	253,000
Other	235,000	227,000
Total Deferred Tax Liabilities	5,088,000	4,847,000
Total Net Deferred Tax		

Assets	$4,364,000	$3,665,000

The provisions for income taxes for the years ended December 31, consist of the following:

	1996	1995	1994
Current:			
Federal	$11,733,000	$11,657,000	$11,955,000
State	2,877,000	2,815,000	2,145,000
	14,610,000	14,472,000	14,100,000
Deferred benefit	(720,000)	(777,000)	(593,000)
	$13,890,000	$13,695,000	$13,507,000

The reconciliation between the effective income tax rate and the statutory federal rate is as follows:

	1996	1995	1994
Statutory federal rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	5.5	5.3	4.1
Non-taxable dividend and interest income	(1.1)	(1.4)	(1.5)
Foreign loss	2.2	1.7	1.7
Other items	(.6)	(1.3)	.4
Provision for income taxes	41.0%	39.3%	39.7%

Income taxes paid for the years ended December 31, 1996, 1995 and 1994 amounted to $12,944,000 $15,327,000 and $12,098,000, respectively.

NOTE J-COMMITMENTS

The Company's minimum rental commitments, principally for equipment, under noncancelable leases in effect at December 31, 1996 amounted to approximately $2,380,000. Such rentals are payable as follows: 1997-$1,145,000; 1998-$791,000; 1999-$269,000 and 2000 and thereafter-$175,000.

Total rental expense for the years ended December 31, 1996, 1995 and 1994 amounted to $1,401,855, $1,087,271 and $1,188,740.

NOTE K-PER SHARE DATA

Per share data are based on the weighted average number of shares of Common Stock outstanding during each year: 1996-11,563,052, 1995-12,072,668 and 1994-13,237,181. Exercise of outstanding stock options would not have a material dilutive effect on such per share data.

NOTE L SUMMARY OF UNAUDITED QUARTERLY RESULTS OF OPERATIONS

Unaudited quarterly results of operations for the years ended December 31, 1996 and 1995 are summarized as follows:

	Quarter ended			
1996	Mar. 31	Jun. 30	Sept. 30	Dec. 31*
(In thousands, except per share data)				
Net sales	$56,108	$63,479	$66,303	$64,399
Cost of goods sold	16,678	20,752	22,856	20,831
Income before income taxes	6,789	8,104	8,271	10,721
Provision for income taxes	2,765	3,375	3,443	4,307
Net income	4,024	4,729	4,828	6,414
Net income per share of common stock	$.35	$.41	$.42	$.56
Weighted average shares outstanding	11,622	11,601	11,601	11,457

	Quarter ended			
1995	Mar. 31	Jun. 30	Sept. 30	Dec. 31*
(In thousands, except per share data)				
Net sales	$54,845	$56,095	$56,177	$56,420
Cost of goods sold	15,421	15,822	15,832	16,461
Income before income taxes	8,238	8,482	8,439	9,655
Provision for income taxes	3,214	3,205	3,348	3,928
Net income	5,024	5,277	5,091	5,727
Net income per share of common stock	$.40	$.43	$.43	$.49
Weighted average				

shares outstanding	12,454	12,217	11,826	11,742

*Inventories and cost of goods sold during interim periods are determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit rates used for the interim periods is adjusted in the fourth quarter. In 1996, this adjustment increased net income by approximately $528,000, while in 1995, this adjustment decreased net income by approximately $354,000. Also, the fourth quarters of 1996 and 1995 reflect adjustments to certain accrued expenses which increased net income by approximately $514,000 and $908,000, respectively.

SCHEDULE II

LAWSON PRODUCTS, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C Additions	Column D	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions- Describe(A)	Balance at End of Period
Allowance deducted from assets to which it applies:				
Allowance for doubtful accounts:				
Year ended December 31, 1996	$1,111,337	$859,326	$ 613,001	$1,357,662
Year ended December 31, 1995	1,127,017	985,259	1,000,939	1,111,337
Year ended December 31, 1994	1,067,754	848,330	789,067	1,127,017

Note A - Uncollected receivables written off, net of recoveries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

a. Executive Officers

The executive officers of the Company, all of whose terms of office expire on May 28, 1997, are as follows:

Name and Present Position with Company	Age	Year First Elected to Present Office	Other Offices Held During the Past Five Years
Sidney L. Port, Chairman of the Executive Committee and Director	86	1977	*
Bernard Kalish, Chief Executive Officer, Chairman of the Board and Director	59	1989	*
Peter G. Smith, President, Chief Operating Officer and Director	58	1989	*
Jeffrey B. Belford Executive Vice President--Operations	50	1989	*
Hugh Allen, Senior Executive Vice President--Sales and Marketing	61	1991	*
James Smith, Vice President--Human Resources	56	1996	Mr. Smith was Vice President, Personnel from 1995 to 1996. Prior to 1995, Mr. Smith was Manager, Human Resources since he joined the Company in 1993.
Jerome Shaffer, Vice President, Treasurer and Director	69	1987	*

Joseph L. Pawlick, Vice President and Controller and Assistant Secretary	54	1987	*

* These persons have held the indicated positions for at least five years.

b. Directors

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 28, 1997, under the caption "Election of Directors," which information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 28, 1997, under the caption "Remuneration of Executive Officers," which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 28, 1997 under the caption "Securities Beneficially Owned by Principal Stockholders and Management," which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) Financial Statements

The following information is presented in this report:

Consolidated Balance Sheets as of December 31, 1996 and 1995.

Consolidated Statements of Income for the Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows for the Years ended December 31, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule

The following consolidated financial statement schedule of Lawson Products, Inc. and subsidiaries is included in Item 14(d):
Schedule II - Valuation and Qualifying Accounts is submitted with this report. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not submitted because they are not applicable or are not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

(a) (3) Exhibits.

2 Purchase Agreement dated April 30, 1996 among Assembly Component Systems, Inc., Automatic Screw Machine Products Company, David E. Norman and James C. Norman, incorporated herein by reference from Exhibit (2)(a) to the Company's Current Report on Form 8-K dated April 30, 1996.

3(a) Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

3(b) By-laws of the Company, dated May 7, 1991, incorporated herein by reference to Exhibit 6(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991.

*10(c)(1) Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference from Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-17912).

*10(c)(2) Salary Continuation Agreement between the Company and Mr. Sidney L. Port dated January 7, 1980 incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

*10(c)(3) Employment Agreement between the Company and Mr. Peter G. Smith dated July 17, 1972 incorporated herein by reference from Exhibit 10(c)(6) to the Company's Annual Report on Form 10-K for the year ended December 31, 1981.

*10(c)(4) Employment Agreement between the Company and Mr. Bernard Kalish, incorporated herein by reference from Exhibit 10(c)(6) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985; First Amendment to Employment Agreement dated as of May 27, 1988 incorporated herein by reference from Exhibit 10(c)(6) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

*10(c)(4.1) Second Amendment to Employment Agreement dated as of August 1, 1996.

*10(c)(5) Employment Agreement between the Company and Mr. Hugh Allen, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.

*10(c)(6) Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.

*10(c)(6.1) First Amendment to Employment Agreement dated as of August 1, 1996.

*10(c)(7) Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

11 Statement regarding computation of per share earnings.

21 Subsidiaries of the Company.

23 Consent of Ernst & Young LLP.

27 Financial Data Schedule

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* Indicates management employment contracts or compensatory plans or arrangements.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the fiscal year covered by this Report.

(c) Exhibits

See item 14(a)(3) above for a list of exhibits to this report.

(d) Schedules

See item 14(a)(2) above for a list of schedules filed with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 27, 1997

By /s/ Bernard Kalish
Bernard Kalish, Chairman
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Bernard Kalish Bernard Kalish	Chairman, Chief Executive Officer and Director (principal executive officer)	
/s/ Jerome Shaffer Jerome Shaffer	Vice President, Treasurer and Director (principal financial officer)	
	Vice President and Controller	

/s/ Joseph L. Pawlick Joseph L. Pawlick	(principal accounting officer)	
/s/ James T. Brophy James T. Brophy	Director	March 27, 1997
/s/ Hugh Allen Hugh Allen	Director	
/s/ Ronald B. Port, M.D. Ronald B. Port, M.D.	Director	
/s/ Sidney L. Port Sidney L. Port	Director	
/s/ Robert G. Rettig Robert G. Rettig	Director	
/s/ Peter G. Smith Peter G. Smith	Director	

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
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3(a)	Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.	
3(b)	By-laws of the Company, dated May 7, 1991, incorporated herein by reference to Exhibit 6(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991.	
10(c)(1)	Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference from Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-17912).	
10(c)(2)	Salary Continuation Agreement between the Company and Mr. Sidney L. Port, dated January 7, 1980, incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.	
10(c)(3)	Employment Agreement between the Company and Mr. Peter G. Smith, dated January 17, 1972 incorporated herein by reference from Exhibit 10(c)(6) to the Company's Annual Report on Form 10-K for the year ended December 31, 1981.	
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10(c)(6)	Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.	

10(c)(6.1)	First Amendment to Employment Agreement dated as of August 1, 1996.
10(c)(7)	Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
11	Statement regarding computation of per share earnings.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
27	Financial Data Schedule

Exhibit 10(c)(4.1)

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement ("Second Amendment") is made as of August 1, 1996 by and between LAWSON PRODUCTS, INC., a Delaware corporation ("Company") and BERNARD KALISH ("Kalish").

U N D E R S T A N D I N G S:

The parties to this Second Amendment previously entered into an Employment Agreement dated April 1, 1984, as amended by that certain First Amendment to Employment Agreement dated as of May 27, 1988 ("Employment Agreement"). The parties desire to further amend the Employment Agreement in certain respects.

NOW, THEREFORE, in consideration of the undertakings of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is agreed:

1. The Employment Agreement is hereby amended by deleting Paragraph A in its entirety and replacing it with the following:

> "A. Kalish has been Chairman of the Board of the Company since July 5, 1989, presently serves in such capacity and shall continue to serve the Company in accordance with the Employment Agreement, as amended hereby.

2. The Employment Agreement is hereby further amended by deleting Paragraph F in its entirety and replacing it with the following:

> "F. The term of Kalish's employment with the Company shall be through December 31, 2001 (the "Term"). Unless terminated as provided herein, the Term shall be automatically extended for additional one year terms. The Employment Agreement, as amended hereby, may be terminated effective on or after December 31, 2001 by either party upon at least one year's prior notice to the other. Such notice shall be deemed to have been given if delivered personally, by facsimile transmission, or if mailed, postage prepaid, by United States registered or certified mail, return receipt requested, or if delivered by a recognized overnight courier, addressed to the regular mailing address of the party being notified or to such other address or addresses as the party to be given notice may have furnished in writing to the party giving the notice, provided that no change in address shall be effective until seven (7) days after being given to the other party in the manner provided for above. Any notice given in accordance with the foregoing shall be deemed given when delivered personally, or if by facsimile transmission, upon confirmation of transmittal, or if mailed, five business days after it shall have been deposited in the United States mail as aforesaid or, if sent by overnight courier, the business day following the date of delivery to such courier."

3. The Employment Agreement is hereby further amended by deleting Paragraph G in its entirety and replacing it with the following:

> "G. The basis of compensation shall be no less than the current amount of Three Hundred Thirty One Thousand, Six Hundred Fifty One ($331,651.00) Dollars per year, subject to increases as from time to time may be determined by the Compensation Committee of the Board of Directors of the Company."

4. The Employment Agreement is hereby further amended by deleting the second paragraph on Page 2 in its entirety and replacing it with the following:

> "In addition, Kalish is to receive those benefits as may from time to time be in effect and on the same terms and conditions as provided to other key executive officers of the Company."

5. The first sentence of the third paragraph on page 2 of the Employment Agreement is hereby amended by replacing the word "man" in each place that it appears with "person."

6. Except as amended by Paragraphs 1 through 5 hereof, the parties agree that all other terms, conditions and provisions of the Employment Agreement shall be and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed or caused their duly authorized representatives to execute this Second Amendment to Employment Agreement as of the date first above written.

ATTEST: LAWSON PRODUCTS, INC.

/s/ Mary Ann Sturino
Its Clerk

By: /s/ Sidney L. Port
SIDNEY L. PORT, Chairman of the Executive Committee

/s/ Bernard Kalish
BERNARD KALISH

Exhibit 10(c)(6.1)

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement ("First Amendment") is made as of August 1, 1996 by and between LAWSON PRODUCTS, INC., a Delaware corporation ("Company") and JEROME SHAFFER ("Shaffer").

U N D E R S T A N D I N G S:

The parties to this First Amendment previously entered into an Employment Agreement dated December 14, 1972 ("Employment Agreement") . The parties desire to amend the Employment Agreement in certain respects.

NOW, THEREFORE, in consideration of the undertakings of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is agreed:

1. The Employment Agreement is hereby amended by deleting Paragraph A in its entirety and replacing it with the following:

"A. Shaffer has been Treasurer and Vice President of the Company for many years, presently serves in such capacity and shall continue to serve to serve the Company in accordance with the Employment Agreement, as amended hereby.

2. The Employment Agreement is hereby further amended by deleting Paragraph F in its entirety and replacing it with the following:

"F. The term of Shaffer's employment with the Company shall be through December 31, 1999 (the "Term"). Unless terminated as provided herein, the Term shall be automatically extended for additional one year terms. The Employment Agreement, as amended hereby, may be terminated effective on or after December 31, 1999 by either party upon at least one year's prior notice to the other. Such notice shall be deemed to have been given if delivered personally, by facsimile transmission, or if mailed, postage prepaid, by United States registered or certified mail, return receipt requested, or if delivered by a recognized overnight courier, addressed to the regular mailing address of the party being notified or to such other address or addresses as the party to be given notice may have furnished in writing to the party giving the notice, provided that no change in address shall be effective until seven days after being given to the other party in the manner provided for above. Any notice given in accordance with the foregoing shall be deemed given when delivered personally, or if by facsimile transmission, upon confirmation of transmittal, or if mailed, five business days after it shall have been deposited in the United States mail as aforesaid or, if sent by overnight courier, the business day following the date of delivery to such courier."

3. The Employment Agreement is hereby further amended by deleting Paragraph G in its entirety and replacing it with the following:

"G. The basis of compensation shall be no less than the current amount of Two Hundred Two Thousand, Five Hundred Eighty-Five ($202,585.00) Dollars per year, subject to increases as from time to time may be recommended to the Chairman of the Executive Committee or the Chairman of the Board by the Compensation Committee of the Board of Directors of the Company."

4. The Employment Agreement is hereby further amended by deleting the second unlettered paragraph on Page 2 thereof in its entirety and replacing it with the following:

"In addition, Shaffer is to receive those benefits as may from time to time be in effect and on the same terms and conditions as provided to other key executive officers of the Company."

5. The last unlettered paragraph on page 2 of the Employment Agreement is hereby amended by replacing the word "man" in each place that it appears with "person."

6. Except as amended by Paragraphs 1 through 5 hereof, the parties agree that all other terms, conditions and provisions of the Employment Agreement shall be and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed or caused their duly authorized representatives to execute this First to Employment Agreement as of the date first above written.

ATTEST: LAWSON PRODUCTS, IN

/s/ Mary Ann Sturino By: /s/ Sidney L. Port
Its SIDNEY L. PORT, Chairman
of the Executive
Committee

/S/ JEROME SHAFFER

EXHIBIT 11

LAWSON PRODUCTS, INC. AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

YEAR ENDED DECEMBER 31

	1996	1995	1994
Net income per share of common stock:			
Average shares outstanding	11,563,052	12,072,668	13,237,181
Net income	$ 19,994,637	$ 21,120,029	$ 20,524,074
Net income per share of common stock	$1.73	$1.75	$1.55
Primary:			
Average shares outstanding	11,563,052	12,072,668	13,237,181
Net effect of dilutive stock options-based on the treasury method using average market price	1,280	1,979	2,843
Total	11,564,332	12,074,647	13,240,024
Net income	$ 19,994,637	$ 21,120,029	$ 20,524,074
Net income per share of common stock	$1.73	$1.75	$1.55
Fully diluted:			
Average shares outstanding	11,563,052	12,072,668	13,237,181
Net effect of dilutive stock options-based on the treasury stock method using the year-end market price, if higher than average market price	1,280	1,979	2,843
Total	11,564,332	12,074,647	13,240,024
Net income	$ 19,994,637	$ 21,120,029	$ 20,524,074
Net income per share of common stock	$1.73	$1.75	$1.55

/TABLE

EXHIBIT 21

Subsidiaries of the Company

Name	Jurisdiction of Incorporation
Lawson Products, Inc.	New Jersey
Lawson Products, Inc.	Texas
Lawson Products, Inc.	Georgia
Lawson Products, Inc.	Nevada
Lawson Products, Inc. (Ontario)	Ontario, Canada
Lawson Products Limited	England
LPI Holdings, Inc.	Illinois
Lawson Products de Mexico S.A. de C.V.	Mexico
Drummond American Corporation	Illinois
Cronatron Welding Systems, Inc.	North Carolina
Assembly Component Systems, Inc.	Illinois
Automatic Screw Machine Products Company, Inc.*	Alabama

*subsidiary of Assembly Component Systems, Inc.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912) pertaining to the Lawson Products, Inc. Employees' Profit Sharing Trust, and in the related Prospectus of our report dated February 21, 1997, with respect to the consolidated financial statements and schedule of Lawson Products, Inc. included in the Annual Report (Form 10-K), for the year ended December 31, 1996.

Ernst & Young LLP

Chicago, Illinois
March 27, 1997

This schedule contains summary financial information extracted from Lawson Products, Inc.'s Form 10-K and is qualified in its entirety by reference to such Form 10-K filing.

1,000

YEAR
DEC-31-1996
DEC-31-1996
14,515
27,719
30,326
0
37,047
103,100
40,053
0
175,162
24,350
0
0
0
11,311
117,435
175,162
250,289
252,151
81,117
81,117
0
859
26
33,885
13,890
19,995
0
0
0
19,995
1.73
1.73