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 March 31, 2007

or

o	**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	**36-2229304**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1666 East Touhy Avenue, Des Plaines, Illinois	**60018**
(Address of principal executive offices)	(Zip Code)

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

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 o

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

Large accelerated filer o Accelerated Filer ☑ Non-accelerated filer o

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

The number of shares outstanding of the registrant's common stock, $1 par value, as of April 30, 2007 was 8,521,001.

"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," "continues," "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 impact of governmental investigations, such as the recently announced investigation by U.S. Attorney's Office for the Northern District of Illinois; excess and obsolete inventory; disruptions of the Company's information systems; risks of rescheduled or cancelled orders; increases in commodity prices; the influence of controlling stockholders; competition and competitive pricing pressures; the effect of general economic conditions and market conditions in the markets and industries the Company serves; the risks of war, terrorism, and similar hostilities; and, all of the factors discussed in the Company's "Risk Factors" set forth in its Annual Report on Form 10-K for the year ended December 31, 2006.

The Company undertakes no obligation to update any such factor 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.

TABLE OF CONTENTS

Table of Contents

PART I-FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)	March 31, 2007 (UNAUDITED)	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 716	$ 4,179
Accounts receivable, less allowance for doubtful accounts	63,237	60,614
Inventories	90,423	90,752
Miscellaneous receivables and prepaid expenses	6,240	5,484
Deferred income taxes	3,144	3,538
Discontinued current assets	633	630
Total Current Assets	164,393	165,197
Property, plant and equipment, less accumulated depreciation and amortization	44,335	42,664
Deferred income taxes	20,649	20,341
Goodwill	27,999	27,999
Other assets	23,297	22,679
Discontinued non-current assets	3	3
Total Assets	$ 280,676	$ 278,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 11,660	$ 14,350
Revolving line of credit	11,000	—
Accrued expenses and other liabilities	36,567	47,440
Income taxes	2,932	772
Discontinued current liabilities	869	865
Total Current Liabilities	63,028	63,427
Accrued liability under security bonus plans	25,890	25,522
Other	19,730	19,617
	45,620	45,139
Stockholders' Equity:		
Preferred stock, $1 par value:		
Authorized - 500,000 shares Issued and outstanding — None	—	—
Common stock, $1 par value:		
Authorized - 35,000,000 shares Issued and outstanding - 8,521,001 shares in 2007 and 2006	8,521	8,521
Capital in excess of par value	4,749	4,749
Retained earnings	159,660	158,008
Accumulated other comprehensive loss	(902)	(961)
Total Stockholders' Equity	172,028	170,317
Total Liabilities and Stockholders' Equity	$ 280,676	$ 278,883

See notes to condensed consolidated financial statements.

Table of Contents

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

(Amounts in thousands, except per share data)	For the Three Months Ended March 31, 2007	2006
Net sales	$ 131,126	$ 131,875
Cost of goods sold	55,042	55,078
Gross profit	76,084	76,797
Operating expenses:		
Selling, general and administrative expenses	66,645	68,493
Other charges	1,442	—
Operating income	7,997	8,304
Investment and other income	94	559
Interest expense	(81)	—
Income from continuing operations before income taxes and cumulative effect of accounting change	8,010	8,863
Provision for income taxes	3,440	3,546
Income from continuing operations before cumulative effect of accounting change	4,570	5,317
Income from discontinued operations, net of income taxes	—	32
Income before cumulative effect of accounting change	4,570	5,349
Cumulative effect of accounting change, net of income taxes	—	(361)
Net income	$ 4,570	$ 4,988
Basic income (loss) per share of common stock:		
Continuing operations before cumulative effect of accounting change	$ 0.54	$ 0.59
Discontinued operations	0.00	0.00
Cumulative effect of accounting change	0.00	(0.04)
	$ 0.54	$ 0.56
Diluted income (loss) per share of common stock:		
Continuing operations before cumulative effect of accounting change	$ 0.54	$ 0.59
Discontinued operations	0.00	0.00
Cumulative effect of accounting change	0.00	(0.04)
	$ 0.54	$ 0.55
Cash dividends declared per share of common stock	$ 0.20	$ 0.20
Weighted average shares outstanding:		
Basic	8,521	8,974
Diluted	8,524	8,988

See notes to condensed consolidated financial statements.

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

(Amounts in thousands)	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Operating activities:		
Net income	$ 4,570	$ 4,988
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	1,920	2,111
Changes in operating assets and liabilities	(16,637)	(11,767)
Other	917	(99)
Net cash used for operating activities	(9,230)	(4,767)
Investing activities:		
Additions to property, plant and equipment	(3,528)	(1,300)
Net cash used for investing activities	(3,528)	(1,300)
Financing activities:		
Proceeds from revolving line of credit	20,000	—
Payments on revolving line of credit	(9,000)	—
Dividends paid	(1,704)	(1,795)
Other	—	63
Net cash provided by (used for) financing activities	9,296	(1,732)
Decrease in cash and cash equivalents	(3,462)	(7,799)
Cash and cash equivalents at beginning of period	4,320	16,297
Cash and cash equivalents at end of period	858	8,498
Cash held by discontinued operations	(142)	(125)
Cash and cash equivalents held by continuing operations at end of period	$ 716	$ 8,373

See notes to condensed consolidated financial statements.

Lawson Products, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note A — Basis of Presentation and Summary of Significant Accounting Policies

As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and, therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to Lawson Products, Inc.'s (the "Company") Annual Report on Form 10-K for the year ended December 31, 2006. The Condensed Consolidated Balance Sheet as of March 31, 2007, the Condensed Consolidated Statements of Income and the Condensed Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2007 and 2006 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

FIN 48 — We account for uncertain tax positions in accordance with FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FASB Statement No. 109 ("SFAS 109"). The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note I — Income Taxes to the condensed consolidated financial statements for additional detail on our uncertain tax positions.

There have been no significant changes in our significant accounting policies during the three months ended March 31, 2007, except as noted above related to FIN 48, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Note B — Comprehensive Income

Comprehensive income was $4,629 and $4,704 for the first quarters of 2007 and 2006, respectively. Comprehensive income was positively impacted by foreign currency translation adjustments of $59 in 2007 and negatively impacted by foreign currency translation adjustments of $284 for the three-month period ended March 31, 2006.

Accumulated comprehensive income consists only of foreign currency translation adjustments, net of related income tax.

Note C — Earnings Per Share

The calculation of dilutive weighted average shares outstanding for the three months ended March 31, 2007 and 2006 are as follows (in thousands):

	Three months ended March 31	
	2007	2006
Basic weighted average shares outstanding	8,521	8,974
Dilutive impact of options outstanding	3	14
Dilutive weighted average shares outstanding	8,524	8,988

Note D — Revolving Line of Credit

The revolving line of credit has a maximum borrowing capacity of $75 million and a maturity date of March 27, 2009. The revolving line of credit carries a floating interest rate of prime minus 150 basis points or LIBOR plus 75 basis points, at the Company's option. At March 31, 2007, the effective rate was 6.07 percent. Interest is payable quarterly on prime rate borrowings and at contract expirations for LIBOR borrowings. The line of credit contains certain financial covenants regarding interest coverage, minimum stockholders' equity and working capital, all of which the Company was in compliance with at March 31, 2007. The Company had $11 million of borrowings under the line of credit at March 31, 2007.

Note E — Reserve for Severance

The table below shows an analysis of the Company's reserves for severance and related payments, included in selling, general and administrative expenses for the first three months of 2007 and 2006:

	2007	2006
Balance at beginning of year	$ 962	$ 216
Charged to earnings	364	—
Cash paid	(604)	(38)
Adjustment to reserves	(120)	(28)
Balance at March 31	$ 602	$ 150

The charge to earnings in 2007 consists of $85 related to the anticipated closure of Lawson de Mexico operations later in 2007 and $279 related to severance costs arising from initiatives implemented in the first quarter of 2007 to improve domestic operational efficiencies.

The severance costs of $85 for Mexico are related to the Original Equipment Manufacturer distribution and manufacturing in North America (OEM) segment. The severance costs of $279 are related to the Maintenance, Repair and Operations distribution in North America (MRO) segment. The Company estimates the severance costs for 2007 will be approximately $2.2 million, which includes $1.7 million payable in connection with the recently announced resignation of Mr. Robert J. Washlow, our former Chairman and Chief Executive Officer, which will be recorded in the Company's second quarter of 2007.

Note F — Intangible Assets

Intangible assets subject to amortization, included within other assets, were as follows (in thousands):

	March 31, 2007		
	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$ 1,400	$ 700	$ 700
Non-compete covenant	1,000	250	750
	$ 2,400	$ 950	$ 1,450

	December 31, 2006		
	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$ 1,400	$ 687	$ 713
Non-compete covenant	1,000	200	800
	$ 2,400	$ 887	$ 1,513

Trademarks and tradenames are being amortized over 15 years. The non-compete covenant associated with the 2005 acquisition of Rutland is being amortized over 5 years. Amortization expense for intangible assets is expected to be $250 per year for each of the next four years and $50 per year thereafter until the trademarks and tradenames are fully amortized.

Note G — Stock-Based Compensation

The Incentive Stock Plan (“Plan”) provides for the issuance of incentive compensation to non-employee directors, officers and key employees in the form of stock options, stock performance rights (“SPRs”) and stock awards. As of December 31, 2006, 457,885 shares of common stock were available for issuance under the Plan.

Stock Performance Rights

SPRs vest at 20% to 33% per year and entitle the recipient to receive a cash payment equal to the excess of the market value of the Company’s common stock over the SPR exercise price when the SPRs are surrendered. The Company estimates the fair value of SPRs using the Black-Scholes valuation model each quarter. This model requires the input of subjective assumptions that will usually have a significant impact on the fair value estimate. The weighted-average estimated value of SPRs outstanding at March 31, 2007 was $12.86 per SPR with the following assumptions:

	March 31, 2007
Expected volatility	36.32% to 41.90%
Risk-free interest rate	4.54% to 4.63%
Expected term (in years)	1.9 to 5.2
Expected dividend yield	2.11%

In the first quarter 2007, a reduction to compensation expense of $0.7 million was recorded for outstanding SPRs. No SPRs were granted in the first quarter of 2007.

The following is a summary of the activity in the Company’s stock performance rights during the quarter:

	Average SPR Exercise Price	# of SPRs
Outstanding December 31, 2006 (1)	$ 33.31	179,500
Exercised	27.08	(500)
Outstanding March 31, 2007 (2)	$ 33.33	179,000

(1) Includes 113,500 SPRs vested and exercisable at December 31, 2006 at a weighted average exercise price of $28.88 per SPR.

(2) Includes 113,000 SPRs vested and exercisable at March 31, 2007 at a weighted average exercise price of $28.89 per SPR.

The aggregate intrinsic value of SPRs outstanding as of March 31, 2007 is $1.5 million.

As of March 31, 2007, there was $0.4 million of unrecognized compensation cost related to non-vested SPRs, which will be recognized over a weighted average period of 1.25 years.

As stock-based compensation expense recognized in the Condensed Consolidated Statements of Income for the first quarter of fiscal 2007 and 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

Stock Options

The following is a summary of the activity in the Company's stock options during the quarter:

	Average Option Exercise Price	# of Options
Outstanding December 31, 2006	$ 23.72	6,000
Granted		—
Exercised		—
Forfeited/expired/cancelled		—
Outstanding March 31, 2007	$ 23.72	6,000

Exercisable options at:	Weighted Average Price	Option Shares
December 31, 2006	$23.72	6,000
March 31, 2007	$23.72	6,000

The aggregate intrinsic value for options outstanding and exercisable at March 31, 2007 is $0.1 million.

As of March 31, 2007, the Company had the following outstanding options:

Exercise price	$23.56	$22.44	$26.75
Options outstanding:	3,000	2,000	1,000
Weighted average exercise price	$23.56	$22.44	$26.75
Weighted average remaining life (in years)	3.1	2.4	1.1
Options exercisable:	3,000	2,000	1,000
Weighted average exercise price	$23.56	$22.44	$26.75

As of December 31, 2006, all outstanding stock options were fully vested, and no remaining unrecognized compensation expense is to be recorded in 2007.

Note H — Segment Reporting

The Company has two reportable segments: Maintenance, Repair and Operations distribution in North America (MRO), and Original Equipment Manufacturer distribution and manufacturing in North America (OEM). The Company's reportable segments are distinguished by the nature of products, types of customers, and manner of servicing customers.

The Company's MRO distribution segment supplies a wide range of MRO parts to repair and maintenance organizations primarily through the Company's force of independent field sales agents, as well as inside sales personnel.

The Company's OEM segment manufactures and distributes component parts to OEM manufacturers through a network of independent manufacturers representatives as well as internal sales personnel.

The Company evaluates performance and allocates resources to reportable segments primarily based on operating income.

The following table presents summary financial information for the Company's reportable segments:

	Three Months Ended March 31	
	2007	2006
Net sales		
MRO	$ 106,286	$ 108,248
OEM	24,840	23,627
Consolidated total	$ 131,126	$ 131,875
Operating income		
MRO	$ 6,273	$ 6,852
OEM	1,724	1,452
Consolidated total	$ 7,997	$ 8,304

The reconciliation of segment profit for continuing operations to consolidated income before income taxes consisted of the following:

	Three Months Ended March 31	
	2007	2006
Total operating income from reportable segments	$ 7,997	$ 8,304
Investment and other income	94	559
Interest expense	(81)	—
Income from continuing operations before income taxes and cumulative effect of accounting change	$ 8,010	$ 8,863

Asset information for continuing operations related to the Company's reportable segments consisted of the following:

	March 31, 2007	December 31, 2006
Total assets		
MRO	$ 203,974	$ 203,117
OEM	52,273	51,254
Total for reportable segments	256,247	254,371
Corporate	23,793	23,879
Consolidated total	$ 280,040	$ 278,250

At March 31, 2007 and December 31, 2006, the carrying value of goodwill within each reportable segment was as follows (in thousands):

MRO	$ 25,748
OEM	2,251
Consolidated total	$ 27,999

Note I — Income Taxes

The Company adopted the provisions of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on January 1, 2007. Previously, the Company had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. As required by FIN 48, which clarifies Statement No. 109, Accounting for Income Taxes, the Company currently recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open.

As a result of the implementation of FIN 48, the Company recognized an increase of approximately $1,200,000 in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007, balance of retained earnings. At January 1, 2007, the Company recorded interest payable of approximately $675,000.

The Company's federal returns for the tax years 2004 through 2006 remain open to examination. In addition, the years 2000 through 2002 remain open to the extent of a refund claim. Generally, the tax years 2002 through 2006 remain open to examination by major state taxing jurisdictions. Finally, the major foreign jurisdictions in which the Company files income tax returns are Canada and Mexico. Generally, the tax years 2001 through 2006 remain open for Mexico and 2002 through 2006 for Canada.

Table of Contents

Note J — Legal Proceedings

In December 2005, the FBI executed a search warrant for records at the Company’s offices and informed the Company that it was conducting an investigation as to whether any of the Company’s representatives improperly provided gifts or awards to purchasing agents (including government purchasing agents) through the Company’s customer loyalty programs. The U.S. Attorney’s office for the Northern District of Illinois subsequently issued a subpoena for documents in connection with this investigation. In April 2007, thirteen people, including two current and five former sales agents of the Company, were indicted on federal criminal charges, including mail fraud, in connection with the U.S. Attorney’s investigation. These indictments allege that under the Company’s customer loyalty programs, sales agents would provide cash gift certificates to individuals purchasing Company merchandise on behalf of their employers as a way to increase their commissions and prices paid by customers. All of the cases involve commissioned sales agents of the Company. Although the Company was not charged in connection with these indictments, the U.S. Attorney has announced that its investigation is continuing.

The Company’s internal investigation regarding these matters has consisted of a review of the Company’s records and interviews with Company employees and independent agents and is not complete. In conjunction with the Company’s internal investigation, several customer loyalty programs were terminated because the Company believes that these programs provided or had the potential of providing promotional considerations, such as gifts and awards, to purchasing agents that the Company has deemed inappropriate. The Company has modified another customer loyalty program to limit the amount and nature of customer gifts distributed under the program. In addition, twenty-three independent agents have been terminated or have resigned and the Company has terminated four employees. The Company is cooperating with the ongoing investigation of the U.S. Attorney, however, the Company cannot predict when the investigation will be completed or what the outcome or the effect of the investigation will be. The outcome of the investigation could result in criminal sanctions or civil remedies against the Company, including material fines, injunctions or the loss of the Company’s ability to conduct business with governmental entities.

Note K — Subsequent Event

On April 13, 2007, the Company announced the resignation of its Chairman and Chief Executive Officer Robert J. Washlow. In the second quarter of 2007, the Company will record severance expense of $1.7 million related to Mr. Washlow’s departure.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Lawson Products, Inc.

We have reviewed the condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of March 31, 2007 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of December 31, 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated March 9, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

Chicago, Illinois
April 30, 2007

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

Quarter ended March 31, 2007 compared to Quarter ended March 31, 2006

The following table presents a summary of the Company's financial performance for the first quarters of 2007 and 2006:

(Dollars in thousands)	2007	% of Net Sales	2006	% of Net Sales
Net sales	$ 131,126	100.0	$ 131,875	100.0
Cost of goods sold	55,042	42.0	55,078	41.8
Gross profit	76,084	58.0	76,797	58.2
Operating expenses	68,087	51.9	68,493	51.9
Operating income	7,997	6.1	8,304	6.3
Other	13	0.0	559	0.4
Income from continuing operations before income taxes and cumulative effect of accounting change	8,010	6.1	8,863	6.7
Provision for income taxes	3,440	2.6	3,546	2.7
Income from continuing operations before cumulative effect of accounting change	4,570	3.5	5,317	4.0
Income from discontinued operations	—		32	0.0
Income before cumulative effect of accounting change	4,570	3.5	5,349	4.7
Cumulative effect of accounting change, net of income taxes	—		(361)	(0.3)
Net income	$ 4,570	3.5	$ 4,988	3.8

Table of Contents

Net Sales and Gross Profit

Net sales for the three-month period ended March 31, 2007 decreased slightly to $131.1 million, from $131.9 million in the same period of 2006.

The following table presents the Company's net sales results for its MRO and OEM businesses for the first quarter of 2007 and 2006:

(Dollars in millions)	2007	2006
MRO	$ 106.3	$ 108.3
OEM	24.8	23.6
	$ 131.1	$ 131.9

Maintenance, Repair and Operations distribution (MRO) net sales decreased $2.0 million in the first quarter of 2007, to $106.3 million from $108.3 million in the prior year period. Sales decreased in the U.S. and Canada by approximately $1.7 million and $0.3 million for the quarter, respectively. The decrease in the U.S. MRO net sales was primarily a result of the termination of a number of independent sales representatives which occurred throughout 2006.

Original Equipment Manufacturer (OEM) net sales increased $1.2 million in the first quarter of 2007, to $24.8 million from $23.6 million. Sales were higher by $1.5 million in the U.S. and lower by $0.3 million internationally, primarily related to Lawson de Mexico, for the three-month periods. The sales growth in the U.S. was primarily attributable to the acceleration of revenue related to the termination of a large customer contract in the first quarter of 2007.

Gross profit margins for the quarters ended March 31, 2007 and 2006 were comparable at 58.0% and 58.2%, respectively.

Operating Expenses and Operating Income

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses were $66.6 million and $68.5 million for the quarters ended March 31, 2007 and 2006, respectively. Lower expenses associated with the Company's long-term performance based incentive plans of $1.5 million and lower variable selling expenses of $0.4 million were the primary drivers in the decline quarter over quarter.

Other Charges

The Company recorded $1.4 million of compensation expense related to the retirement of Mr. Jeffrey Belford, its former President and Chief Operating Officer.

Operating Income

Operating income for the three-month period ended March 31, 2007 declined to $8.0 million, from $8.3 million in the same period of 2006. This $0.3 million decrease in operating income is principally due to lower gross profit of $0.7 million, offset by $0.4 million of lower operating expenses. The factors affecting these items are discussed above.

Investment and Other Income

The following table presents investment and other income for the quarters ended March 31, 2007 and 2006:

(Dollars in millions)	2007	2006
Realized foreign exchange gains	$ 0.0	$ 0.4
Interest and other	0.1	0.2
	$ 0.1	$ 0.6

The realized foreign exchange gains for the three months ended March 31, 2006 were due to inter-company payments from a Canadian subsidiary.

Provision for Income Taxes

The effective tax rates for the quarters ended March 31, 2007 and 2006 were 42.9% and 40.0%, respectively. The increase in the 2007 rate compared to the prior year period is primarily due to the impact of higher tax exempt income in 2006 related to the change in cash surrender value of life insurance and higher state tax liability estimates in 2007. This state tax rate fluctuates based on the income tax rates in the various jurisdictions in which the Company operates, and based on the level of profits in those jurisdictions.

Income from Continuing Operations before Cumulative Effect of Accounting Change

Income from continuing operations before cumulative effect of accounting change for the first quarter of 2007 decreased 14.0%, to $4.6 million ($0.54 per diluted share), compared to $5.3 million ($0.59 per diluted share) in the comparable period of 2006. The $0.7 million decrease is primarily the result of lower operating income and lower investment and other income in the first quarter 2007.

Diluted per share comparisons were positively impacted due to the Company's repurchase of shares under the modified "Dutch Auction" tender offer completed on October 11, 2006.

Income from Discontinued Operations

Income from discontinued operations of less than $0.1 million for the first quarter of 2006 reflects the impact of a partial settlement received from a former customer of the Company's discontinued UK operations.

Cumulative Effect of Accounting Change

The $0.4 million cumulative accounting change in the first quarter of 2006 represents the effect of adopting Financial Accounting Standards Board (FASB) Statement No. 123(R), "Share-Based Payment".

Liquidity and Capital Resources

Net cash used for operations was $9.2 million in the first quarter of 2007, an increase from $4.8 million for the first quarter of 2006. Working capital cash usage was $4.9 million higher in the first quarter 2007, driven primarily by higher compensation and other accrued expense payments in the first quarter 2007 compared to the prior year.

Net cash used for investing activities increased $2.2 million for the three-month period ended March 31, 2007 compared to the prior year period. Capital expenditures in 2007 of $3.5 million were principally related to the Reno, Nevada facility expansion. The Company anticipates the Reno facility expansion will be completed in 2007 and will require approximately $5.6 million of additional capital expenditures in 2007. For 2006, capital expenditures of $1.3 million were related to improvement of existing facilities and the purchase of related equipment.

Net cash provided by financing activities in the first quarter of 2007 was $9.3 million compared to $1.7 million net cash used for financing activities in the first quarter of 2006. The change was principally related to borrowings and payments on the revolving line of credit.

Working capital at March 31, 2007 was $101.4 million as compared to $101.8 million at December 31, 2006. At March 31, 2007 and December 31, 2006, the current ratio was 2.6 to 1.

The Company announced a cash dividend of $.20 per common share in the first quarter of 2007, equal to the cash dividend of $.20 per share announced in the first quarter of 2006.

Net cash provided by operating activities, current cash and cash equivalents and the $75 million unsecured revolving line of credit are expected to be sufficient to finance the Company's operations, cash dividends and capital expenditures for the next 12 months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at March 31, 2007 from that reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

The Company's chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding financial disclosures. There was no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2007 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Items 2, 3, 4 and 5 are inapplicable and have been omitted from this report.

Item 1. Legal Proceedings

In December 2005, the FBI executed a search warrant for records at the Company's offices and informed the Company that it was conducting an investigation as to whether any of the Company's representatives improperly provided gifts or awards to purchasing agents (including government purchasing agents) through the Company's customer loyalty programs. The U.S. Attorney's office for the Northern District of Illinois subsequently issued a subpoena for documents in connection with this investigation. In April 2007, thirteen people, including two current and five former sales agents of the Company, were indicted on federal criminal charges, including mail fraud, in connection with the U.S. Attorney's investigation. These indictments allege that under the Company's customer loyalty programs, sales agents would provide cash gift certificates to individuals purchasing Company merchandise on behalf of their employers as a way to increase their commissions and prices paid by customers. All of the cases involve commissioned sales agents of the Company. Although the Company was not charged in connection with these indictments, the U.S. Attorney has announced that its investigation is continuing.

The Company's internal investigation regarding these matters has consisted of a review of the Company's records and interviews with Company employees and independent agents and is not complete. In conjunction with the Company's internal investigation, several customer loyalty programs were terminated because the Company believes that these programs provided or had the potential of providing promotional considerations, such as gifts and awards, to purchasing agents that the Company has deemed inappropriate. The Company has modified another customer loyalty program to limit the amount and nature of customer gifts distributed under the program. In addition, twenty-three independent agents have been terminated or have resigned and the Company has terminated four employees. The Company is cooperating with the ongoing investigation of the U.S. Attorney, however, the Company cannot predict when the investigation will be completed or what the outcome or the effect of the investigation will be. The outcome of the investigation could result in criminal sanctions or civil remedies against the Company, including material fines, injunctions or the loss of the Company's ability to conduct business with governmental entities.

Item 1A. Risk Factors

If the Company is unable to successfully conclude the pending governmental investigation of the Company, the Company's business, financial condition, results of operations and stock price could be adversely affected.

In December 2005, the FBI executed a search warrant for records at the Company's offices and informed the Company that it was conducting an investigation as to whether any of the Company's representatives improperly provided gifts or awards to purchasing agents (including government purchasing agents) through the Company's customer loyalty programs. The U.S. Attorney's office for the Northern District of Illinois subsequently issued a subpoena for documents in connection with this investigation. In April 2007, thirteen people, including two current and five former sales agents of the Company, were indicted on federal criminal charges, including mail fraud, in connection with the U.S. Attorney's investigation. These indictments allege that under the Company's customer loyalty programs, sales agents would provide cash gift certificates to individuals purchasing Company merchandise on behalf of their employers as a way to increase their commissions and prices paid by customers. All of the cases involve commissioned sales agents of the Company. Although the Company was not charged in connection with these indictments, the U.S. Attorney has announced that its investigation is continuing.

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Table of Contents

Item 6. Exhibits

Exhibits

10	Separation agreement for Robert J. Washlow
15	Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information
31.1	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
31.2	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
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 May 7, 2007	/s/ Thomas J. Neri Thomas J. Neri Chief Executive Officer
Dated May 7, 2007	/s/ Scott F. Stephens Scott F. Stephens Chief Financial Officer

Exhibit 10

SEPARATION AGREEMENT AND GENERAL RELEASE

NOTE: THIS SEPARATION AGREEMENT CONTAINS A GENERAL WAIVER AND RELEASE OF CLAIMS, AS WELL AS OTHER PROVISIONS AFFECTING YOUR LEGAL RIGHTS AND OBLIGATIONS.

THIS SEPARATION AGREEMENT AND GENERAL RELEASE ("Agreement") is made by and between Robert J. Washlow ("Executive") and LAWSON PRODUCTS, INC. ("Company") as of the Effective Date as defined below in Section 20.

WHEREAS, Executive has been employed by the Company as its Chief Executive Officer and is party to a 2004 Employment Agreement by and between the Company and Executive, effective January 1, 2004 (the "Employment Agreement"), a copy of which is attached as Exhibit 1;

WHEREAS, Executive is also the Chairman and a member of the Board of Directors of the Company ("the Board");

WHEREAS, the Company and Executive have mutually agreed to terminate Executive's employment as Chief Executive Officer for Good Reason by Executive as of the Separation Date as defined below in Section 1.a., and Executive is hereby resigning as the Chairman and a member of the Board as of the Separation Date; and

WHEREAS, Executive and the Company desire to set forth the terms of Executive's separation from the Company and resignation from the Board.

NOW, THEREFORE, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. **Termination by Mutual Agreement**.

(a) Executive and the Company mutually agree that as of April 13, 2007 (the "Separation Date"), the Executive's employment by the Company will terminate for "Good Reason" by Executive (as such term is defined in the Employment Agreement), and Executive will cease to be the Chairman and a member of the Board of Directors of the Company.

(b) **Announcement Concerning Departure.** The Company will release the announcement attached as Exhibit 2 regarding Executive's departure from the Company on the Separation Date.

2. **Separation Payments and Benefits.** In exchange for the promises of Executive contained in this Agreement, the Company agrees to pay and provide to Executive the following:

(a) The Company will pay Executive the total amount of $1,716,000 (which equals two times Executive's base salary of $650,000 and most recent bonus of $208,000) as follows: (i) $450,000 within 3 business days after the Effective Date of the Agreement; and (ii) $1,266,000 within 3 business days after the 6 month anniversary of the Separation Date.

(b) The Company will pay Executive on the payroll date coincident with or next following the Separation Date: (i) any accrued and unpaid base salary through the Separation Date; (ii) 4 weeks accrued vacation pay; and (iii) a lump sum payment equal to base salary otherwise payable to Executive had his employment not terminated on the Separation Date from the Separation Date through May 15, 2007, in consideration of Executive's anticipated activities related to existing civil litigation involving a contractual dispute scheduled for trial commencing late April 2007. Executive will not be eligible to receive any bonus payment for 2007.

(c) Executive will retain the right to exercise the 28,000 vested Stock Performance Rights ("SPRs") granted to Executive on December 11, 2001, at an exercise price of $27.08, for 1 year after the Separation Date, pursuant to the terms of the SPRs and the Company's Amended Stock Performance Plan. Payment will be made in a lump sum equal to the difference between the stock closing price on the date of exercise and the exercise price, less tax withholdings, as soon as practicable, but in any event no later than 30 days after Executive's exercise of such SPRs.

(d) (i) Executive will be eligible to continue group insurance coverage (medical, dental, vision, and life) under the terms of the applicable plans maintained by the Company, at Company expense, for Executive and his dependents, for 3 years after the Separation Date or, for Executive and his spouse Roberta Washlow, until they turn age 65, if later. Post 65 coverage will be pursuant to the Company's retiree medical plan for executives. Any rights under COBRA will run concurrently with such coverage. During the 3 years after the Separation Date, the Company agrees not to materially reduce or eliminate the medical insurance coverage under the terms of the applicable plans maintained by the Company on the Separation Date, or in the event of such reduction or elimination, to reimburse Executive for the cost of obtaining similar medical coverage. During the 3 years after the Separation Date, the Company's obligation with respect to life insurance will be to continue to pay the premiums on a $50,000 term life insurance policy on Executive, and Executive may designate the beneficiary. Commencing 3 years after the Separation Date, Executive will have any conversion rights provided under the policy through the insurer, and Executive will be solely responsible for any premium payments.

(ii) Commencing 3 years after the Separation Date and continuing for 2 years, Executive will be eligible to continue coverage under the Company's retiree medical plan for executives, if such plan continues to be offered by the Company, by payment of the regular non-reduced premium rate in effect at the time, less $200 per month towards the premium for single coverage and an additional $200 per month for spousal coverage (or any amount in excess thereof then offered by the Company to other executives per the plan), however, the monthly cost paid by Executive cannot be less than 50% of the monthly premium. No Company contribution will be made for dental coverage. The amount of the medical and dental premiums is subject to change each year.

(iii) Commencing 5 years after the Separation Date, Executive will be eligible to enroll himself and his spouse in the Seniors Choice Medicare Supplement Program, if such program continues to be offered by the Company, and Executive will be solely responsible for any premium payments.

(e) Within 30 days after the Separation Date, the Company will assign to Executive the ownership of a key man term life insurance policy on the life of Executive, Security-Connecticut Life Insurance Co. Policy No. SC2479793G, issued by ING on February 22, 2002, which has a face value of $5 million, and which has a guaranteed annual premium of $16,815 through February 22, 2012. Executive will be solely responsible for any premium payments due after the Separation Date.

(f) In accordance with and subject to the terms of the Company's 2004 Executive Deferral Plan, Executive will be entitled to distribution of his vested account balance calculated as of the close of business on the last day of the 6 month period following the Separation Date, and payable in a lump sum no later than 60 days after the last day of the 6 month period following the Separation Date.

(g) In accordance with and subject to the terms of the Company's Long-Term Capital Accumulation Plan ("LTCAP"), Executive's 301 Shareholder Value Appreciation Rights ("SVARs") will vest in full on the Separation Date, will be valued at $417,000, and will be payable as follows:

(i) Within 3 business days after the Effective Date, Executive will receive from the Company a cash payment equal to fifty percent (50%) of the foregoing value of his vested SVARs;

(ii) On each of the first and second anniversaries of the payment made under Section 2(g)(i) above, Executive will receive from the Company a cash payment equal to twenty-five percent (25%) of the foregoing value of his vested SVARs. No interest will be payable with respect to those amounts.

(h) In the event that a " Sale of the Company " (as such term is defined in the LTCAP) occurs on or prior to December 31, 2008, the Company will pay Executive the excess, if any, of (x) over (y) below, as reduced by (z) below to the extent applicable:

(x) The amount that Executive would have been paid under the LTCAP due to such Sale of the Company assuming that (i) Executive was still an active employee of the Company with 301 outstanding SVARs under the LTCAP at such time and (ii) Executive had not received any prior payment from the LTCAP; provided, however, Section 12(d) of the LTCAP (which provides for allocating SVARs remaining available for award under the LTCAP to LTCAP participants who are then still active employees) will be inapplicable to Executive and Executive will be ineligible to receive an allocation of any additional SVARs.

(y) The amount that Executive receives under the LTCAP due to the termination of his employment as provided in Section 2 (g) of this Agreement.

(z) In the event that any payment (or portion thereof) under this Section 2(h) of this Agreement, as determined without regard to this clause (z), would be considered an "excess parachute payment" as determined under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the amount of such payment will be reduced (including to $0) until the payment (or any portion thereof) is no longer considered an "excess parachute payment" as determined under Section 280G of the Code.

Any payment under this Section 2(h) of this Agreement will be made as soon as reasonably practicable , but in no event later than March 15, in the calendar year immediately following the calendar year in which the closing of the Sale of the Company occurs. The determination of the amount of payment (if any) under this Section 2(h) of this Agreement will be made by the Company in its discretion, and to the extent that clause (z) is applicable, the amount of the reduction resulting from clause (z) will be determined by a certified public accounting firm designated by the Company.

The parties acknowledge and agree that any payment due under this Section 2(h) of this Agreement will be an obligation arising under this Agreement (and not a payment due or arising under the LTCAP). Notwithstanding anything to the contrary, Executive will not have a right to any payment under this Section 2(h) of this Agreement if Executive breaches any provision of this Agreement, including without limitation the post termination obligations of Executive hereunder.

3. **Executive Release.**

(a) Executive hereby RELEASES the Company, 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, owners, investors, partners, insurers, agents, attorneys, representatives, assigns and employees (collectively "Releasees"), from any and all claims, demands or causes of action which Executive, or Executive's heirs, executors, administrators, beneficiaries, agents, attorneys, representatives or assigns (collectively "Releasors"), have, had or may have against the Releasees, based on any events or circumstances arising or occurring prior to and including the date of Executive's execution of this Agreement 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 the Company, and any rights of continued employment, reinstatement or reemployment by the Company ("Claims"), PROVIDED, HOWEVER, Executive is not waiving, releasing or giving up the right to enforce the terms of this Agreement or rights under benefit plans or agreements expressly preserved and provided herein, or any other rights which cannot be waived as a matter of law.

(b) Executive agrees and acknowledges*:*

(i) that this Agreement is intended to be a general release that extinguishes all Claims by Executive against the Company;

(ii) 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 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 and other torts, breach of contract, and breach of any public policy or legal duty or obligation of any sort, to the fullest extent permitted by law;

(iii) that Executive is waiving all Claims against the Company, known or unknown, arising or occurring prior to and including the date of Executive's execution of this Agreement;

(iv) that if Executive now has or ever had any kind of legal Claims whatsoever against the Company, Executive is giving them up forever by entering into this Agreement, even if Executive does not know about the Claims when Executive enters into this Agreement;

(v) that Executive expressly waives all rights that Executive may have under any law that is intended to protect Executive from waiving unknown Claims and Executive understands the significance of doing so;

(vi) that the consideration that Executive will receive in exchange for Executive's waiver of the Claims specified herein exceeds anything of value to which Executive is already entitled;

(vii) that Executive was hereby informed by the Company in writing to consult with an attorney, and Executive was represented by attorneys at Mayer, Brown, Rowe & Maw LLP, regarding this Agreement;

(viii) that Executive had at least 21 days to consider this Agreement, although he may choose to sign this Agreement sooner;

(ix) that Executive has had a reasonable period of time within which to consider this Agreement; and

(x) that Executive has entered into this Agreement 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.

(c) In the event any Claims are filed on Executive's behalf, Executive hereby waives any and all rights to receive monetary damages or injunctive relief in favor of Executive.

(d) Executive represents that Executive has not assigned any Claim against the Company to any person or entity.

4. **Indemnification, Attorneys' Fees and Costs.**

(a) Executive will be eligible for indemnification pursuant to the provisions of Section 6 of the Employment Agreement, and subject to the advancement and repayment rights and obligations set forth therein.

(b) The Company will reimburse Executive for reasonable attorneys' fees and expenses of Mayer, Brown, Rowe & Maw LLP incurred by Executive in connection with the negotiation and preparation of this Agreement through the Separation Date, in an amount not to exceed $60,000.

(c) Except as provided in Sections 4(a) and (b) above or as a prevailing party as provided in Section 17(e) below, Executive will be solely responsible for any attorney fees or costs he incurs.

5. **Payment Date.** Prior to or promptly upon execution of this Agreement, Executive will provide the Company with wire transfer instructions for the payments to be made pursuant to this Agreement, and the Company will pay all amounts to the Executive in accordance with such instructions within 3 business days following receipt of such instructions, or on the date on which such amounts become payable under this Agreement, if later.

6. **Company Documents/Property.**

(a) Executive acknowledges that all documents and other tangible property related in any way to the business of the Company are the exclusive property of the Company even if Executive authored or created them. Executive further acknowledges that all business processes, methodologies and techniques created during Executive's employment even if Executive authored or created them are similarly the property of the Company. Executive agrees that, to the extent Executive has not already done so, Executive will promptly return to the Company all documents (whether in paper, on computer, or stored in electronic or other form) and other property of the Company in Executive's possession, custody or control, including without limitation all keys, credit cards, computers and hard drives for such computers, cell phones or other equipment.

(b) In connection with any court proceeding or government investigation of the Company or Executive, or any other proceeding, investigation or claim involving Executive or relating in any way to Executive's actions as an employee of the Company or in his capacity as Chief Executive Officer or member of the Board, the Company agrees to allow Executive or Executive's designated representative reasonable access to potentially relevant Company documents dated prior to the Separation Date, as determined by the Company in its sole discretion, with reasonable notification, PROVIDED, HOWEVER, Executive has no right to access any documents which are privileged by the Company's attorney/client privilege or by the Company's or its attorneys' work product privileges, or which relate to this Separation Agreement, or the Special Committee of the Board.

7. **Restrictive Covenants.** The Company and Executive acknowledge that the provisions of the Employment Agreement in Section 8(a) relating to non-competition, in Section 8(b) relating to trade secrets, confidential information and customer relationships, in Section 8(c) relating to confidentiality, and in Section 8(d) relating to non-solicitation, will continue to apply to Executive and the Company; provided however, that notwithstanding any provision of the Employment Agreement to the contrary, Executive is permitted to recruit, solicit, or offer encouragement to leave the employ of the Company with respect to Patricia Youngblood or Nancy Gonzalez, and

the provisions of Section (8)(d) of the Employment Agreement do not apply to Executive's activities with respect to those two individuals.

8. **Cooperation.**

(a) Executive agrees that, subject to reimbursement by the Company of reasonable out-of-pocket costs and expenses, Executive will cooperate fully and truthfully with the Company and its attorneys with respect to any matter (including litigation, investigation or governmental proceedings) that relates to matters with which Executive was involved while Executive was employed by the Company. Executive's required cooperation may include appearing from time to time at the Company offices or the Company attorneys' offices for conferences and interviews, and in general providing the Company and its attorneys with the full benefit of Executive's knowledge with respect to any such matter. Executive agrees to cooperate in a timely fashion and at times that are agreeable to all parties. Executive agrees to promptly notify the Company's General Counsel if Executive is the recipient of a subpoena or other request for information about the Company, and to cooperate with the Company's response to such subpoena or request.

(b) Notwithstanding any provision herein, Executive and the Company agree that no provision of this Agreement is meant: (i) to preclude Executive from fully and truthfully cooperating with any governmental investigation or proceeding; (ii) to preclude Executive in his sole discretion from exercising his rights under the Fifth Amendment of the U.S. Constitution; or (iii) to preclude Executive from declining to be interviewed by the Company or its agents, if so advised by his current attorneys and also provided the subject matter of the interview relates to pending investigations being conducted by the U.S. government.

9. **Tax Withholdings and Consequences.**

(a) The payments under this Agreement shall be subject to federal, state and local tax withholding, to the extent applicable.

(b) Executive assumes full responsibility to any federal, state, or local taxing authorities for any tax consequences, including interest and penalties, regarding income and other taxes arising out of the payments and benefits provided to Executive pursuant to this Agreement, and will defend, indemnify and hold the Company harmless from any taxes, including interest and penalties, and attorney fees and costs incurred by the Company in proceedings relating thereto. Executive agrees that the Company has made no representations regarding the proper tax treatment of the payments and benefits provided to Executive pursuant to this Agreement.

10. **<u>Office and Space Access.</u>**

(a) Executive will have reasonable access to his office at the Company to effect the relocation of Executive's personal property through May 15, 2007, as determined in the Company's sole discretion. If Executive has not vacated his office at the Company by May 15, 2007, the Company will move and store Executive's property until no later than November 15, 2007, and then move Executive's property as directed by Executive or to his home, at Company expense.

(b) In the event Executive vacates his office at the Company by May 15, 2007, and establishes and maintains an office outside his home, the Company will: (i) reimburse Executive for the cost of alternative office space and related expenses in the amount of $5,000 per month for up to 18 months after May 15, 2007; and (ii) assign a Company employee on the Company's payroll to provide assistance to Executive for up to 18 months after May 15, 2007.

11. **<u>No Admission of Wrongdoing.</u>** The Company's offer to Executive of this Agreement and the payments and benefits set forth herein is not intended to, and will not be construed as, an admission of liability by the Company or of any improper conduct on the Company's part. Executive's acceptance of this Agreement and separation from his positions with the Company is not intended to, and will not be construed as, an admission of liability by Executive or of any improper conduct on Executive's part. Neither the Company nor Executive has accused the other of wrongdoing.

12. **<u>Representations of the Company.</u>** The Company represents and warrants to Executive that the execution, delivery and performance of this Agreement and the consummation of the transaction contemplated hereby have been duly and validly authorized on behalf of the Company and that all corporate action required to be taken by the Company for the execution, delivery and performance of this Agreement has been duly taken by the Company.

13. **<u>Entire Agreement/Amendment.</u>** This Agreement constitutes the entire agreement between the parties and supersedes all prior negotiations and agreements, including the Employment Agreement, except that Sections 6 and 8 of the Employment Agreement, and the benefits and compensation plans referenced herein are incorporated by reference, but only to the extent the provisions thereof are not inconsistent with the terms of this Agreement. This Agreement may be amended only by a written instrument signed by all parties hereto.

14. **<u>Counterparts.</u>** This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which constitute one and the same Agreement.

15. **<u>Severability.</u>** If any provision, section, subsection or other portion of this Agreement is determined by any court of competent jurisdiction to be invalid, illegal or

unenforceable, in whole or in part, and such determination becomes final, such provision or portion will be deemed to be severed or limited, but only to the extent required to render the remaining provisions and portion of this Agreement enforceable. This Agreement as thus amended will be enforced so as to give effect to the intention of the parties insofar as that is possible. In addition, the parties hereby expressly empower a court of competent jurisdiction to modify any term or provision of this Agreement to the extent necessary to comply with existing law and to enforce this Agreement as modified.

16. **Governing Law.** This Agreement will be governed by the laws of the State of Illinois.

17. **Dispute Resolution.**

(a) *Arbitrable Claims*. The Company and Executive mutually consent to the resolution by final and binding arbitration of any and all disputes, controversies or claims related in any way to Executive's employment with the Company, including, but not limited to, any dispute, controversy or claim of alleged discrimination, harassment or retaliation (including, but not limited to, claims based on race, sex, sexual preference, religion, national origin, age, marital or family status, medical condition, handicap or disability), any claim arising out of or relating to this Agreement and any dispute as to the arbitrability of a matter under this provision (collectively, "Claims"); provided, however, that nothing herein shall require arbitration of any claim or charge which, by law, cannot be the subject of a compulsory arbitration agreement. The Company and Executive expressly acknowledge that they waive the right to litigate Claims in a judicial forum before a judge or jury.

(b) *Claim Initiation/Time Limits*. A party must notify the other party in writing of a request to arbitrate Claims within the same statute of limitations applicable to the legal claim asserted. The written request for arbitration must specify: (i) the factual basis on which the Claims are made; (ii) the statutory provision or legal theory under which Claims are made; and (iii) the nature and extent of any relief or remedy sought.

(c) *Procedures*. The arbitration will be administered in accordance with the rules then in effect of the American Arbitration Association ("AAA"), in Chicago, Illinois, before a single arbitrator, licensed to practice law in that jurisdiction, who has been selected in accordance with such rules. Executive and the Company may be represented by counsel of their choosing. The Company will pay any fees of the AAA, filing costs, and arbitrator fees or expenses for any arbitration proceeding.

(d) *Responsibilities of Arbitrator; Award; Judgment*. The arbitrator will act as the impartial decision maker of any Claims that come within the scope of this arbitration provision. The arbitrator will have the powers and authorities provided by the Rules and the state or common law under which the claim is made. For example, the arbitrator will have the power and authority to include all remedies in the award available under the statute or common law under which the claim is made including, without limitation, the issuance of an injunction. The arbitrator will apply the elements and burdens of proof, mitigation duty, interim earnings offsets and other legal rules or requirements under the statutory provision or common law under which such claim is made. The arbitrator will permit reasonable pre-hearing discovery. The arbitrator will have the power to issue subpoenas. The arbitrator will have the authority to issue a summary disposition if there are no material factual issues in dispute requiring a hearing and the Company or Executive is clearly entitled to an award in its or his favor. The arbitrator will not have the power or authority to add to, detract from or modify any provision of this Agreement, or any related agreements or plans, including but not limited to any equity awards. The arbitrator, in rendering an award in any arbitration conducted pursuant to this provision, will issue a reasoned award in a signed written opinion stating the findings of fact and conclusions of law on which it is based. The arbitrator will be required to follow the law of the state designated by the parties herein. Any judgment on or enforcement of any award, including an award providing for interim or permanent injunctive relief, rendered by the arbitrator may be entered, enforced or appealed in any court having jurisdiction thereof. Any arbitration proceedings, decision or award rendered hereunder, and the validity, effect and interpretation of this arbitration provision, shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

(e) *Attorneys' Fees and Costs.* The Company and Executive will pay their own legal fees (including counsel fees), and other fees and expenses incurred by them in obtaining or defending any right or benefit under such Claims; PROVIDED, HOWEVER, the prevailing party in any arbitration proceeding hereunder will be entitled to payment from the other party of all reasonable attorneys' fees and costs incurred by the prevailing party in the arbitration.

18. **Acceptance.** Executive may accept this Agreement by delivering an executed copy of the Agreement to:

Lawson Products, Inc.
1666 East Touhy Avenue
Des Plaines, IL 60018
Attention: Neil Jenkins
Fax: 847-296-1949

with a copy to:

Jenner & Block LLP
330 N. Wabash Ave., 40th Fl.
Chicago, IL 60611
Attention: William D. Heinz
Carla J. Rozycki
Fax: 312-527-0484

on or before May 1, 2007, or 21 calendar days after Executive's receipt of this Agreement, whichever is later.

19. **Right to Revoke.** Executive may revoke this Agreement within seven (7) calendar days after it is executed by Executive by delivering a written notice of revocation to:

Lawson Products, Inc.
1666 East Touhy Avenue
Des Plaines, IL 60018
Attention: Neil Jenkins
Fax: 847-296-1949

with a copy to:

Jenner & Block LLP
330 N. Wabash Ave., 40th Fl.
Chicago, IL 60611
Attention: William D. Heinz
Carla J. Rozycki
Fax: 312-527-0484

no later than the close of business on the seventh (7th) calendar day after this Agreement was signed by Executive.

20. **Effective Date.** This Agreement will not become effective or enforceable until the later of the eighth (8th) calendar day after Executive signs this Agreement and has not revoked it (the "Effective Date" of this Agreement). If Executive signs and then revokes this Agreement, the Agreement will be null and void, and the parties will have no obligations hereunder.

21. **Notices.** For the purpose of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be sent by messenger, overnight courier, certified or registered mail, postage prepaid and return receipt requested or by facsimile transmission to the parties at their respective addresses and fax numbers set forth below or to such other address or fax number as to which notice is given.

If to the Executive:	Robert J. Washlow 700 North Green Bay Road Lake Forest, IL 60014 with a copy to: Mayer, Brown, Rowe & Maw 71 South Wacker Drive Chicago, IL 60606 Attention: Maritoni D. Kane Cecilia A. Roth Fax: 312-701-7711
If to the Company:	Lawson Products, Inc. 1666 East Touhy Avenue Des Plaines, IL 60018 Attention: Neil Jenkins Fax: 847-296-1949 with a copy to: Jenner & Block LLP 330 N. Wabash Ave., 40th Fl. Chicago, IL 60611 Attention: William D. Heinz Carla J. Rozycki Fax: 312-527-0484

Either party may change the address to which notices, requests, demands and other communications hereunder shall be sent by sending written notice of such change of address to the other party. Notices, demands and other communications shall be deemed given on delivery hereof.

22. **Assignments.** This Agreement is binding upon and shall inure to the benefit of Executive's heirs, executors, administrators or other legal representatives, and

upon the successors or assigns of the Company, or any company into which the Company merges or consolidates. Executive may not assign this Agreement without advance written consent of the Company.

23. **Knowing and Voluntary Agreement.** The parties hereby agree and acknowledge that they have carefully read this Agreement, fully understand what this Agreement means, and are signing this Agreement knowingly and voluntarily, that no other promises or agreements have been made to the parties other than those set forth in this Agreement, and that the parties have not relied on any statements by anyone associated with the other party that is not contained in this Agreement in deciding to sign this Agreement.

WHEREFORE, the parties have executed this Agreement on the date or dates set forth below.

AGREED:	AGREED:
EXECUTIVE:	**LAWSON PRODUCTS INC.**
______________________________	By: ______________________________
Name: Robert J. Washlow	Name: ______________________________
Date: ______________________________	Title: ______________________________
	Date: ______________________________

Exhibit 15

April 30, 2007

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. and subsidiaries of our report dated April 30, 2007 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. and subsidiaries which are included in its Form 10-Q for the quarter ended March 31, 2007.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

Exhibit 31.1

CERTIFICATIONS

I, Thomas J. Neri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc.;

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(s) 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 quarter (the registrant's fourth fiscal quarter 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(s) 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: May 7, 2007

/s/ Thomas J. Neri
Thomas J. Neri
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Scott F. Stephens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc.;

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(s) 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 quarter (the registrant's fourth fiscal quarter 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(s) 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: May 7, 2007

/s/ Scott F. Stephens
Scott F. Stephens
Chief Financial Officer

Exhibit 32

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 March 31, 2007 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.

/s/ Thomas J. Neri

Thomas J. Neri
Chief Executive Officer

/s/ Scott F. Stephens

Scott F. Stephens
Chief Financial Officer

May 7, 2007