SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended June 30, 1999 Commission file no. 0-10546

LAWSON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware	36-22293040
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Registrant's telephone no., including area code: (847) 827-9666

Not applicable

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 10,353,822 Shares, $1 par value, as of July 16, 1999.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)	June 30, 1999 (UNAUDITED)	December 31, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 20,337	$ 13,872
Marketable securities	7,949	13,816
Accounts receivable, less allowance for doubtful accounts	35,966	35,255
Inventories (Note B)	47,518	46,670
Miscellaneous receivables and prepaid expenses	7,383	7,533
Deferred income taxes	1,302	1,256
Total Current Assets	120,455	118,402
Marketable securities	2,781	11,020
Property, plant and equipment, less allowances for depreciation and amortization	43,112	41,142
Investments in real estate	4,201	4,054
Deferred income taxes	7,880	6,747
Other assets	19,936	17,617
Total Assets	$ 198,365	$ 198,982

LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities:		
Accounts payable	$ 5,910	$ 5,113
Accrued expenses and other liabilities	21,384	22,405
Income taxes	2,354	3,283
Total Current Liabilities	29,648	30,801
Accrued liability under security bonus plans	15,670	15,315
Other	10,264	9,931
	25,934	25,246
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-(1999-10,353,822 shares; 1998-10,663,822 shares)	10,354	10,664
Capital in excess of par value	728	749
Retained earnings	132,921	132,209
Accumulated other comprehensive income	(1,220)	(687)
Total Stockholders' Equity	142,783	142,935
Total Liabilities and Stockholders' Equity	$ 198,365	$ 198,982

See notes to condensed consolidated financial statements

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

(Amounts in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30	
	1999	1998	1999	1998
Net sales	$ 78,247	$ 72,535	$ 152,395	$ 142,897
Cost of goods sold (Note B)	26,672	24,876	52,509	49,704
Gross profit	51,575	47,659	99,886	93,193
Selling, general and administrative expenses	42,117	40,028	82,042	78,476
Non-recurring charge	2,053	---	2,053	---
Operating income	7,405	7,631	15,791	14,717
Investment and other income	1,311	636	1,917	1,278
Income before income taxes	8,716	8,267	17,708	15,995
Provision for income taxes	3,590	3,538	7,305	6,743
Net income	$ 5,126	$ 4,729	$ 10,403	$ 9,252
Net income per share of common stock:				
Basic	$ 0.49	$ 0.42	$ 0.98	$ 0.83
Diluted	$ 0.49	$ 0.42	$ 0.98	$ 0.83
Cash dividends declared per share of common stock	$ 0.14	$ 0.14	$ 0.28	$ 0.28
Weighted average shares outstanding:				
Basic	10,490	11,135	10,563	11,135
Diluted	10,495	11,161	10,564	11,167

See notes to condensed consolidated financial statement.

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

(UNAUDITED)

(Amounts in thousands)

	For the Six Months Ended June 30, 1999	For the Six Months Ended June 30, 1998
Operating activities:		
Net income	$ 10,403	$ 9,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,121	2,789
Changes in operating assets and liabilities	(5,623)	(7,568)
Other	(702)	(183)
Net Cash Provided by Operating Activities	7,199	4,290
Investing activities:		
Additions to property, plant and equipment	(4,890)	(3,504)
Purchases of marketable securities	(57,613)	(102,548)
Proceeds from sale of marketable securities	71,560	109,201
Other	231	325
Net Cash Provided by Investing Activities	9,288	3,474
Financing activities:		
Purchases of treasury stock	(7,094)	---
Dividends paid	(2,928)	(3,118)
Other	---	11
Net Cash Used in Financing Activities	(10,022)	(3,107)
Increase in Cash and Cash Equivalents	6,465	4,657
Cash and Cash Equivalents at Beginning of Period	13,872	10,248
Cash and Cash Equivalents at End of Period	$ 20,337	$ 14,905

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The Condensed Consolidated Balance Sheet as of June 30, 1999, the Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 1999 and 1998 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 1999 and 1998 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 and six month periods ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

B) Inventories (consisting of primarily finished goods) at June 30, 1999 and cost of goods sold for the three and six month periods ended June 30, 1999 and 1998 were determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit is adjusted in the fourth quarter. In 1998, this adjustment increased net income by approximately $1,146,000.

C) As of January 1, 1998, the Company adopted FASB Statement 130, "Reporting Comprehensive Income," (SFAS 130). SFAS 130 establishes new rules for reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or stockholders' equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale marketable securities and foreign currency translation adjustments to be included in other comprehensive income, which prior to adoption were reported separately in stockholders' equity.

Total comprehensive income and its components, net of related tax, for the first three and six months of 1999 and 1998 are as follows:

	Three months ended June 30	
	1999	1998
Net income	$ 5,125,521	$ 4,728,753
Unrealized gain(loss) on marketable securities	(629,000)	18,000
Foreign currency translation adjustments	120,605	(217,917)
Comprehensive income	$ 4,617,126	$ 4,528,836

	Six months ended June 30	
	1999	1998
Net income	$ 10,402,555	$ 9,251,502
Unrealized gain(loss) on marketable securities	(683,000)	166,000
Foreign currency translation adjustments	150,434	229,951
Comprehensive income	$ 9,869,989	$ 9,647,453

The components of accumulated other comprehensive income, net of related tax, at June 30, 1999 and December 31, 1998 are as follows:

	1999	1998
Unrealized gain (loss) on marketable securities	$ (15,000)	$ 668,000
Foreign currency translation adjustments	(1,204,637)	(1,355,071)
Accumulated other comprehensive income	$ (1,219,637)	$ (687,071)

D) Earnings per Share

The calculation of dilutive weighted average shares outstanding for the three and six months ended June 30, 1999 and 1998 are as follows:

	Three months ended June 30 1999	Three months ended June 30 1998
Basic weighted average shares outstanding	$ 10,489,572	$ 11,135,583
Dilutive impact of options outstanding	5,454	25,277
Dilutive weighted average shares outstanding	$ 10,495,026	$ 11,160,860

	Six months ended June 30 1999	Six months ended June 30 1998
Basic weighted average shares outstanding	$ 10,562,822	$ 11,135,476
Dilutive impact of options outstanding	1,114	31,531
Dilutive weighted average shares outstanding	$ 10,563,936	$ 11,167,007

E) In the second quarter of 1999, the Company recorded a non-recurring charge of $1,237,000, net of income tax benefit of $816,000, for severance and early retirement benefits in connection with previously announced management changes. Additionally, in the second quarter of 1999, a gain of $554,000, net of income taxes of $369,000, was recorded on the sale of marketable securities.

F) On July 1, 1999 the Company's newly created subsidiary, ACS/SIMCO, signed a purchase agreement to acquire substantially all of the assets and assume substantially all liabilities of SunSource Inventory Management Company, Inc. and Hillman Industrial Division which comprised the original equipment fastener business of SunSource Inc., for $10 million, with certain contingent purchase price adjustment features based on future operating results. This all-cash transaction will be accounted for as a purchase, and accordingly, the accounts and transactions of these operations will be included in the consolidated financial statements subsequent to the date of acquisition.

Independent Accountants' Review Report

Board of Directors
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of June 30, 1999 and the related condensed consolidated statements of income for the three month and six month periods ended June 30, 1999 and 1998 and the condensed consolidated statements of cash flows for the six month periods ended June 30, 1999 and 1998. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 1998, 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 February 26, 1999, 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, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

July 16, 1999

This Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, contains certain forward-looking statements pertaining to the Year 2000 Issue and other matters. These statements are subject to uncertainties and other factors which could cause actual events or results to vary materially from those anticipated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net sales for the three and six month periods ended June 30, 1999 advanced 7.9% to $78,247,000 and 6.6% to $152,395,000 relative to the comparable periods of 1998. The sales gains reflect increased contribution from substantially all Lawson operations.

Net income for the second quarter increased 8.4% to $5,126,000 ($.49 per diluted share) from $4,729,000 ($.42 per diluted share) for the comparable period of 1998. Net income for the six months ended June 30, 1999 advanced 12.4% to $10,403,000 ($.98 per diluted share) from $9,252,000 ($.83 per diluted share) for the same period of 1998. These increases are primarily attributable to cost containment efforts, slightly higher gross margins and the gains in net sales noted above. Per share net income for 1999 and 1998 was positively impacted by the Company's share repurchase program. In the second quarter of 1999, the Company recorded a non-recurring charge of $1,237,000, net of income tax benefit of $816,000, for severance and early retirement benefits in connection with previously announced management changes. Additionally, in the second quarter of 1999, an after tax gain of $554,000 was recorded on the sale of marketable securities. Excluding the effects of these items, net income in the second quarter of 1999 was $5,809,000 ($.55 per diluted share), an increase of 22.8%. For the six month period ended June 30, 1999, excluding the non-recurring charge and gain on sale of securities, net income was $11,086,000 ($1.05 per diluted share), an increase of 19.8%.

Cash flows provided by operations for the six months ended June 30, 1999 advanced to $7,199,000 from $4,290,000 in the comparable period of the prior year. This increase was due primarily to a smaller decrease in operating liabilities (principally accounts payable and accrued expenses) as compared to the decrease in operating liabilities and the gain in net income for the same period of 1998. Current investments and cash flows from operations are expected to be sufficient to finance the Company's future growth, cash dividends and capital expenditures.

Additions to property, plant and equipment were $4,890,000 and $3,504,000, respectively, for the six months ended June 30, 1999 and 1998. Capital expenditures during 1999 and 1998 primarily reflect costs incurred relative to the construction of a new Lawson outbound facility in Atlanta, Georgia and purchases of computer related equipment. The new facility, expected to be completed during the fourth quarter of 1999 at a cost of approximately $7,000,000, will be used in place of the Norcross, Georgia facility, which will be sold.

During the first six months of 1999, the Company purchased 310,000 shares of its own common stock for approximately $7,094,000. Of these purchases, 261,500 shares were acquired relative to the 1998 Board authorization of 500,000 shares and 48,500 shares represented the remaining shares relative to a 1996 stock repurchase authorization of 1,000,000 shares. All treasury shares purchased as of June 30, 1999 have been retired.

Year 2000

The Company has developed a plan to modify its information technology to recognize the Year 2000 Issue. The Year 2000 Issue involves computer programs being written using two digits rather than four to define the applicable year. Computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in a system failure or miscalculations causing disruptions in the processing of normal business transactions.

Based on the Company's assessment of the Year 2000 Issue, it has been determined that it will be required to modify or replace portions of its software and certain hardware to insure the proper recognition of dates beyond December 31, 1999. The Company presently believes that with modifications or replacements of certain existing software and hardware, the Year 2000 Issue can be mitigated.

The Company's plan to resolve the Year 2000 Issue involves the following four phases: assessment, remediation, testing, and implementation. The Company has fully completed its assessment of all systems that could be significantly impacted by the Year 2000 and is currently converting its critical data processing systems.

Based on a review of its product line, the Company has determined that the products it has sold and will continue to sell do not require remediation to be Year 2000 compliant. Accordingly, the Company does not believe that the Year 2000 presents exposure as it relates to the Company's products.

The Company has contacted substantially all of its suppliers and has gathered information about their Year 2000 compliance status. To date, the Company is not aware of any supplier with a Year 2000 issue that would have a material impact on the operations of the Company. However, the Company does not have the means to ensure that third parties will be Year 2000 ready. The inability of third parties to complete their Year 2000 resolution process in a timely fashion could materially impact the Company. The effect of non-compliance by third parties is not determinable.

The Company will utilize both internal and external resources to reprogram, or replace, test, and implement the software and operating equipment for Year 2000 modifications. This project remains on schedule, including testing and implementation. The Company presently believes all phases of the conversion will be completed by the end of the third quarter of 1999 at a total cost of approximately $550,000, of which $450,000 of expense has been incurred as of June 30, 1999. These costs are primarily for modifying code and testing computer software programs. This project is not expected to have a significant effect on operations.

If the Company is unsuccessful in its remediation efforts or if the remediation efforts of its key suppliers or customers are unsuccessful, there may be a material adverse impact on the Company's results of operations and financial position. If the Year 2000 Issue project is unsuccessful, the worst case scenario is that the Company will be unable to distribute its products. As the Company cannot predict the magnitude or time length of Year 2000 business interruptions, the Company is unable to estimate the financial impact of Year 2000 issues. The Company does not currently have a contingency plan although one is under development.

Although the project is not yet complete, the management of the Company believes it has an effective program in place to resolve the Year 2000 Issue in a timely manner. The Company is committed to providing the necessary resources, including additional funding and manpower, as required, until such time that all phases of the Year 2000 project are completed.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk at June 30, 1999 from that reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

Part II - OTHER INFORMATION

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

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

(a) The annual meeting of stockholders of Lawson Products, Inc. was held on May 11, 1999.

(b) Not applicable.

(c1) Set forth below is the tabulation of the votes on each nominee for election as a director:

	For	Withheld Authority
Ronald B. Port, M.D.	8,445,518	839,888
Robert G. Rettig	8,442,985	842,421
Peter G. Smith	8,444,267	841,139

(c2) Set forth below is the tabulation of the votes on the proposal concerning the amendment to the Company's Incentive Stock Plan:

For	Against	Abstain
8,518,064	582,905	184,437

(c3) Set forth below is the tabulation of the votes on the stockholder proposal concerning the sale or merger of the Company:

For	Against	Abstain
647,884	7,949,562	36,309

(c4) Set forth below is the tabulation of the votes on the stockholder proposal concerning the elimination of a classified Board of Directors:

For	Against	Abstain
2,513,213	6,092,435	27,607

(d) Not applicable.

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

(a) 15 Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information

27 Financial Data Schedule

(b) The registrant was not required to file a Current Report on Form 8-K for the most recently completed quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAWSON PRODUCTS, INC.
(Registrant)

Dated July 16, 1999 /s/ Bernard Kalish

Bernard Kalish
Chairman of the Board

Dated July 16, 1999 /s/ Joseph L. Pawlick

Joseph L. Pawlick
Vice President and Controller
(principal accounting officer)

Exhibit 15

July 16, 1999

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated July 16, 1999 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended June 30, 1999.

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

ERNST & YOUNG LLP

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