SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2003

OR

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

Commission file number: 0-10546

LAWSON PRODUCTS, INC.

(Exact Name of Registrant as Specified in Charter)

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

1666 EAST TOUHY AVENUE, DES PLAINES, ILLINOIS 60018
(Address of principal executive offices)

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

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

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

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

COMMON STOCK, $1.00 PAR VALUE
(Title of class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No ......

The aggregate market value of the Registrant's voting stock held by non-affiliates (based upon the per share closing price of $27.41) on June 30, 2003 was approximately $133,966,000.

As of March 1, 2004, 9,488,369 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

Portions of the Proxy Statement for Annual Meeting of Stockholders to be held on May 11, 2004 filed with the SEC Part III

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"SAFE HARBOR" STATEMENT UNDER THE SECURITIES LITIGATION REFORM ACT OF 1995: This Annual Report on Form 10-K 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 include, but are not limited to, those related to general economic conditions and market conditions in the original equipment manufacturers and maintenance, repair and replacement distribution industries in North America and to a lesser extent, the United Kingdom, the Company's ability to obtain new customers and manage growth, material or labor cost increases, competition in the Company's business, operating margin risk due to competitive pricing and operating efficiencies, successful integration of acquisitions, the Company's dependence on key personnel and the length of economic downturns in the Company's markets. In the event of continued economic downturn, the Company could experience additional customer bankruptcies, reduced volume of business from its existing customers and lost volume due to plant shutdowns or consolidations by the Company's customers or other factors that may be referred to or noted in the Company's reports filed with the Securities and Exchange Commission from time to time. 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.

PART I

ITEM 1. BUSINESS.

Lawson Products, Inc. was incorporated in Illinois in 1952 and reincorporated in Delaware in 1982. The Company has four reportable segments: (i) maintenance, repair and replacement distribution in the U.S.; (ii) international maintenance, repair and replacement distribution in Canada; (iii) original equipment manufacturer ("OEM") distribution and manufacturing in the U.S. and (iv) international original equipment manufacturer distribution in the United Kingdom and Mexico. Please see Note O in the notes to the consolidated financial statements for additional information regarding segment results.

PRODUCTS

The Company is a seller and distributor of systems, services and products. The Company also manufactures and distributes production and specialized component parts to the OEM marketplace. The Company offers to customers over 900,000 expendable maintenance, repair and replacement products. These products may be divided into three broad categories: Fasteners, Fittings and Related Parts, such as screws, nuts, rivets and other fasteners; Industrial Supplies, such as hoses and hose fittings, lubricants, cleansers, adhesives and other chemicals, as well as files, drills, welding products and other shop supplies; and Automotive and Equipment Maintenance Parts, such as primary wiring, connectors and other electrical supplies, exhaust and other automotive parts. The Company estimates that these categories of products accounted for the indicated percentages of its total consolidated net sales for 2003, 2002 and 2001 respectively:

	PERCENTAGE OF CONSOLIDATED NET SALES		
	2003	2002	2001
Fasteners, Fittings and Related Parts	43%	44%	45%
Industrial Supplies	48	47	47
Automotive and Equipment Maintenance Parts	9	9	8
	100%	100%	100%

Substantially all of the Company's maintenance and repair products are manufactured by others and must meet the Company's specifications. Approximately 90% of the Company's products are sold under the Company label. Substantially all maintenance and repair items which the Company distributes are purchased by the Company in bulk and subsequently repackaged in smaller quantities. The Company regularly uses a large number of suppliers but has no long-term or fixed price contracts with any of them. Most maintenance and repair items which the Company distributes are purchased from several sources, and the Company believes that the loss of any single supplier would not significantly affect its operations. No single supplier accounted for more than 2.9% of the Company's purchases in 2003.

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

MARKETS

The Company's principal markets are as follows:

Heavy Duty Equipment Maintenance. Customers in this market include operators of trucks, buses, agricultural implements, construction and road building equipment, mining, logging and drilling equipment and other off-the-road equipment. The Company estimates that approximately 25% of 2003 sales were made to customers in this market.

In-Plant and Building Maintenance. This market includes plants engaged in a broad range of manufacturing and processing activities, as well as institutions such as hospitals, universities, school districts and government units. The Company estimates that approximately 42% of 2003 sales were made to customers in this market.

Vehicle Maintenance and Transportation. Customers in this market include automobile service center chains, independent garages, automobile dealers, car rental agencies and other fleet operators. The Company estimates that approximately 17% of 2003 sales were made to customers in this market.

Original Equipment Manufacturers. This market includes plants engaged in a broad range of manufacturing and processing activities. The Company estimates that approximately 16% of 2003 sales were made to customers in this market.

At December 31, 2003, the Company had approximately 267,000 customers, the largest of which accounted for approximately one percent of net sales during 2003. Sales were made through a force of approximately 1,800 sales representatives at December 31, 2003. Included in this group were 260 district and zone managers, each of whom, in addition to his or her own sales activities, acted in an advisory capacity to other sales representatives in a designated area and 47 regional managers who coordinate regional marketing efforts. Sales representatives, including district and zone managers, are compensated on a commission basis and are responsible for repayment of commissions on their respective uncollectible accounts. In addition to the sales representatives and district, zone and regional managers discussed above, the Company had approximately 1,370 employees at December 31, 2003.

The Company's products are sold in all 50 states, Mexico, Puerto Rico, the District of Columbia, Canada and the United Kingdom. The Company believes that an important factor in its success is its ability to service customers promptly. During the past five years, more than 99.2% of all stocked orders were shipped to the customer within 24 hours after an order was received by the Company. This rapid delivery is facilitated by computer controlled order entry and inventory control systems in each general distribution center. In addition, the receipt of customer orders at the distribution facilities has been accelerated by portable facsimile transmission equipment, personal computer systems and other electronic devices used by sales representatives. Customer orders are delivered by common carriers.

INVENTORY

The Company is required to carry significant amounts of inventory in order to meet its high standards of rapid processing of customer orders. The Company has historically funded its working capital requirements internally. Such internally generated funds, along with a $50 million unsecured revolving line of credit, are expected to finance the Company's future growth and working capital requirements.

DISTRIBUTION AND MANUFACTURING FACILITIES

Substantially all of the Company's maintenance products are stocked in and distributed from each of its eight general distribution centers in: Addison, Illinois; Reno, Nevada; Farmers Branch, Texas; Suwanee, Georgia; Fairfield, New Jersey; Mississauga, Ontario, Canada; Bradley Stoke (Bristol) England and Guadalajara, Mexico. Chemical products are distributed from a facility in Vernon Hills, Illinois and welding products are distributed from a facility in Charlotte, North Carolina. Production components are stocked in and distributed from five centers located in Decatur, Alabama; Des Plaines, Illinois; Memphis, Tennessee; Lenexa, Kansas and Cincinnati, Ohio. Production components are manufactured in Decatur, Alabama. In the opinion of the Company, all existing facilities are in good condition and are well maintained. All are being used substantially to capacity on a single shift basis, except the manufacturing facility in Decatur, Alabama which operates two shifts and the inbound facility in Des Plaines, Illinois, which operates two shifts. Further expansion of warehousing capacity may require new or expanded warehouses, some of which may be located in new geographical areas.

INTERNATIONAL OPERATIONS

Approximately 8% of the Company's net sales came from international sales, primarily in Canada, the United Kingdom and Mexico.

Canadian operations are conducted at the Company's 95,000 square foot general distribution center in Mississauga, Ontario, a suburb of Toronto. These operations constituted less than 5% of the Company's net sales during 2003.

Operations in the United Kingdom are conducted under the name of Assembly Component Systems Limited from a 10,000 square foot general distribution center in Bradley Stoke (Bristol) England. Prior to December 2003, the operations were conducted under the name Lawson Products Limited. These operations constituted less than 3% of the Company's net sales during 2003.

Operations in Mexico are conducted under the name of Lawson Products de Mexico S.A. de C.V. from a 10,000 square foot facility in Guadalajara, Mexico. These operations constituted less than 2% of the Company's net sales during 2003.

COMPETITION

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

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers all of whose terms of office expire on May 11, 2004, are as follows:

NAME AND PRESENT POSITION WITH COMPANY	AGE	YEAR FIRST ELECTED TO PRESENT OFFICE	OTHER OFFICES HELD DURING THE PAST FIVE YEARS
Robert J. Washlow Chairman of the Board, Chief Executive Officer and Director	59	1999	Mr. Washlow has been Chairman of the Board and Chief Executive Officer since August 1999. Prior thereto, Mr. Washlow was Executive Vice President-Corporate Affairs beginning in 1998, Secretary beginning in 1985. Mr. Washlow was a member of the Office of the President from 1999 to 2003.
Sidney L. Port Vice Chairman of the Board of Directors and Director	93	2003	Mr. Port has been Vice Chairman of the Board since 2003. Prior thereto, Mr. Port was Chairman of the Executive Committee for more than five years.
Jeffrey B. Belford President and Chief Operating Officer	57	2004	Mr. Belford became Chief Operating Officer in 1999 and President in 2004. Mr. Belford was a member of the Office of the President from 1999 to 2003. Prior to 1999, Mr. Belford was Executive Vice President - Operations, Chief Operating Officer since 1989.
Roger F. Cannon Executive Vice President, Field Sales Strategy and Development	55	2004	Mr. Cannon was elected Vice President, Field Sales Strategy and Development in 2004. He was a member of the Office of the President from 1999 to 2003. Prior to 1999, Mr. Cannon was Executive Vice President, Sales - Marketing from 1997-1999, and Vice President Central Field Sales from 1991-1997.
Thomas J. Neri Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer; and Treasurer	52	2004	Mr. Neri was elected Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer and Treasurer in 2004. Prior thereto, Mr. Neri was a business consultant from 2000 to 2003. From 1993 to 2000, Mr. Neri was President and Publisher of Pioneer Newspapers, Inc., a subsidiary of Hollinger International, a publicly held international publishing company.
John J. Murray Group President, MRO and New Channels	48	2004	Mr. Murray was elected Group President, MRO and New Channels in 2004. From 2001 to 2003, Mr. Murray was the Vice President - Corporate Affairs. From 1998 to 2001, Mr. Murray served as a consultant and outside director for KMR Industries, Inc., an internet company. From 1992 to 1997, Mr. Murray was President and Chief Operating Officer for Park Ohio Industries, a diversified public company.
Neil E. Jenkins Executive Vice President; Secretary and General Counsel	54	2004	Mr. Jenkins was elected Executive Vice President in 2004. From 2000 to 2003 Mr. Jenkins has served as Secretary and General Counsel of the Company. From 1996 to 2000, Mr. Jenkins operated a golf travel business and was a business consultant.

NAME AND PRESENT POSITION WITH COMPANY	AGE	YEAR FIRST ELECTED TO PRESENT OFFICE	OTHER OFFICES HELD DURING THE PAST FIVE YEARS
Jerome Shaffer Vice President and Special Advisor to the Chief Executive Officer and Director	76	2004	Mr. Shaffer was elected Vice President and Special Advisor to the Chief Executive Officer in 2004. For more than five years prior thereto, Mr. Shaffer was Vice President and Treasurer of the Company. Mr. Shaffer has been a director of the Company since 1987.
Joseph L. Pawlick Senior Vice President, Accounting	61	2003	Mr. Pawlick was elected Senior Vice President, Accounting in 2003. From 1999 to 2003, Mr. Pawlick was the Chief Financial Officer of the Company. Prior to 1999, Mr. Pawlick was Vice President, Controller and Assistant Secretary of the Company since 1987.
Victor G. Galvez Vice President, Controller	47	1999	Mr. Galvez has been Vice President and Controller since 1999. From 1999 to 1994, Mr. Galvez was Assistant Controller of the Company.

AVAILABLE INFORMATION

The Company's Internet Address is: www.lawsonproducts.com. The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act and Section 16 reports as soon as reasonably practicable after such documents are electronically filed with the SEC. Our internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

ITEM 2. PROPERTIES.

The Company owns two facilities located in Des Plaines, Illinois, (152,600 and 27,000 square feet, respectively). These buildings contain the Company's main administrative activities and an inbound warehouse facility that principally supports the Addison, Illinois facility and all Lawson distribution facilities. The Company also leases a facility in Des Plaines, Illinois (114,000 square feet). This building contains administrative and warehouse activities. Additional administrative, warehouse and distribution facilities owned by the Company are located in Addison, Illinois (90,000 square feet); Fairfield, New Jersey (61,000 square feet); Reno, Nevada (97,000 square feet); Suwanee, Georgia (105,000 square feet); Farmers Branch, Texas (54,500 square feet); and Mississauga, Ontario, Canada (95,000 square feet). The Company also leases administrative office space (25,300 square feet) in Independence, Ohio. Chemical products are distributed from a 105,400 square foot owned facility in Vernon Hills, Illinois and welding products are distributed from a 40,000 square foot owned facility located in Charlotte, North Carolina. Administrative, warehouse and distribution facilities in Bradley Stoke (Bristol) England (10,000 square feet) are leased by the Company. Administrative and distribution facilities in Guadalajara, Mexico (10,000 square feet) are leased by the Company. Production components are distributed from leased facilities in Des Plaines, Illinois (21,400 sq. ft.) Memphis, Tennessee, (26,300 sq. ft.), Lenexa, Kansas (40,500 sq. ft.) and Cincinnati, Ohio (16,800 sq. ft.). The leased facilities in Des Plaines, Illinois represent a portion of the 114,000 square foot facility noted above. The Company owns a 61,000 square foot facility in Decatur, Alabama which manufacturers and distributes production components. From time to time, the Company leases additional warehouse space near its present facilities. Management believes that the current facilities are adequate to meet its needs. See Item 1, "Business - Distribution and Manufacturing Facilities" for further information regarding the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is traded on the NASDAQ National Market System under the symbol of "LAWS." The approximate number of stockholders of record at December 31, 2003 was 871. The following table sets forth the high and low closing sale prices as reported on the NASDAQ National Market System during the last two years. The table also indicates the cash dividends for each outstanding share of common stock paid by the Company during such periods.

	2003			2002		
	HIGH	LOW	CASH DIVIDENDS PAID PER SHARE	HIGH	LOW	CASH DIVIDENDS PAID PER SHARE
First Quarter	$30.81	$23.04	$.16	$29.00	$25.71	$.16
Second Quarter	28.48	24.40	.16	33.09	26.80	.16
Third Quarter	29.87	25.76	.16	30.31	25.68	.16
Fourth Quarter	34.74	27.47	.16	31.90	27.55	.16

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data should be read in conjunction with the Financial Statements of the Company and notes thereto included elsewhere in this Annual Report. The income statement data and balance sheet data is for, and as of the end of each of, the years in the five-year period ended December 31, 2003, are derived from the audited Financial Statements of the Company.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	2003	2002	2001	2000	1999
Net Sales (1)	$389,091	$387,456	$379,407	$348,967	$328,987
Income Before Income Taxes (2)	24,892	23,189	17,142	47,566	40,270
Net Income (3)	16,196	12,447	8,787	28,136	23,928
Total Assets	246,943	225,831	234,206	222,721	215,991
Return on Assets (percent)	6.6	5.5	3.8	12.6	11.1
Noncurrent Liabilities	36,714	31,765	40,520	28,946	27,525
Stockholders' Equity	173,351	162,343	159,898	159,912	150,040
Return on Average Equity (percent)	9.6	7.7	5.4	18.6	16.5
Per Share of Common Stock (4):					
Basic Net Income	$1.71	$1.30	$0.91	$2.85	$2.29
Diluted Net Income	1.70	1.30	0.91	2.85	2.29
Stockholders' Equity	18.26	16.96	16.51	16.22	14.37
Cash Dividends Declared	0.66	0.64	0.64	0.60	0.57
Basic Weighted Average Shares Outstanding	9,492	9,570	9,685	9,860	10,444
Diluted Weighted Average Shares Outstanding	9,511	9,596	9,708	9,874	10,446

(1) Net sales for 2003, 2002 and 2001 were positively impacted by the acquisition of the North American Industrial Products and Kent Automotive Divisions in March 2001. In addition, net sales for the years 2000 and 1999 were also positively impacted by the acquisition of ACS/SIMCO in the third quarter of 1999.

(2) During 2003, the Company recorded a $2,789 pre tax loss related to the sale of Lawson Products Limited, the Company's former UK subsidiary.

(3) In 2003, the tax provision includes a $2,157 reduction to reflect the partial utilization of a capital loss generated by the sale of the Company's former UK subsidiary. In 2003, 2002 and 1999, the Company recorded $1,477, $421 and $1760, respectively, after tax, of charges for compensation arrangements related to management personnel reductions. The Company adopted SFAS No. 142 as of January 1, 2002. Therefore, the Company discontinued amortization of goodwill for 2002 and thereafter. Net income for 2001 was reduced by $731 related to goodwill amortization. In 2001, the Company recorded non-recurring charges for the write-off of capitalized software and implementation costs related to an enterprise information system project which the Company decided to discontinue as well as a promotional program related to the acquisition of Premier operations. These charges reduced net income by $5,138 and $2,021, respectively. During 2000, the Company recorded a gain of $2,136 as a result of the sale of the Company's interest in a real estate investment. In 1999, a gain of $554 was recorded on the sale of marketable securities.

(4) These per share amounts were computed using basic weighted average shares outstanding for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

SUMMARY OF FINANCIAL PERFORMANCE

	2003	2002	2001
(Dollars in thousands, except per share data)			
Net sales	$389,091	$387,456	$379,407
Income before taxes	24,892	23,189	17,142
Net income	16,196	12,447	8,787
Total assets	246,943	225,831	234,206
Return on assets (%)	6.6 %	5.5 %	3.8 %
Stockholders' equity	173,351	162,343	159,898
Return on avg. equity (%)	9.6 %	7.7 %	5.4 %
Diluted earnings per share	$1.70	$1.30	$ 0.91

Lawson Products, Inc. ("Lawson", the "Company") achieved net income growth of 30.1% in 2003 to $16,196. Diluted net income per share for the year 2003 was $1.70 compared to $1.30 in 2002.

OVERVIEW

Lawson is an international distributor and marketer of systems, services and products to the industrial, commercial and institutional maintenance, repair and replacement ("MRO") marketplace. The Company also manufactures and markets specialized component parts to the original equipment marketplace ("OEM"), including automotive, appliance, aerospace, construction and transportation industries.

Lawson markets its products through a network of approximately 1,800 independent and inside sales representatives. Lawson delivers "the right product, at the right place, at the right time" through its state-of-the-art distribution systems.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

As further described in the Notes to Consolidated Financial Statements, Note O - Segment Reporting, the Company distributes Maintenance, Repair and Replacement consumables, reporting this activity as the "MRO-US" segment in the United States and as the "MRO-CAN" segment in Canada. The manufacture and distribution of specialized component parts in the United States is reported as the "OEM-US" segment. Distribution of specialized component parts in Mexico and the United Kingdom is reported as the "OEM-INTL" segment.

The following table presents the Company's net sales results for its MRO and OEM segments for the past three years:

	2003	2002	2001
MRO	$321.0	$323.4	$320.9
OEM	68.1	64.1	58.5
	$389.1	$387.5	$379.4

The segment sales table above illustrates that OEM sales increased $4.0 million (6.2%) in 2003 while MRO sales declined $2.4 million (0.7%). In the OEM segment, the Company increased key account penetration and expanded its international business. Overall, international sales growth in the OEM segment offset a slight decline in U.S. OEM sales in 2003. The MRO segment continued to face difficult market conditions in 2003, particularly in the United States. MRO sales gains in Canada for 2003 were offset by sales declines in domestic MRO business in 2003.

Gross profit declined by $2.3 million, or 0.9%, to $248.0 million during 2003 from $250.3 million in 2002. Gross profit as a percent of total sales, declined to 63.7% in 2003 from 64.6% in 2002. This decrease resulted partially from product mix, as the Company sold a lower percentage of MRO products as a percent of total sales in 2003 as compared to 2002. In 2003, MRO gross profit was 71.3% of sales, compared to 72.4% in 2002. OEM gross profit increased in 2003 to 28.0% of sales, compared to 25.3% in 2002.

Selling, general and administrative (S,G&A) expenses decreased by $5.4 million, or 2.4%, to $221.2 million (56.8% of sales) in 2003 from $226.6 million (58.5% of sales) in 2002. The decline in S,G&A was attributable to the Company's continuing efforts to contain and reduce costs. Lower sales agent compensation and benefit costs more than offset increases in other S,G&A expenses, principally wages and a loss of approximately $2.8 million in connection with the sale of the MRO operations of the Company's former UK subsidiary. The decrease in sales agent compensation and benefits resulted principally from the expiration of a special promotional program ending in the second quarter of 2002.

During 2003, the Company incurred $2.5 million in charges for the retirement and severance of certain management personnel compared to $0.4 million in 2002.

Operating income increased by $0.9 million, or 4.3%, to $22.7 million in 2003 from $21.8 million in 2002. The increase resulted primarily from lower S,G&A expenses noted above, partially offset by lower gross profit and higher other charges.

The effective income tax rates were approximately 34.9% and 46.3%, respectively, for 2003 and 2002. The decrease in the effective tax rate was primarily attributable to a $2.2 million reduction of the income tax provision to reflect the partial utilization of a capital loss carryback generated by the 2003 sale of Lawson Products Limited, the Company's former subsidiary in the United Kingdom.

Net income increased by $3.7 million, or 30.1%, to $16.2 million during 2003 from $12.5 million in 2002, while income per share increased 31.0% to $1.70 in 2003 from $1.30 in 2002. The principal factors affecting net income and earnings per share were lower income taxes and higher operating income, as discussed above. Per share net income for 2003 and 2002 was positively impacted by the Company's share repurchase program.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

In 2002, total sales increased by $8.1 million, or 2.1%, to $387.5 million from $379.4 million in 2001, comprising an increase of $2.5 million, or 0.8% in the MRO segments and $5.6 million, or 9.6% in the OEM segments. The MRO increase was attributable to sales generated by the addition of field and inside sales representatives from the IPD and Kent divisions of the North American business of Premier Farnell, acquired March 30, 2001, partially offset by the effects of difficult market conditions and a planned reduction in the number of under-performing domestic sales agents from 2001 levels. The sales increase in the OEM segments was attributable to increased penetration of existing accounts as well as new customer development efforts, both domestically and internationally in these business segments.

Gross profit increased by $2.0 million, or 0.8%, to $250.3 million during 2002 from $248.3 million in 2001. This increase resulted from the sales increase noted above, partially offset by a decline in gross profit as a percent of total sales, to 64.6% from 65.5%. This reduction in gross profit percentage is due to relatively higher growth in the OEM segments, which traditionally carry a lower gross profit rate than MRO but also have lower operating costs. In 2002, OEM gross profit was 25.2% of sales, compared to 30.2% in 2001. In 2002, OEM gross profit was negatively impacted by a $2.1 million inventory write-off, principally resulting from a change in the inventory profile by our U.K. business to better serve our then current customer base. Excluding this write-off, OEM gross profit was 28.5% and total gross profit was 65.1%. The MRO segments gross profit percentage was 72.4% of sales in 2002, compared to 71.9% in 2001.

Selling, general and administrative (S,G&A) expenses increased by $4.8 million, or 2.2%, to $226.6 million (58.5% of sales) in 2002 from $221.7 million (58.4% of sales) in 2001. The increase in S,G&A was attributable to wage and operating cost increases, and to continued investment in various selling and product education initiatives, coupled with higher health costs. The increase was partially offset by the cessation of amortization of goodwill pursuant to adoption of FASB Statement No. 142 by the Company at the beginning of 2002, expired MRO promotional program costs put in place during 2001 to support the newly acquired Premier business and the absence of non-recurring costs associated with the IPD/Kent acquisition. If FASB Statement No.142 had been adopted at the beginning of 2001, the non-amortization of goodwill would have resulted in decreased S,G&A expenses of approximately $1.2 million.

Operating income increased by $5.6 million, or 34.6%, to $21.8 million in 2002 from $16.2 million in 2001. The increase resulted primarily from higher net sales, the absence of the $8.5 million write-off of an enterprise information system included in 2001 results and the absence of goodwill amortization and acquisition costs, partially offset by the higher wages and health costs and continued investment in various selling and product education initiatives noted above.

Interest expense was $0.2 million in 2002 compared to $0.7 million in 2001. The decrease was attributable to the Company's repayment of all of its outstanding debt from a revolving line of credit, coupled with lower interest rates in 2002.

The effective income tax rates were approximately 46.3% and 48.7%, respectively, for 2002 and 2001.

Net income increased by $3.6 million, or 41.6%, to $12.4 million during 2002 from $8.8 million in 2001, while income per share increased 42.9% to $1.30 in 2002 from $0.91 in 2001. The principal factors affecting net income and earnings per share are stated above. Per share net income for 2002 and 2001 was positively impacted by the Company's share repurchase program.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations and a $50 million unsecured line of credit entered into in February 2001 have continued to be sufficient to fund operating requirements, cash dividends and capital improvements. Cash flows from operations and the line of credit are also expected to finance the Company's future growth.

Cash flows provided by operations for 2003, 2002 and 2001 were $26.4 million, $29.0 million and $6.4 million, respectively. The decline in 2003 was principally attributable to increasing operating assets, primarily accounts receivable and cash value of life insurance, more than offsetting the $3.7 million increase in net income. The improvement in 2002 over 2001 was due primarily to decreasing operating assets, increasing operating liabilities, as well as the gain in net income noted above. Working capital at December 31, 2003 and 2002 was approximately $107.9 million and $98.0 million, respectively. At December 31, 2003 the current ratio was 3.9 to 1 as compared to 4.1 to 1 at December 31, 2002.

Over the past three years, the Company has made the following purchases of its common stock:

Year Purchased	Shares Purchased	Cost (In millions)	Year Authorized by Board
2003	20,186	$0.6	2000
2002	196,250	5.6	1999/2000
2001	84,497	2.2	1999

In 1999, the Board authorized the purchase of up to 500,000 shares of the Company's common stock. In 2000, the Board authorized 500,000 additional shares. At December 31, 2003, 286,399 shares were available for purchase pursuant to the 2000 Board authorization. Funds to purchase these shares were provided by investments and cash flows from operations.

Additions to property, plant and equipment were $4.2 million, $6.0 million and $5.2 million, respectively, for 2003, 2002 and 2001. Consistent with prior years, capital expenditures were incurred principally for improvement of existing facilities and for the purchase of related equipment. Capital expenditures during 2002 were incurred primarily for improvement of existing facilities and for the purchase of related equipment, as well as for the improvement of new leased facilities. Capital expenditures during 2001 primarily reflect purchases of computer equipment and improvement of existing facilities and purchases of related equipment.

Future contractual obligations consisted of the following at December 31, 2003:

(In thousands)	2004	2005	2006	2007	2008	2009 and thereafter	Total
Rents	$3,056	$2,528	$2,209	$1,874	$1,081	$3,223	$13,971
Mortgage payable	1,462	1,573	-	-	-	-	3,035
Deferred compensation	745	736	555	311	312	11,002	13,661
Security bonus plan (1)	-	-	-	-	-	20,823	20,823
Total contractual cash obligations	$5,263	$4,837	$2,764	$2,185	$1,393	$35,048	$51,490

(1) Payments to beneficiaries of the security bonus plan are made on a lump sum basis at time of retirement. No such obligations exist at December 31, 2003.

BUSINESS COMBINATIONS AND DISPOSALS

Sale of MRO Operations in United Kingdom: During the fourth quarter of 2003, the Company completed the sale of its United Kingdom MRO subsidiary. As stated above, in connection with the sale of this operation, the Company incurred a loss of $2.8 million, including inventory write-offs of $1.8 million. The Company's OEM customers in the United Kingdom will be serviced through a newly formed entity, Assembly Component Systems Limited.

Purchase of Industrial Products and Kent Automotive: On March 30, 2001, the Company purchased certain assets of Premier Farnell's Cleveland based North American Industrial Products ("IPD") and Kent Automotive Divisions for approximately $28.4 million plus approximately $7.2 million for related inventories. The all-cash transaction was accounted for as a purchase; accordingly the accounts and transactions of the acquired business have been included in the consolidated financial statements since the date of acquisition. Under the agreement, the Company acquired the field sales, telephone sales and customer service professionals, the customer accounts, certain administrative executives, and use of various intellectual properties, including trademarks and trade names of the Industrial Products and Kent Automotive divisions in certain territories. Premier Farnell's Premier Fastener, Rotanium Products, Certainium Alloys, CT Engineering, JI Holcomb and Kent Automotive business units in the United States, Canada, Mexico, Central America and the Caribbean were combined with the Company's existing operations.

The assets acquired were recorded at fair values based on actual purchase cost of inventories and valuations of various intellectual properties, including trademarks and trade names of the IPD and Kent divisions. This acquisition did not require a significant investment by the Company in facilities or equipment. The acquisition generated approximately $41.2 million of incremental sales in 2001. The Company only acquired inventory and portions of the IPD and Kent business, and is therefore unable to provide any meaningful pro forma information of prior period results.

ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses the financial reporting by companies involved with variable interest entities ("VIE"). A VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss from the VIE's activities or entitled to receive the majority of the entity's residual returns or both. Previously, a company generally included an entity in its consolidated financial statements only if it controlled the entity through voting interests. The consolidation requirements of FIN No. 46 apply immediately to VIE's created after January 31, 2003. Existing VIE's must be consolidated in the first fiscal year or interim period beginning after March 15, 2004.

The Company adopted FIN 46 as of July 1, 2003, which has resulted in the consolidation of the Company's investment in a limited partnership, which owns an office building in Chicago, Illinois. An officer and member of the Board of Directors of the Company is the general partner of this VIE and holds a 1.5% interest in the partnership. The operations of the partnership consist of rental of the building under a long-term lease and the servicing of the non-recourse mortgage. In conjunction with the consolidation of its investment, the Company has recorded long-term debt, which represents a non-recourse mortgage payable relative to the building, of approximately $3.0 million at December 31, 2003. The building and land have a net carrying value of $4.4 million, which are included in property, plant and equipment. The remaining assets, none of which are significant, are recorded in other assets.

CRITICAL ACCOUNTING POLICIES

The Company has disclosed its accounting policies in Note B to the consolidated financial statements. The following provides supplemental information to these accounting policies as well as information on the accounts requiring more significant estimates.

Allowance for Doubtful Accounts - Methodology: The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings, substantial down-grading of credit ratings), a specific reserve for bad debts is recorded against amounts due to reduce the receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for bad debts based on the Company's historical experience of bad debt write-offs as a percent of accounts receivable outstanding. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations), the estimates of the recoverability of amounts due the Company could be revised by a material amount.

Inventories - Slow Moving and Obsolescence: The Company carries significant amounts of inventories, which is a part of the Company's strategy as a competitive advantage in its ability to fulfill the vast majority of our customers' orders the same day received. However, this strategy also increases the chances that portions of the inventory have decreased in value below their carrying cost. To reduce inventory to a lower of cost or market value, the Company records a reserve for slow-moving and obsolete inventory. The Company defines obsolete as those inventory parts on hand which the Company plans to discontinue to offer to its customers. Slow-moving inventory is monitored by examining reports of parts which have not been sold for extended periods. The Company records the reserve needed based on its historical experience of how much the selling prices must be reduced to move these obsolete and slow-moving products. If experience or market conditions change, estimates of the reserves needed could be revised by a material amount.

Impact of Inflation and Changing Prices: The Company has continued to pass on to its customers most increases in product costs. Accordingly, gross margins have not been materially impacted. The impact from inflation has been more significant on the Company's fixed and semi-variable operating expenses, primarily wages and benefits, although to a lesser degree in recent years due to moderate inflation levels.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company, through its foreign subsidiaries, distributes products in Canada, the United Kingdom and Mexico. As a result, the Company is from time to time exposed to market risk relating to the impact of foreign currency exchange rates. A hypothetical 10% adverse movement in exchange rates would increase income by $319,000 in 2003 to offset the loss by the foreign subsidiaries.

The Company had nothing outstanding as of December 31, 2003 under its revolving line of credit.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this report:

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Income for the Years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the Years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

Schedule II

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Lawson Products, Inc.

We have audited the accompanying consolidated balance sheets of Lawson Products, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lawson Products, Inc. and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with generally accepted accounting principles in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note B to the financial statements, in 2003 the Company changed its method of accounting for its investment in a real estate partnership.

As discussed in Note G to the financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets.

/s/Ernst & Young LLP

Chicago, Illinois
February 25, 2004

LAWSON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)	DECEMBER 31, 2003	DECEMBER 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 21,399	$ 7,591
Marketable securities	2,156	696
Accounts receivable, less allowance for doubtful accounts (2003 -$2,121, 2002 - $1,830)	47,972	42,990
Inventories	59,817	63,851
Miscellaneous receivables	4,773	3,202
Prepaid expenses	6,666	7,968
Deferred income taxes	1,975	3,463
Total Current Assets	144,758	129,761
Property, plant and equipment, at cost, less allowances for depreciation and amortization (2003 - $53,880; 2002 - $49,499)	42,946	39,519
Other assets:		
Cash value of life insurance	13,201	10,933
Investments in real estate	--	1,305
Deferred income taxes	13,201	11,987
Goodwill, less accumulated amortization	28,649	28,649
Other intangible assets, less accumulated amortization (2003 - $1,219; 2002 - $701)	1,481	1,999
Other	2,707	1,678
	59,239	56,551
	$ 246,943	$ 225,831
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,240	$ 8,085
Accrued expenses and other liabilities	27,176	23,638
Current Portion of long term debt	1,462	--
Total Current Liabilities	36,878	31,723
Noncurrent liabilities and deferred credits:		
Accrued liability under security bonus plans	20,823	20,614
Long term debt	1,573	--
Deferred compensation and other liabilities	14,318	11,151
	36,714	31,765
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 - 2003- 9,493,511 shares; 2002 - 9,494,011 shares	9,494	9,494
Capital in excess of par value	2,667	2,387
Retained earnings	161,831	152,495
	173,992	164,376
Accumulated other comprehensive loss	(641)	(2,033)
Stockholders' equity	173,351	162,343
	$ 246,943	$ 225,831

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2003	2002	2001
Net sales	$389,091	$387,456	$379,407
Cost of goods sold	141,124	137,129	131,065
Gross profit	247,967	250,327	248,342
Selling, general and administrative expenses	221,189	226,571	221,743
Other charges	2,459	360	8,496
Provision for doubtful accounts	1,578	1,585	1,901
Operating Income	22,741	21,811	16,202
Interest and dividend income	194	53	654
Interest expense	(131)	(154)	(706)
Other income - net	2,088	1,479	992
	2,151	1,378	940
Income Before Income Taxes	24,892	23,189	17,142
Income tax expense	8,696	10,742	8,355
Net Income	$ 16,196	$ 12,447	$ 8,787
Net Income Per Share of Common Stock:			
Basic	$ 1.71	$ 1.30	$0.91
Diluted	$ 1.70	$ 1.30	$0.91

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)

	COMMON STOCK, $1 PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	COMPREHENSIVE INCOME
Balance at January 1, 2001	$9,706	$762	$151,066	$(1,622)	$ --
Net income			8,787		8,787
Other comprehensive loss, net of tax: Adjustment for foreign currency translation				(576)	(576)
Comprehensive income for the year					$8,211
Cash dividends declared			(6,191)		
Stock issued under employee stock plans	7	159			
Purchase and retirement of common stock	(84)	(8)	(2,108)		
Balance at December 31, 2001	9,629	913	151,554	(2,198)	
Net income			12,447		$12,447
Other comprehensive income, net of tax: Adjustment for foreign currency translation				165	165
Comprehensive income for the year					$12,612
Cash dividends declared			(6,115)		
Stock issued under employee stock plans	61	1,510			
Purchase and retirement of common stock	(196)	(36)	(5,391)		
Balance at December 31, 2002	9,494	2,387	152,495	(2,033)	
Net income			16,196		$ 16,196
Other comprehensive income, net of tax: Adjustment for foreign currency translation				1,392	1,392
Comprehensive income for the year					$17,588
Cash dividends declared			(6,265)		
Stock issued under employee stock plans	20	285			
Purchase and retirement of common stock	(20)	(5)	(595)		
Balance at December 31, 2003	$9,494	$2,667	$161,831	$(641)	

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Operating activities			
Net income	$16,196	$ 12,447	$ 8,787
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,359	5,506	5,741
Amortization	1,744	1,321	2,405
Provision for allowance for doubtful accounts	1,578	1,585	1,901
Deferred income taxes	(476)	(2,177)	(1,771)
Deferred compensation and security bonus plans	5,466	2,704	3,399
Payments under deferred compensation and security bonus plans	(2,099)	(1,635)	(2,395)
Losses (Gains) from sale of marketable securities	--	(300)	(13)
Income from investments in real estate	(360)	(600)	(480)
Changes in operating assets and liabilities (Exclusive of effect of acquisition):			
Accounts receivable	(5,888)	1,165	(5,392)
Inventories	4,902	1,692	(3,093)
Prepaid expenses and other assets	(4,171)	4,867	3,259
Accounts payable and accrued expenses	3,176	1,958	(2,970)
Income taxes payable	--	--	(2,615)
Other	991	429	(316)
Net Cash Provided by Operating Activities	26,418	28,962	6,447
Investing activities			
Additions to property, plant and equipment	(4,241)	(5,965)	(5,229)
Purchases of marketable securities	(5,129)	(8,340)	(13,268)
Proceeds from sale of marketable securities	3,669	9,681	41,917
Acquisition of businesses, net of cash acquired	--	--	(36,891)
Other	286	456	240
Net Cash Used in Investing Activities	(5,415)	(4,168)	(13,231)
Financing Activities			
Proceeds from revolving line of credit	4,000	36,500	71,800
Payments on revolving line of credit	(4,000)	(50,500)	(57,800)
Payments on mortgage payable	(805)	--	--
Purchases of common stock	(620)	(5,623)	(2,201)
Proceeds from exercise of stock options	305	1,571	166
Dividends paid	(6,075)	(6,138)	(6,106)
Net Cash Provided by (Used in) Financing Activities	(7,195)	(24,190)	5,859
Increase (Decrease) in Cash and Cash Equivalents	13,808	604	(925)
Cash and Cash Equivalents at Beginning of Year	7,591	6,987	7,912
Cash and Cash Equivalents at End of Year	$ 21,399	$ 7,591	$ 6,987

See notes to consolidated financial statements

NOTE A - DESCRIPTION OF BUSINESS

Lawson Products, Inc. is an international seller and distributor of systems, services and products to the industrial, commercial and institutional maintenance, repair and replacement marketplace. The Company also manufactures, sells and distributes production and specialized component parts to the original equipment marketplace.

NOTE B - SUMMARY OF MAJOR ACCOUNTING POLICIES

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

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

Shipping and Handling Fees and Costs: Costs related to shipping and handling fees are included on the Income Statement in the caption Selling, general and administrative expenses and totaled $11,159, $11,898 and $11,460 in 2003, 2002 and 2001, respectively. Amounts billed to customers for shipping fees are included in net sales.

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

Investment in Real Estate Partnership: The Company's investment in real estate, representing a limited partnership interest, was carried on the basis of the equity method until June 30, 2003. (See New Accounting Standards)

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

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

Property, Plant and Equipment: Provisions for depreciation and amortization are computed by the straight-line method for buildings using useful lives of 20 to 30 years and by the double declining balance method for machinery and equipment, furniture and fixtures and vehicles using useful lives of 3 to 10 years.

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

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

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

The following table shows the effect on net income and earnings per share if the Company had applied the fair value recognition provision of FASB Statement No. 123, "Accounting for Stock-Based Compensation."

	2003	2002	2001
Net income - as reported	16,196	$12,447	$8,787
Deduct: Total stock based employee compensation expense determined under fair value method, net of tax	(27)	(38)	(49)
Net income - pro forma	16,169	12,409	8,738
Basic earnings per share - as reported	1.71	1.30	.91
Diluted earnings per share - as reported	1.70	1.30	.91
Basic earnings per share - pro forma	1.70	1.30	.90
Diluted earnings per share - pro forma	1.70	1.29	.90

For purposes of pro forma disclosures, the estimated fair value of options granted is amortized to expense over the option's vesting period. The pro forma effect on net income is not representative of the pro forma effect on net income in future years because grants made in 1996 and later years have an increasing vesting period.

Goodwill and Other Intangibles: Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible assets acquired. Goodwill was amortized over 20 years using the straight-line method until the end of 2001.

In June 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142 "Goodwill and Other Intangibles," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives will no longer be amortized but subject to annual impairment tests. (See note G)

Foreign Currency Translation: The financial statements of foreign entities have been translated in accordance with Statement of Financial Accounting Standards No. 52 and, accordingly, unrealized foreign currency translation adjustments are reflected as a component of stockholders' equity. Realized foreign currency transaction gains and losses were not significant for the years ended December 31, 2003, 2002 and 2001.

Income per share: Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options.

Reclassifications: Certain amounts have been reclassified in the 2002 and 2001 financial statements to conform with the 2003 presentation.

New Accounting Standards: In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses the financial reporting by companies involved with variable interest entities ("VIE"). A VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns or both. Previously, a company generally included an entity in its consolidated financial statements only if it controlled the entity through voting interests. The consolidation requirements of FIN No. 46 apply immediately to VIE's created after January 31, 2003. Existing VIE's must be consolidated in the first fiscal year or interim period beginning after March 15, 2004. the Company adopted FIN 46 as of July 1, 2003, which has resulting in the consolidation of the Company's investment in a limited partnership, which owns an office building in Chicago, Illinois. An officer and member of the Board of Directors of the Company is the 1.5% general partner. (See Note I) The operations of the partnership consist of rental of the building under a long-term lease and the servicing of the non-recourse mortgage. The activities are insignificant for separate disclosure.

NOTE C - BUSINESS COMBINATION

Sale of Lawson Products Limited, UK Subsidiary:

In the fourth quarter of 2003, the Company sold its UK subsidiary, Lawson Products Limited, engaged primarily in the business of MRO sales, to a third party for approximately $647. The purchase price is in the form of a note payable to the Company over two years. Prior to the sale, the Company transferred certain assets and liabilities related to the OEM portion of this business to a newly formed subsidiary, Assembly Components Systems Limited. The sale of Lawson Products Limited resulted in a pre-tax loss of approximately $2,789, largely related to inventory write-offs and termination costs associated with the sale. This loss is classified in selling, general and administrative expenses in the statement of income. This business was part of the Company's International OEM distribution segment.

The sale also generated approximately $22,441 in capital losses. The Company was able to carryback $6,163 of the capital loss to offset capital gains in prior years. The effect of the carryback resulted in $2,157 of tax benefit in 2003. A valuation allowance has been provided for the remainder of the capital loss due to the uncertainty of utilization.

Purchase of Industrial Products and Kent Automotive:

On March 30, 2001, the Company purchased certain assets of Premier Farnell's Cleveland based North American Industrial Products (IPD) and Kent Automotive (Kent) Divisions for approximately $28,369 plus approximately $7,267 for related inventories. This all-cash transaction was accounted for as a purchase; accordingly, the accounts and transactions of the acquired business have been included in the consolidated financial statements since the date of acquisition. Under the agreement, the Company acquired the field sales, inside sales and customer service professionals, customer accounts, certain administrative executives, and various intellectual properties, including trademarks and trade names of the divisions in certain territories. The identifiable intangibles acquired in the acquisitions were recorded at an independent appraised value of approximately $1,400. These intangibles are being amortized over a weighted average estimated life of 15.14 years. The remaining excess of purchase price over net assets acquired of approximately $27,100 represents goodwill. The assets acquired were recorded at fair values as determined by the Company's management. As the Company only acquired inventory and sales professionals of the IPD and Kent businesses, the Company is unable to provide any meaningful pro forma information of prior period results. Net sales attributed to the acquired division represented approximately $41,252 for 2001.

NOTE D - OTHER CHARGES

In 2003, the Company recorded charges totaling $2,459 for severance of several members of management. Approximately $422 was paid in 2003 and the remaining benefits will be paid through 2006.

During 2002, the Company recorded a charge of $568 for severance for several members of management and a $208 adjustment to the reserve resulting from a severance settlement. Approximately $155 was paid in 2003 and the remaining benefits will be paid in 2004.

In 2001, the Company wrote-off capitalized software and implementation costs of a discontinued enterprise information system project. This write-off represents a non-cash charge of $8,527 ($5,138 net of tax benefits).

The table below shows an analysis of the company's reserves for other charges:

Description of Item	Severance and Related Expenses	Asset Writedown	Total
Balance January 1, 2001	$2,373	$ -	$2,373
Charged to earnings 2001	-	8,527	8,527
Cash paid in 2001	(884)	-	(884)
Non-cash utilization	-	(8,527)	(8,527)
Adjustment to reserves	(31)	-	(31)
Balance December 31, 2001	1,458	-	1,458
Charged to earnings 2002	568	-	568
Cash paid in 2002	(942)	-	(942)
Adjustment to reserves	(208)	-	(208)
Balance December 31, 2002	876	-	876
Charged to earnings 2003	2,459	-	2,459
Cash paid in 2003	(859)	-	(859)
Balance December 31, 2003	$2,476	$ -	$2,476

NOTE E - MARKETABLE SECURITIES

The following is a summary of the Company's investments at December 31 which are classified as available-for-sale. The contractual maturity of all marketable securities at December 31, 2003 is less than one year.

	Cost	Gross Unrealized Gain	Gross Unrealized Losses	Estimated Fair Value
2003				
Foreign government securities	$ 2,156	$ -	$ -	$ 2,156
2002				
Foreign government securities	$ 696	$ -	$ -	$ 696

The gross realized gains on sales of marketable securities totaled: $0, $300 and $13 in 2003, 2002 and 2001, respectively.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment consists of:

	2003	2002
Land	$8,389	$ 6,608
Buildings and improvements	51,556	42,090
Machinery and equipment	30,143	32,702
Furniture and fixtures	5,749	5,965
Vehicles	432	406
Construction in Progress	557	1,247
	$96,826	$89,018

NOTE G- GOODWILL AND OTHER INTANGIBLES

As discussed in Note B - Summary of Major Accounting Policies, the Company adopted FASB statement No. 142 "Goodwill and Other Intangibles" as of January 1, 2002. The Company performed its annual impairment test in the fourth quarter which determined the Company's goodwill was not impaired.

The Company's pro forma information for intangible assets that are no longer being amortized effective January 1, 2002 consisted of the following:

	2003	2002	2001
Net income - as reported	$16,196	$12,447	$8,787
Goodwill amortization	-	-	731
Net income - pro forma	16,196	12,447	9,518
Diluted earnings per share - as reported	1.70	1.30	.91
Diluted earnings per share - pro forma	1.70	1.30	.98

Intangible assets subject to amortization were as follows:

December 31, 2003

	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$851	$896
Customer lists	953	368	585
	$2,700	$1,219	$1,481

December 31, 2002

	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$668	$1,079
Customer lists	953	33	920
	$2,700	$701	$1,999

Trademarks and tradenames are being amortized over a weighted average 15.14 years. Customer lists are being amortized over 13.96 years. Amortization expense, all of which was included in the MRO distribution segment, for the intangible assets was $518, $377 and $137 in 2003, 2002 and 2001, respectively. Amortization expense for each of the next five years is estimated as follows:

	2004	2005	2006	2007	2008
Amortization expense	$116	$83	$83	$83	$83

NOTE H - ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	2003	2002
Salaries, commissions and other compensation	$ 6,802	$ 5,875
Accrued other charges	2,476	876
Accrued and withheld taxes, other than income taxes	2,591	2,757
Accrued profit sharing contributions	3,448	3,269
Accrued self-insured health benefits	1,800	1,500
Cash dividends payable	1,709	1,519
Other	8,350	7,842
	$27,176	$23,638

NOTE I - LONG TERM DEBT

On July 1, 2003, the Company adopted FIN No. 46 which has resulted in the Company's consolidated of an investment in a limited partnership which owns an office building in Chicago, Illinois. In conjunction with the consolidation of its investment, the Company has recorded long-term debt, which represents a non-recourse mortgage payable relative to the building. The interest rate of the non-recourse mortgage payable in 7.315%, with a maturity date of January 1, 2006. The building and the land have a net carrying value of $4,425, which are included in property, plant and equipment. The remaining assets, none of which are significant, are recorded in other assets.

The Company's mortgage obligations in effect at December 31, 2003 amounted to approximately $3,035. Mortgage payments are payable as follows: 2004-$1,462; 2005-$1,573. Interest expense related to the mortgage totaled $124 for the year ended December 31, 2003.

On February 21, 2001, the Company entered into a $50 million unsecured multi-currency line of credit. The Company had nothing outstanding under the line at December 31, 2003 and 2002. Amounts outstanding under the line carry interest at 1.5% below the prime rate or .75% over the LIBOR rate as determined by the Company. The line matures on February 21, 2006. Since the line's interest rate floats on a variable basis with either prime or LIBOR, the carrying value of the debt approximates fair value. The line requires the Company to meet certain covenants, all of which were met on December 31, 2003. The Company paid interest of $7, $220 and $605, respectively, in 2003, 2002 and 2001.

NOTE J - STOCK PLANS

The Incentive Stock Plan, As Amended (Plan), provides for the issuance of shares of Common Stock to non-employee directors, officers and key employees pursuant to stock options, Stock Performance Rights (SPRs), stock purchase agreements and stock awards. 575,673 shares of Common Stock were available for issuance under the Plan as of December 31, 2003.

In 2003, 2002 and 2001, the Company granted SPRs pursuant to an incentive plan adopted in 2000. These SPRs have an exercise price ranging from $24.64 to $33.15 per share. These SPRs vest at 20% 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 and the SPR price when the SPRs are surrendered. Compensation expense for the SPRs in 2003, 2002 and 2001 was $410, $244 and $0, respectively.

Additional information with respect to SPRs is summarized as follows:

	Average SPR Exercise Price	# of SPR's
Outstanding January 1, 2001	$ 26.50	71,250*
Granted	27.09	157,250**
Outstanding December 31, 2001	26.90	228,500
Granted	30.74	18,000***
Outstanding December 31, 2002	27.18	246,500
Granted	27.85	31,500
Exercised	26.77	(1,900)
Outstanding December 31, 2003	$ 27.26	276,100

*Includes 42,750 SPRs vested at December 31, 2003 **Includes 62,900 SPRs vested at December 31, 2003 ***Includes 3,600 SPRs vested at December 31, 2003

The Plan permits the grant of incentive stock options, subject to certain limitations, with substantially the same terms as non-qualified stock options. Non-employee directors are not eligible to receive incentive stock options. Stock options are not exercisable within six months from date of grant and may not be granted at prices less than the fair market value of the shares at the dates of grant. Benefits may be granted under the Plan through December 16, 2006.

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

	Average Price	Option Shares
Outstanding January 1, 2001	$22.86	180,390
Granted	--	--
Exercised	22.50	(7,400)
Canceled or expired	--	--
Outstanding December 31, 2001	22.87	172,990
Granted	--	--
Exercised	22.73	(50,954)
Canceled or expired	--	--
Outstanding December 31, 2002	22.93	122,036
Granted	--	--
Exercised	22.50	(19,686)
Canceled or expired	--	--
Outstanding December 31, 2003	$23.01	102,350
Exercisable options at		
December 31, 2003	$22.99	99,600
December 31, 2002	$22.90	114,286
December 31, 2001	$22.79	157,990

As of December 31, 2003, the Company had the following outstanding options:

Exercise Price	$22.44 - $23.56	$26.75	$27.00
Options Outstanding	92,850	9,000	500
Weighted Average Exercise Price	$22.62	$26.75	$27.00
Weighted Average Remaining Life	3.1	4.3	3.7
Options Exercisable	90,100	9,000	500
Weighted Average Exercise price	$22.59	$26.75	$27.00

Disclosure of pro forma information regarding net income and net income per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value of these options was estimated at the date of grant using the Black-Scholes options pricing model.

No options were granted in 2003, 2002 or 2001. See Note B Stock Options for impact of options granted prior to 2001 on pro forma earnings per share.

NOTE K - PROFIT SHARING AND SECURITY BONUS PLANS

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

The plan also has a 401(k) defined contribution saving feature. This feature, available to all participants, was provided to give employees a pre-tax investment vehicle to save for retirement. The Company does not match the contributions made by plan participants.

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

Provisions for profit sharing and security bonus plans aggregated $5,301, $5,689 and $5,363 for the years ended December 31, 2003, 2002 and 2001, respectively.

NOTE L - INCOME TAXES

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

Deferred Tax Assets:	2003	2002
Compensation and benefits	$15,237	$13,128
Inventory	3,011	3,258
Net operating loss carryforwards of subsidiaries	2,619	6,587
Capital Loss	5,697	--
Accounts receivable	669	591
Other	345	1,095
Total Deferred Tax Assets	27,578	24,659
Valuation allowance for deferred tax assets	(8,316)	(6,587)
Net Deferred Tax Assets	19,262	18,072
Deferred Tax Liabilities:		
Property, plant & equipment	2,381	2,236
Other	1,705	386
Total Deferred Tax Liabilities	4,086	2,622
Total Net Deferred Tax Assets	$15,176	$15,450

Net Deferred Tax Assets:	2003	2002
Total Current Deferred Income Taxes	$1,975	$3,463
Total Non Current Deferred Income Taxes	13,201	11,987
Total Net Deferred Tax Assets	$15,176	$15,450

Net deferred tax assets include the tax impact of items in comprehensive income of $345 and $1,095 at December 31, 2003 and 2002, respectively.

Income (loss) before income taxes for the years ended December 31, consisted of the following:

	2003	2002	2001
United States	$27,728	$27,906	$18,523
Foreign	(2,836)	(4,717)	(1,381)
	$24,892	$23,189	$17,142

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

	2003	2002	2001
Current:			
Federal	$7,422	$10,972	$8,348
State	1,750	1,947	1,778
	9,172	12,919	10,126
Deferred benefit	(476)	(2,177)	(1,771)
	$8,696	$10,742	$ 8,355

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

	2003	2002	2001
Statutory federal rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	4.6	5.5	6.7

Foreign losses	6.7	9.3	5.1
Capital loss carryback	(8.7)	--	--
Other items, net	(2.7)	(3.5)	1.9
Provision for income taxes	34.9	46.3%	48.7%

The decrease in the effective income tax rate in 2003 is due the sale of the Company's UK MRO business that resulted in $22,441 capital loss. The portion of the capital loss which the Company was able to carryback to a prior year capital gain was realized in 2003. A valuation was provided for the remainder of the capital loss. The capital loss expires in 2008.

Income taxes paid for the years ended December 31, 2003, 2002, and 2001 amounted to $10,523, $13,392 and $13,410, respectively.

NOTE M - COMMITMENTS

The Company's minimum rental commitments, principally for equipment, under noncancelable leases in effect at December 31, 2003, amounted to approximately $13,971. Such rentals are payable as follows:

2004	2005	2006	2007	2008	2009 and thereafter
$3,056	$2,528	$2,209	$1,874	$1,081	$3,223

Total rental expense for the years ended December 31, 2003, 2002 and 2001 amounted to $3,977, $3,669, $3,090, respectively.

NOTE N - INCOME PER SHARE

The computation of basic and diluted earnings per share consisted of the following:

	Year ended December 31, 2003	2002	2001
Numerator:			
Net income	$16,196	$12,447	$8,787
Denominator:			
Denominator for basic income per share - weighted average shares	9,492	9,570	9,685
Effect of dilutive securities:			
Stock option plans	19	26	23
Denominator for diluted income per share - adjusted weighted average shares	9,511	9,596	9,708
Basic income per share	$1.71	$1.30	$0.91
Diluted income per share	$1.70	$1.30	$0.91

NOTE O - SEGMENT REPORTING

The Company has four reportable segments: Maintenance, Repair and Replacement distribution in the U.S. (MRO-US), International Maintenance, Repair and Replacement distribution in Canada (MRO-CAN), Original Equipment Manufacturer distribution and manufacturing in the U.S. (OEM-US), and International Original Equipment Manufacturer distribution in the United Kingdom and Mexico (OEM-INTL). The operations of the Company's MRO distribution segments distribute a wide range of MRO parts to repair and maintenance organizations by the Company's force of independent sales agents.

The operations of the Company's OEM segments manufacture and distribute component parts to OEM manufacturers through a network of independent sales agents as well as internal sales employees.

The Company's reportable segments are distinguished by the nature of products distributed and sold, types of customers, manner of servicing them, and geographical location.

The Company evaluates performance and allocates resources to reportable segments primarily based on operating income. The accounting polices of the reportable segments are the same as those described in the summary of significant policies except that the Company records its federal and state deferred tax assets and liabilities at corporate. Intersegment sales are not significant.

Financial information for the Company's reportable segments consisted of the following:

	Year Ended December 31, 2003	2002	2001
Net sales			
MRO - US	$ 302,047	$ 306,863	$ 306,917
MRO - CAN	18,976	16,505	13,999
OEM - US	54,147	55,547	52,350
OEM - INTL	13,921	8,541	6,141
Consolidated total	$ 389,091	$ 387,456	$ 379,407
Operating Income (loss)			
MRO - US	$ 24,993	$ 23,828	$ 15,167
MRO - CAN	1,494	1,051	870
OEM - US	537	2,490	2,166
OEM - INTL	(4,283)	(5,558)	(2,001)
Consolidated total	$ 22,741	$ 21,811	$ 16,202
Capital expenditures			
MRO - US	$ 1,303	$ 3,941	$ 4,496
MRO - CAN	1,229	944	40
OEM - US	1,565	868	684
OEM - INTL	144	211	9
Consolidated total	$ 4,241	$ 5,965	$ 5,229
Depreciation and amortization			
MRO - US	$ 5,592	$ 5,650	$ 6,553
MRO - CAN	175	121	278
OEM - US	804	799	1,060
OEM - INTL	532	257	254
Consolidated total	$ 7,103	$ 6,827	$ 8,146
Total assets			
MRO - US	$ 168,783	$ 154,832	$ 165,603
MRO - CAN	17,137	13,989	15,023
OEM - US	36,076	33,181	34,932
OEM - INTL	9,771	8,379	5,498
Segment total	231,767	210,381	221,056
Corporate	15,176	15,450	13,150
Consolidated total	$ 246,943	$ 225,831	$ 234,206
Goodwill			
MRO - US	$ 22,104	$ 22,104	$ 22,104
MRO - CAN	4,294	4,294	4,294
OEM - US	2,251	2,251	2,251
Consolidated total	$ 28,649	$ 28,649	$ 28,649

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

	Year Ended December 31, 2003	2002	2001
Total operating income for reportable segments	$22,741	$21,811	$16,202
Interest and dividend income	194	53	654
Interest expense	(131)	(154)	(706
Other - net	2,088	1,479	992
Income before income taxes	$24,892	$23,189	$17,142

Financial information related to the Company's operations by geographic area consisted of the following:

	Year Ended December 31,		
	2003	2002	2001
Net sales			
United States	$356,194	$362,410	$359,267
Canada	18,976	16,505	13,999
Other foreign countries	13,921	8,541	6,141
Consolidated total	$389,091	$387,456	$379,407

	Year Ended December 31,		
	2003	2002	2001
Long-lived assets			
United States	$63,115	$60,678	$61,173
Canada	8,193	7,129	6,300
Other foreign countries	287	361	396
Consolidated total	$71,595	$68,168	$67,869

Net sales are attributed to countries based on the location of customers. Long-lived assets consist of total property, plant and equipment and goodwill.

NOTE P - SUMMARY OF UNAUDITED QUARTERLY RESULTS OF OPERATIONS

Unaudited quarterly results of operations for the years ended December 31, 2003 and 2002 are summarized as follows:

2003	Quarter ended Mar. 31	Jun. 30	Sept. 30	Dec. 31
(In thousands, except per share data)				
Net sales	$96,075	$97,109	$99,301	$96,606
Cost of goods sold	34,548	35,034	35,349	36,193
Income before income taxes1	6,621	6,705	7,488	4,078
Provision for income taxes2	2,863	2,564	3,124	145
Net income3	3,758	4,141	4,364	3,933
Net income per share of common stock Basic and Diluted	0.40	0.44	0.46	0.41
Diluted weighted average shares outstanding	9,511	9,506	9,511	9,519

2002	Quarter ended Mar. 31	Jun. 30	Sept. 30	Dec. 31
(In thousands, except per share data)				
Net sales	$95,746	$99,890	$98,474	$93,346
Cost of goods sold	33,704	35,343	35,211	32,871
Income before income taxes	6,410	8,056	6,628	2,095
Provision for income taxes	2,578	3,360	2,869	1,935
Net income4, 5	3,832	4,696	3,759	160
Net income per share of common stock Basic and Diluted	0.40	0.49	0.39	0.02
Diluted weighted average shares outstanding	9,657	9,643	9,576	9,526

1 The fourth quarter includes a $2,789 pre tax loss related to the sale of Lawson Products Limited, the Company's former UK subsidiary.

2 The fourth quarter includes a $2,157 reduction of the tax provision to reflect the partial utilization of a capital loss generated by the sale of the Company's former UK subsidiary.

3 The second, third and fourth quarters, respectively, included $751, $240 and $486 of charges for compensation arrangements related to management personnel reductions.

4 Inventories and cost of goods sold during interim periods are determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit rates used for interim periods was adjusted in the fourth quarter. This adjustment increased net income by approximately $1,955.

5 The fourth quarter included $421 of charges for compensation arrangements related to management personnel reductions.

SCHEDULE II

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS - DESCRIBE (A)	BALANCE AT END OF PERIOD
Allowance deducted from assets to which it applies:				
Allowance for doubtful accounts:				
Year ended December 31, 2003	$1,830	$1,578	$1,287	$2,121
Year ended December 31, 2002	1,803	1,585	1,558	1,830
Year ended December 31, 2001	1,659	1,901	1,757	1,803

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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. There have been no significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of the previous mentioned evaluation.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

a. Directors

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2004, under the caption "Election of Directors" and "Section 16(a), Beneficial Ownership Reporting Compliance" which information is incorporated herein by reference.

b. Executive Officers

The information required by this Item is set forth in Item 1 - Business under "Executive Officers of the Registrant."

c. Audit Committee Financial Expert

The Company had determined that Mitchell Saranow, member of the Audit Committee of the Board of Directors, qualifies as an "audit committee financial expert" as defined in Item 401 (h) of Regulation S-K, and that Mr. Saranow is "independent" as the term is used in Item 7 (d) (3) (iv) of Schedule 14A under the Securities Exchange Act.

d. Code of Business Conduct

The Company has adopted a Code of Ethics applicable to all employees. This code is applicable to Senior Financial Executives including the principle executive officer, principle financial officer and principle accounting officer of the Company. The Company's Code of Ethics is available on the Company's web site at www.lawsonproducts.com. The Company intends to post on its web site any amendments to, or waivers from its Code of Ethics applicable to Senior Financial Executives. The Company will provide shareholders with a copy of its Code of Ethics upon written request directed to the Company's Secretary at the Company's address. .

The Audit, Compensation and Nominating and Corporate Governance committees have each adopted a charter for their respective committees. These charters may be viewed on the Corporation's website, www.lawsonproducts.com, and copies may be obtained by request to the Secretary of the Corporation at the Company's address.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2004, under the caption "Remuneration of Executive Officers," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2004 under the captions "Securities Beneficially Owned by Principal Stockholders and Management," and "Equity Compensation Plan Information", which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of stockholders to be held on May 11, 2004 under the caption "Election of Directors" and "Certain Relationships and Related Transactions" which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this Item is set forth in the Company's Proxy Statement for the Annual Meeting of stockholders to be held on May 11, 2004 under the caption "Fees Paid to Independent Auditors" which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements

The following information is presented in this report:

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Income for the Years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the Years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule

The following consolidated financial statement schedule of Lawson Products, Inc. and subsidiaries is included in Item 15(d):

Schedule II - Valuation and Qualifying Accounts is submitted with this report.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not submitted because they are not applicable or are not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

(3) Exhibits.

3(a)	Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.
3(b)	Amended and Restated By-laws of the Company.
*10(c)(1)	Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.
*10(c)(2)	Salary Continuation Agreement between the Company and Mr. Sidney L. Port dated January 7, 1980 incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
*10(c)(3)	Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
*10(c)(3.1)	First Amendment to Employment Agreement between the Company and Mr. Jerome Shaffer, dated as of August 1, 1996, incorporated herein by reference from Exhibit 10(c)(6.1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
*10(c)(4)	Employment Agreement between the Company and Jeffrey B. Belford dated March 10, 1983, incorporated herein by reference from Exhibit 10(c)(5) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
*10(c)(5)	Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
*10(c)(6)	Employment Agreement dated July 21, 1994 between the Company and Roger F. Cannon, incorporated herein by reference to Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
*10(c)(7)	Agreement between the Company and Bernard Kalish dated July 31, 1999, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10(c)(8)	Lawson Products, Inc. Stock Performance Plan, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
10(c)(9)	Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
14	Code of Ethics of the Company
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
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.

*Indicates management employment contracts or compensatory plans or arrangements.

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.

(b) Reports on Form 8-K

During the quarter ended December 31, 2003, the Company filed a Current Report on Form 8-K dated October 22, 2003. This Form 8-K contained, as an exhibit, a press release pertaining to the financial results of the Company for the quarter ended September 30, 2003.

During the quarter ended March 31, 2004, the Company filed a Current Report on Form 8-K dated March 3, 2004. This Form 8-K contained, as an exhibit, a press release pertaining to the financial results of the Company for the year ended December 31, 2003.

(c) Exhibits

See item 15(a)(3) above for a list of exhibits to this report.

(d) Schedules

See item 15(a)(2) above for a list of schedules filed with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAWSON PRODUCTS, INC.

Date: March 12, 2004

By: /s/ Robert J. Washlow

Robert J. Washlow, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below this day of March 12, 2004, by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ Robert J. Washlow Robert J. Washlow	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)
/s/ Thomas Neri Thomas Neri	Executive Vice President, Finance and Corporate Planning (principal financial officer)
/s/ Joseph L. Pawlick Joseph L. Pawlick	Senior Vice President-Accounting (principal accounting officer)
/s/ Jerome Shaffer Jerome Shaffer	Vice President, Treasurer and Director
/s/ James T. Brophy James T. Brophy	Director
/s/ Ronald B. Port, M.D. Ronald B. Port, M.D.	Director
/s/ Sidney L. Port Sidney L. Port	Director
/s/ Robert G. Rettig Robert G. Rettig	Director
/s/ Mitchell H. Saranow Mitchell H. Saranow	Director
/s/ Lee S. Hillman Lee S. Hillman	Director
/s/ Wilma J. Smelcer Wilma J. Smelcer	Director

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3(a)	Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.
3(b)	Amended and Restated By-laws of the Company.
10(c)(1)	Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.
10(c)(2)	Salary Continuation Agreement between the Company and Mr. Sidney L. Port, dated January 7, 1980, incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
10(c)(3)	Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10(c)(3.1)	First Amendment to Employment Agreement between the Company and Mr. Jerome Shaffer, dated as of August 1, 1996, incorporated herein by reference from Exhibit 10(c)(6.1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
10(c)(4)	Employment Agreement between the Company and Jeffrey B. Belford dated March 10, 1983, incorporated herein by reference to Exhibit 10(c)(5) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10(c)(5)	Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
10(c)(6)	Employment Agreement dated July 21, 1994 between the Company and Roger F. Cannon, incorporated herein by reference to Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
10(c)(7)	Agreement between the Company and Bernard Kalish dated July 31, 1999, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10(c)(8)	Lawson Products, Inc. Stock Performance Plan, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
10(c)(9)	Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
14	Code of Ethics of the Company.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
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

EXHIBIT 3(B)

LAWSON PRODUCTS, INC.

AMENDED AND RESTATED
BY-LAWS

AMENDED AND RESTATED AS OF DECEMBER 31, 2003

* * *

ARTICLE I

OFFICES

Section 1.1. Registered Office. The registered office of the Corporation shall be maintained in the City of Dover, State of Delaware, and the registered agent in charge thereof is United States Corporation Company.

Section 1.2. Other Offices. The Corporation may also have an office in the City of Des Plaines, State of Illinois and at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS MEETINGS

Section 2.1. Place of Meetings. All meetings of the stockholders, whether annual or special, shall be held at the offices of the Corporation in Des Plaines, Illinois, or at such other place as may be fixed from time to time by the Board of Directors.

Section 2.2. Annual Meetings. An annual meeting of the stockholders shall be held in May in each year on such date and at such time as may from time to time be determined by the Board of Directors, at which the stockholders shall elect directors, and transact such other business as may properly be brought before the meeting.

Section 2.3. Notice of Meeting. (a) Written notice of the annual meeting stating the place, date and hour of the meeting, shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting.

(b) Notice to stockholders may be given by writing in paper form or solely in the form of electronic transmission as permitted by this Section 2.3. If given by writing in paper form, notice may be delivered personally, may be delivered by mail, or, with the consent of the stockholder entitled to receive notice, may be delivered by facsimile telecommunication or any of the other means of electronic transmission specified in this Section 2.3.

If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder's address as it appears in the records of the Corporation. Any notice to stockholders given by the Corporation shall be effective if delivered or given by a form of electronic transmission to which the stockholder to whom the notice is given has consented. Notice given pursuant to this subsection shall be deemed given: (1) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 2.4. Stockholder Nominations and Proposals. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before an annual meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation at the principal executive office of the Corporation. To be timely, a stockholder's notice shall be delivered not less than 90 days nor more than 110 days prior to the first anniversary of the preceding year's meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder, to be timely, must be so delivered not later than the 10th day following the day on which public announcement (as defined herein) of the date of such meeting is first made. Such stockholder's notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and any interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and the name and address of such beneficial owner, (B) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner as of the date such notice is given, and (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such business; (iii) in the event that such business includes a proposal to amend either the Certificate of Incorporation or the Bylaws of the Corporation, the language of the proposed amendment and (iv) if the stockholder intends to solicit proxies in support of such stockholder's proposal, a representation to that effect. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the

Corporation of his or her intention to present a proposal at an annual meeting and such stockholder's proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that if such stockholder does not appear or send a qualified representative to present such proposal at such annual meeting, the Corporation need not present such proposal for a vote at such a meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with this paragraph, and the Chairman of the Board or other person presiding at an annual meeting of stockholders, may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures or if the stockholder solicits proxies in support of such stockholder's proposal without such stockholder having made the representation required by clause (iv) of the second preceding sentence. For the purposes of this paragraph "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition to the provisions of this paragraph, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in these Bylaws shall be deemed to affect any rights of the stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.5. Stockholders List. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared, or caused to be prepared, by the Secretary. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.6. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman of the Executive Committee, if any, the Chairman of the Board or by the President and shall be called by the Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Unless otherwise prescribed by statute or by the Certificate of Incorporation, stockholders of this Corporation shall not be entitled to request a special meeting of stockholders.

Section 2.7. Notice of Special Meetings. Except as otherwise provided by statute, written notice of a special meeting, stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If given by writing in paper form, notice may be delivered personally, may be delivered by mail, or, with the consent of the stockholder entitled to receive notice, may be delivered by facsimile telecommunication or any of the other means of electronic transmission specified in this Section 2.7. If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder's address as it appears in the records of the Corporation. Any notice to stockholders given by the Corporation shall be effective if delivered or given by a form of electronic transmission to which the stockholder to whom the notice is given has consented. Notice given pursuant to this subsection shall be deemed given: (1) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 2.8. Quorum. The holders of a majority of the total voting power of all outstanding shares of capital stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the Certificate of Incorporation or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, of the place, date and hour of the adjourned meeting, until a quorum shall again be present or represented by proxy. At the adjourned meeting at which a quorum shall be present or represented by proxy, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.9. Voting. When a quorum is present at any meeting, and subject to the provisions of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or by these By-Laws in respect of the vote that shall be required for a specified action, the vote of the holders of a majority of the total voting power of all outstanding shares of capital stock of the Corporation, present in person or represented by proxy, shall be determinative of any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Certificate of Incorporation or of these By-Laws, a different vote is required in which case such express provision shall govern and control the decision of such question. Each stockholder shall have one vote for each share of stock having voting power registered in his name on the books of the Corporation, except as otherwise provided in the Certificate of Incorporation.

Section 2.10. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may in writing authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period not to exceed ten years.

Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy, a stockholder may validly authorize another person or persons to act for him as proxy by: (a) executing a writing to that effect, which execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing the writing or causing his signature to be affixed to the writing by any reasonable means including, but not limited to, by facsimile signature; or (b) transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that any telegram, cablegram or other electronic transmission submitted pursuant to clause (b) above is valid, the inspectors shall specify the information upon which they relied. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 2.11. Elimination of Right to Act by Consent. No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Section 2.12. Voting Procedures and Inspectors of Elections.

(a) The Corporation, by action of the Secretary, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting of stockholders and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist them in the performance of their duties.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with clause (b) of Section 2.10 of these By-Laws, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors, at the time they make their certification pursuant to subsection (b)(v) of this Section, shall specify the specific information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors belief that the information is accurate and reliable.

Section 2.13. Remote Communication. For the purposes of these Bylaws, if authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders may, by means of remote communication:

(A) participate in a meeting of stockholders; and

(B) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

ARTICLE III

DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such acts and things as are not by the General Corporation Law of the State of Delaware nor by the Certificate of Incorporation nor by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3.2. Number of Directors, Classes, Terms and Election; Vacancies. The number of directors shall not be less than five nor more than nine, the exact number of directors to be determined from time to time by resolution adopted by a majority of the whole Board, and such exact number shall be nine until otherwise determined by resolution adopted by a majority of the whole Board. As used in this Article, a whole Board means the total number of directors which at the time are to constitute the Board of Directors, either as designated in this Section or as determined by the Board of Directors in accordance herewith, as the case may be. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

The Board of Directors shall be divided into three classes as nearly equal in number as possible, with the term of office of Class I expiring at the annual meeting of stockholders in 1983, of Class II expiring at the annual meeting of stockholders in 1984, and of Class III expiring at the annual meeting of stockholders in 1985. At each annual meeting of stockholders, directors chosen to succeed those whose terms then expire shall be elected for a term of office expiring at the third succeeding annual meeting of stockholders after their election.

If the office of any director or directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, or a new directorship is created, a majority of the remaining directors, though less than a quorum, shall choose a successor or successors, or a director to fill the newly created directorship. Directors elected to fill a vacancy shall hold office for a term expiring at the annual meeting at which the term of the class to which they shall have been elected expires.

Section 3.3. Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock then outstanding, (a) any director, or the entire Board of Directors may be removed at any time, but only for cause; and (b) the affirmative vote of the holders of not less than 75% of the total voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) outstanding at the time a determination is made shall be required to remove a director from office.

Section 3.4. Place of Meetings. The Board of Directors may hold its meetings outside of the State of Delaware, at the office of the Corporation or at such other places as they may from time to time determine, or as shall be fixed in the respective notices or waivers of notice of such meetings.

Section 3.5. Committees of Directors. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate Members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amendment to the By-Laws of the Corporation; and, unless the resolution, By-Laws, or Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required.

Section 3.6. Compensation of Directors. Directors, as such, may receive such stated salary for their services and/or such fixed sums and expenses of attendance for attendance at each regular or special meeting of the Board of Directors as may be established by resolution of the Board; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 3.7. Annual Meeting. The annual meeting of the Board of Directors shall be held within ten days after the annual meeting of the stockholders in each year. Notice of such meeting, unless waived, shall be given by mail or telegram to each director elected at such annual meeting, at his address as the same may appear on the records of the Corporation, or in the absence of such address, at his residence or usual place of business, at least three days before the day on which such meeting is to be held. Said meeting may be held at such place as the Board may fix from time to time or as may be specified or fixed in such notice or waiver thereof.

Section 3.8. Special Meetings. Special meetings of the Board of Directors may be held at any time on the call of the Chairman of the Executive Committee (if any), the Chairman of the Board or President or at the request in writing made to either of said Chairman or the President of any three directors. Notice of any such meeting, unless waived, shall be given by mail or telegram to each director at his address as the same appears on the records of the Corporation not less than one day prior to the day on which such meeting is to be held if such notice is by telegram, and not less than three days prior to the day on which the meeting is to be held if such notice is by mail. If the Secretary shall fail or refuse to give such notice, then the notice may be given by the officer to whom the request is made or by any one of the directors making the call. Any such meeting may be held at such place as the Board may fix from time to time or as may be specified or fixed in such notice or waiver thereof. Any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given, if all the directors shall be present thereat, and no notice of a meeting shall be required to be given to any director who shall attend such meeting.

Section 3.9. Action Without Meeting; Participation at Meeting by Telephone. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors.

Section 3.10. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 3.11. Quorum and Manner of Acting. Except as otherwise provided in these By-Laws, a majority of the total number of directors as at the time specified by the By-Laws shall constitute a quorum at any regular or special meeting of the Board of Directors. Except as otherwise provided by statute, by the Certificate of Incorporation, or by these By-Laws, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In case of an equality of votes on any question before the Board of Directors of the Corporation, the Director who holds the office of Chairman of the Executive Committee, if any, Chairman of the Board, or the President (if a director), in that order if present, shall have a second and deciding vote. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given, except that notice shall be given to all directors if the adjournment is for more than thirty days.

ARTICLE IV

OFFICERS

Section 4.1. Executive Officers. The executive officers of the Corporation shall be a Chairman of the Board, President or Office of the President established in the manner prescribed by Section 4.17 of these by-laws, one or more Executive Vice Presidents, one or more Senior Vice Presidents, such number of Vice Presidents, if any, as the Board of Directors may determine, a Secretary and a Treasurer. One person may hold any number of said offices.

Section 4.2. Election, Term of Office and Eligibility. The executive officers of the Corporation shall be elected annually by the Board of Directors at its annual meeting or at a special meeting held in lieu thereof. Each officer, except such officers as may be appointed in accordance with the provisions of Section 4.3, shall hold office until his successor shall have been duly elected or appointed and qualified or until his death, resignation or removal. The Chairman of the Board and the Vice Chairman of the Board shall be and remain members of the Board of Directors. None of the other officers need be members of the Board.

Section 4.3. Subordinate Officers. The Board of Directors may appoint such Assistant Secretaries, Assistant Treasurers, Controller and other officers, and such agents as the Board may determine, to hold office for such period and with such authority and to perform such duties as the Board may from time to time determine. The Board may, by specific resolution, empower the chief executive officer of the Corporation or the Executive Committee (if such a committee is established in the manner prescribed by Section 3.5 of these By-Laws) to appoint any such subordinate officers or agents.

Section 4.4. Removal. The Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the Secretary and/or the Treasurer may be removed at any time, either with or without cause, but only by the affirmative vote of the majority of the total number of directors as at the time specified by the By-Laws. Any subordinate officer appointed pursuant to Section 4.3 may be removed at any time, either with or without cause, by the majority vote of the directors present at any meeting of the Board or by any committee or officer empowered to appoint such subordinate officers.

Section 4.5. The Chairman of the Board. The Chairman of the Board shall be the chief executive officer of the Corporation. Subject to the control vested in the Board of Directors by statute, by the Certificate of Incorporation, or by these By-Laws, he shall administer and be responsible for the overall management of the business and affairs of the Corporation. He shall preside at all meetings of the stockholders and the Board of Directors; and in general, shall perform all duties incident to the office of the Chairman of the Board and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4.6. The Vice Chairman of the Board. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman of the Board or his designee shall preside at all meetings of the stockholders and the Board of Directors.

Section 4.7. The President. The President shall have authority to see that all resolutions of the Board of Directors and of the Executive Committee are carried into effect, shall perform such duties as are incident to the office of President or as may from time to time be assigned by the Chairman of the Board, the Vice Chairman of the Board or the Board of Directors, and, if the President is a director, in the absence or disability of the Chairman of the Board, shall perform the duties of the Chairman of the Board.

Section 4.8. The Executive Vice Presidents. In the absence of the Chairman of the Executive Committee, the Chairman of the Board and the President, or in the event of their inability or refusal to act, the Executive Vice President (or in the event there be more than one Executive Vice President, Executive Vice Presidents in the order designated, or in the absence of any designation, in the order elected) shall perform the duties of the Chairman of the Executive Committee, the Chairman of the Board and the President. Each Executive Vice President shall perform such other duties as from time to time may be assigned to him by the Chairman of the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, the President or by the Board of Directors.

Section 4.9. The Vice Presidents. In the event of the absence or disability of the Chairman of the Executive Committee, the Chairman of the Board, the President and/or all Executive Vice Presidents, each senior Vice President, in the order of his seniority, which shall be in the order of his election, and then each Vice President, in the order of his seniority, shall perform the duties of such officers. The Vice Presidents shall also perform such other duties as from time to time may be assigned to them by the Chairman of the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, the President, Executive Vice Presidents or by the Board of Directors of the Corporation.

Section 4.10. The Secretary. The Secretary shall:

(a) Keep the minutes of the meetings of the stockholders and of the Board of Directors;

(b) See that all notices are duly given in accordance with the provisions of these By-Laws or as required by law;

(c) Be custodian of the records and of the seal of the Corporation and see that the seal or a facsimile or equivalent thereof is affixed to or reproduced on all documents, the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) Have charge of the stock record books of the Corporation, unless the same shall be entrusted by the Board of Directors to a registrar or transfer agent, in which case the registrar or transfer agent shall have charge of same;

(e) In general, perform all duties incident to the office of Secretary, and such other duties as are provided by these By-Laws and as from time to time are assigned to him by the Chairman of the Executive Committee, the Chairman of the Board, the Vice Chairman of the Boar, the President or the Board of Directors of the Corporation.

Section 4.11. The Assistant Secretaries. If one or more Assistant Secretaries shall be appointed pursuant to the provisions of Section 4.3 respecting subordinate officers, then, at the request of the Secretary, or in his absence or disability, the Assistant Secretary designated by the Secretary (or in the absence of such designations, then any one of such Assistant Secretaries) shall perform the duties of the Secretary and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 4.12. The Treasurer. The Treasurer shall:

(a) Receive and be responsible for all funds of and securities owned or held by the Corporation and, in connection therewith, among other things: keep or cause to be kept full and accurate records and accounts for the Corporation; deposit or cause to be deposited to the credit of the Corporation all moneys, funds and securities so received in such bank or other depository as the Board of Directors or an officer designated by the Board may from time to time establish; and disburse or supervise the disbursement of the funds of the Corporation as may be properly authorized;

(b) Render to the Board of Directors at any meeting thereof, or from time to time whenever the Board of Directors or the chief executive officer of the Corporation may require, financial and other appropriate reports on the condition of the Corporation;

(c) In general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chairman of the Executive Committee, the Chairman of the

Board, the Vice Chairman of the Board, the President or the Board of Directors of the Corporation.

Section 4.13. The Assistant Treasurers. If one or more Assistant Treasurers shall be appointed pursuant to the provisions of Section 4.3 respecting subordinate officers, then, at the request of the Treasurer, or in his absence or disability, the Assistant Treasurer designated by the Treasurer (or in the absence of such designation, then any one of such Assistant Treasurers) shall perform all the duties of the Treasurer and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer.

Section 4.14. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

Section 4.15. Bonds. If the Board of Directors or the chief executive officer shall so require, any officer or agent of the Corporation shall give bond to the Corporation in such amount and with such surety as the Board of Directors or the chief executive officer, as the case may be, may deem sufficient, conditioned upon the faithful performance of their respective duties and offices.

Section 4.16. Delegation of Duties. In case of the absence of any officer of the Corporation or for any other reason which may seem sufficient to the Board of Directors, the Board of Directors may, for the time being, delegate his powers and duties, or any of them, to any other officer or to any director.

Section 4.17. Office of the President. Notwithstanding anything herein to the contrary, the Board of Directors of the Corporation may at any time, and from time to time, (i) designate, in lieu of a President, an Office of the President or (ii) disband such Office of the President in favor of a President. The Office of the President shall consist of at least two, but not more than three employees of the Corporation, elected by the Board of Directors. Each member of the Office of the President shall perform such duties as may be prescribed by the Chairman of the Board or the Board of Directors and shall have the same duties and powers as a President of the Corporation hereunder; provided, however, that (i) the Board of Directors of the Corporation may, by resolution, designate only certain members of the Office of the President who may exercise certain authority of a President hereunder, and (ii) the approval of at least two members of the Office of the President shall be required for all actions of the Office of the President including, but not limited to, the following:

(a) Calling for a special meeting of stockholders pursuant to Section 2.6 hereof;

(b) Calling for a special meeting of the Board of Directors of the Corporation pursuant to Section 3.8 hereof;

(c) Casting the deciding vote on any question before the Board of Directors of the Corporation pursuant to Section 3.10 if and only if all such members of the Office of the President are also directors of the Corporation. If only one member of the Office of the President is a director, such member shall have authority to cast the deciding vote pursuant to Section 3.10 hereof; and

(d) Assign duties to any Executive Vice President, any Vice President, the Secretary or the Treasurer.

ARTICLE V

SHARES OF STOCK

Section 5.1. Regulation. Subject to the terms of any contract of the Corporation, the Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation, including the issue of new certificates for lost, stolen or destroyed certificates, and including the appointment of transfer agents and registrars.

Section 5.2. Stock Certificates. Certificates for shares of the stock of the Corporation shall be respectively numbered serially for each class of stock, or series thereof, as they are issued, shall be impressed with the corporate seal or a facsimile thereof, and shall be signed by the Chairman of the Board, the President or an Executive Vice President, and by the Secretary or Treasurer, or an Assistant Secretary or an Assistant Treasurer, provided that such signatures may be facsimiles on any certificate countersigned by a transfer agent other than the Corporation or its employee. Each certificate shall exhibit the name of the Corporation, the class (or series of any class) and number of shares represented thereby, the name of the holder, the par value of the shares represented thereby, or that such shares are without par value. The powers, designations, preferences, and relative, participating, optional or other special rights of each class of stock and series of any class and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificates which the Corporation shall issue, or such certificate shall contain a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Each certificate shall be otherwise in such form as may be prescribed by the Board of Directors.

Section 5.3. Transfer of Shares. Shares of the capital stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney, upon the surrender or cancellation of a certificate or certificates for a like number of shares. Upon presentation and surrender of a certificate properly endorsed and payment of all taxes therefor, the transferee shall be entitled to a new certificate or certificates in lieu thereof. As against the Corporation, a transfer of shares can be made only on the books of the Corporation and in the manner hereinabove provided, and the Corporation shall be entitled to treat the registered holder of any share as the owner thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the statutes of the State of Delaware.

Section 5.4. Fixing Date for Determination Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5.5. Lost Certificate. Any stockholder claiming that a certificate representing shares of stock has been lost, stolen or destroyed may make an affidavit or affirmation of the fact and, if the Board of Directors so requires, advertise the same in a manner designated by the Board, and give the Corporation a bond of indemnity in form and with security for an amount satisfactory to the Board (or an officer or officers designated by the Board), whereupon a new certificate may be issued of the same tenor and representing the same number, class and/or series of shares as were represented by the certificate alleged to have been lost, stolen or destroyed.

ARTICLE VI

BOOKS AND RECORDS

Section 6.1. Location. The books, accounts and records of the Corporation may be kept at such place or places within or without the State of Delaware as the Board of Directors may from time to time determine.

Section 6.2. Inspection. The books, accounts and records of the Corporation shall be open to inspection by any member of the Board of Directors at all times; and open to inspection by the stockholders at such times, and subject to such regulations as the Board of Directors may prescribe, except as otherwise provided by statute.

Section 6.3. Corporate Seal. The corporate seal shall contain two concentric circles between which shall be the name of the Corporation and the word Delaware and in the center shall be inscribed the words Corporate Seal.

ARTICLE VII

DIVIDENDS AND RESERVES

Section 7.1. Dividends. Dividends upon the outstanding shares of capital stock of the Corporation (other than liquidating dividends) shall be declared only from the earned surplus or net profits of the Corporation. Subject to the provisions of the Certificate of Incorporation, and to any other lawful commitments of the Corporation, and subject to applicable law, dividends may be declared and made payable at such times and in such amounts as the Board of Directors may from time to time determine. Dividends may be declared at any regular or special meeting of the Board and may be paid in cash or other property or in the form of a stock dividend.

Section 7.2. Reserves. The Board of Directors of the Corporation may set apart, out of any of the funds of the Corporation available for dividends, a reserve or reserves for any proper purpose and may increase, reduce or abolish any such reserve.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. Fiscal Year. The fiscal year of the Corporation shall end an the 31st day of December of each year.

Section 8.2. Depositories. The Board of Directors or an officer designated by the Board shall appoint banks, trust companies, or other depositories in which shall be deposited from time to time the money or securities of the Corporation.

Section 8.3. Checks, Drafts and Notes. All checks, drafts, or other orders for the payment of money and all notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers or agent or agents as shall from time to time be designated by resolution of the Board of Directors or by an officer appointed by the Board.

Section 8.4. Contracts and Other Instruments. The Board of Directors may authorize any officer, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation and such authority may be general or confined to specific instances.

Section 8.5. Notices. Whenever under the provisions of the statutes or of the Certificate of Incorporation or of these By-Laws notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper or by delivery to a telegraph company, addressed to such director or stockholder at such address as appears on the records of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed or delivered to a telegraph company.

Section 8.6. Waivers of Notice. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these By-Laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

Section 8.7. Stock in Other Corporations. Any shares of stock in any other Corporation which may from time to time be held by this Corporation may be represented and voted at any meeting of shareholders of such Corporation by the Chairman of the Executive Committee, if any, the Chairman of the Board, or the

President or an Executive Vice President, or by any other person or persons thereunto authorized by the Board of Directors, or by any proxy designated by written instrument of appointment executed in the name of this Corporation by its Chairman of the Executive Committee, if any, the Chairman of the Board, the President or an Executive Vice President. Shares of stock belonging to the Corporation need not stand in the name of the Corporation, but may be held for the benefit of the Corporation in the individual name of the Treasurer or of any other nominee designated for the purpose by the Board of Directors. Certificates for shares so held for the benefit of the Corporation shall be endorsed in blank or have proper stock powers attached so that said certificates are at all times in due form for transfer, and shall be held for safekeeping in such manner as shall be determined from time to time by the Board of Directors.

Section 8.8. Indemnification.

(a) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding to the fullest extent authorized by the laws of Delaware as the same now or may hereafter exist (but, in the case of any change, only to the extent that such change authorizes the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such change) if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal actions or proceeding had no reasonable cause to believe that the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) to the fullest extent authorized by the laws of Delaware as the same now or may hereafter exist (but, in the case of any change, only to the extent that such change authorizes the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such change) actually and reasonably incurred by the person in defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent the Court of Chancery of Delaware or the court in which such action or suite was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of Delaware or such other court shall deem proper.

(c) To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this Section 8.8, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this Section 8.8 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this Section 8.8. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, of if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Section 8.8. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents shall be so paid upon such terms and conditions as the Corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Section 8.8 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under this Section 8.8.

(h) With respect to any person made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative by reason of the fact that such a person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another enterprise, the rights to indemnification and to the advancement of expenses conferred in Section 8.8 shall be contract rights.

(i) For purposes of this Section 8.8, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Section 8.8 with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(j) For purposes of this Section 8.8, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Section 8.8.

(k) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 8.8 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

(l) Any amendment, repeal or modification of any provision of this Section 8.8 by the stockholders or the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

Section 8.9. Amendment of By-Laws. The stockholders, by the affirmative vote of holders of not less than 75% of the total voting power of all outstanding shares of capital stock of the Corporation may, at any annual or special meeting if notice of such alteration or amendment of the By-Laws is contained in the notice of such meeting, alter, amend, or repeal these By-Laws, and alterations or amendments of By-Laws made by the stockholders shall not be altered or amended by the Board of Directors.

The Board of Directors, by the affirmative vote of a majority of the whole Board, may make, alter, amend, or repeal these By-Laws at any meeting, except as provided in the above paragraph. By-Laws made, altered, amended or repealed by the Board of Directors may be altered or repealed by the stockholders.

LAWSON PRODUCTS, INC.

CODE OF ETHICS

CODE OF ETHICS

INTRODUCTION

Fellow Employees:

This Code of Ethics was adopted by the Board of Directors of Lawson Products, Inc. and is applicable to all directors and employees of Lawson. It addresses the legal and ethical principles that must guide all of us in our work. It is critical to the success of Lawson and in the best interests of its stockholders that its employees and directors conduct themselves honestly and ethically. This Code of Ethics is intended as one element in our effort to ensure lawful and ethical conduct on the part of Lawson Products, Inc. and its subsidiaries ("Lawson or the "Company") and all of its employees, officers and directors, which we will refer to, collectively, as employees, and should be read in conjunction with the Lawson Employee Handbook. To be useful, this Code of Ethics and the Employee Handbook should be kept handy and reviewed frequently. You should become familiar with their contents and use them as a guide when you are unsure of what actions to take.

No single document can cover every situation, however. While business practices may change over time, our commitment to the highest standards of integrity remains constant. You may face dilemmas in which you must consider options and decide what to do. We expect your conduct to be guided by this Code of Ethics, by your personal sense of right and wrong, and by the answers to the following questions:

- Is this conduct legal?
- Is my conduct ethical?
- Does my conduct comply with Lawson's policy?

You should be able to answer "yes" to all these questions before undertaking the conduct.

Most importantly, when questions arise or when you need an interpretation of policies or procedures, ask for help. Talk with your manager, to the Human Resources Manager, to the General Counsel or to any corporate officer.

If you believe that the actions of anyone affiliated with Lawson are unethical or expose the rest of us to legal or contractual problems, it is your duty to speak up. Lawson policy prohibits retribution or retaliation of any kind for doing so.

Ethical principles are often easy to state but sometimes difficult to apply. Nontheless, living up to this Code of Ethics must be our way of life at work. It also means showing respect for those whose lives we affect and treating them as we would want them to treat us, whether that person is a supervisor, colleague, or subordinate. Integrity is not an occasional requirement. It erodes when it is not reinforced by practice and weakens if it is not continually applied to new issues and situations. Whatever you do, remember; when you act on Lawson's behalf, Lawson's reputation for maintaining the highest ethical standards is in your hands.

[signed]
Robert J. Washlow
Chairman of the Board and Chief Executive Officer

BUSINESS CONDUCT POLICY
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I. GENERAL STATEMENT OF POLICY

The policy of Lawson is to comply with all applicable federal, state, foreign and local laws, rules and regulations and to adhere to the highest ethical standards in the conduct of our business. It is each employee's responsibility to adhere to this Code of Ethics. Management is responsible for making sure that proper attention is given to, and that controls are in place for, promoting compliance with our Code of Ethics and the specific Lawson policies addressing each area. Employees who fail to abide by these Lawson policies will face corrective action, up to and including termination from Lawson. As to executive officers and directors, the requirement that you adhere to these policies may only be waived by the board of directors of Lawson, and we will disclose any waiver of these policies made by the board of directors on behalf of any executive officer or director as required by applicable law.

This Code of Ethics briefly summarizes the conduct required by key policies and guidelines in effect in the U.S. and in many overseas locations and is intended to remind us of the need to act ethically in all we do. Because the business and legal environment in which Lawson operates is extremely complex, it would be impossible to formulate a single policy that would govern all possible situations. Lawson's non-U.S. operations may, in addition, have policies in effect that complement and support Lawson's ethical approach. Non-U.S. employees are governed by the applicable non-U.S. policies in their operations as well as the business with integrity principles described in this Code of Ethics.

It is each employee's responsibility to acquire and maintain a working knowledge of the business laws and ethics policies as applicable to your responsibilities with Lawson. If employees have any questions concerning the application of this Code of Ethics to a particular situation, or need additional information concerning an issue not covered by the Code of Ethics, they should contact the General Counsel or Human Resources department of Lawson. If you ever are unsure about a situation or pending decision, about the proper application of this Code of Ethics or about what is required by the law in any given situation, they must consult with the General Counsel or Human Resources department. In this way, you can obtain more information about the relevant policy of Lawson.

If you have reason to believe that the actions of anyone at Lawson violate this Code of Ethics, are otherwise unethical or expose the Company to legal or contractual problems, you should notify promptly the General Counsel or Chairman of the Board of Director's Audit Committee. You may choose to remain anonymous in reporting any possible violation of this Code. In addition, you may report concerns regarding questionable accounting or auditing matters confidentially and anonymously by utilizing our web-based and telephone hotline program. (See the Lawson website for further information.) Lawson policy prohibits retribution or retaliation for any information or reports that you provide that are based on a reasonable belief or concern that a violation of this Code of Ethics might have occurred or is planned.

II. BUSINESS PRACTICES AND LEGAL COMPLIANCE

A. CONFLICTS OF INTEREST

As an employee of Lawson, each individual owes a duty of loyalty to Lawson. Therefore, employees must use Lawson's property, its business opportunities and their positions with Lawson exclusively for the benefit of

Lawson. This means that employees must act in the best interests of Lawson, not their own, and that they must always seek to advance the goals of Lawson as established by management and the Board of Directors.

Each employee will act at all times honestly and ethically, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. For purposes of this Code of Ethics, the phrase "actual or apparent conflict of interest" shall be broadly construed and include, for example, direct conflicts, indirect conflicts, potential conflicts, apparent conflicts and any other personal, business or professional relationship or dealing that has a reasonable possibility of creating even the mere appearance of impropriety.

It is essential that all employees, both professionally and personally, take reasonable steps to avoid situations that may create a conflict of interest, or the potential for conflict of interest or the appearance of a conflict of interest.

Some examples of (but not limited to) potential conflicts of interest are:

1. Investing in any company that sells products or services similar to Lawson's, or any company doing or seeking to do business with Lawson, other than relatively small investments in securities widely held by the general public;

2. Working for, or on behalf of, any such company;

3. Placing Company business with relatives or friends, or working on a Company project that will have a direct impact on the financial interests of relatives or friends;

4. Encouraging companies dealing with Lawson to buy supplies or services from relatives or friends;

5. Borrowing money from companies doing or seeking to do business with Lawson other than on generally available terms;

6. Participating in the regulatory or other activities of a community or governmental body that have a direct impact on the business of Lawson;

7. Hiring or supervising a relative or close friend;

8. A personal relationship with another employee or vendor that affects one's ability to do one's job or disrupts the workplace;

9. Working for another company which conflicts with one's duties and responsibilities at Lawson by affecting one's ability to do his/her job, work his/her regularly scheduled shift, or work his/her stated available hours.

Each employee is responsible for recognizing situations in which a conflict of interest is present or might arise and reporting the situation to the appropriate level of management. Where an employee believes it is not possible or not beneficial to Lawson to avoid any of these situations, or to avoid any other conflict of interest, the employee must inform his or her supervisor and make full written disclosure (in advance whenever possible) to the General Counsel of Lawson.

B. GIFTS AND SAMPLES

In addition to avoiding actual conflicts of interest, employees must not permit their judgment as an employee of Lawson to be influenced by personal considerations, or create any appearance that they are seeking to obtain business or contracts for Lawson based on improper considerations.

For this reason, employees may not accept any gifts or entertainment that is of more than immaterial value given for the purpose of furthering a business relationship between Lawson and any customer, supplier or other person seeking to do business with Lawson. For this purpose a "gift" includes any gratuitous service, loan, discount, entertainment, money, commissions, bonuses, trips or article of value. Any additional exceptions to the foregoing of similar nature must be approved by the General Counsel of Lawson or his designee.

No employee should make payments or transfer assets to officials or employees of any governmental body in order to influence that body's decision. The Company complies with the U.S. Foreign Corrupt Practices Act and the laws of other countries which prohibit the payment of money or anything of value to any person who is a government official, member of a political party or candidate for political office, solely for the purpose of obtaining, retaining or directing business.

C. CONFIDENTIAL INFORMATION

All information about Lawson's business and its plans that has not been disclosed to the public is a valuable asset that belongs to Lawson. Employees must never (i) use any confidential information relating to Lawson for any purpose other than the performance of their duties to Lawson, or (ii) disclose any confidential information/trade secrets relating to Lawson to anyone, including relatives, friends, or other persons or companies, without written advance authorization by the General Counsel of Lawson.

D. INTELLECTUAL PROPERTY

In the performance of assigned duties, employees may develop ideas, inventions, software, or create original works of authorship relating to the business of Lawson (herein known as "Intellectual Property"). In consideration of the compensation paid to each employee by Lawson, it is the understanding between Lawson and each employee that Lawson shall have certain rights in the Intellectual Property. Where the subject matter of such Intellectual Property (i) results from or is suggested by any activity which the employee may do for or on behalf of Lawson, (ii) is created, invented or developed on Lawson time or using Lawson's facilities, or (iii) is related to Lawson's business, the employee shall assign all rights in such Intellectual Property to Lawson.

At the request of Lawson, either during employment or after termination thereof, each employee shall execute or join in executing all papers or documents required for filing of a patent or copyright applications in the United States and such foreign countries as Lawson may elect for the Intellectual Property. Each employee shall assign such patent and copyright applications to Lawson or its nominee and shall provide Lawson and its agents or attorneys with all reasonable assistance in the preparation and prosecution of such applications, including drawings, specifications and the like, all at the expense of Lawson. Each employee shall do all things that may be necessary to establish, protect, and maintain the rights of Lawson or its nominee in the Intellectual Property in accordance with the intent of this Code of Ethics.

E. FINANCIAL STATEMENTS AND OTHER DISCLOSURES

The integrity of Lawson's financial reporting is of the utmost importance. Accounting and financial reporting practices must be fair and proper, in accordance with generally accepted accounting principles (GAAP), and using management's best judgments where necessary. No employee shall, directly or indirectly, take any action to fraudulently influence, coerce, manipulate or mislead Lawson's independent public auditors for the purposes of rendering the financial statements of Lawson misleading.

Lawson does not condone practices that might lead to fraudulent financial reporting. While difficult to give an all-inclusive definition of fraudulent financial reporting, it is in general any intentional or reckless conduct, whether by act or omission, that results in materially misleading financial statements. Clear, open and frequent communication among all management levels and personnel on all significant financial and operating matters will substantially reduce the risk of problems in the accounting and financial reporting areas as well as help achieve operating goals. All management employees are expected to be aware of these risks and to communicate accordingly.

Each employee must ensure that all reasonable and necessary steps within his or her areas of responsibility are taken to provide full, fair, accurate, timely and understandable disclosure in reports and documents that Lawson files with or submits to the Securities and Exchange Commission or state regulators, and in all other regulatory filings. In addition, employees must provide full, fair, accurate, and understandable information whenever communicating with Lawson's stockholders or the general public.

F. SECURITIES LAWS AND INSIDER TRADING

It is both illegal and against this Code of Ethics for any individual to profit from undisclosed information relating to Lawson or any company with which we do business. Please refer to Lawson's Insider Trading Policy for additional information.

G. ANTITRUST LAWS

The U.S. antitrust laws prohibit agreements, either expressed or inferred, or actions that unreasonably restrain trade, defined as restrictive practices that may reduce or hinder competition. These laws require that decisions be made and activities undertaken independently, without any agreement or coordination with competitors. Among those agreements and activities constituting clear violations are agreements and understandings to fix or control prices and other terms of sale; to allocate products, territories or markets (including store locations); or to limit the production or sale of products. Accordingly, employees must take great care to avoid any communications with Lawson's competitors with respect to these or other business matters.

The antitrust laws also prohibit monopolization and attempted monopolization. Monopolization consists of a firm having monopoly power, which is generally defined as a high market share of approximately 70% or more in a market with high barriers to entry, and engaging in anticompetitive or exclusionary conduct that enhances or maintains that monopoly power. Attempted monopolization is very similar, except that a firm must have a dangerous probability of successfully monopolizing the market, which generally is defined as possessing a market share of approximately 50% or more in a market with high barriers to entry. Because intent is an important element to both monopolization and attempted monopolization claims, Lawson personnel should make every effort to ensure that nothing in their conduct or written or oral communications creates the impression of an improper intent to eliminate or injure competitors or to restrict competition.

The antitrust laws regulate conduct with suppliers and others. For example, resale price agreements, as opposed to suggested resale prices, are prohibited by the antitrust laws. In addition, the Robinson-Patman Act prohibits price discrimination by suppliers and knowingly inducing or receiving discriminatory pricing by buyers. Individuals involved in pricing discussions with suppliers must be knowledgeable with respect to resale price agreements and price discrimination and must consult with the General Counsel as issues arise.

Because of the complexity of the antitrust laws, it is imperative that advice be sought from the General Counsel regarding this subject.

H. PERSONNEL AND OTHER BUSINESS RECORDS

Employees may not collect or maintain in Lawson's files information about other employees that is not directly related to their employment. If an employee receives an inquiry from a third party seeking to verify the fact of employment or to obtain information that must be disclosed by law, the employee must not disclose any information to the third party and, instead, refer the inquiry to the appropriate Human Resources representative.

Inappropriate access or modifications to, or unauthorized copying or destruction of, accounting or other business records is prohibited. These prohibitions apply to all business records and data, regardless of whether such data and records are in written form or electronically stored.

I. DISCRIMINATION AND SEXUAL HARASSMENT

Lawson is committed to a work environment free of any form of discrimination or sexual harassment. Consistent with its anti-harassment policy as set forth in the Employee Handbook. Lawson will not tolerate any conduct in the workplace that constitutes sexual harassment, whether engaged in by supervisory or non-supervisory personnel. For a complete description of Lawson's policy against sexual harassment, employees should refer to the Employee Handbook.

In addition, consistent with Lawson's policy against discrimination in the workplace, one may not in his or her capacity as a Lawson employee discriminate against any individual or group on the basis of age, race, color, sex, religion, national origin, disability or any other characteristic protected by law. For a complete description of Lawson's policy against discrimination, employees should refer to the Employee Handbook.

J. ENVIRONMENT

Lawson is committed to doing all that it can to assist in minimizing the degradation of our natural environment. Accordingly, employees should always take care in disposing of any waste materials or releasing any discharges into the air or water and comply with all applicable regulations and procedures required by law and by Company policy. If an employee is unclear about what is required, the employee must not dispose of any material or release any discharges until it is determined what procedures apply.

K. ADVERTISING

All Lawson advertising must be truthful, not deceptive, and comply with the applicable laws, regulations, and Company advertising policies. Any claims about the performance or qualities of our products in advertising, sales-training material, and point-of-purchase displays or literature must be substantiated before being made. We will hold ourselves and our competitors to the same high standard when making comparative claims about competing products.

L. POLITICAL ACTIVITIES

Unless authorized, employees who participate in partisan political activities should not suggest or state that they speak or act for Lawson.

M. PRODUCT SAFETY

Lawson's objective is to manufacture and market products that are safe for their anticipated use. Employees should immediately report any suspected product-safety problem to their supervisor.

N. NO CONTRACTUAL RIGHTS

All statements contained in this Code of Ethics are intended to reflect general policies, principles, and procedures, do not represent contractual commitments on the part of Lawson and may be changed at any time without notice. Without limiting the generality of the foregoing, nothing in this Code of Ethics should be construed to grant to any employee any right to benefits under any employee benefit plan, program or arrangement.

III. DISSEMINATION AND ENFORCEMENT OF THE CODE OF ETHICS

A. DISSEMINATION

A copy of this Code of Ethics is to be provided to all employees of Lawson. The Human Resources department will restate and/or republish the policy periodically as needed.

B. COMPLIANCE CERTIFICATION

All employees of Lawson at the director level and above will be asked to certify this Code of Ethics upon receipt. By certifying, the employee acknowledges that he or she has read and understands the conditions of the Code of Ethics. Employee certifies this Code of Ethics by signing and submitting the attached acknowledgment.

C. PENALTIES FOR VIOLATIONS OF THE CODE OF ETHICS

It is each employee's responsibility to resolve with the General Counsel of Lawson any actual or potential conflicts with this Code of Ethics. Violations of this Code of Ethics, even in the first instance, may result in disciplinary action up to and including dismissal of employment from Lawson. In addition, violations of laws applicable to Lawson could result in substantial fines to Lawson and individual violators and, in certain instances, imprisonment. Anyone who violates the provisions of this Code of Ethics by engaging in unethical conduct, failing to report conduct potentially violative of this Code of Ethics or refusing to participate in any investigation of such conduct, will be subject to disciplinary actions, up to and including termination of service with Lawson. Violations of this Code may also constitute violations of law and may result in civil or criminal penalties for an employee or Lawson. No improper or illegal behavior will be justified by a claim that it was ordered by someone in higher authority. No one, regardless of his or her position, is authorized to direct an employee to commit a wrongful act.

D. REPORTING VIOLATIONS OF THE CODE OF ETHICS

Lawson is committed to supporting its people in meeting these ethical standards of conduct. If you have reason to believe that the actions of anyone at Lawson violate this Code of Ethics, are otherwise unethical or expose the Company to legal or contractual problems, you should notify promptly the General Counsel or Chairman of the Board of Director's Audit Committee. You may choose to remain anonymous in reporting any possible violation of this Code. In addition, you may report concerns regarding questionable accounting or auditing matters confidentially and anonymously by utilizing our web-based and telephone hotline program. (See the Lawson website for further information.) Lawson policy prohibits retribution or retaliation for any information or reports that you provide that are based on a reasonable belief or concern that a violation of this Code of Ethics might have occurred or is planned.

Code of Ethics

The undersigned hereby acknowledges that he or she has received a copy of Lawson's Code of Ethics and that he or she has read and understood this Code of Ethics in its entirety and agrees to abide by it. The undersigned further acknowledges that it is his or her responsibility to seek clarification from the office of Lawson's General Counsel if any application of the Code of Ethics to a particular circumstance is not clear. The undersigned acknowledges that the undersigned's continued service with Lawson requires the undersigned to fully adhere to this Code of Ethics and that failure to do can result in disciplinary action up to and including termination of the undersigned's employment by Company.

(Signature)

(Date)

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

NAME	JURISDICTION OF INCORPORATION
Lawson Products, Inc.	New Jersey
Lawson Products, Inc.	Texas
Lawson Products, Inc.	Georgia
Lawson Products, Inc.	Nevada
Lawson Products, Inc. (Ontario)	Ontario, Canada
LPI Holdings, Inc.	Illinois
Lawson Products de Mexico S. de RL. de C.v.	Mexico
Drummond American Corporation	Illinois
Cronatron Welding Systems, Inc.	North Carolina
Allprocure.com, Inc.(1)	Missouri
Assembly Component Systems, Inc.	Illinois
Automatic Screw Machine Products Company, Inc.(2)	Alabama
Assembly Component Systems Limited2	England
LP Service Co.	Illinois
C.B. Lynn Company	Illinois
Superior & Sedgwick Associates (a limited partnership)(3)	Illinois

(1) owned 65% by the Company
(2) subsidiary of Assembly Component Systems, Inc.
(3) owned 98.5% by the Company

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912) of our report dated February 25, 2004, with respect to the consolidated financial statements and schedule of Lawson Products, Inc. included in the Annual Report (Form 10-K), for the year ended December 31, 2003.

/s/ Ernst & Young LLP

Chicago, Illinois
March 15, 2004

Exhibit 31.1

CERTIFICATIONS

I, Robert J. Washlow, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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) 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

(c) 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: March 12, 2004

/s/ Robert J. Washlow

Robert J. Washlow
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas Neri, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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) 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

(c) 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: March 12, 2004

/s/ Thomas Neri
- ---
Thomas Neri
Executive Vice President -Finance and Corporate Planning

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 Annual Report of Lawson Products, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003 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. ss.1350, as adopted pursuant to ss.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/ Robert J. Washlow
- ---
Robert J. Washlow, Chief Executive Officer

/s/ Thomas Neri
- ---
Thomas Neri
Executive Vice President -Finance and Corporate Planning

March 12, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Lawson Products, Inc. and will be retained by Lawson Products, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.