SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For Quarter Ended March 31, 2002 Commission file no. 0-10546

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

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

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

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

Not applicable
Former name, former address and former fiscal year, if changed since last report.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 9,618,107 Shares, $1 par value, as of April 16, 2002.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)	March 31, 2002 (UNAUDITED)	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,917	$ 6,987
Marketable securities	498	1,737
Accounts receivable, less allowance for doubtful accounts	46,829	44,314
Inventories (Note B)	60,604	65,543
Miscellaneous receivables and prepaid expenses	10,461	12,009
Deferred income taxes	2,478	2,471
Total Current Assets	124,787	133,061
Property, plant and equipment, less allowances for depreciation and amortization	39,046	39,059
Investments in real estate	1,095	945
Deferred income taxes	10,908	10,679
Goodwill, less accumulated amortization	28,744	28,810
Other assets	16,996	20,226
Total Assets	$ 221,576	$ 232,780

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Revolving line of credit	$ 5,000	$ 4,000
Accounts payable	5,628	6,948
Accrued expenses and other liabilities	16,301	21,414
Income taxes	1,715	---
Total Current Liabilities	28,644	32,362
Accrued liability under security bonus plans	19,713	19,297
Revolving line of credit	---	10,000
Other	11,461	11,223
	31,174	40,520
Stockholders' Equity:		
Preferred Stock, $1 par value:		
Authorized - 500,000 shares; Issued and outstanding - None	---	---
Common Stock, $1 par value:		
Authorized - 35,000,000 shares		
Issued and outstanding-(2002-9,618,107 shares; 2001-9,629,307 shares)	9,618	9,629
Capital in excess of par value	921	913
Retained earnings	153,534	151,554
Accumulated other comprehensive income	(2,315)	(2,198)
	0	
Total Stockholders' Equity	161,758	159,898
Total Liabilities and Stockholders' Equity	$ 221,576	$ 232,780

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended March 31, 2002	For the Three Months Ended March 31, 2001
Net sales	$ 95,746	$ 83,650
Cost of goods sold (Note B)	33,704	29,937
Gross profit	62,042	53,713
Selling, general and administrative expenses	56,042	48,631
Operating income	6,000	5,082
Investment and other income	483	743
Interest expense	73	---
Income before income taxes	6,410	5,825
Provision for income taxes	2,578	2,587
Net income	$ 3,832	$ 3,238
Net income per share of common stock:		
Basic	$ 0.40	$ 0.33
Diluted	$ 0.40	$ 0.33
Cash dividends declared per share of common stock	$ 0.16	$ 0.16
Weighted average shares outstanding:		
Basic	9,627	9,710
Diluted	9,657	9,730

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands)

	For the Three Months Ended March 31, 2002	For the Three Months Ended March 31, 2001
Operating activities:		
Net income	$ 3,832	$ 3,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,695	1,764
Changes in operating assets and liabilities	1,628	(7,077)
Other	538	222
Net Cash Provided by (Used in) Operating Activities	7,693	(1,853)
Investing activities:		
Additions to property, plant and equipment	(1,322)	(2,191)
Purchases of marketable securities	(2,883)	(7,257)
Proceeds from sale of marketable securities	4,122	28,735
Acquisition of IPD and Kent Automotive	---	(28,369)
Other	176	---
Net Cash Provided by (Used in) Investing Activities	93	(9,082)
Financing activities:		
Proceeds from revolving line of credit	14,000	7,000
Payments on revolving line of credit	(23,000)	---
Dividends paid	(1,541)	(1,456)
Other	(315)	122
Net Cash Provided by (Used in) Financing Activities	(10,856)	5,666
Decrease in Cash and Cash Equivalents	(3,070)	(5,269)
Cash and Cash Equivalents at Beginning of Period	6,987	7,912
Cash and Cash Equivalents at End of Period	$ 3,917	$ 2,643

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to Lawson Products, Inc.'s (the "Company") Annual Report on Form 10-K for the year ended December 31, 2001. The Condensed Consolidated Balance Sheet as of March 31, 2002, the Condensed Consolidated Statements of Income for the three month periods ended March 31, 2002 and 2001 and the Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 2002 and 2001 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods. Operating results for the quarter ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

B) Inventories (consisting of primarily finished goods) at March 31, 2002 and cost of goods sold for the three month periods ended March 31, 2002 and 2001 were determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit is adjusted in the fourth quarter. In 2001, this adjustment increased net income by approximately $2,055,000.

C) Total comprehensive income and its components, net of related tax, for the first quarter of 2002 and 2001 are as follows (in thousands):

	2002	2001
Net income	$ 3,832	$ 3,238
Foreign currency translation adjustments	(117)	(574)
Comprehensive income	$ 3,715	$ 2,664

The components of accumulated other comprehensive income, net of related tax, at March 31, 2002 and December 31, 2001 are as follows (in thousands):

	2002	2001
Foreign currency translation adjustments	$ (2,315)	$ (2,198)
Accumulated other comprehensive income	$ (2,315)	$ (2,198)

D) Earnings per Share

The calculation of dilutive weighted average shares outstanding at March 31, 2002 and 2001 are as follows (in thousands):

	2002	2001
Basic weighted average shares outstanding	9,627	9,710
Dilutive impact of options outstanding	30	20
Dilutive weighted average shares outstanding	9,657	9,730

E) Revolving Line of Credit

In March 2001 the Company entered into a $50 million revolving line of credit. The revolving line of credit matures five years from the closing date and carries an interest rate of prime minus 150 basis points floating or

LIBOR plus 75 basis points, at the Company's option. Interest is payable quarterly on prime borrowings and at the earlier of quarterly or maturity with respect to the LIBOR contracts. The line of credit contains certain financial covenants regarding interest coverage, minimum stockholders' equity and working capital, all of which the Company was in compliance with at March 31, 2002. As the Company has the ability and intent to repay the $5 million outstanding balance with the next twelve months, the $5 million is recorded in current liabilities.

F) Business Acquisition

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 $28.4 million plus approximately $7.2 million 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, the customer accounts, certain administrative executives, and various intellectual properties, including trademarks and trade names of the divisions in certain territories.

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. As the Company only acquired portions of the 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.

G) New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Intangible Assets." Statement No. 142 provides that amortization of goodwill no longer be required but does require the testing of the goodwill for impairment at least annually. Statement No. 142 was adopted by the Company as of January 1, 2002. The Company has not yet completed its initial valuation of the carrying value of the recorded goodwill as required under the statement.

If Statement 142 had been adopted at the beginning of the first quarter of 2001, the non-amortization of goodwill would have increased net income by approximately $31,000 to $3,269,000, which is $.34 a diluted share.

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

	December 31, 2001		
	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$ 1,400	$ 137	$ 1,263
Customer Lists	650	---	650
	$ 2,050	$ 137	$ 1,913

At December 31, 2001, trademarks and tradenames are being amortized over a weighted average 15.2 years. Customer lists are being amortized over 20 years. Amortization expense for intangible assets is expected to be $216,000, $216,000, $116,000, $83,000 and $83,000 for 2002 and the next four years.

H) Segment Reporting

The Company has three reportable segments: Maintenance, Repair and Replacement distribution (MRO), Original Equipment Manufacturer distribution and manufacturing (OEM), and international distribution.

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

In thousands	Three Months Ended March 31, 2002	2001
Net sales		
MRO distribution	$75,781	$67,171
OEM distribution	14,484	13,296
International distribution	5,481	3,183
Consolidated total	$95,746	$83,650
Operating income (loss)		
MRO distribution	$ 5,491	$ 4,941
OEM distribution	1,068	604
International distribution	(559)	(463)
Consolidated total	$ 6,000	$ 5,082

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

In thousands	Three Months Ended March 31, 2002	2001
Total operating income from reportable segments	$ 6,000	$ 5,082
Investment and other income	483	743
Interest expense	(73)	---
Income before income taxes	$ 6,410	$ 5,825

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

In thousands	March 31, 2002	December 31, 2001
Total assets		
MRO distribution	$ 156,004	$ 165,127
OEM distribution	33,392	34,183
International distribution	18,794	20,320
Total for reportable segments	208,190	219,630
Corporate	13,386	13,150
Consolidated total	$ 221,576	$ 232,780

At December 31, 2001, the carrying value of goodwill within each reportable segment was as follows (in thousands):

MRO distribution	$22,265
OEM distribution	2,251
International distribution	4,294
	$28,810

Independent Accountants' Review Report

Board of Directors and Stockholders
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of March 31, 2002 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2002 and 2001. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated February 28, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/S/ ERNST & YOUNG LLP

April 16, 2002

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, contains certain forward-looking statements pertaining to the ability of the Company to finance future growth, cash dividends and capital expenditures, the ability to successfully integrate acquired businesses and certain other matters. These statements are subject to uncertainties and other factors which could cause actual events or results to vary materially from those anticipated. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Net sales for the three-month period ended March 31, 2002 increased 14.5% to $95,746,000 relative to the similar period of 2001. Maintenance, Repair and Replacement (MRO) distribution net sales increased by $8.6 million, including $11.7 million in sales generated by the addition of the field and inside sales representatives from the IPD and Kent divisions of the North American business of Premier Farnell, acquired March 30, 2001 (Please refer to Note F). These sales gains more than offset reduced contributions by other MRO units. International distribution sales were also positively impacted by the sales of IPD and Kent in Canada, representing $2.1 million of the segment increase of $2.3 million. Original Equipment Manufacturer (OEM) net sales increased $1.2 million.

Operating income for the three-month period ended March 31, 2002 advanced $.9 million, or 18.1% over the comparable period of 2001. This increase was primarily due to the higher net sales of the MRO segment noted above and slightly higher gross margins, which more than offset increases in selling, general and administrative (S,G&A) expenses. The OEM segment also realized an increase in operating income, resulting from higher net sales and lower selling S,G&A expenses, partially offset by lower gross margins. Operating losses for the international distribution segment were slightly higher as a result of higher S,G&A expenses, which more than offset the contribution from higher net sales. Both the MRO and OEM segments operating income benefited from FASB Statement No. 142's non-amortization of goodwill requirement.

Net income increased 18.3% to $3,832,000 ($.40 per diluted share) for the three months ended March 31, 2002 from $3,238,000 ($.33 per diluted share) for the similar period of 2001. This increase is attributable to the gains in net sales and slightly higher gross margins noted above as well as a lower effective income tax rate, which more than offset higher S,G&A expenses, lower investment income and higher interest expense.

The Company's acquisition of IPD and Kent was completed using the proceeds from the sale of marketable securities and borrowings under the $50 million unsecured line of credit which the Company entered into in March 2001. This resulted in the decrease in investment and other income and an increase in interest expense for the three months ended March 31, 2002. Per share net income for 2002 and 2001 was positively impacted by the Company's share repurchase program.

Cash flows provided by operations for the three months ended March 31, 2002 were $7.7 million while the Company used $1.9 million of cash in operations for the comparable period of 2001. This increase was due primarily to the advance in net income noted above, as well as net decreases in operating assets, primarily inventories and other assets, while in 2001, cash flows provided from operating income were negatively impacted by decreases in accrued expenses and accounts payable. Additions to property, plant and equipment were $1.3 million and $2.2 million, respectively, for the three months ended March 31, 2002 and 2001. Consistent with prior years, capital expenditures 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 related equipment and warehouse equipment and building improvements.

During the first quarter of 2002, the Company purchased 11,600 shares of its own common stock for approximately $325,000. Of these purchases, 8,765 shares were acquired pursuant to the 2000 Board authorization to purchase up to 500,000 shares and 2,835 shares represented the remaining shares authorized for purchase under the 1999 Board authorization to purchase up to 500,000 shares. All shares purchased as of March 31, 2002 have been retired. Funds to purchase these shares were provided by investments and cash flows from operations. Current investments, cash flows from operations and the $50,000,000 unsecured line of credit are expected to be sufficient to finance the Company's future growth, cash dividends and capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at March 31, 2002 from that reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Part II

OTHER INFORMATION

Items 1, 2, 3, 4 and 5 are inapplicable and have been omitted from this report.

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

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

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

SIGNATURES

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

LAWSON PRODUCTS, INC.
(Registrant)

Dated April 16, 2002

/s/ Robert J. Washlow
Robert J. Washlow
Chairman of the Board
(principal executive officer)

Dated April 16 , 2002

/s/ Joseph L. Pawlick
Joseph L. Pawlick
Chief Financial Officer
(principal financial officer)

Exhibit 15

April 16, 2002

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated April 16, 2002 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended March 31, 2002.

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

/S/ ERNST & YOUNG LLP