

LAWSON PRODUCTS, INC.

Audit Committee Charter

Adopted as of March 9, 2004

1. Status

The Audit Committee (the “*Committee*”) is a committee of the Board of Directors (the “*Board*”) of Lawson Products, Inc. (the “*Company*”).

2. Purpose

The Audit Committee is appointed by the Board of Directors for the primary purposes of:

- Performing Board of Directors’ oversight responsibilities as they relate to the Company’s accounting policies and internal controls, financial reporting practices and legal and regulatory compliance, and
- Maintaining, through regularly scheduled meetings, a line of communication between the Board of Directors and the Company’s financial management, internal auditors, if any, and independent accountants.

3. Membership

- The Audit Committee shall be appointed by the Board of Directors and shall be comprised of three or more Directors (as determined from time to time by the Board), each of whom shall meet the independence and other qualification requirements of the Sarbanes-Oxley Act of 2002 (the “*Act*”), the Nasdaq Stock Market, Inc., rules of the Securities and Exchange Commission (“*SEC*”) and all other applicable law. Each member of the Audit Committee shall have the ability to read and understand fundamental financial statements and, at least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, as each such qualification is interpreted by the Board of Directors in its business judgment. In addition, to the extent practicable, at least one member of the Audit Committee shall be an “audit committee financial expert” as such term is defined by the SEC.
- The members of the Committee shall be elected by the Board of Directors at its first meeting following the Annual Meeting of Stockholders. Unless a Chair is elected by the Board of Directors, the members of the Committee shall designate a Chair by majority vote of the full Committee membership.

4. **Powers and Duties**

The Audit Committee will:

- (1) Review the annual audited financial statements with management and the independent accountants.
- (2) Review (by full Committee or designated member) with management and the independent accountants the Company's quarterly financial statements in advance of SEC filings.
- (3) Oversee the external audit coverage. The Company's independent accountants are accountable to the Audit Committee, which has direct responsibility for the appointment, compensation, retention and oversight of the work of any independent accountant engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, or otherwise. In connection with its oversight of the external audit coverage, the Audit Committee will:
 - Have the sole authority to approve the engagement, scope, planning, staffing and the fees to be paid to the independent accountants.
 - Pre-approve all non-audit services to be performed by the independent auditors and the related fees for such services (subject to the inadvertent de minimus exceptions set forth in the Act).
 - Obtain confirmation and assurance as to the independent accountants independence, including ensuring that they submit on a periodic basis (not less than annually) to the Audit Committee a formal written statement delineating all relationships between the independent accountants and the Company.
 - Review and evaluate the performance of the independent accountants.
 - Assure regular rotation of the lead audit partner, as required by the Act. .
 - At its discretion, retain outside counsel, consultants or other advisors.
- (4) Oversee internal audit coverage, if applicable. In connection with its oversight responsibilities, the Audit Committee shall, to the extent the Committee deems appropriate:
 - Review, in consultation with management, the independent accountants and the senior internal auditing executive, the plan and scope of internal audit activities.
 - Review reports to management prepared by the internal auditing department and management's responses to such reports.

(5) Review with management, the independent accountants and the senior internal auditing executive, if applicable, the adequacy of the Company's internal controls, and any significant findings and recommendations with respect to such controls.

(6) Resolve material disagreements in financial reporting between management and the independent auditors.

(7) Establish procedures for (a) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(8) Review, for potential conflicts of interest, and determine whether or not to approve, proposed "related party" transactions as contemplated by Nasdaq listing standards.

(9) Evaluate any request for a waiver of the application of the Company's Code of Ethics by any of the Company's directors or senior executives and reporting its findings and recommendations to the full Board;

(10) Meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which such risks are being monitored and controlled.

(11) Meet periodically in separate executive session with each of the chief financial officer, the senior internal auditing executive, if applicable, and the independent accountants.

(12) Review periodically with the Company's General Counsel (i) legal and regulatory matters which may have a material effect on the financial statements, and (ii) corporate compliance policies or codes of conduct.

(13) As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.

(14) Report regularly to the Board of Directors with respect to Audit Committee activities.

(15) Approve the report of the Audit Committee required by the rules of the SEC to be included in the proxy statement for each annual meeting.

(16) Review and reassess annually the adequacy of this Audit Committee Charter and recommend any proposed changes to the Board of Directors.

5. Procedures

(1) Action.

A majority of the members of the entire Audit Committee shall constitute a quorum. The Audit Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. Without a meeting, the Audit Committee may act by unanimous

written consent of all members. However, the Audit Committee may delegate to one or more of its members the authority to grant pre-approvals of non-audit services, provided the decision is reported to the full Audit Committee at its next scheduled meeting. The Chairman of the Committee shall establish such other rules as may from time to time be necessary or appropriate for the conduct of the business of the Committee. The Chairman shall appoint as secretary a person who may, but need not, be a member of the Committee. A certificate of the secretary of the Committee setting forth the names of the members of the Committee or actions taken by the Committee shall be sufficient evidence at all times as to the persons constituting the Committee or such actions taken.

(2) Fees.

The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation: (a) to the independent accountants engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services; (b) to outside legal accounting or other advisors employed by the Audit Committee; and (c) for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

(3) Limitations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountants.