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LAWSON PRODUCTS TO PAY $30 MILLION UNDER DEFERRED PROSECUTION AGREEMENT INVOLVING CORRUPT SALES PRACTICES

CHICAGO – A suburban Des Plaines company has agreed to pay $30 million in forfeiture and restitution for the corrupt conduct of its sales agents in Chicago and elsewhere who systematically provided nearly $10 million in illicit purchasing incentives over 13 years to employees of its customers to buy more products at higher prices, federal authorities announced today. **Lawson Products, Inc.**, a publicly-traded company that sells tools, hardware and chemicals to entities in the public and private sectors, was charged today with mail fraud in a criminal information filed in U.S. District Court. At the same time, the company entered into a deferred prosecution agreement under which the criminal case will be dismissed in three years so long as Lawson abides by all of the terms and conditions. Separate criminal charges were also filed today against two former sales managers for Lawson and a third man who allegedly aided and abetted the corrupt incentive scheme, bringing to 19 the number of defendants who have been charged in connection with the Lawson scheme in Chicago and other cities since early 2007, said Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Mr. Fitzgerald announced the charges with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Alvin Patton, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division. The U.S. Attorney's Office in Chicago coordinated the investigation nationwide, while the U.S. Attorney's Offices in Dayton, Philadelphia and Springfield, Ill., assisted by handling cases in their respective jurisdictions.

All but one of the cases involve the recipients of bribes or kickbacks or commissioned sales agents for Lawson or its subsidiary, Drummond American Corp., which together with other Lawson affiliates have approximately $400 million in annual sales of systems, services and products. Thirteen defendants, including seven former Lawson sales agents were charged in April 2007 in Chicago and other cities. Twelve of those 13 have been convicted so far. All of the charges are part of an investigation that resulted in federal search warrants being executed in December 2005 at Lawson and Drummond offices at 1666 East Touhy Ave., and 2150 Frontage Rd., Des Plaines, and the offices of a third company, Keogh, Inc., in Lake Bluff and formerly of Woodstock.

Among the individuals charged today was **Lawrence Keogh**, president of Keogh, Inc., which administered one of the incentive programs used by Lawson sales agents.

According to the documents filed today, between at least 1992 and December 2005, the maintenance and repair operation of Lawson Products engaged in corrupt sales practices through its sales agents. These agents were permitted to negotiate with customers over the prices the customers would pay for Lawson's merchandise. As a general rule, Lawson's profits and the agents' commissions were greater if they sold more products at higher prices. Lawson maintained programs through which its sales agents could provide items of value to individuals purchasing Lawson's merchandise on behalf of those individuals' employers. Among the illicit programs were "Winners Choice," "Cavalcade of Awards," "LPI" and "Spike Special."

Lawson and its sales agents often provided a greater amount of incentive rewards through the illicit programs if the purchasing individuals ordered a greater amount of merchandise on behalf of their employers. Some Lawson agents received training suggesting that they provide customers' employees with rewards totaling approximately four to five percent of the amount of the sale. Lawson set up "promotional funds" for each sales agent that allowed the company and the agents to split the cost of the illicit programs.

Through the Winners Choice program, which was administered by Keogh, Inc., Lawson provided approximately $9.7 million in Winners Choice checks to employees of Lawson customers to induce them to purchase and to reward them for purchasing merchandise from Lawson on behalf of their employers. Under the program, sales agents would order "Certificates of Award" for designated purchasing individuals and Keogh would issue checks to those individuals. The certificates, often awarded in multiple $25 increments, entitled recipients to receive checks for a certain amount that could be used to purchase items at various retail stores. Keogh, Inc., would then issue the checks, often times in multiple $50 increments.

Under the deferred prosecution agreement, Lawson Products admits that it is responsible for the acts of its officers, employees and sales agents. The company agreed to continue implementing a compliance and ethics program designed to prevent and detect corrupt sales practices.

Lawson will fund a $30 million escrow account in three installments of $10 million payable now, in a year and in two years. Those payments will fund an agreed civil forfeiture judgment of $29,177,639 that Lawson will not contest, as well as $822,370 in restitution payments. The restitution will be paid to Lawson's customers that 1) employed individuals who received more than $10,000 in Winners Choice checks; 2) employed individuals who have been or later are convicted of mail fraud as a result of receiving Winners Choice checks; and 3) purchased Lawson's merchandise from sales agents who have been or later are convicted of mail fraud for providing Winners Choice checks to the customers' employees.

Upon successful completion of the terms of the agreement, the Government will dismiss the criminal charges in three years.

In Chicago, the government is being represented by Assistant U.S. Attorneys Brandon Fox, Nancy Miller and Kruti Trivedi.

Details of the cases against the three new individual defendants follow. All three will be arraigned later in U.S. District Court. If convicted, restitution is mandatory and the Court would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines. The statutory maximum penalties are provided with each case.

The public is reminded that criminal charges contain only allegations and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

United States v. Lawrence Keogh

Lawrence Keogh, 79, of Lake Forest, was charged with aiding and abetting a tax evasion and tax fraud conspiracy. Keogh allegedly knew that Lawson Products did not issue or file any IRS Form 1099s to individuals who received more than $600 in a year in income from Winners Choice checks. Keogh also allegedly knew that Lawson improperly deducted the cost of the Winners Choice program as business expenses on its federal tax returns. If convicted, the charge carries a maximum penalty of 5 years in prison and a $250,000 fine.

United States v. Roger Cannon, Jr.

Roger Cannon, Jr., also known as "RJ Cannon," 38, of Palatine, who was a Drummond American sales agent, district manager and regional manager in succession between 1995 and January 2006, responsible for selling Drummond products to customers in the Chicago area, was charged with mail fraud. Cannon allegedly directed Winners Choice kickback rewards ranging from $650 to $3,550 to each of six employees of his customers. These included four employees of Illinois School District U-46, which encompasses Bartlett, Elgin, South Elgin, Streamwood, Hanover Park, Carol Stream and Wayne, as well as an employee of the Village of Rosemont and an employee of the City of Elgin. Cannon received commissions totaling $54,302 on sales to these public bodies and the charges seek forfeiture of that amount. If convicted, the charge carries a maximum penalty of 20 years in prison and a $250,000 fine.

United States v. Leroy Wittle

Leroy Wittle, 65, of Alexandria, Va., who was a Lawson district manager responsible for selling products to customers in the Washington, D.C., area, was charged with bribery for allegedly providing a $300 gift card to an unnamed public employee of a federal executive branch agency in return for the employee's decision to purchase merchandise from Wittle and Lawson on behalf of the unnamed federal agency. If convicted, the charge carries a maximum penalty of 2 years in prison and a $250,000 fine.

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