

CHICAGO RIVET & MACHINE CO

Form 10-K

March 28, 2013

[Table of Contents](#)

**UNITED STATES**  
**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, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 000-01227

**CHICAGO RIVET & MACHINE CO.**

(Exact name of registrant as specified in its charter)

Edgar Filing: CHICAGO RIVET & MACHINE CO - Form 10-K

**ILLINOIS**  
(State of

**36-0904920**  
(I.R.S. Employer

incorporation)

Identification Number)

**901 Frontenac Road, Naperville, Illinois**  
(Address of principal executive offices)

**60563**  
(Zip Code)

Registrant's telephone number, including area code: (630) 357-8500

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

Title of Each Class  
Common Stock \$1.00 Par Value

Name of Each Exchange on Which Registered  
NYSE MKT

(including Preferred Stock Purchase Rights)

(Trading privileges only, not registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the Company as of June 30, 2012 was \$14,549,621.

As of March 25, 2013, there were 966,132 shares of the Company's common stock outstanding.

**Documents Incorporated By Reference**

(1) Portions of the Company's Annual Report to Shareholders for the year ended December 31, 2012 (the 2012 Report ) are incorporated by reference in Parts I and II of this report.

(2) Portions of the Company's definitive Proxy Statement which is to be filed with the Securities and Exchange Commission in connection with the Company's 2013 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

**Table of Contents**

**CHICAGO RIVET & MACHINE CO.**

**YEAR ENDING DECEMBER 31, 2012**

| Item<br>No.                                                                                                            |                 | Page<br>No. |
|------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
|                                                                                                                        | <u>Part I</u>   |             |
| <u>1. Business</u>                                                                                                     |                 | 3           |
| <u>1A. Risk Factors</u>                                                                                                |                 | 4           |
| <u>1B. Unresolved Staff Comments</u>                                                                                   |                 | 6           |
| <u>2. Properties</u>                                                                                                   |                 | 6           |
| <u>3. Legal Proceedings</u>                                                                                            |                 | 6           |
| <u>4. Mine Safety Disclosures</u>                                                                                      |                 | 6           |
|                                                                                                                        | <u>Part II</u>  |             |
| <u>5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> |                 | 8           |
| <u>6. Selected Financial Data</u>                                                                                      |                 | 8           |
| <u>7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                        |                 | 8           |
| <u>7A. Quantitative and Qualitative Disclosures About Market Risk</u>                                                  |                 | 11          |
| <u>8. Financial Statements and Supplementary Data</u>                                                                  |                 | 11          |
| <u>9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         |                 | 12          |
| <u>9A. Controls and Procedures</u>                                                                                     |                 | 12          |
|                                                                                                                        | <u>Part III</u> |             |
| <u>10. Directors, Executive Officers and Corporate Governance</u>                                                      |                 | 13          |
| <u>11. Executive Compensation</u>                                                                                      |                 | 13          |
| <u>12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              |                 | 13          |
| <u>13. Certain Relationships and Related Transactions, and Director Independence</u>                                   |                 | 13          |
| <u>14. Principal Accountant Fees and Services</u>                                                                      |                 | 13          |
|                                                                                                                        | <u>Part IV</u>  |             |
| <u>15. Exhibits and Financial Statement Schedules</u>                                                                  |                 | 14          |

**Table of Contents**

**PART I**

**ITEM 1 Business**

Chicago Rivet & Machine Co. (the "Company") was incorporated under the laws of the State of Illinois in December 1927, as successor to the business of Chicago Rivet & Specialty Co. The Company operates in two segments of the fastener industry: fasteners and assembly equipment. The fastener segment consists of the manufacture and sale of rivets, cold-formed fasteners and parts and screw machine products. The assembly equipment segment consists primarily of the manufacture of automatic rivet setting machines, automatic assembly equipment and parts and tools for such machines. For further discussion regarding the Company's operations and segments, see Note 6 of the financial statements which appears on page 9 of the Company's 2012 Annual Report to Shareholders. The 2012 Annual Report is filed as an exhibit to this report.

The principal market for the Company's products is the North American automotive industry. Sales are solicited by employees and by independent sales representatives.

The segments in which the Company operates are characterized by active and substantial competition. No single company dominates the industry. The Company's competitors include both larger and smaller manufacturers, and segments or divisions of large, diversified companies with substantial financial resources. Principal competitive factors in the market for the Company's products are price, quality and service.

The Company serves a variety of customers. Revenues are primarily derived from sales to customers involved, directly or indirectly, in the manufacture of automobiles and automotive components. Information concerning backlog of orders is not considered material to the understanding of the Company's business due to relatively short production cycles. The level of business activity for the Company is closely related to the overall level of industrial activity in the United States. During 2012, sales to two customers exceeded 10% of the Company's consolidated revenues. Sales to TI Group Automotive Systems Corporation accounted for approximately 18% and 17% of the Company's consolidated revenues in 2012 and 2011, respectively. Sales to Fisher & Company accounted for approximately 15% and 16% of the Company's consolidated revenues in 2012 and 2011, respectively.

The Company's business has historically been stronger during the first half of the year.

The Company purchases raw material from a number of sources, primarily within the United States. There are numerous sources of raw material, and the Company does not have to rely on a single source for any of its requirements.

Patents, trademarks, licenses, franchises and concessions are not of significant importance to the business of the Company.

The Company does not engage in significant research activities, but rather in ongoing product improvement and development. The amounts spent on product development activities in the last two years were not material.

At December 31, 2012, the Company employed 228 people.

The Company has no foreign operations, and sales to foreign customers represent only a minor portion of the Company's total sales.

## **Table of Contents**

### **ITEM 1A Risk Factors**

Our business is subject to a number of risks and uncertainties. If any of the events contemplated by the following risks actually occur, then our business, financial condition or results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations.

#### **We are dependent on the domestic automotive industry.**

Demand for our products is directly related to conditions in the domestic automotive industry, which is highly cyclical and is affected by a variety of factors, including regulatory requirements, international trade policies, and consumer spending and preferences. The domestic automotive industry is characterized by fierce competition, and has undergone major restructuring in recent years in response to overcapacity, narrowing profit margins, significant pension and health care liabilities and excess debt. Conditions in the domestic automotive industry declined significantly during 2008, and worsened further in 2009 as the global recession took hold, resulting in a substantial decline in vehicle sales. Overall, automotive production in the United States declined approximately 50 percent between 2000 and 2009, before rebounding in 2010. Although automotive production and sales have increased in 2010 through 2012, any decline in the domestic automotive industry could have a material adverse effect on our business, results of operations and financial condition.

#### **We face intense competition.**

We compete with a number of other manufacturers and distributors that produce and sell products similar to ours. Price, quality and service are the primary elements of competition. Our competitors include a large number of independent domestic and international suppliers. We are not as large as a number of these companies and do not have as many financial or other resources. The competitive environment has also changed dramatically over the past several years as our customers, faced with intense international competition and pressure to reduce costs, have expanded their worldwide sourcing of components. As a result, we have experienced competition from suppliers in other parts of the world that enjoy economic advantages, such as lower labor costs, lower health care costs and fewer regulatory burdens. There can be no assurance that we will be able to compete successfully with existing or new competitors. Increased competition could have a material adverse effect on our business, results of operations and financial condition.

#### **We rely on sales to two major customers.**

Our sales to two customers constituted approximately 33% of our consolidated revenues in 2012 and 2011. Sales to TI Group Automotive Systems Corporation accounted for approximately 18% and 17% of the Company's consolidated revenues in 2012 and 2011, respectively. Sales to Fisher & Company accounted for approximately 15% and 16% of the Company's consolidated revenues in 2012 and 2011, respectively. The loss of any significant portion of our sales to these customers could have a material adverse effect on our business, results of operations and financial condition.

#### **Increases in our raw material costs or difficulties with our suppliers could negatively affect us.**

While we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. In recent years, we have been adversely impacted by increased

## **Table of Contents**

costs for steel, our principal raw material, which we have been unable to wholly mitigate, as well as increases in other materials prices. Any continued fluctuation in the price or availability of our raw materials could have a material adverse impact on our business, results of operations and financial condition.

### **We may be adversely affected by labor relations issues.**

Although none of our employees are unionized, the domestic automakers and many of their suppliers, including many of our customers, have unionized work forces. Work stoppages or slow-downs experienced by automakers or their suppliers could result in slow-downs or closures of assembly plants where our products are included in assembled components. In the event that one or more of our customers or their customers experiences a material labor relations issue, our business, results of operations and financial condition could be materially adversely affected.

### **We may incur losses as a result of product liability, warranty or other claims that may be brought against us.**

We face risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or result, or are alleged to have resulted, in bodily injury, property damage or other losses. In addition, if any of our products are or are alleged to be defective, then we may be required to participate in a product recall. We may also be involved from time to time in legal proceedings and commercial or contractual disputes. Any losses or other liabilities related to these exposures could have a material adverse effect on our business, results of operations and financial condition.

### **We could be adversely impacted by environmental laws and regulations.**

Our operations are subject to environmental laws and regulations. Currently, environmental costs and liabilities with respect to our operations are not material, but there can be no assurance that we will not be adversely impacted by these costs and liabilities in the future either under present laws and regulations or those that may be adopted or imposed in the future.

### **We could be adversely impacted by the loss of the services of key employees.**

Successful operations depend, in part, upon the efforts of executive officers and other key employees. Our future success will depend, in part, upon our ability to attract and retain qualified personnel. Loss of the services of any of our key employees, or the inability to attract or retain employees could have a material adverse affect upon our business, financial condition and results of operations.

### **The price of our common stock is subject to volatility, and our stock is thinly traded.**

Various factors, such as general economic changes in the financial markets, announcements or significant developments with respect to the automotive industry, actual or anticipated variations in our or our competitors' quarterly or annual financial results, the introduction of new products or technologies by us or our competitors, changes in other conditions or trends in our industry or in the markets of any of our significant customers, changes in governmental regulation, or changes in securities analysts' estimates of our competitors or our industry, could cause the market price of our common stock to fluctuate substantially.

Our common stock is traded on the NYSE MKT (not registered, trading privileges only). The average daily trading volume for our common stock during 2012 was less than 3,000 shares per day, and on some days we have zero volume. As a result, you may have difficulty selling shares of our common stock, and the price of our common stock may vary significantly based on trading volume.

## **Table of Contents**

### **ITEM 1B Unresolved Staff Comments**

None.

### **ITEM 2 Properties**

The Company's headquarters is located in Naperville, Illinois. It conducts its manufacturing and warehousing operations at three additional facilities. All of these facilities are described below. Each facility is owned by the Company and considered suitable and adequate for its present use. The Company also maintains a small sales and engineering office in Pembroke, Massachusetts in a leased office.

Of the properties described below, the Madison Heights, Michigan facility is used entirely in the fastener segment. The Albia, Iowa facility is used exclusively in the assembly equipment segment. The Tyrone, Pennsylvania and the Naperville, Illinois facilities are utilized in both operating segments.

#### **Plant Locations and Descriptions**

|                           |                                                                       |
|---------------------------|-----------------------------------------------------------------------|
| Naperville, Illinois      | Brick, concrete block and partial metal construction with metal roof. |
| Tyrone, Pennsylvania      | Concrete block with small tapered beam type warehouse.                |
| Albia, Iowa               | Concrete block with prestressed concrete roof construction.           |
| Madison Heights, Michigan | Concrete, brick and partial metal construction with metal roof.       |

### **ITEM 3 Legal Proceedings**

The Company is, from time to time involved in litigation, including environmental claims, in the normal course of business. While it is not possible at this time to establish the ultimate amount of liability with respect to contingent liabilities, including those related to legal proceedings, management is of the opinion that the aggregate amount of any such liabilities, for which provision has not been made, will not have a material adverse effect on the Company's financial position.

### **ITEM 4 Mine Safety Disclosures**

Not applicable.



**Table of Contents**

Executive Officers of the Registrant

The names, ages and positions of all executive officers of the Company, as of March 15, 2013, are listed below. Officers are elected annually by the Board of Directors at the meeting of the directors immediately following the Annual Meeting of Shareholders. There are no family relationships among these officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected.

| Name and Age of Officer |    | Position                                         | Years an Officer |
|-------------------------|----|--------------------------------------------------|------------------|
| John A. Morrissey       | 77 | Chairman, Chief Executive Officer                | 32               |
| Michael J. Bourg        | 50 | President, Chief Operating Officer and Treasurer | 14               |
| Kimberly A. Kirhofer    | 54 | Secretary                                        | 22               |

Mr. Morrissey has been Chairman of the Board of Directors of the Company since November 1979, and Chief Executive Officer since August 1981. He has been a director of the Company since 1968.

Mr. Bourg has been President, Chief Operating Officer and Treasurer of the Company since May 2006. Prior to that, he served in various executive roles since joining the Company in December 1998. He has been a director of the Company since May 2006.

Mrs. Kirhofer has been Secretary of the Company since August 1991, and was Assistant Secretary of the Company from February 1991 through August 1991. Prior to that, she held various administrative positions with the Company since May 1983.

**Table of Contents**

**PART II**

**ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's common stock is traded on the NYSE MKT (trading privileges only, not registered). As of March 5, 2013 there were approximately 190 shareholders of record of such stock. The information on the market price of, and dividends paid with respect to, the Company's common stock, set forth in the section entitled "Information on Company's Common Stock" which appears on page 12 of the 2012 Annual Report is incorporated herein by reference. The 2012 Annual Report is filed as an exhibit to this report. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends," for additional information about the Company's dividend policy.

Under the terms of a stock repurchase authorization originally approved by the Board of Directors of the Company in February of 1990, as amended, the Company is authorized to repurchase up to an aggregate of 200,000 shares of its common stock, in the open market or in private transactions, at prices deemed reasonable by management. Cumulative purchases under the repurchase authorization have amounted to 162,996 shares at an average price of \$15.66 per share. The Company has not purchased any shares of its common stock since 2002.

**ITEM 6 Selected Financial Data**

As a Smaller Reporting Company as defined in Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we have elected scaled disclosure reporting obligations with respect to this item and therefore are not required to provide the information requested by this Item 6.

**ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Forward-Looking Statements**

This discussion contains certain "forward-looking statements" which are inherently subject to risks and uncertainties that may cause actual events to differ materially from those discussed herein. Factors which may cause such differences in events include those disclosed above under "Risk Factors" and elsewhere in this Form 10-K. As stated elsewhere in this filing, such factors include, among other things: conditions in the domestic automotive industry, upon which we rely for sales revenue, the intense competition in our markets, the concentration of our sales to two major customers, the price and availability of raw materials, labor relations issues, losses related to product liability, warranty and recall claims, costs relating to environmental laws and regulations, and the loss of the services of our key employees. Many of these factors are beyond our ability to control or predict. Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**RESULTS OF OPERATIONS**

Results for 2012 were successful by most measures as we increased our revenues to the highest level in five years and our net income to the highest level in ten years. Revenues were \$34,223,772 in 2012, a 10.7 percent increase from \$30,915,122

## **Table of Contents**

in 2011. The increase in revenue was aided by domestic automotive production that reached its highest level since 2007 as well as increased volume to certain non-automotive customers. The increase in revenue more than offset raw material price fluctuations experienced during the year, resulting in net income of \$1,745,741, or \$1.81 per share, in 2012 compared with net income of \$1,254,877, or \$1.30 per share, in 2011. These positive results enabled the payment of an extra dividend in the fourth quarter, which brought the total dividend payout for 2012 to the highest amount in nine years.

### **2012 Compared to 2011**

The pace of the domestic economic recovery continued to be slow in 2012, with high unemployment and stagnant wage growth, as well as the lingering effects of the financial crisis, keeping consumer spending restrained. The automotive sector was an exception to these forces as the average age of cars on U.S. roads reached an all-time high, which helped propel auto sales to double digit growth for the third straight year after the recent recession. Our fastener segment, which relies on the automotive sector for the majority of its revenues, benefited from this environment. These favorable conditions in the automotive market, coupled with our ongoing efforts to increase revenues, resulted in fastener segment sales of \$30,999,163 in 2012, compared with \$27,832,279 in 2011, an increase of 11.4 percent. The fourth quarter of 2012 marked the thirteenth consecutive quarter of sales exceeding the year earlier quarter. Higher raw material prices early in the year receded as the year progressed leaving most cost of sales components increasing at the year's inflationary rate. The combination of higher sales and moderate increases in cost components resulted in an increase in fastener segment gross margins of \$866,485 during 2012 compared to 2011.

Assembly equipment segment revenues were \$3,224,609 in 2012, an increase of \$141,766, or 4.6 percent, compared to the \$3,082,843 recorded in 2011. An increase in the number of machines shipped, as well as a higher average unit value during 2012, accounted for most of the increase in the equipment segment sales. By holding operating costs to levels consistent with the prior year, the higher sales resulted in an increase in assembly equipment gross margins of \$135,393 in 2012.

Selling and administrative expenses were \$5,186,760 in 2012, an increase of \$153,309, or 3 percent, compared to the 2011 total of \$5,033,451. The change is primarily due to an increase in profit sharing expense of \$95,322, related to improved operating results. An increase of approximately \$39,000 in payroll and related expenses and various smaller items make up the remaining net increase. As a percentage of net sales, selling and administrative expenses declined from 16.3 percent in 2011 to 15.2 percent in 2012.

Other income was \$118,099 in 2012 compared to \$249,804 in 2011. The decline was primarily due to a gain of approximately \$142,000 in 2011 from the sale of our Jefferson, Iowa property, which had formerly been used in our fastener segment operations.

### **DIVIDENDS**

In determining to pay dividends, the Board considers current profitability, the outlook for longer-term profitability, known and potential cash requirements and the overall financial condition of the Company. The Company paid four regular quarterly dividends of \$.15 per share during 2012. In addition, an extra dividend of \$.30 per share was paid during the fourth quarter, bringing the total distribution for the year to \$.90 per share. On February 18, 2013, the Board of Directors declared a regular quarterly dividend of \$.15 per share, payable March 20, 2013 to shareholders of record on March 5, 2013. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 79 years.

## **Table of Contents**

### **PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures during 2012 totaled \$1,187,746, of which \$1,018,734 was invested in equipment for our fastener operations. Inspection equipment accounted for \$450,720 of the fastener segment additions while cold heading and screw machine equipment comprised \$371,466 of the total. Equipment to perform secondary operations on parts accounted for \$46,582 of the additions, while the remaining additions of \$149,966 were for various general plant and office equipment. Assembly equipment segment additions totaled \$68,203, for a new turning center. Investments for the benefit of both operating segments, primarily for building improvements, totaled \$100,809 during 2012.

Total capital expenditures in 2011 were \$1,611,789. Fastener segment additions accounted for \$1,510,036 of the total, including \$838,000 for cold heading and screw machine equipment and \$110,000 for secondary processing equipment. These expenditures served to expand our production capacity and capabilities. We invested \$241,000 for inspection and other quality related equipment and \$251,000 for general plant improvements, including energy efficient lighting and roof repairs. The balance of the fastener segment additions were for packaging and other small equipment. Assembly equipment segment additions were \$61,283, for production equipment. An additional \$40,470 was invested in facility improvements and office equipment that benefits both operating segments.

Depreciation expense amounted to \$993,951 in 2012 and \$971,496 in 2011.

### **LIQUIDITY AND CAPITAL RESOURCES**

Working capital at December 31, 2012 was \$15.9 million, an improvement of \$.9 million from the beginning of the year. Higher sales caused an increase in accounts receivable of \$.2 million as of year-end. A decline in inventory of \$.3 million offset this increase, while current liabilities were little changed from the beginning of the year. The Company's holdings in cash, cash equivalents and certificates of deposit amounted to \$7.5 million at the end of 2012, an increase of \$.9 million. The Company's investing activities in 2012 consisted primarily of capital expenditures of \$1.2 million. The only financing activity during 2012 was the payment of \$.9 million in dividends.

Management believes that current cash, cash equivalents and operating cash flow will be sufficient to provide adequate working capital for the foreseeable future.

### **Off-Balance Sheet Arrangements**

The Company has not entered into, and has no current plans to enter into, any off-balance sheet financing arrangements.

### **APPLICATION OF CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of revenue and expenses during the reporting period. A summary of critical accounting policies can be found in Note 1 of the financial statements.

### **NEW ACCOUNTING STANDARDS**

The Company's financial statements and financial condition were not, and are not expected to be, materially impacted by new, or proposed, accounting standards. A summary of recent accounting pronouncements can be found in Note 1 of the financial statements.

## **Table of Contents**

### **OUTLOOK FOR 2013**

Forecasts for economic growth in 2013 call for modest improvement over the rate achieved in 2012; however, ongoing uncertainty related to how the federal government may act to improve economic growth while dealing with large deficits continues to threaten the fragile three year old recovery. Unlike a year ago, when domestic automotive sales were projected by many to increase 10 percent, we are starting the new year with more subdued projections regarding automotive sales growth, with most projections in the low single digits. While these forecasts would underpin our outlook for fastener sales, our assembly equipment segment, which derives sales from a broad industry base, may continue to lag in comparison if business sentiment does not improve.

While the overall rate of inflation has been relatively low during the aforementioned recovery, a variety of our cost components have seen greater increases or experienced periods of volatility, including raw materials, certain supplies, fuel and insurance. That history of volatility makes forecasting costs difficult. At this time, there is no expectation that overall inflation will rise significantly in the near-term, but the accommodative monetary policy of recent years may eventually give rise to higher inflation which could negatively impact operations. Given that increases in costs are often difficult to recover, we will continue to concentrate our efforts on mitigating such increases through rigorous quoting and working to improve our operational efficiency.

The improvement in profitability and our sound financial position have allowed us to make significant investments in our operations in recent years while also increasing shareholder distributions. We believe that we remain well positioned to take advantage of opportunities that may improve profitability in the future. We will continue to pursue new customer relationships and work to expand existing ones in all the markets we serve by emphasizing value over price and by concentrating our efforts on more complex parts in order to differentiate ourselves in a very competitive global marketplace.

Our success in the past year, as well as in the future, depends on numerous factors, a key element of which is the dedicated efforts of our employees, who consistently work to meet the ever-changing challenges that characterize today's manufacturing environment. We gratefully acknowledge their contributions as well as the loyalty of our customers, who entrust their confidence in us to provide them with quality solutions. We also take this opportunity to thank our shareholders for their support.

### **ITEM 7A Quantitative and Qualitative Disclosures About Market Risk**

As a Smaller Reporting Company as defined in Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations with respect to this item and therefore are not required to provide the information requested by this Item 7A.

### **ITEM 8 Financial Statements and Supplementary Data**

See the sections entitled "Consolidated Financial Statements" and "Financial Statement Schedule" which appear on pages 16 through 19 of this report.

## **Table of Contents**

### **ITEM 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **ITEM 9A Controls and Procedures**

Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and President, Chief Operating Officer and Treasurer (the Company's principal financial officer), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's management, with the participation of the Company's Chief Executive Officer and President, Chief Operating Officer and Treasurer (the Company's principal financial officer), assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, the Company's management has concluded that the Company's internal controls over financial reporting are effective as of December 31, 2012.

The attestation report requirement for non-accelerated filers was permanently removed from the Sarbanes-Oxley Act by Section 989C of the Dodd-Frank Act as adopted by the SEC.

Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**PART III**

**ITEM 10 Directors, Executive Officers and Corporate Governance**

The information in the Company's 2013 Proxy Statement (i) with respect to the Board of Directors' nominees for directors that is not related to security ownership in Security Ownership of Management (ii) in the third paragraph in Additional Information Concerning the Board of Directors and Committees and (iii) in Section 16(a) Beneficial Ownership Reporting Compliance is incorporated herein by reference. The 2013 Proxy Statement is to be filed with the Securities and Exchange Commission in connection with the Company's 2013 Annual Meeting of Shareholders. The information called for with respect to executive officers of the Company is included in Part I of this Report on Form 10-K under the caption Executive Officers of the Registrant.

The Company has adopted a code of ethics for its principal executive officer, chief operating officer and senior financial officers. A copy of this code of ethics was filed as Exhibit 14 to the Company's Annual Report on Form 10-K dated March 29, 2005.

**ITEM 11 Executive Compensation**

The information set forth in the Company's 2013 Proxy Statement in Compensation of Directors and Executive Officers is incorporated herein by reference.

The Compensation Committee of the Board of Directors currently consists of Directors Edward L. Chott, William T. Divane, Jr. and George P. Lynch.

**ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information set forth in the Company's 2013 Proxy Statement in Principal Shareholders and the information with respect to security ownership of the Company's directors and officers set forth in Security Ownership of Management is incorporated herein by reference.

The Company does not have any equity compensation plans or arrangements.

**ITEM 13 Certain Relationships and Related Transactions, and Director Independence**

The information set forth in the Company's 2013 Proxy Statement in (i) Additional Information Concerning the Board of Directors and Committees Policy Regarding Related Person Transactions and (ii) the first paragraph under Additional Information Concerning the Board of Directors and Committees is incorporated herein by reference.

**ITEM 14 Principal Accountant Fees and Services**

The information set forth in the Company's 2013 Proxy Statement in Ratification of Selection of Independent Auditor Audit and Non-Audit Fees is incorporated herein by reference.

**Table of Contents**

**PART IV**

**ITEM 15 Exhibits and Financial Statement Schedules**

(a) The following documents are filed as a part of this report:

1. Financial Statements:

See the section entitled Consolidated Financial Statements which appears on page 16 of this report.

2. Financial statement schedule and supplementary information required to be submitted:

See the section entitled Financial Statement Schedule which appears on pages 17 through 19 of this report.

3. Exhibits:

See the section entitled Exhibits which appears on page 20 of this report.



**Table of Contents**

**SIGNATURES**

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

Chicago Rivet & Machine Co.

By /s/ Michael J. Bourg  
Michael J. Bourg  
President and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

|                                            |                                                                                                                   |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| /s/ John A. Morrissey<br>John A. Morrissey | Chairman of the Board of Directors,<br>Chief Executive Officer (Principal<br>Executive Officer) and Member of the |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------|

Executive Committee  
March 28, 2013

|                                          |                                                                           |
|------------------------------------------|---------------------------------------------------------------------------|
| /s/ Michael J. Bourg<br>Michael J. Bourg | President, Chief Operating Officer,<br>Treasurer (Principal Financial and |
|------------------------------------------|---------------------------------------------------------------------------|

Accounting Officer), Director and

Member of the Executive Committee  
March 28, 2013

|                                        |                                                              |
|----------------------------------------|--------------------------------------------------------------|
| /s/ Edward L. Chott<br>Edward L. Chott | Director, Member of<br>the Audit Committee<br>March 28, 2013 |
|----------------------------------------|--------------------------------------------------------------|

|                                      |                                                              |
|--------------------------------------|--------------------------------------------------------------|
| /s/ Kent H. Cooney<br>Kent H. Cooney | Director, Member of<br>the Audit Committee<br>March 28, 2013 |
|--------------------------------------|--------------------------------------------------------------|

|                                                 |                                                              |
|-------------------------------------------------|--------------------------------------------------------------|
| /s/ William T. Divane, Jr.<br>William T. Divane | Director, Member of<br>the Audit Committee<br>March 28, 2013 |
|-------------------------------------------------|--------------------------------------------------------------|

|                                        |                            |
|----------------------------------------|----------------------------|
| /s/ George P. Lynch<br>George P. Lynch | Director<br>March 28, 2013 |
|----------------------------------------|----------------------------|

|                                                |                                                                  |
|------------------------------------------------|------------------------------------------------------------------|
| /s/ Walter W. Morrissey<br>Walter W. Morrissey | Director, Member of the Executive<br>Committee<br>March 28, 2013 |
|------------------------------------------------|------------------------------------------------------------------|

**Table of Contents**

**CHICAGO RIVET & MACHINE CO.**

**CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements, together with the notes thereto and the report thereon of Grant Thornton LLP dated March 28, 2013, appearing on pages 4 to 11 of the accompanying 2012 Annual Report, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated in Items 1, 5 and 8 herein, the 2012 Annual Report is not to be deemed filed as part of this Form 10-K Annual Report.

Consolidated Financial Statements from 2012 Annual Report (Exhibit 13 hereto):

Consolidated Balance Sheets (page 4 of 2012 Annual Report)

Consolidated Statements of Income (page 5 of 2012 Annual Report)

Consolidated Statements of Retained Earnings (page 5 of 2012 Annual Report)

Consolidated Statements of Cash Flows (page 6 of 2012 Annual Report)

Notes to Consolidated Financial Statements (pages 7, 8, 9, and 10 of 2012 Annual Report)

Report of Independent Registered Public Accounting Firm (page 11 of 2012 Annual Report)

**Table of Contents**

**FINANCIAL STATEMENT SCHEDULE**

**2012 and 2011**

The following financial statement schedule should be read in conjunction with the consolidated financial statements and the notes thereto in the 2012 Annual Report. Financial statement schedules not included herein have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

|                                                                                                | Page |
|------------------------------------------------------------------------------------------------|------|
| <u>Financial Statement Schedule:</u>                                                           |      |
| <u>Valuation and Qualifying Accounts (Schedule II)</u>                                         | 18   |
| <u>Report of Independent Registered Public Accounting Firm on Financial Statement Schedule</u> | 19   |

**Table of Contents**

**Chicago Rivet & Machine Co.**

**Schedule II Valuation and Qualifying Accounts**

**For the Years Ended December 31, 2012 and 2011**

| Classification                                          | Balance at<br>Beginning<br>of Year | Additions<br>Charged to<br>Expenses | Deductions(1) | Balance at<br>End of Year |
|---------------------------------------------------------|------------------------------------|-------------------------------------|---------------|---------------------------|
| <b>2012</b>                                             |                                    |                                     |               |                           |
| Allowance for doubtful accounts, returns and allowances | \$ 140,000                         | \$ 17,358                           | \$ 7,358      | \$ 150,000                |
| Inventory valuation allowance                           | \$ 549,000                         | \$ 186,141                          | \$ 185,141    | \$ 550,000                |
| <b>2011</b>                                             |                                    |                                     |               |                           |
| Allowance for doubtful accounts, returns and allowances | \$ 135,000                         | \$ 10,806                           | \$ 5,806      | \$ 140,000                |
| Inventory valuation allowance                           | \$ 516,600                         | \$ 221,113                          | \$ 188,713    | \$ 549,000                |

(1) Accounts receivable written off are net of recoveries.

**Table of Contents**

Report of Independent Registered Public Accounting Firm on  
Financial Statement Schedule

Board of Directors and Shareholders

of Chicago Rivet & Machine Co.

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Chicago Rivet & Machine Co. and subsidiary (the Company ) referred to in our report dated March 28, 2013, which is included in the 2012 Annual Report to Shareholders. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2), which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Chicago, Illinois

March 28, 2013

**Table of Contents**

**CHICAGO RIVET & MACHINE CO.**

**EXHIBITS**

Exhibit  
Number

|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1   | Articles of Incorporation, as last amended August 18, 1997. Incorporated by reference to the Company's report on Form 10-K, dated March 27, 1998. File number 0000-01227                                                                                                                                                                                                                                                                                                |
| 3.2   | Amended and Restated By-Laws, as amended through February 18, 2013.                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4.1   | Rights Agreement, dated December 3, 2009, between the Company and Continental Stock Transfer & Trust Company as Rights Agent. Incorporated by reference to the Company's report on Form 8-K, dated November 16, 2009. File number 0000-01227                                                                                                                                                                                                                            |
| 13*   | Annual Report to Shareholders for the year ended December 31, 2012.                                                                                                                                                                                                                                                                                                                                                                                                     |
| 14    | Code of Ethics for Principal Executive and Senior Financial Officers. Incorporated by reference to the Company's report on Form 10K, dated March 29, 2005. File number 0000-01227                                                                                                                                                                                                                                                                                       |
| 21    | Subsidiaries of the Registrant.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 31.1  | Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                              |
| 31.2  | Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                              |
| 32.1  | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                                  |
| 32.2  | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                                  |
| 101** | Interactive Data File. Includes the following financial and related information from Chicago Rivet & Machine Co.'s Annual Report on Form 10-K for the year ended December 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Income, (3) Consolidated Statements of Retained Earnings, (4) Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements. |

\* Only the portions of this exhibit which are specifically incorporated herein by reference shall be deemed to be filed herewith.

\*\* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.