

CHICAGO RIVET & MACHINE CO

Form 10-K

March 28, 2012

[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, 2011**

**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)

**ILLINOIS**  
(State of incorporation)

**901 Frontenac Road, Naperville, Illinois**

**36-0904920**  
(I.R.S. Employer Identification Number)

**60563**

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

(Address of principal executive offices)

(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	Name of Each Exchange on Which Registered
Common Stock \$1.00 Par Value	NYSE Amex
(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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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, 2011 was \$12,386,840.

As of March 26, 2012, there were 966,132 shares of the Company's common stock outstanding.

## Documents Incorporated By Reference

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

(1) Portions of the Company's Annual Report to Shareholders for the year ended December 31, 2011 (the 2011 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 2012 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, 2011**

Item No.		Page No.
	<u>Part I</u>	
1.	<u>Business</u>	3
1A.	<u>Risk Factors</u>	4
1B.	<u>Unresolved Staff Comments</u>	6
2.	<u>Properties</u>	6
3.	<u>Legal Proceedings</u>	6
4.	<u>Mine Safety Disclosures</u>	6
	<u>Part II</u>	
5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	8
6.	<u>Selected Financial Data</u>	8
7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	8
7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	11
8.	<u>Financial Statements and Supplementary Data</u>	11
9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	11
9A.	<u>Controls and Procedures</u>	12
	<u>Part III</u>	
10.	<u>Directors, Executive Officers and Corporate Governance</u>	13
11.	<u>Executive Compensation</u>	13
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	13
13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	13
14.	<u>Principal Accountant Fees and Services</u>	13
	<u>Part IV</u>	
15.	<u>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 2011 Annual Report to Shareholders. The 2011 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 2011, sales to two customers exceeded 10% of the Company's consolidated revenues. Sales to TI Group Automotive Systems Corporation accounted for approximately 17% and 16% of the Company's consolidated revenues in 2011 and 2010, respectively. Sales to Fisher & Company accounted for approximately 16% and 20% of the Company's consolidated revenues in 2011 and 2010, 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, 2011, the Company employed 221 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 significant overcapacity, fierce competition and significant pension and health care liabilities. 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. In recent years, many domestic automotive component suppliers as well as General Motors and Chrysler, have filed for bankruptcy protection, while others remain financially distressed or may become financially distressed. Although automotive production and sales increased in 2010 and 2011, further declines 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 in 2011 and 2010 constituted approximately 33% and 36% of our consolidated revenues, respectively. Sales to TI Group Automotive Systems Corporation accounted for approximately 17% and 16% of the Company's consolidated revenues in 2011 and 2010, respectively. Sales to Fisher & Company accounted for approximately 16% and 20% of the Company's consolidated revenues in 2011 and 2010, 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.

## **Table of Contents**

### **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 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 Amex (not registered, trading privileges only). The average daily trading volume for our common stock during 2011 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 Norwell, Massachusetts in a leased facility.

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, 2012, 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	76	Chairman, Chief Executive Officer	31
Michael J. Bourg	49	President, Chief Operating Officer and Treasurer	13
Kimberly A. Kirhofer	53	Secretary	21

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. He was Corporate Controller from December 1998 to November 2005. He became Vice President Finance in November 2005 and was named Executive Vice President in February 2006. 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 Amex (trading privileges only, not registered). As of March 5, 2012 there were approximately 200 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 2011 Annual Report is incorporated herein by reference. The 2011 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.

## **Table of Contents**

### **RESULTS OF OPERATIONS**

Results for 2011 reflect considerable improvement over 2010, as the domestic automotive market continued to improve from the steep decline experienced from 2007 to 2009, during the worst of the global economic downturn. Our revenues in 2011 increased to \$30,915,122 from \$28,520,510 in 2010, or 8.4 percent. The increased revenue came from greater volume for certain existing customer parts as well as new parts and customers. The increase in revenue helped offset higher prices for raw materials and other commodities experienced during the year, resulting in net income of \$1,254,877, or \$1.30 per share, in 2011 compared with net income of \$606,025, or \$0.63 per share, in 2010.

#### **2011 Compared to 2010**

The domestic economy experienced only modest growth in 2011 as high unemployment and a depressed real estate market continued to keep consumer spending restrained. One of the stronger segments of the economy was the automotive sector, which experienced a 10 percent increase in new vehicle sales, due in part to purchases that were delayed during the worst of the economic crisis. Our fastener segment, which relies on the automotive sector for the majority of its revenues, had sales of \$27,832,279 in 2011, compared with \$25,252,093 in 2010, an increase of 10.2 percent. For each quarter of 2011, sales exceeded the year earlier quarter, with the fourth quarter marking the ninth consecutive quarter to do so. Higher prices for raw materials, fuel, lubricants and plating materials partially offset the increase in sales in 2011. However, the increase in production activity we experienced allowed for more optimal utilization of plant resources, resulting in an increase in fastener segment gross margins of \$1,153,969 during 2011 compared to 2010.

Assembly equipment segment revenues were \$3,082,843 in 2011, a decline of \$185,574, or 5.7 percent, compared to the \$3,268,417 recorded in 2010. While we experienced improved order activity and shipped more machines during 2011, the average selling price of those machines was lower than in 2010. This may be due to the relatively uncertain economic environment that existed throughout much of the year as machine sales are particularly sensitive to economic conditions. While costs were held at levels consistent with the prior year, the decline in sales resulted in a reduction in assembly equipment gross margins of \$138,183 in 2011.

Selling and administrative expenses were \$5,033,451 in 2011, a net increase of \$231,810, or 4.8 percent, compared to the 2010 total of \$4,801,641. The largest components of the change were a \$92,000 increase in profit sharing expense, related to improved operating results, and a \$59,000 increase in commissions, due to higher sales during the year. Office supplies and maintenance increased approximately \$39,000, primarily related to computer system upgrades. The remaining net increase relates to various smaller items. Compared to net sales, selling and administrative expenses declined from 16.8 percent in 2010 to 16.3 percent in 2011.

During the second quarter of 2011, we completed the sale of our Jefferson, Iowa property, which had formerly been used in our fastener segment operations. The sale resulted in a net gain of approximately \$142,000. An additional net gain of \$51,000 was recorded in 2011 from the sale of certain manufacturing equipment that had been underutilized.

### **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 total distribution for the year was \$.51 per share. On February 20, 2012, the Board of Directors declared a regular quarterly dividend of \$.15 per share, payable March 20, 2012 to shareholders of record on March 5, 2012. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 78 years.

## **Table of Contents**

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

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.

Capital expenditures during 2010 totaled \$687,108, of which \$459,084 was invested in equipment for our fastener operations. Equipment to perform secondary operations on parts accounted for \$146,000 of the additions, while inspection equipment comprised \$46,000 of the total. Plating system upgrades totaled \$57,000 and facilities improvements were \$152,000. The remaining additions of \$58,000 were for miscellaneous smaller items and a delivery vehicle. Assembly equipment segment additions totaled \$157,548, comprised of \$84,874 for a new cylindrical grinder and \$72,674 for facility improvements. An additional \$70,476 was invested in computer equipment and software related to a computer system upgrade that benefits both operating segments.

Depreciation expense amounted to \$971,496 in 2011 and \$1,000,354 in 2010.

### **LIQUIDITY AND CAPITAL RESOURCES**

Working capital at December 31, 2011 was \$15 million, an improvement of \$.4 million from the beginning of the year. Improved customer demand, as well as rising raw material prices, resulted in an increase in inventories of \$.9 million during 2011, as higher levels were maintained to ensure timely deliveries. Higher sales caused an increase in accounts receivable of \$.4 million as of year-end. Partially offsetting these increases was an increase in accounts payable and accrued expenses of \$.4 million, reflecting the greater level of operations. The Company's holdings in cash, cash equivalents and certificates of deposit amounted to \$6.6 million at the end of 2011, a decline of \$.5 million. The Company's investing activities in 2011 consisted of capital expenditures of \$1.6 million, which was partially funded by \$.4 million in proceeds from asset disposals and a net reduction in certificates of deposit of \$.5 million. The only financing activity during 2011 was the payment of \$.5 million in dividends.

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

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

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

### **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.

## **Table of Contents**

### **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.

### **OUTLOOK FOR 2012**

While current forecasts call for modest economic growth overall in 2012, various projections have suggested domestic automotive sales may increase as much as 10 percent. These conditions would be similar to what was experienced in 2011 and would be favorable to our fastener segment, while the assembly equipment segment, which derives sales from a broader industry base, may lag in comparison. While the sales potential of parts we produce for automotive applications is determined by the lifespan or success of the specific vehicle platform in which they are used, we believe that our efforts in recent years should provide the foundation for growth in 2012.

Forecasting costs is difficult due to the volatility we have experienced in recent years for raw materials, energy and various supplies. Increases in costs are often difficult to recover as many of our customers expect our prices to be held constant, if not reduced, over the life of a part, due to their customers having similar expectations. We will continue to seek ways to mitigate such increases through rigorous quoting and exploring ways to improve our operational efficiency.

The improvement in profitability and our sound financial position allowed us to make significant investments in our operations during 2011 that in some cases have provided immediate benefits in terms of added capabilities, capacity and efficiency. We also 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 workforce. We take this opportunity to gratefully acknowledge their contributions as well as the loyalty of our customers who have shown their confidence in our ability to provide them with quality solutions. We also recognize the continuing support of our shareholders.

### **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.

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

None.

## **Table of Contents**

### **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, 2011, 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, 2011.

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, 2011 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 2012 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 2012 Proxy Statement is to be filed with the Securities and Exchange Commission in connection with the Company's 2012 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 2012 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 2012 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 2012 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 2012 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  
John A. Morrissey

Chairman of the Board of Directors,  
Chief Executive Officer (Principal  
Executive Officer) and Member of the  
Executive Committee  
March 28, 2012

/s/ Michael J. Bourg  
Michael J. Bourg

President, Chief Operating Officer,  
Treasurer (Principal Financial and  
Accounting Officer), Director and  
Member of the Executive Committee  
March 28, 2012

/s/ Edward L. Chott  
Edward L. Chott

Director, Member of  
the Audit Committee  
March 28, 2012

/s/ Kent H. Cooney  
Kent H. Cooney

Director, Member of  
the Audit Committee  
March 28, 2012

/s/ William T. Divane, Jr.  
William T. Divane

Director, Member of  
the Audit Committee  
March 28, 2012

/s/ George P. Lynch  
George P. Lynch

Director  
March 28, 2012

/s/ Walter W. Morrissey  
Walter W. Morrissey

Director, Member of the Executive  
Committee  
March 28, 2012

**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, 2012, appearing on pages 4 to 11 of the accompanying 2011 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 2011 Annual Report is not to be deemed filed as part of this Form 10-K Annual Report.

Consolidated Financial Statements from 2011 Annual Report (Exhibit 13 hereto):

Consolidated Balance Sheets (page 4 of 2011 Annual Report)

Consolidated Statements of Income (page 5 of 2011 Annual Report)

Consolidated Statements of Retained Earnings (page 5 of 2011 Annual Report)

Consolidated Statements of Cash Flows (page 6 of 2011 Annual Report)

Notes to Consolidated Financial Statements (pages 7, 8, 9, and 10 of 2011 Annual Report)

Report of Independent Registered Public Accounting Firm (page 11 of 2011 Annual Report)

**Table of Contents**

**FINANCIAL STATEMENT SCHEDULE**

**2011 and 2010**

The following financial statement schedule should be read in conjunction with the consolidated financial statements and the notes thereto in the 2011 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.

	<b>Page</b>
Financial Statement Schedule:	
<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, 2011 and 2010**

Classification	Balance at Beginning of Year	Additions Charged to Expenses	Deductions (1)	Balance at End of Year
<b>2011</b>				
Allowance for doubtful accounts, returns and allowances	\$ 135,000	\$ 5,806	\$ 10,806	\$ 140,000
Inventory valuation allowance	\$ 516,600	\$ 221,113	\$ 188,713	\$ 549,000
<b>2010</b>				
Allowance for doubtful accounts, returns and allowances	\$ 155,000	\$ 11,943	\$ 31,943	\$ 135,000
Inventory valuation allowance	\$ 564,500	\$ 122,814	\$ 170,714	\$ 516,600

(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 referred to in our report dated March 28, 2012, which is included in the 2011 Annual Report to Shareholders. Our audits of the 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 consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

GRANT THORNTON LLP

Chicago, Illinois

March 28, 2012

**Table of Contents**

**CHICAGO RIVET & MACHINE CO.**

**EXHIBITS**

**INDEX TO EXHIBITS**

Exhibit Number		Page
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 August 17, 2009. Incorporated by reference to the Company's report on Form 10-K, dated March 23, 2010. File number 0000-01227	
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, 2011.	21 36
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.	37
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.	38
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.	39
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.	40
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.	41
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, 2011 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, tagged as blocks of text.	

\* 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.