

CHICAGO RIVET & MACHINE CO
Form 10-K
March 20, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

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 or other jurisdiction of
incorporation or organization)

36-0904920
(I.R.S. Employer
Identification No.)

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 | Name of Each Exchange on Which Registered |
|---|--|
| Common Stock, par value \$1.00 per share | NYSE American |

(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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018 was \$25,335,536.

As of March 18, 2019, 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, 2018 (the 2018 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 2019 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

CHICAGO RIVET & MACHINE CO.

YEAR ENDING DECEMBER 31, 2018

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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.

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 2018, sales to three customers were at least 10% of the Company's consolidated revenues. Sales to TI Group Automotive Systems, LLC accounted for approximately 17% and 19% of the Company's consolidated revenues in 2018 and 2017, respectively. Sales to Parker-Hannifin Corporation and Cooper-Standard Holdings Inc. each accounted for approximately 10% of the Company's consolidated revenues in 2018.

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, 2018, the Company employed 228 people.

The Company has no foreign operations. Sales to foreign customers represent approximately 12% of the Company's total sales.

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 the global recession of 2008 and 2009, resulting in a substantial decline in vehicle sales. Overall, automotive production in the United States declined approximately 50 percent between 2000 and 2009, before starting to recover in 2010. Although automotive production recently improved to pre-recession levels, 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 benefit from 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 major customers.

Our sales to three customers constituted approximately 37% of our consolidated revenues in 2018. Sales to TI Group Automotive Systems, LLC accounted for approximately 17% of the Company's consolidated revenues in 2018 and sales to Parker-Hannifin Corporation and Cooper-Standard Holdings Inc. each accounted for approximately 10% of the Company's consolidated revenues in 2018. 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.

We are subject to risks related to export sales.

Our export sales have increased in recent years, and we are working to continue to expand our business relationships with customers outside of the United States. Export sales are subject to various risks, including risks related to changes in local economic, social and political conditions (particularly in emerging markets), changes in tariffs and trade policies and foreign currency exchange rate fluctuations, which 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. At various times 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.

Any significant disruption, interruption or failure of our information systems could disrupt the operation of our business, result in increased costs and decreased revenues and expose us to liability.

Cybersecurity threats are growing in number and sophistication and include, among others, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. In addition to security threats, we are also subject to other systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, natural disasters, power shortages, terrorist attacks or other events. The unavailability of our information systems, the failure of these systems to perform as anticipated or any significant breach of data security could cause loss of data, disrupt our operations, lead to financial losses from remedial actions, require significant management attention and resources, and negatively impact our reputation among our customers, which could have a negative impact on our business, results of operations and financial condition.

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 American (not registered, trading privileges only). The average daily trading volume for our common stock during 2018 was less than 2,000 shares per day. 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.

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.

Executive Officers of the Registrant

The names, ages and positions of all executive officers of the Company, as of March 18, 2019, 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.

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| Name and Age of Officer | Position | Years an Officer |
|--------------------------------|---|-------------------------|
| John A. Morrissey 83 | Chairman, Chief Executive Officer | 38 |
| Michael J. Bourg 56 | President, Chief Operating Officer and Treasurer | 20 |

- 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.

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 American (trading privileges only, not registered). As of March 5, 2019 there were approximately 150 shareholders of record of such stock.

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 with major customers, risks related to export sales, 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, information systems disruptions 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

Financial results for 2018 were positive by most measures, as we increased our revenues to the highest level since 2007. However, rising raw material prices constrained gross margins compared to the prior year. Net sales were \$37,174,249 in 2018 compared to \$35,764,714 in 2017, an increase of \$1,409,535, or 3.9%. Net income for 2018 was \$2,001,185, or \$2.07 per share, compared to \$2,079,082, or \$2.15 per share, in 2017.

2018 Compared to 2017

Fastener segment revenues were \$7,816,286 in the fourth quarter of 2018, an increase of \$158,047, or 2.1%, from \$7,658,239 reported in the fourth quarter of 2017. Fastener segment revenues for the full year were \$33,712,458 in 2018 compared with \$31,977,964 in 2017, an increase of \$1,734,494, or 5.4%. The automotive sector is the primary market for our fastener segment products and while North American light-vehicle production was relatively flat in 2018 compared to 2017, our sales to automotive customers declined 7.8% during

the fourth quarter and 1.4% for the year. However, the decline in automotive sales was more than offset by growth in non-automotive sales which increased 25.9% and 21.7% in the fourth quarter and for the full year of 2018, respectively, compared to 2017. For the fourth quarter, the fastener segment gross margin was \$1,468,690 compared to \$1,588,746 in the year earlier quarter, a decline of \$120,056. Steel is our primary raw material and we have experienced significant increases in our cost of steel during 2018 which was primarily responsible for the net decline in gross margins during the quarter despite the increase in sales. For the full year 2018, segment gross margin was \$6,829,211 compared to \$6,633,651 in 2017, an increase of \$195,560, despite the higher raw material costs.

Assembly equipment segment revenues were \$697,489 in the fourth quarter of 2018, a decline of \$103,395, or 12.9%, compared to the fourth quarter of 2017, when revenues were \$800,884. For the full year 2018, assembly equipment segment revenues were \$3,461,791, a decline of \$324,959, or 8.6%, compared to \$3,786,750 reported in 2017. The decline in fourth quarter and full year sales was primarily due to a reduction in the number of high-dollar specialty machines shipped compared to the prior year periods, as the total number of machines shipped increased during 2018. The decline in assembly equipment segment sales was the primary cause of the reduction in segment gross margins of \$72,975 in the fourth quarter and \$203,523 for the full year of 2018 compared to 2017.

Selling and administrative expenses were \$5,503,111 in 2018 compared to \$5,548,541 in 2017, a decline of \$45,430, or 0.8%. The reduction was primarily due to the ERP system conversion that was completed at one of our locations in 2017. This accounted for \$167,000 of additional expenses in that year, which was only partially offset by a \$113,000 increase in sales commissions, related to higher sales, in 2018. As a percentage of net sales, selling and administrative expenses were 14.8% in 2018 compared to 15.5% in 2017.

Other income was \$153,537 in 2018 compared to \$100,901 in 2017. Other income is primarily comprised of interest income which increased during the year due to rising interest rates.

The Company's effective income tax rates were 21.7% and 15.7% in 2018 and 2017, respectively. The rate was lower than the U.S. federal statutory rate in 2017 primarily due to the enactment of the Tax Cuts and Jobs Act (the Act) in December 2017. Among other changes, the Act reduced the maximum corporate tax rate from 35% to 21% beginning in 2018. Although the lower tax rate took effect in 2018, deferred tax assets and liabilities should be measured using the enacted tax rate expected to apply in the years in which they are expected to be settled. The Company recorded a one-time net income tax benefit of \$432,000 in the fourth quarter of 2017 as a result of the revaluation of the Company's deferred tax assets and liabilities to reflect the lower future U.S. corporate tax rates.

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 totaling \$.84 per share during 2018. In addition, an extra dividend of \$.30 per share was paid during the first quarter, bringing the total distribution for the year to \$1.14 per share. On February 18, 2019, the Board of Directors declared a regular quarterly dividend of \$.22 per share, an increase of 4.8% from the prior quarter, payable March 20, 2019 to shareholders of record on March 5, 2019. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 85 years. At that same meeting, the Board also declared an extra dividend of \$.30 per share payable March 20, 2019 to shareholders of record on March 5, 2019.

PROPERTY, PLANT AND EQUIPMENT

Total capital expenditures in 2018 were \$2,023,190. Fastener segment additions accounted for \$1,635,115 of the total, including \$956,739 for cold heading and screw machine equipment additions, \$243,194 for

equipment to perform secondary operations on parts and \$296,289 for inspection equipment. The remaining \$138,893 fastener segment additions consisted of general plant equipment and facilities improvements. Assembly equipment segment additions in 2018 were \$49,884 for production equipment. Investments for the benefit of both operating segments, primarily for building improvements, totaled \$338,191 during 2018.

Capital expenditures during 2017 totaled \$1,337,941. The fastener segment accounted for \$1,093,539 of the total, including \$904,312 for production equipment. Cold heading and screw machine equipment additions were \$303,992, quality control equipment additions were \$281,983, additions for secondary processing equipment were \$261,143 and \$57,194 was expended for general plant equipment. The remainder of the fastener segment additions relate to building improvements and technology equipment. Assembly equipment segment additions totaled \$178,761, primarily for production equipment. Additional investments of \$65,641 were made in 2017 for building improvements that benefit both operating segments.

Depreciation expense amounted to \$1,308,448 in 2018 and \$1,231,546 in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at December 31, 2018 was approximately \$17.4 million, an increase of \$.4 million from the beginning of the year. The improvement was primarily due to continued profitable operations in 2018. The most significant component of the change was an increase in inventories of \$1.6 million during the year as raw material purchases were accelerated in advance of price increases. The Company's holdings in cash, cash equivalents and certificates of deposit amounted to \$7.8 million at the end of 2018, a decrease of \$1.2 million. The reduction was primarily related to the increase in inventory as well as a \$.7 million increase in capital expenditures. The Company's investing activities in 2018 included capital expenditures of \$2 million. The only financing activity during 2018 was the payment of approximately \$1.1 million in dividends.

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

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.

OUTLOOK FOR 2019

We started 2018 with some optimism as the addition of new fastener segment customers and parts in 2017 was expected to be more fully reflected in the year's financial results. That optimism was well placed as our

fastener segment sales reflected growth in each quarter of 2018 compared to the year earlier periods. Much of that growth came from non-automotive customers which added to the diversity of industries served. With the majority of our fastener segment revenue continuing to come from the automotive industry, our sales to automotive customers tracked closely to U.S. auto and light truck sales and production during most of the year, before weakening late in the fourth quarter. Current automotive sales forecasts for 2019 and our early 2019 activity indicate further weakness in the near-term, leading to a cautious outlook for our fastener segment demand. While the results for the assembly equipment segment reported in 2018 did not match those of the previous year, it was primarily due to a change in product sales mix that resulted in a lower amount per sales transaction being recognized compared to the prior year, as demand was stable during the year. As we begin 2019, our machine order backlog and overall assembly equipment demand appears consistent with the prior year.

Higher raw material prices, brought on by tariffs instituted during 2018, had a negative impact on earnings during the year. It is unknown whether there will be relief from higher material prices in 2019 even if the tariffs were to be eliminated. The growth in the domestic economy is also showing signs of slowing as higher interest rates take effect and the long-lived recovery runs its course. Both of these factors will contribute to a more challenging environment for our operations in 2019. In anticipation of the challenges ahead, we will continue our efforts to improve operational efficiency as a means of improving margins. We will also continue our efforts to develop new customer relationships and build on existing ones in all the markets we serve by emphasizing our experience, quality and customer service in a very competitive global marketplace.

In four of the last six years, we invested more than \$2 million in equipment and facilities upgrades in order to increase our capabilities, expand production capacity and improve operating efficiency. We feel these investments are necessary to remain competitive and were made possible by our consistent profitability during that period. In the upcoming year, we expect to make additional investments in order to improve our operations. Our sound financial condition and our profitability has also allowed us to pay dividends of \$5.8 million over the same six year period and declare an additional special dividend of \$.3 million, to be paid in the first quarter of 2019, based on the results of 2018.

The positive results in the past year would not have been possible without the conscientious efforts of our dedicated employees, who consistently strive to exceed customer expectations related to quality, service and price. We are grateful for their contributions as well as the loyalty of our customers, who have placed their confidence in us to help them achieve their goals. We also take this opportunity to thank our shareholders for their continued 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 section entitled Consolidated Financial Statements which appears on page 17 of this report.

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, 2018, based on the 2013 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, 2018.

Management's assessment of internal control has not been audited, as 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, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B Other Information

None.

PART III

ITEM 10 Directors, Executive Officers and Corporate Governance

The information in the Company's 2019 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 2019 Proxy Statement is to be filed with the Securities and Exchange Commission in connection with the Company's 2019 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 2019 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 and William T. Divane, Jr.

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

The information set forth in the Company's 2019 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 2019 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 2019 Proxy Statement in "Ratification of Selection of Independent Auditor Audit and Non-Audit Fees" is incorporated herein by reference.

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 17 of this report.

2. Financial Statement Schedules:

Financial statement schedules and supplementary information has been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits:

See the section entitled Exhibits which appears on page 15 of this report.

ITEM 16 Form 10-K Summary

None.

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 15, 2016 Incorporated by reference to the Company's report on Form 10-K, dated March 21, 2016. File number 0000-01227
- 13* Annual Report to Shareholders for the year ended December 31, 2018.
- 14 Code of Ethics for Principal Executive and Senior Financial Officers. Incorporated by reference to the Company's report on Form 10-K, 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, 2018 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.

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 20, 2019 |
| /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 20, 2019 |
| /s/ Edward L. Chott Edward L. Chott | Director, Member of the Audit Committee | March 20, 2019 |
| /s/ Kent H. Cooney Kent H. Cooney | Director, Member of the Audit Committee | March 20, 2019 |
| /s/ William T. Divane, Jr. William T. Divane, Jr. | Director, Member of the Audit Committee | March 20, 2019 |
| /s/ Walter W. Morrissey Walter W. Morrissey | Director, Member of the Executive Committee | March 20, 2019 |
| /s/ John L. Showel John L. Showel | Director | March 20, 2019 |

CHICAGO RIVET & MACHINE CO.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements, together with the notes thereto and the report thereon of Crowe LLP dated March 20, 2019, appearing on pages 4 to 11 of the accompanying 2018 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 2018 Annual Report is not to be deemed filed as part of this Form 10-K Annual Report.

Consolidated Financial Statements from 2018 Annual Report (Exhibit 13 hereto):

Consolidated Balance Sheets (page 4 of 2018 Annual Report)

Consolidated Statements of Income (page 5 of 2018 Annual Report)

Consolidated Statements of Retained Earnings (page 5 of 2018 Annual Report)

Consolidated Statements of Cash Flows (page 6 of 2018 Annual Report)

Notes to Consolidated Financial Statements (pages 7, 8, 9, and 10 of 2018 Annual Report)

Report of Independent Registered Public Accounting Firm (page 11 of 2018 Annual Report)