

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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, 2019

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)

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

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

**60563**  
(Zip Code)

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00 per share	CVR	NYSE American (Trading privileges only, not registered)

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 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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, 2019 was \$22,398,781.

As of March 18, 2020, 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, 2019 (the "2019 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 2020 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

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**CHICAGO RIVET & MACHINE CO.  
YEAR ENDING DECEMBER 31, 2019**

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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 2019, sales to three customers were at least 10% of the Company’s consolidated revenues. Sales to TI Group Automotive Systems, LLC accounted for approximately 16% and 17% of the Company’s consolidated revenues in 2019 and 2018, respectively. Sales to Parker-Hannifin Corporation and Cooper-Standard Holdings Inc. each accounted for approximately 10% of the Company’s consolidated revenues in 2019 and 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, 2019, the Company employed 217 people.

The Company has no foreign operations. Sales to foreign customers represent approximately 14% 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 automotive industry.**

Demand for our products is directly related to conditions in the global 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 automotive industry is characterized by fierce competition and has undergone major restructuring in recent years. The impact of evolving technological changes, including a growing emphasis on electric vehicles, as well as any decline in the automotive industry, domestic or foreign, 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 36% of our consolidated revenues in 2019. Sales to TI Group Automotive Systems, LLC accounted for approximately 16% of the Company's consolidated revenues in 2019 and sales to Parker-Hannifin Corporation and Cooper-Standard Holdings Inc. each accounted for approximately 10% of the Company's consolidated revenues in 2019. 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.

**Supply Chain Disruptions.**

Many of our customers depend upon intricate just-in-time supply chains. A disruption in a supply chain caused by one or more suppliers, and/or an unrelated supplier, due to part shortages, work stoppages, bankruptcy,

raw material shortages, natural disasters, coronavirus, tariffs, etc. could adversely impact our business, or our customers' business, which could have a material adverse effect on our 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 2019 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. The Company 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.

Information about our Executive Officers

The names, ages and positions of all executive officers of the Company, as of March 18, 2020, 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.

<u>Name and Age of Officer</u>	<u>Position</u>	<u>Years an Officer</u>
John A. Morrissey 84	Chairman, Chief Executive Officer	39
Michael J. Bourg 57	President, Chief Operating Officer and Treasurer	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. On February 17, 2020, Mr. Morrissey notified the Company of his intention to retire effective May 12, 2020, the date of the Company's 2020 annual meeting of shareholders.
- 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, 2020 there were approximately 140 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, supply chain disruptions, 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 the first three quarters of 2019 were adversely impacted by slowing global economic growth, especially within the automotive industry, and prolonged trade disputes. We experienced further weakening of demand in the fourth quarter that resulted in sales of \$7,186,968 compared to \$8,513,775 in the year earlier quarter, a decline of 15.6%. The decline in sales contributed to a net loss of \$293,884, or \$.30 per share, for the quarter compared to net income of \$302,556, or \$.31 per share in the fourth quarter of 2018. Full year net sales were \$32,873,002 in 2019 compared to \$37,174,249 in 2018, a decline of \$4,301,247, or 11.6%. Full year net income in 2019 was \$538,314, or \$.56 per share, compared to \$2,001,185, or \$2.07 per share, in 2018.

#### **2019 Compared to 2018**

Fastener segment revenues were \$6,286,948 in the fourth quarter of 2019 compared to \$7,816,286 reported in the fourth quarter of 2018, a decline of \$1,529,338, or 19.6%. Fastener segment revenues for the full year were

\$28,989,667 in 2019 compared to \$33,712,458 in 2018, a decline of \$4,722,791, or 14.0%. The automotive sector is the primary market for our fastener segment products and while North American light-vehicle production declined modestly in 2019, our sales to automotive customers declined 15.4% during the fourth quarter and 16.6% for the year. Sales to non-automotive customers declined 26.9% in the fourth quarter and 8.9% for the full year after being down only 3.1% after three quarters. The decline in sales was the primary factor impacting gross margins in 2019. For the fourth quarter, the fastener segment gross margins were \$794,076 compared to \$1,468,690 in the year earlier quarter, a decline of \$674,614. For the full year 2019, the fastener segment gross margins were \$4,652,353 compared to \$6,829,211 in 2018, a decline of \$2,176,858.

Assembly equipment segment revenues were \$900,020 in the fourth quarter of 2019, an increase of \$202,531, or 29.0%, compared to the fourth quarter of 2018 when revenues were \$697,489. The increase was due to a greater number of machines shipped in the current year quarter. For the full year 2019, assembly equipment segment revenues were \$3,883,335, compared to \$3,461,791 reported in 2018, an increase of \$421,544, or 12.2%. The year to date increase was more broad-based and included improvements in parts and tool sales in addition to machines. Despite the increase in sales, gross margins declined during the fourth quarter from \$171,396 to \$90,954 due to the disposal of certain excess inventory items in the current year. For the full year, assembly equipment segment gross margins improved from \$1,076,548 to \$1,092,177, or 1.5%.

Selling and administrative expenses were \$5,252,946 in 2019 compared to \$5,503,111 in 2018, a decline of \$250,165, or 4.5%. The reduction was primarily due to a \$134,000 reduction in commission expense related to lower sales in 2019 and a \$103,000 reduction in profit sharing expense related to lower operating profit in 2019. As a percentage of net sales, selling and administrative expenses were 16.0% in 2019 compared to 14.8% in 2018.

Other income was \$191,730 in 2019 compared to \$153,537 in 2018. Other income is primarily comprised of interest income which increased during the year due to higher interest rates.

The Company's effective income tax rates were 21.2% and 21.7% in 2019 and 2018, respectively.

## **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 \$.88 per share during 2019. In addition, an extra dividend of \$.30 per share was paid during the first quarter, bringing the total distribution for the year to \$1.18 per share. On February 17, 2020, the Board of Directors declared a regular quarterly dividend of \$.22 per share, payable March 20, 2020 to shareholders of record on March 5, 2020. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 86 years.

## **PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures during 2019 totaled \$1,802,914. The fastener segment accounted for \$1,522,541 of the total, including cold heading and screw machine equipment additions of \$567,963, secondary processing equipment of \$631,089, quality control equipment additions of \$268,468 and \$46,066 for general plant equipment. The remainder of the fastener segment additions relate to technology equipment. Assembly equipment segment additions totaled \$233,697, primarily for production equipment. Additional investments of \$46,676 were made in 2019 for building improvements and office equipment that benefit both operating segments.

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, \$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.

Depreciation expense amounted to \$1,382,235 in 2019 and \$1,308,448 in 2018.

## **LIQUIDITY AND CAPITAL RESOURCES**

Working capital at December 31, 2019 was approximately \$16.4 million, a decrease of \$1 million from the beginning of the year. The decline was primarily due to reductions in accounts receivable and inventory of \$.9 million and \$1.1 million, respectively, which was only partially offset by a \$.6 million reduction in accounts payable. Inventories were reduced to more normal levels in 2019 after being built up in 2018 in advance of anticipated steel price increases, while accounts receivable declined in 2019 along with sales. The Company's investing activities in 2019 included capital expenditures of \$1.8 million. The only financing activity during 2019 was the payment of approximately \$1.1 million in dividends. The Company's holdings in cash, cash equivalents and certificates of deposit amounted to \$8 million at the end of 2019, an increase of \$.2 million.

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.

## **PERSONNEL**

On February 17, 2020, John A. Morrissey, Chairman of the Board and Chief Executive Officer, notified the Company of his intention to retire effective May 12, 2020, the date of the Company's 2020 Annual Meeting of Shareholders.

## **OUTLOOK FOR 2020**

We started 2019 on a cautious note as we experienced a weakening in fastener segment demand from our automotive customers in late 2018. That weakness persisted throughout 2019 and spread to our non-automotive customers in the fourth quarter. While the U.S. auto market exhibited resiliency during 2019, many other parts of the world were markedly weak. Current forecasts for the automotive market expect these conditions to persist in the near-term, leading to a cautious outlook for our fastener segment demand. Results for our assembly

equipment segment improved in 2019 compared to 2018, as demand was stable during the year and results included more higher-dollar value specialty machines. As we begin 2020, our machine order backlog trails the year earlier amount in terms of units and dollar value.

Steel is our primary raw material and higher prices brought on by tariffs instituted during 2018 continued to have a negative impact on earnings in 2019. While there has been some easing in prices recently, on average, we experienced slightly higher material costs in 2019 compared to 2018 and costs are significantly higher than two years ago. Labor costs have also increased more than expected as a result of the tight labor market. Domestic economic growth has been slowing which will be a further headwind in the new year. These factors will contribute to a challenging environment for our operations in 2020. This challenging environment could be exacerbated by risks and uncertainties related to the coronavirus pandemic and recent disruption to the financial markets. 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.

We continued to make significant investments in our operations in 2019, investing approximately \$1.8 million in equipment upgrades in order to improve operating efficiency and enhance product quality. This brings our total investment in facilities and equipment over the last nine years to \$17.3 million. Our consistent profitability during that period not only has provided for these investments, but has also allowed us to pay dividends of \$8.3 million to shareholders. We expect to continue to make investments in our operations in 2020.

While results in 2019 did not match the success achieved in recent years, our financial condition remains sound. Our recent positive results have been made possible by 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 for the loyalty of our customers and the 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 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, 2019, 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, 2019.

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, 2019 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 2020 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” and (ii) in the third paragraph in “Additional Information Concerning the Board of Directors and Committees” is incorporated herein by reference. The 2020 Proxy Statement is to be filed with the Securities and Exchange Commission in connection with the Company’s 2020 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 “Information about our Executive Officers.”

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 2020 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 John C. Osterman.

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

The information set forth in the Company’s 2020 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 2020 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 2020 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**

<b><u>Exhibit Number</u></b>	
3.1	<a href="#"><u>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</u></a>
3.2	<a href="#"><u>Amended and Restated By-Laws, as amended through February 17, 2020.</u></a>
13*	<a href="#"><u>Annual Report to Shareholders for the year ended December 31, 2019.</u></a>
14	<a href="#"><u>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</u></a>
21	<a href="#"><u>Subsidiaries of the Registrant.</u></a>
31.1	<a href="#"><u>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.</u></a>
31.2	<a href="#"><u>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.</u></a>
32.1	<a href="#"><u>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.</u></a>
32.2	<a href="#"><u>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.</u></a>
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, 2019 formatted in Extensible Business Reporting Language (XBRL):(1) Consolidated Balance Sheets, (2) Consolidated Statements of Income, (3) Consolidated Statements of Shareholders' Equity, (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:

<u>/s/ John A. Morrissey</u> John A. Morrissey	Chairman of the Board of Directors, Chief Executive Officer (Principal Executive Officer) and Member of the Executive Committee	March 20, 2020
<u>/s/ Michael J. Bourg</u> Michael J. Bourg	President, Chief Operating Officer, Treasurer (Principal Financial and Accounting Officer), Director and Member of the Executive Committee	March 20, 2020
<u>/s/ Edward L. Chott</u> Edward L. Chott	Director, Member of the Audit Committee	March 20, 2020
<u>/s/ Kent H. Cooney</u> Kent H. Cooney	Director, Member of the Audit Committee	March 20, 2020
<u>/s/ Walter W. Morrissey</u> Walter W. Morrissey	Director, Member of the Executive Committee	March 20, 2020
<u>/s/ John C. Osterman</u> John C. Osterman	Director, Member of the Executive Committee	March 20, 2020
<u>/s/ John L. Showel</u> John L. Showel	Director	March 20, 2020

**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, 2020, appearing on pages 4 to 11 of the accompanying 2019 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 2019 Annual Report is not to be deemed filed as part of this Form 10-K Annual Report.

Consolidated Financial Statements from 2019 Annual Report (Exhibit 13 hereto):

Consolidated Balance Sheets (page 4 of 2019 Annual Report)

Consolidated Statements of Income (page 5 of 2019 Annual Report)

Consolidated Statements of Shareholders' Equity (page 5 of 2019 Annual Report)

Consolidated Statements of Cash Flows (page 6 of 2019 Annual Report)

Notes to Consolidated Financial Statements (pages 7, 8, 9, and 10 of 2019 Annual Report)

Report of Independent Registered Public Accounting Firm (page 11 of 2019 Annual Report)

AMENDED AND RESTATED BY-LAWS  
(AS AMENDED THROUGH FEBRUARY 17, 2020)

OF

CHICAGO RIVET & MACHINE CO.,  
an Illinois corporation  
(the "Corporation")

ARTICLE I  
OFFICES

The principal office of the Corporation shall be in the City of Naperville, County of DuPage and State of Illinois. The Corporation may also have offices at such other places, either within or without the State of Illinois, as the Board of Directors may from time to time appoint or as the business may require.

ARTICLE II  
SHAREHOLDERS' MEETINGS

SECTION 1. THE ANNUAL MEETING. The annual meeting of the shareholders shall be held at the principal office of the Corporation at 10:00 o'clock A. M. (Chicago time) on the second Tuesday in May of each year, or if such day be a holiday, then upon the next succeeding secular day. A written or printed notice stating the place, day and hour of the meeting shall be mailed by the Secretary or an Assistant Secretary of the Corporation at least ten days before such meeting to each shareholder to his, her or its last known post-office address, as appears on the books of the Corporation. A majority of the capital stock outstanding represented in person or by proxy shall constitute a quorum at all shareholders' meetings.

SECTION 2. SPECIAL MEETINGS.

(a) Special meetings of the shareholders may be called by (i) the President or (ii) the Board of Directors and shall be called by the President or the Board of Directors upon the demand, in accordance with this Section 2, of holders of not less than one-fifth of all the outstanding shares of the Corporation entitled to vote on the matter proposed to be considered at the special meeting, for the purpose or purposes stated in the call of the meeting.

(b) In order that the Corporation may determine the shareholders entitled to demand a special meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than 10 days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a special meeting shall, by sending written notice to the Secretary of the Corporation by hand or by certified or registered mail, return receipt requested, request the Board of Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within 10 days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within 10 days after the date on which such request is received by the Secretary, the Demand Record Date shall be the 10th day after the first date on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the special meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information

about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in paragraph (a) of Section 16 of Article II of these by-laws.

(c) In order for a shareholder or shareholders to demand a special meeting, a written demand or demands for a special meeting by the holders of record as of the Demand Record Date of not less than one-fifth of all the outstanding shares of the Corporation entitled to vote on the matter proposed to be considered at the special meeting must be delivered to the Corporation. To be valid, each written demand by a shareholder for a special meeting shall set forth the specific purpose or purposes for which the special meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the Corporation pursuant to paragraph (b) of this Section 2), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), shall set forth the name and address, as they appear in the Corporation's books, of each shareholder signing such demand and the class and number of shares of the Corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary within 60 days after the Demand Record Date.

(d) The Corporation shall not be required to call a special meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 2, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined below), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the Corporation's costs of holding the special meeting, including the costs of preparing and mailing proxy materials for the Corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as a director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) "Affiliate" of any Person (as defined herein) shall mean any Person controlling, controlled by or under common control with such first Person.

(ii) "Participant" shall have the meaning assigned to such term in Instruction 3 of Item 4 of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")

(iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

(iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(vi) "Soliciting Shareholder" shall mean, with respect to any special meeting demanded by a shareholder or shareholders, any of the following Persons: (A) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2 is 10 or fewer, each shareholder signing any such demand; (B) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2 is more than 10, each Person who either (x) was a Participant in any Solicitation of such demand or demands or (y) at the time of the delivery to the Corporation of the documents described in paragraph (c) of this Section 2 had engaged or intended to engage in any Solicitation of Proxies for use at such Special Meeting (other than a Solicitation of Proxies on behalf of the Corporation); or (C) any Affiliate of a Soliciting Shareholder, if a majority of the Directors then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 2 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 2 from being evaded.

(e) Except as provided in the following sentence, any special meeting shall be held at such hour and day as may be designated by whichever of the President or the Board of Directors shall have called such meeting. In the case of any special meeting called by the Board of Directors or the President upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board of Directors or the President; provided, however, that the date of any Demand Special Meeting shall be not more than 60 days after the Meeting Record Date (as defined in Section 6 of this Article II); and provided further that in the event that the Directors then in office fail to designate an hour and date for a Demand Special Meeting within 10 days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing not less than one-fifth of all the outstanding shares of the Corporation entitled to vote on the matter proposed to be considered at the special meeting are delivered to the Corporation (the "Delivery Date"), then such meeting shall be held at 2:00 P.M. local time on the 90th day after the Delivery Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any special meeting, the President or the Board of Directors may consider such factors as he or it deems relevant within the good faith exercise of his or its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an annual meeting or a special meeting for the conduct of related business.

(f) The Corporation may engage independent inspectors of elections to act as an agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a special meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the Corporation until the earlier of (i) 5 Business Days following receipt by the Secretary of such purported demand and (ii) such date as the independent inspectors certify to the Corporation that the valid demands received by the Secretary represent not less than one-fifth of all the outstanding shares of the Corporation entitled to vote on the matter proposed to be considered at the special meeting. Nothing contained in this paragraph (f) shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any demand, whether during or after such 5 Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

(g) For purposes of these by-laws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Illinois are authorized or obligated by law or executive order to close.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be at the principal office of the Company in Naperville, Illinois.

SECTION 4. TIME OF ELECTING DIRECTORS. Directors shall be elected at the regular annual meeting of the shareholders. If the election of directors is not held on the day of the annual meeting, the directors shall cause the election to be held as soon thereafter as conveniently may be. No failure to elect directors or to hold the annual meeting at the designated time shall work any forfeiture or dissolution of the Corporation.

SECTION 5. NOTICE OF MEETINGS. Written notice stating the place, date, and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets, not less than twenty nor more than sixty days before the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the records of the Corporation, with postage thereon

prepaid. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Any previously scheduled meeting of shareholders may be postponed, and any special meeting of the shareholders may be cancelled upon public notice given prior to the date previously scheduled for such meeting of shareholders.

**SECTION 6. FIXING OF RECORD DATE.** The Board of Directors may fix in advance a date not less than ten days and not more than sixty days, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets, not less than twenty and not more than sixty days, prior to the date of any annual meeting or special meeting as the record date for the determination of shareholders entitled to notice of, or to vote at, such meeting (the "Meeting Record Date"). In the case of any Demand Special Meeting, (i) the Meeting Record Date shall be not later than the 30th day after the Delivery Date and (ii) if the Board of Directors fails to fix the Meeting Record Date within 30 days after the Delivery Date, then the close of business on such 30th day shall be the Meeting Record Date. The Board of Directors may also fix in advance a date as the record date for the purpose of determining shareholders entitled to take any other action or determining shareholders for any other purpose. Such record date shall be not more than sixty days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. Except in the case of a Demand Special Meeting, if no record date is fixed, the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be the date on which notice of the meeting is mailed, and the record date for the determination of shareholders for any other purpose shall be the date on which the Board of Directors adopts the resolution relating thereto. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting. Nothing in this Section 6 shall in any way be construed to change the procedure for setting the record date and for determining the effectiveness of shareholder action by written consent as set forth in Section 7 of this Article II.

**SECTION 7. WRITTEN CONSENTS.**

(a) In order that the Corporation may determine the shareholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date (a "Consent Record Date"). The Consent Record Date shall not precede the date upon which the resolution fixing the Consent Record Date is adopted by the Board of Directors and shall not be more than 10 days after the date upon which the resolution fixing the Consent Record Date is adopted by the Board of Directors. Any shareholder of record seeking to consent to corporate action in writing without a meeting shall, by sending written notice to the Secretary of the Corporation by hand or by certified or registered mail, return receipt requested, request the Board of Directors to fix a Consent Record Date. The Board of Directors shall promptly, but in all events within 10 days after the date on which a valid request to fix a Consent Record Date is received, adopt a resolution fixing the Consent Record Date and shall make a public announcement of such Consent Record Date. If no Consent Record Date has been fixed by the Board of Directors within 10 days after the date on which such request is received by the Secretary, the Consent Record Date shall be the 10th day after the first date on which a valid written request to set a Consent Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the written consent is sought to be used, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in paragraph (a) of Section 16 of Article II of these by-laws.

(b) Every written consent shall be signed by one or more persons who as of the Consent Record Date are shareholders of record on the Consent Record Date (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), and shall set forth the name and address, as they appear in the Corporation's books, of each shareholder signing such consent and the class and number of shares of the Corporation which are owned of record and beneficially by each such shareholder and shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested. No written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated written consent was received in accordance with this paragraph (b) of this Section 7, a

written consent or consents signed by a sufficient number of holders to take such action are delivered to the Corporation.

(c) In the event of the delivery, in the manner provided by paragraph (b) of this Section 7, to the Corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph (c) of Section 7 shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

SECTION 8. VOTING LISTS. The officer or agent having charge of the transfer books for shares of the Corporation shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of the shareholder, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be open to inspection by any shareholder for any purpose germane to the meeting, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and may be inspected by any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

SECTION 9. QUORUM. The holders of a majority of the outstanding shares of the Corporation, present in person or represented by proxy, shall constitute a quorum at any meeting of shareholders; provided that if less than a majority of the outstanding shares are represented at said meeting, a majority of the shares so represented may adjourn the meeting at any time without further notice. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by The Business Corporation Act, the articles of incorporation or these by-laws. The Chairman of the meeting or the holders of record of a majority of the shares represented at the meeting shall have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of shareholders from any meeting shall not cause failure of a duly constituted quorum at that meeting.

SECTION 10. VOTING BY BALLOT. Voting on any question or in any election may be by voice unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

SECTION 11. PROXIES. Each shareholder shall have one vote for each share of stock having voting power and entitled to vote, registered in his name on the books of the Corporation, and at all meetings of the shareholders, shareholders may vote either in person or by proxy executed in writing by the shareholders, or by a duly authorized attorney. No proxy shall be valid after eleven months from the date of its execution, except where the stock is pledged as security for a debt to the person holding the proxy.

SECTION 12. VOTING OF SHARES. Each outstanding share, regardless of class, shall be entitled to one vote upon each matter submitted to vote at a meeting of shareholders.

SECTION 13. VOTING OF SHARES BY CERTAIN HOLDERS. Shares outstanding in the name of another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the by-laws of such

corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares outstanding in the name of a deceased person, a minor ward, or an incompetent person, may be voted by his administrator, executor, court appointed guardian, or conservator or custodian under a Gift to Minors Act, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, court appointed guardian, or conservator. Shares outstanding in the name of a trustee may be voted by him, either in person or by proxy.

Shares outstanding in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Any number of shareholders may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote or otherwise represent their share, for a period not to exceed ten years, by entering into a written voting trust agreement specifying the terms and conditions of the voting trust, and by transferring their shares to such trustee or trustees for the purpose of the agreement. Any such trust agreement shall not become effective until a counterpart of the agreement is deposited with the Corporation at its registered office. The counterpart of the voting trust agreement so deposited with the Corporation shall be subject to the same right of examination by a shareholder of the Corporation, in person or by agent or attorney, as are the books and records of the Corporation, and shall be subject to examination by any holder of a beneficial interest in the voting trust, either in person or by agent or attorney, at any reasonable time for any proper purpose.

Shares of its own stock belonging to this Corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time, but shares of its own stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares at any given time.

SECTION 14. CUMULATIVE VOTING. In all elections for directors, every shareholder shall have the right to vote, in person or by proxy, the number of shares owned by him, for as many persons as there are directors to be elected, or to cumulate said shares, and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall see fit.

SECTION 15. INSPECTORS. At any meeting of shareholders, the presiding officer may, or upon the request of any shareholder shall appoint one or more persons as inspectors for such meeting.

Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and report the results; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there be more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

SECTION 16. NOTICE OF SHAREHOLDER NOMINATIONS AND BUSINESS PROPOSALS. (a) Shareholder Nominations. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Articles of Incorporation of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (i) by or at the direction of the Board of Directors (or any duly authorized

committee thereof) or (ii) by any shareholder of the Corporation (A) who is a shareholder of record on the date of the giving of the notice provided for in this Section 16(a) and on the record date for the determination of shareholders entitled to vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 16(a).

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days in advance of the anniversary date of the mailing of the Corporation's proxy statement in connection with the previous year's annual meeting; provided, however, that in the event that the date of the applicable annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public announcement of the date of the annual meeting was made, whichever first occurs. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary must set forth (i) as to each person whom the shareholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (ii) as to the shareholder giving the notice (A) the name and record address of such shareholder, (B) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (C) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (D) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (E) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 16 (a). If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Notwithstanding anything in the third paragraph of this Section 16(a) to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased board of directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 16(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Shareholder Business Proposals. No business may be transacted at an annual meeting of shareholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (iii) otherwise properly brought before the annual meeting by any shareholder of the Corporation (A) who is a shareholder of record on the date of the giving of the notice provided for in this Section 16(b) and on the record date for the determination of shareholders entitled to vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 16(b).

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days in advance of the anniversary date of the mailing of the Corporation's proxy statement in connection with the previous year's annual meeting; provided, however, that in the event that the date of the applicable annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public announcement of the date of the annual meeting was made, whichever first occurs. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 16(b); provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 16(b) shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

(c) For purposes of this Section 16, "public announcement" shall mean an announcement in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

### ARTICLE III BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The business of the Corporation shall be managed by its Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. The number of directors of the Corporation shall be eight (8). Each director shall hold office until the next annual meeting of shareholders or until his successor shall have been elected and qualified. Directors need not be residents of Illinois or shareholders of the Corporation. The number of directors may be increased or decreased from time to time by the amendment of this section; but no decreases shall have the effect of shortening the term of any incumbent director.

SECTION 3. REGULAR MEETINGS. Immediately after the adjournment of the annual meeting of the shareholders of the Corporation, the newly elected directors shall meet for the purpose of organization, the election of officers and the transaction of such other business as may properly come before the meeting. Other regular meetings shall be held at such time as shall from time to time be determined by the Board.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by the President or by a majority of the directors.

SECTION 5. NOTICE. Notice of any special meeting shall be given, at least 24 hours previous thereto to each director personally by telegraph, telephone, facsimile transmission or by written notice duly served on each director, or sent or mailed to each director at his business address. If notice of any special meeting is to be given less than five days prior to such meeting, notice shall be by means of telegraph, telephone, facsimile transmission or overnight courier. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegram company. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. PLACE OF MEETINGS. Regular and Special Meetings of the Board of Directors shall be held at the Registered Office of the Corporation, or any such other place, either within or without the State of Illinois, as may from time to time be determined by the Board of Directors.

SECTION 7. QUORUM OF DIRECTORS - MANNER OF ACTING. A majority of the number of directors fixed by the by-laws, or in the absence of a by-law fixing the number of directors, then of the number stated in the articles of incorporation, shall constitute a quorum for the transaction of business unless the greater number is required by the articles of incorporation or the by-laws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, these by-laws, or the articles or incorporation.

SECTION 8. VACANCIES. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of directors, may be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

SECTION 9. ACTION WITHOUT A MEETING. Unless specifically prohibited by the articles of incorporation or by-laws, any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors, or of any committee thereof may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be. Any such consent signed by all the directors or all the members of the committee shall have the same effect as a unanimous vote, and may be stated as such in any document filed with the Secretary of State or with anyone else.

SECTION 10. PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 11. EXECUTIVE COMMITTEE. The Board of Directors, by resolution adopted by a majority of the number of directors fixed by the by-laws or otherwise, may appoint an executive committee, which committee, to the extent provided in such resolution, shall have and exercise all of the authority of the Board of Directors in the management of the Corporation, except as otherwise required by law. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular or special meeting of the Board of Directors. The executive committee shall keep regular minutes of its proceedings and report the same to the board when required.

SECTION 12. COMMITTEES. The Board of Directors may from its membership appoint other committees as it may from time to time by resolution determine and fix the number of members thereof, and the board may delegate to such committees such of the powers vested in it as it may by the resolution of appointment determine. Such committees so appointed shall observe such rules and regulations for their conduct and keep such records as the board may from time to time by resolution determine.

SECTION 13. COMPENSATION. The Board of Directors, by the affirmative vote of a majority of the acting and qualified directors, and notwithstanding any personal interest of any director, shall have authority to establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise. By resolution of the Board of Directors, the directors may be paid their expenses of attending each meeting of the board.

SECTION 14. INDEMNIFICATION. (a) Generally. Each person who was or is made a party or is threatened to be made a party to or is involved in or called as a witness in any action, suit or proceeding, whether civil, criminal, administrative or investigative, and any appeal therefrom (hereinafter, collectively a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is, was or had agreed to become a director of the Corporation or is, was or had agreed to become an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent permitted under the Illinois Business Corporation Act of 1983 (the "IBCA"), as the same now exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the IBCA permitted the Corporation to provide prior to such amendment), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties pursuant to the Employee Retirement Income Security Act of 1974, as amended, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided that, except as explicitly provided herein, prior to a Change in Control of the Corporation, as defined herein, a person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person against the Corporation or any director, officer, employee or agent of the Corporation shall not be entitled thereto unless the Corporation has joined in or consented to such proceeding (or part thereof). For purposes of this Section 14, a "Change in Control of the Corporation" shall be deemed to have occurred if the conditions set forth in any one of the following clauses shall have been satisfied: (i) any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) other than (A) the Corporation, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of shares of the Corporation (any such person is hereinafter referred to as a "Person"), is or becomes the "beneficial owner" (as

defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation); (ii) there is consummated a merger or consolidation of the Corporation with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Corporation outstanding immediately prior thereto holding securities which represent, in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, immediately after such merger or consolidation, more than 70% of the combined voting power of the voting securities of either the Corporation or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; (iii) the shareholders of the Corporation approve any plan or proposal for the liquidation or dissolution of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets; or (iv) during any period of two consecutive years (not including any period prior to January 1, 1997), individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a Person who has entered into an agreement with the Corporation to effect a transaction described in clause (i), (ii) or (iii) of this paragraph) whose election by the board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof. For purposes of this Section 14, where a Change in Control of the Corporation results from a series of related transactions, the Change in Control of the Corporation shall be deemed to have occurred on the date of the consummation of the first such transaction. For purposes of clause (i) of this paragraph, the shareholders of another corporation (other than this Corporation or a corporation described in clause (i)(D) of this paragraph), in the aggregate, shall be deemed to constitute a Person.

Prior to a Change in Control of the Corporation, any indemnification under this Section 14(a) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the IBCA. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel (who may be the regular counsel of the Corporation) in a written opinion or (iii) by the shareholders.

Following a Change in Control of the Corporation, any indemnification under this Section 14(a) (unless ordered by a court) shall be paid by the Corporation unless within 60 days of such request for indemnification a determination is made, in a written opinion, by special independent counsel selected by the person requesting indemnification and approved by the Corporation (which approval shall not be unreasonably withheld), which counsel has not otherwise performed services (other than in connection with similar matters) within the five years preceding its engagement to render such opinion for such person or for the Corporation or any affiliates (as such term is defined in Rule 405 under the Securities Act of 1933, as amended) of the Corporation (whether or not they were affiliates when services were so performed) ("Independent Counsel"), that indemnification of such person is not proper under the circumstances because such person has not met the necessary standard of conduct under the IBCA. Unless such person has theretofore selected Independent Counsel pursuant to this Section 14(a) and such Independent Counsel has been approved by the Corporation, legal counsel approved by a resolution or resolutions of the Board of Directors prior to a Change in Control of the Corporation shall be deemed to have been approved by the Corporation as required. Such Independent Counsel shall determine as promptly as practicable whether and to what extent such person would be permitted to be indemnified under applicable law and shall render its written opinion to the Corporation and such person to such effect. The Corporation agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Section 14 or its engagement pursuant hereto. In making a determination under this Section 14(a), the Independent Counsel

referred to above shall determine that indemnification is permissible unless clearly precluded by this Section 14 or the applicable provisions of the IBCA.

(b) Payment of Expenses in Advance. Expenses, including attorneys' fees, incurred by a person referred to in Subsection (a) of this Section 14 in defending a proceeding shall be paid by the Corporation in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking (the "Undertaking") by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation.

(c) Right of Claimant to Bring Suit. If a claim under Subsection (a) of this Section 14 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation or if expenses pursuant to Subsection (b) of this Section 14 hereof have not been advanced within 10 days after a written request for such advancement, accompanied by the Undertaking, has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim or the advancement of expenses. (If the claimant is successful, in whole or in part, in such suit or any other suit to enforce a right for expenses or indemnification against the Corporation or any other party under any other agreement, such claimant shall also be entitled to be paid the reasonable expense of prosecuting such claim.) It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required Undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the IBCA for the Corporation to indemnify the claimant for the amount claimed. After a Change in Control of the Corporation, the burden of proving such defense shall be on the Corporation, and any determination by the Corporation (including its Board of Directors, independent legal counsel or its shareholders) that the claimant had not met the applicable standard of conduct required under the IBCA shall not be a defense to the action nor create a presumption that claimant had not met such applicable standard of conduct.

(d) Indemnity Not Exclusive. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Subsections of this Section 14 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office. The Board of Directors shall have the authority, by resolution, to provide for such other indemnification of directors, officers, employees or agents as it shall deem appropriate.

(e) Insurance. The Corporation shall have power to purchase and maintain insurance to protect itself and any director, officer, employee or agent of this Corporation or another Corporation, partnership, joint venture, trust or other enterprise, against any expenses, liabilities or losses, whether or not the Corporation would have the power to indemnify such person against such expenses, liabilities or losses under the provisions of this Section 14 or the IBCA.

(f) Continuation of Indemnification; Enforceability. The provisions of this Section 14 shall be applicable to all proceedings commenced after its adoption, whether such proceedings arise out of events, acts, omissions or circumstances which occurred or existed prior or subsequent to such adoption, and shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person. This Section 14 shall be deemed to grant each person who, at any time that this Section 14 is in effect, serves or agrees to serve in any capacity which entitles him to indemnification hereunder rights against the Corporation to enforce the provisions of this Section 14, and any repeal or other modification of this Section 14 or any repeal or modification of the IBCA or any other applicable law shall not limit any rights of indemnification then existing or arising out of events, acts, omissions or circumstances occurring or existing prior to such repeal or modification, including, without limitation, the right to indemnification for proceedings commenced after such repeal or modification to enforce this Section 14 with regard to acts, omissions, events or circumstances occurring or existing prior to such repeal or modification.

(g) Severability. If this Section 14 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Section 14 that shall not have been invalidated and to the full extent permitted by applicable law.

#### ARTICLE IV OFFICERS AND DEFINITION OF DUTIES

SECTION 1. OFFICERS - REMOVAL. The officers of this Corporation shall consist of a Chairman of the Board, a President, one or more Vice-Presidents, a Secretary and a Treasurer, and such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as the Board of Directors may from time to time determine. In addition, the Board of Directors may from time to time elect a Vice Chairman and an Executive Vice President if it so determines. Such officers, when elected, shall hold office for the period of one year and thereafter until their respective successors shall have been duly elected, and shall have qualified; provided, however, that all officers, agents and employees of the Corporation shall be subject to removal at any time by the affirmative vote by a majority of the Board. Any one person may hold two offices at the same time, except that the same person shall not hold at the same time the office of Chairman of the Board and Secretary, President and Vice President, President and Secretary, Treasurer and Assistant Treasurer, or Secretary and Assistant Secretary.

SECTION 2. VACANCIES. If any vacancy shall occur among the officers of the Corporation, by resignation or otherwise, such vacancy may be filled by the Board of Directors.

SECTION 3. CHAIRMAN OF THE BOARD. The Chairman of the Board shall supervise and control the officers, policies and programs of the Corporation. The Chairman shall preside at all meetings of the Board of Directors and shareholders. The Chairman shall initiate acquisition, merger and investment banking activities. The Chairman, from time to time, may delegate powers and duties to the Vice-Chairman, President and other officers. The Chairman shall possess the power to sign all certificates, contracts and other instruments of the Corporation as authorized by the Board of Directors. In the event of the absence, inability to act or disability of the President, the Chairman shall exercise all powers and discharge all duties of the President. The Chairman shall possess such other duties and powers as may be prescribed from time to time by the Board of Directors and the by-laws.

SECTION 4. VICE-CHAIRMAN OF THE BOARD. The Vice Chairman of the Board, if elected, and in the event of the absence, inability to act or disability of the Chairman, shall carry out the responsibilities of the Chairman. The Vice-Chairman when so acting shall exercise the powers and discharge the duties of the Chairman, including presiding at meetings of shareholders and the Board of Directors. The Vice-Chairman shall possess such other duties and powers as may be prescribed from time to time by the Board of Directors, Chairman and by-laws. In the event of the absence, inability to act or disability of the Chairman and Vice-Chairman, the Board of Directors shall elect an acting Chairman.

SECTION 5. PRESIDENT. The President shall be the chief operating officer of the Corporation. The President shall conduct the daily business and affairs of the Corporation as so authorized by the by-laws. The President may delegate powers and duties to the Vice-Presidents or other officers. The President shall have the power to sign all certificates, contracts, and other instruments of the Corporation as authorized by the Board of Directors. The President shall perform such other duties as may be prescribed from time to time by the Board of Directors, Chairman and by-laws. In the event of the absence, inability to act or disability of the Chairman, Vice-Chairman and acting Chairman, the President shall preside at meetings of shareholders and the Board of Directors.

SECTION 6. THE EXECUTIVE VICE PRESIDENT. In the absence of, or in the case of the inability of the Chairman of the Board or the Vice Chairman (in the absence of the Chairman), and the President to act, the Executive Vice President, if one be elected by the Board, shall perform all duties and have the powers of the President. The Executive Vice President shall, in addition, perform such other duties and have such other powers as the Board of Directors may, from time to time, by resolution determine.

SECTION 7. OTHER VICE PRESIDENTS. Other Vice Presidents, including one or more Senior Vice Presidents, if such officers shall have been elected, shall perform such duties and have such duties and powers as the Board of Directors may from time to time by resolution determine, or, in the absence of such determination, as the President, with the consent of the Chairman or Vice Chairman, shall determine.

SECTION 8. THE TREASURER. The Treasurer shall be the principal accounting and financial officer of the Corporation. He shall: (a) have charge of and be responsible for the maintenance of adequate books of account for the Corporation; (b) have charge and custody of all funds and securities of the Corporation; and be responsible therefor and for the receipt and disbursement thereof; and (c) perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors may determine.

SECTION 9. THE SECRETARY. The Secretary shall: (a) record the minutes of the shareholders' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post-office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) sign with the President, or a Vice President, or any other officer thereunto authorized by the Board of Directors, certificates for shares of the Corporation, the issue of which shall have been authorized by the Board of Directors, and any contracts, deeds, mortgages, bonds, or other instruments which the Board of Directors has authorized to be executed, according to the requirement of the form of the instrument, except when a different mode of execution is expressly prescribed by the Board of Directors or these by-laws; (f) have general charge of the stock transfer books of the Corporation and (g) perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 10. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the President or the Board of Directors. The Assistant Secretaries may sign with the President, or a Vice President, or any other officer thereunto authorized by the Board of Directors, certificates for shares of the Corporation, the issue of which shall have been authorized by the Board of Directors, and any contracts, deeds, mortgages, bonds or other instruments which the Board of Directors has authorized to be executed, according to the requirements of the form of the instrument, except when a different mode of execution is expressly prescribed by the Board of Directors or these by-laws. The assistant treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with sureties as the Board of Directors shall determine.

SECTION 11. SALARIES. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

## ARTICLE V SHARES OF CAPITAL STOCK AND THEIR TRANSFER

SECTION 1. STOCK ISSUE. Whenever stock, not previously reported to the Secretary of State as issued, has been issued within the authorized limit fixed by the statement of incorporation of a certificate of increase in

capital stock, a statement subscribed and sworn to by the President or any Vice President, and attested by the Secretary or by an Assistant Secretary shall be filed in the office of the Secretary of State within ninety days after the issuance of such additional stock pursuant to authorization thereof by the Board of Directors in the form prescribed by the General Corporation Act of the State of Illinois. Promissory notes shall not be accepted for payment or part payment of stock issued by this Corporation.

SECTION 2. CERTIFICATES. Each shareholder shall be entitled to a certificate of stock, executed by the President or Vice President and the Secretary or Assistant Secretary, and under the corporate seal, certifying the number of shares owned by him in such Corporation. When such certificate is countersigned by a transfer agent other than the Corporation itself, or an employee of the Corporation, or by a transfer clerk and registered by a registrar, the signatures of the President or Vice President and the Secretary or Assistant Secretary upon such certificates may be facsimiles, engraved or printed.

SECTION 3. TRANSFERS. Transfers of shares of capital stock shall be made only upon the books of the Corporation by the holder in person or by power of attorney, duly executed, and filed with the Secretary, and on surrender of any certificate or certificates for such shares (or in the case of uncertificated shares, upon submission of proper instructions for transfer and other required documentation).

SECTION 4. ADDRESSES. Every shareholder shall furnish the Secretary with his address, at which notice of meetings and all other notices may be served upon, or mailed to him. In default thereof, notices may be addressed to him at the principal office of the Corporation.

SECTION 5. LOST CERTIFICATES. The Chairman or President, as officers of the Company, acting singly, may direct new certificates of stock to be issued in the place of certificates theretofore issued, alleged to have been lost or destroyed, and may, in their discretion, require the owner of such certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as they may direct, as indemnity against any claim that may be made against the Corporation. Said officers may issue instructions to the Transfer Agents and Registrars of the capital stock of the Company, may enter into such agreements and may sign such documents as may be necessary to effectuate the issuance of said certificates. Said officers, however, may refuse to issue or direct the issuance of any new certificates except upon institution of legal proceedings as required by statute, in such case made and provided.

#### ARTICLE VI DIVIDENDS

SECTION 1. DECLARATION. Dividends may be declared by the Board of Directors from time to time out of the surplus or net profits of the Corporation, and shall be payable at such times as the Board of Directors may determine.

SECTION 2. RESERVES. Before payment of any dividend or making any distribution of profits, there may be set aside out of the surplus or net profits of the Corporation such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the Directors shall think conducive to the interests of the Corporation.

#### ARTICLE VII SEAL

The corporate seal is and until otherwise ordered by the Board of Directors, shall be, an impression bearing the corporate name and the words "corporate seal" and "Illinois."

ARTICLE VIII  
FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January and end on the 31st day of December of each year.

ARTICLE IX  
INSPECTION OF BOOKS

The books kept for transferring stock and the names and addresses of the shareholders, during the usual business hours shall be open to examination for all proper purposes by every shareholder, at its principal office or place of business in the State of Illinois. Each shareholder of the Corporation shall have the right, at all reasonable times, by himself or by his attorney, to examine the records and books of account.

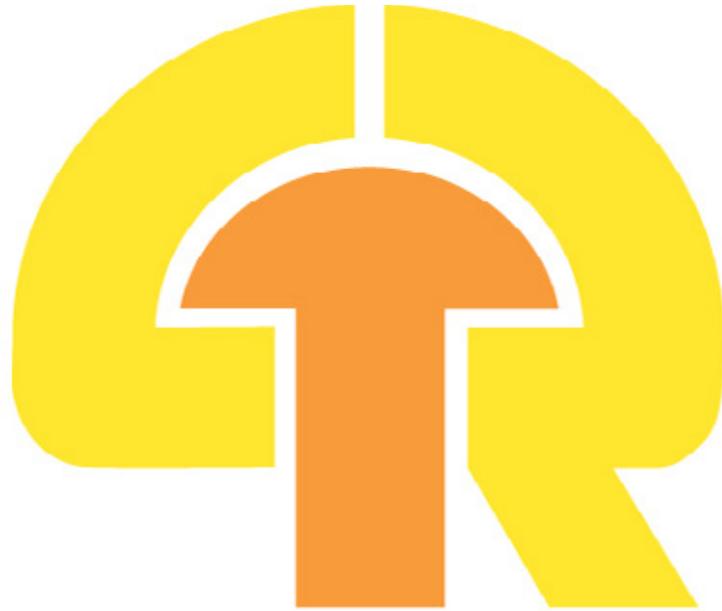
ARTICLE X  
WAIVER OF NOTICE

Whenever any action is to be taken after notice either to the shareholders or directors, or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such prescribed period of time, if such action be taken while all persons interested are present, and consenting thereto or be authorized or approved or such requirement be waived in writing by each person interested and entitled to notice, or by his attorney thereto authorized.

ARTICLE XI  
AMENDMENTS

These by-laws may be altered, amended or repealed by the affirmative vote of a majority of the Board of Directors at any regular or special meeting of the Board.

**Exhibit 13**



# Chicago Rivet

Chicago Rivet & Machine Co.  
2019 Annual Report



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## Highlights

	2019	2018
<b>Net Sales</b>	<b>\$ 32,873,002</b>	\$ 37,174,249
<b>Net Income</b>	<b>538,314</b>	2,001,185
<b>Net Income Per Share</b>	<b>0.56</b>	2.07
<b>Dividends Per Share</b>	<b>1.18</b>	1.14
<b>Net Cash Provided by Operating Activities</b>	<b>3,171,531</b>	1,880,407
<b>Expenditures for Property, Plant and Equipment</b>	<b>1,802,914</b>	2,023,190
<b>Working Capital</b>	<b>16,427,058</b>	17,422,687
<b>Total Shareholders' Equity</b>	<b>29,158,027</b>	29,759,749
<b>Common Shares Outstanding at Year-End</b>	<b>966,132</b>	966,132
<b>Shareholders' Equity Per Common Share</b>	<b>30.18</b>	30.80

### **Annual Meeting**

The annual meeting of shareholders  
will be held on May 12, 2020 at 10:00 a.m. at  
901 Frontenac Road  
Naperville, Illinois



# Management's Report

## on Financial Condition and Results of Operations

### To Our Shareholders:

#### RESULTS OF OPERATIONS

Financial results for the first three quarters of 2019 were adversely impacted by slowing global economic growth, especially within the automotive industry, and prolonged trade disputes. We experienced further weakening of demand in the fourth quarter that resulted in sales of \$7,186,968 compared to \$8,513,775 in the year earlier quarter, a decline of 15.6%. The decline in sales contributed to a net loss of \$293,884, or \$.30 per share, for the quarter compared to net income of \$302,556, or \$.31 per share in the fourth quarter of 2018. Full year net sales were \$32,873,002 in 2019 compared to \$37,174,249 in 2018, a decline of \$4,301,247, or 11.6%. Full year net income in 2019 was \$538,314, or \$.56 per share, compared to \$2,001,185, or \$2.07 per share, in 2018.

#### 2019 Compared to 2018

Fastener segment revenues were \$6,286,948 in the fourth quarter of 2019 compared to \$7,816,286 reported in the fourth quarter of 2018, a decline of \$1,529,338, or 19.6%. Fastener segment revenues for the full year were \$28,989,667 in 2019 compared to \$33,712,458 in 2018, a decline of \$4,722,791, or 14.0%. The automotive sector is the primary market for our fastener segment products and while North American light-vehicle production declined modestly in 2019, our sales to automotive customers declined 15.4% during the fourth quarter and 16.6% for the year. Sales to non-automotive customers declined 26.9% in the fourth quarter and 8.9% for the full year after being down only 3.1% after three quarters. The decline in sales was the primary factor impacting gross margins in 2019. For the fourth quarter, the fastener segment gross margins were \$794,076 compared to \$1,468,690 in the year earlier quarter, a decline of \$674,614. For the full year 2019, the fastener segment gross margins were \$4,652,353 compared to \$6,829,211 in 2018, a decline of \$2,176,858.

Assembly equipment segment revenues were \$900,020 in the fourth quarter of 2019, an increase of \$202,531, or 29.0%, compared to the fourth quarter of 2018 when revenues were \$697,489. The increase was due to a greater number of machines shipped in the current year quarter. For the full year 2019, assembly equipment segment revenues were \$3,883,335, compared to \$3,461,791 reported in 2018, an increase of \$421,544, or 12.2%. The year to date increase was more broad-based and included improvements in parts and tool sales in addition to machines. Despite the increase in sales, gross margins declined during the fourth quarter from \$171,396

to \$90,954 due to the disposal of certain excess inventory items in the current year. For the full year, assembly equipment segment gross margins improved from \$1,076,548 to \$1,092,177, or 1.5%.

Selling and administrative expenses were \$5,252,946 in 2019 compared to \$5,503,111 in 2018, a decline of \$250,165, or 4.5%. The reduction was primarily due to a \$134,000 reduction in commission expense related to lower sales in 2019 and a \$103,000 reduction in profit sharing expense related to lower operating profit in 2019. As a percentage of net sales, selling and administrative expenses were 16.0% in 2019 compared to 14.8% in 2018.

Other income was \$191,730 in 2019 compared to \$153,537 in 2018. Other income is primarily comprised of interest income which increased during the year due to higher interest rates.

The Company's effective income tax rates were 21.2% and 21.7% in 2019 and 2018, respectively.

#### 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 \$.88 per share during 2019. In addition, an extra dividend of \$.30 per share was paid during the first quarter, bringing the total distribution for the year to \$1.18 per share. On February 17, 2020, the Board of Directors declared a regular quarterly dividend of \$.22 per share, payable March 20, 2020 to shareholders of record on March 5, 2020. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 86 years.

#### PROPERTY, PLANT AND EQUIPMENT

Capital expenditures during 2019 totaled \$1,802,914. The fastener segment accounted for \$1,522,541 of the total, including cold heading and screw machine equipment additions of \$567,963, secondary processing equipment of \$631,089, quality control equipment additions of \$268,468 and \$46,066 for general plant equipment. The remainder of the fastener segment additions relate to technology equipment. Assembly equipment segment additions totaled \$233,697, primarily for production equipment. Additional investments of \$46,676 were made in 2019 for building improvements and office equipment that benefit both operating segments.

# Management's Report

(Continued)

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, \$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.

Depreciation expense amounted to \$1,382,235 in 2019 and \$1,308,448 in 2018.

## LIQUIDITY AND CAPITAL RESOURCES

Working capital at December 31, 2019 was approximately \$16.4 million, a decrease of \$1 million from the beginning of the year. The decline was primarily due to reductions in accounts receivable and inventory of \$ .9 million and \$1.1 million, respectively, which was only partially offset by a \$ .6 million reduction in accounts payable. Inventories were reduced to more normal levels in 2019 after being built up in 2018 in advance of anticipated steel price increases, while accounts receivable declined in 2019 along with sales. The Company's investing activities in 2019 included capital expenditures of \$1.8 million. The only financing activity during 2019 was the payment of approximately \$1.1 million in dividends. The Company's holdings in cash, cash equivalents and certificates of deposit amounted to \$8 million at the end of 2019, an increase of \$ .2 million.

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.

## PERSONNEL

On February 17, 2020, John A. Morrissey, Chairman of the Board and Chief Executive Officer, notified the Company of his intention to retire effective May 12, 2020, the date of the Company's 2020 Annual Meeting of Shareholders.

## OUTLOOK FOR 2020

We started 2019 on a cautious note as we experienced a weakening in fastener segment demand from our automotive customers in late 2018. That weakness persisted throughout 2019 and spread to our non-automotive customers in the fourth quarter. While the U.S. auto market exhibited resiliency during 2019, many other parts of the world were markedly weak. Current forecasts for the automotive market expect these conditions to persist in the near-term, leading to a cautious outlook for our fastener segment demand. Results for our assembly equipment segment improved in 2019 compared to 2018, as demand was stable during the year and results included more higher-dollar value specialty machines. As we begin 2020, our machine order backlog trails the year earlier amount in terms of units and dollar value.

Steel is our primary raw material and higher prices brought on by tariffs instituted during 2018 continued to have a negative impact on earnings in 2019. While there has been some easing in prices recently, on average, we experienced slightly higher material costs in 2019 compared to 2018 and costs are significantly higher than two years ago. Labor costs have also increased more than expected as a result of the tight labor market. Domestic economic growth has been slowing which will be a further headwind in the new year. These factors will contribute to a challenging environment for our operations in 2020. This challenging environment could be exacerbated by risks and uncertainties related to the coronavirus pandemic and recent disruption to the financial markets. 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.



# Management's Report

(Continued)

We continued to make significant investments in our operations in 2019, investing approximately \$1.8 million in equipment upgrades in order to improve operating efficiency and enhance product quality. This brings our total investment in facilities and equipment over the last nine years to \$17.3 million. Our consistent profitability during that period not only has provided for these investments, but has also allowed us to pay dividends of \$8.3 million to shareholders. We expect to continue to make investments in our operations in 2020.

While results in 2019 did not match the success achieved in recent years, our financial condition remains sound. Our recent positive results have been made possible by 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 for the loyalty of our customers and the support of our shareholders.

Respectfully,

John A. Morrissey  
Chairman

Michael J. Bourg  
President

March 20, 2020

## 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 under "Risk Factors" in our Annual Report on Form 10-K and in the other filings we make with the United States Securities and Exchange Commission. These 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, supply chain disruptions, 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.*



## Consolidated Balance Sheets

December 31	2019	2018
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 1,429,454	\$ 706,873
Certificates of Deposit	6,574,000	7,063,000
Accounts Receivable – Less allowances of \$140,000	4,609,314	5,529,307
Inventories, net	4,951,177	6,100,391
Prepaid Income Taxes	58,186	150,686
Other Current Assets	427,192	438,222
Total Current Assets	18,049,323	19,988,479
Property, Plant and Equipment, net	13,674,053	13,258,146
Total Assets	<u>\$31,723,376</u>	<u>\$33,246,625</u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts Payable	\$ 490,580	\$ 1,060,231
Accrued Wages and Salaries	629,972	701,434
Other Accrued Expenses	349,069	475,973
Unearned Revenue and Customer Deposits	152,644	328,154
Total Current Liabilities	1,622,265	2,565,792
Deferred Income Taxes, net	943,084	921,084
Total Liabilities	<u>2,565,349</u>	<u>3,486,876</u>
Commitments and Contingencies (Note 7)		
Shareholders' Equity		
Preferred Stock, No Par Value, 500,000 Shares Authorized: None Outstanding	—	—
Common Stock, \$1.00 Par Value, 4,000,000 Shares Authorized: 1,138,096 Shares Issued, 966,132 Shares Outstanding	1,138,096	1,138,096
Additional Paid-in Capital	447,134	447,134
Retained Earnings	31,494,895	32,096,617
Treasury Stock, 171,964 Shares at cost	(3,922,098)	(3,922,098)
Total Shareholders' Equity	29,158,027	29,759,749
Total Liabilities and Shareholders' Equity	<u>\$31,723,376</u>	<u>\$33,246,625</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.



## Consolidated Statements of Income

For the Years Ended December 31	2019	2018
Net Sales	\$32,873,002	\$37,174,249
Cost of Goods Sold	27,128,472	29,268,490
Gross Profit	5,744,530	7,905,759
Selling and Administrative Expenses	5,252,946	5,503,111
Operating Profit	491,584	2,402,648
Other Income	191,730	153,537
Income Before Income Taxes	683,314	2,556,185
Provision for Income Taxes	145,000	555,000
Net Income	\$ 538,314	\$ 2,001,185
Net Income Per Share	\$ 0.56	\$ 2.07

## Consolidated Statements of Shareholders' Equity

	Preferred Stock	Common Stock		Additional Paid- In Capital	Retained Earnings	Treasury Stock, At Cost		Total Shareholders' Equity
		Shares	Amount			Shares	Amount	
Balance, December 31, 2017	\$ 0	966,132	\$1,138,096	\$447,134	\$31,196,823	171,964	\$(3,922,098)	\$28,859,955
Net Income					2,001,185			2,001,185
Dividends Declared (\$1.14 per share)					(1,101,391)			(1,101,391)
Balance, December 31, 2018	0	966,132	1,138,096	447,134	32,096,617	171,964	(3,922,098)	29,759,749
Net Income					538,314			538,314
Dividends Declared (\$1.18 per share)					(1,140,036)			(1,140,036)
<b>Balance, December 31, 2019</b>	<b>\$ 0</b>	<b>966,132</b>	<b>\$1,138,096</b>	<b>\$447,134</b>	<b>\$31,494,895</b>	<b>171,964</b>	<b>\$(3,922,098)</b>	<b>\$29,158,027</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.



## Consolidated Statements of Cash Flows

For the Years Ended December 31	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 538,314	\$ 2,001,185
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,382,235	1,308,448
Gain on the Sale of Equipment	(228)	(13,086)
Deferred Income Taxes	22,000	184,000
Changes in Operating Assets and Liabilities:		
Accounts Receivable, net	919,993	(202,657)
Inventories, net	1,149,214	(1,572,291)
Other Current Assets	103,530	(146,878)
Accounts Payable	(569,651)	298,348
Accrued Wages and Salaries	(71,462)	27,118
Other Accrued Expenses	(126,904)	(19,159)
Unearned Revenue and Customer Deposits	(175,510)	15,379
Net Cash Provided by Operating Activities	<u>3,171,531</u>	<u>1,880,407</u>
<b>Cash Flows from Investing Activities:</b>		
Capital Expenditures	(1,802,914)	(1,998,347)
Proceeds from the Sale of Equipment	5,000	26,635
Proceeds from Certificates of Deposit	7,312,000	5,727,000
Purchases of Certificates of Deposit	(6,823,000)	(4,980,000)
Net Cash Used in Investing Activities	<u>(1,308,914)</u>	<u>(1,224,712)</u>
<b>Cash Flows from Financing Activities:</b>		
Cash Dividends Paid	(1,140,036)	(1,101,391)
Net Cash Used in Financing Activities	<u>(1,140,036)</u>	<u>(1,101,391)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	722,581	(445,696)
Cash and Cash Equivalents:		
Beginning of Year	706,873	1,152,569
End of Year	<u>\$ 1,429,454</u>	<u>\$ 706,873</u>
Net Cash Paid for Income Taxes	\$ 30,500	\$ 437,574
Supplemental Schedule of Non-cash Investing Activities:		
Capital Expenditures in Accounts Payable	\$ —	\$ 24,843

The accompanying notes are an integral part of the Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

## 1—Nature of Business and Significant Accounting Policies

**Nature of Business**—The Company operates in the fastener industry and is in the business of producing and selling rivets, cold-formed fasteners and parts, screw machine products, automatic rivet setting machines and parts and tools for such machines.

### A summary of the Company’s significant accounting policies follows:

**Principles of Consolidation**—The consolidated financial statements include the accounts of Chicago Rivet & Machine Co. and its wholly-owned subsidiary, H & L Tool Company, Inc. (“H & L Tool”). All significant intercompany accounts and transactions have been eliminated.

**Revenue Recognition**—On January 1, 2018, the Company adopted Accounting Standard Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” using the modified retrospective method. The adoption did not result in the recognition of a cumulative adjustment to beginning retained earnings. For the Company, the most significant impact of the new standard was the addition of required disclosures within the notes to the financial statements.

Revenue is recognized when control of the promised goods or services is transferred to our customers, generally upon shipment of goods or completion of services, in an amount that reflects the consideration we expect to receive in exchange for those goods or services. Sales taxes we may collect concurrent with revenue producing activities are excluded from revenue. Revenue is recognized net of certain sales adjustments to arrive at net sales as reported on the statement of income. These adjustments primarily relate to customer returns and allowances, which vary over time. The Company records a liability and reduction in sales for estimated product returns based upon historical experience. If we determine that our obligation under warranty claims is probable and subject to reasonable determination, an estimate of that liability is recorded as an offset against revenue at that time. As of December 31, 2019 and 2018, reserves for warranty claims were not material. Cash received by the Company prior to shipment is recorded as unearned revenue. Shipping and handling fees billed to customers are recognized in net sales, and related costs as cost of sales, when incurred.

**Credit Risk**—The Company extends credit on the basis of terms that are customary within our markets to various companies doing business primarily in the automotive industry. The Company has a concentration of credit risk primarily within the automotive industry and in the Midwestern United States. The Company has

established an allowance for accounts that may become uncollectible in the future. This estimated allowance is based primarily on management’s evaluation of the financial condition of the customer and historical experience. The Company monitors its accounts receivable and charges to expense an amount equal to its estimate of potential credit losses. The Company considers a number of factors in determining its estimates, including the length of time its trade accounts receivable are past due, the Company’s previous loss history and the customer’s current ability to pay its obligation. Accounts receivable balances are charged off against the allowance when it is determined that the receivable will not be recovered.

**Cash and Cash Equivalents and Certificates of Deposit**—The Company considers all highly liquid investments, including certificates of deposit, with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit with an original maturity of greater than three months are separately presented at cost which approximates market value. The Company maintains cash on deposit in several financial institutions. At times, the account balances may be in excess of Federal Deposit Insurance Corporation insured limits.

**Fair Value of Financial Instruments**—The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable approximate fair value based on their short-term nature.

**Inventories**—Inventories are stated at the lower of cost or net realizable value, cost being determined by the first-in, first-out method. The value of inventories is reduced for estimated excess and obsolete inventories based on a review of on-hand inventories compared to historical and estimated future sales and usage.

**Property, Plant and Equipment**—Properties are stated at cost and are depreciated over their estimated useful lives using the straight-line method for financial reporting purposes. Accelerated methods of depreciation are used for income tax purposes. Direct costs related to developing or obtaining software for internal use are capitalized as property and equipment. Capitalized software costs are amortized over the software’s useful life when the software is placed in service. The estimated useful lives by asset category are:

Asset category	Estimated useful life
Land improvements	15 to 40 years
Buildings and improvements	10 to 40 years
Machinery and equipment	5 to 18 years
Capitalized software costs	3 to 5 years
Other equipment	3 to 10 years



The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. There were no triggering events requiring assessment of impairment as of December 31, 2019 and 2018.

When properties are retired or sold, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss on disposition is recognized in current operations. Maintenance, repairs and minor betterments that do not improve the related asset or extend its useful life are charged to operations as incurred.

**Income Taxes**—Deferred income taxes are determined under the asset and liability method. Deferred income taxes arise from temporary differences between the income tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred taxes are shown on the balance sheet as a net long-term asset or liability.

The Company applies a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. In the first step of the two-step process, the Company evaluates the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. In the second step, the Company measures the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. As of December 31, 2019 and 2018, the Company determined that there are no uncertain tax positions with a more than 50% likelihood of being realized upon settlement.

The Company classifies interest and penalties related to unrecognized tax benefits as a component of income tax expense. There were no such expenses in 2019 or 2018.

The Company's federal income tax returns for the 2016 through 2018 tax years are subject to examination by the Internal Revenue Service ("IRS"). While it may be possible that a reduction could occur with respect to the Company's unrecognized tax benefits as an outcome of an IRS examination, management does not anticipate any adjustments that would result in a material change to the results of operations or financial condition of the Company.

No statutes have been extended on any of the Company's federal income tax filings. The statute of limitations on the Company's 2016, 2017 and 2018 federal income tax returns will expire on September 15, 2020, 2021 and 2022, respectively.

The Company's state income tax returns for the 2016 through 2018 tax years are subject to examination by various state authorities with the latest closing period on October 31, 2022. The Company is currently not under examination by any state authority for income tax purposes and no statutes for state income tax filings have been extended.

**Segment Information**—The Company reports segment information based on the internal structure and reporting of the Company's operations.

**Net Income Per Share**—Net income per share of common stock is based on the weighted average number of shares outstanding of 966,132 in 2019 and 2018.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Significant items subject to estimates and assumptions include depreciable lives, deferred taxes and valuation allowances for accounts receivable and inventory obsolescence. Actual results could differ from those estimates.

**Recent Accounting Pronouncements**—In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract, which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The guidance can be applied prospectively or retrospectively. We expect to adopt this standard prospectively effective January 1, 2020. The impact of the standard on our consolidated financial statements and disclosures will depend on the transactions that occur subsequent to adoption.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and in November 2018 issued an amendment, ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. ASU 2016-13 and ASU 2018-19 should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company believes that the most notable impact of this ASU relates to its processes around the assessment of the adequacy of its allowance for doubtful accounts on trade accounts receivable and is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The ASU increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU requires lessees to recognize in the balance sheet a liability to make lease payments (the lease liability)



and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those annual periods. The Company adopted Topic 842 on January 1, 2019 using the modified retrospective method. The impact of adopting this ASU was not material.

In December 2019 the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard addresses several specific areas of accounting for income taxes. The standard is effective for annual periods beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. Portions of the standard are required to be adopted prospectively and certain aspects will be adopted using the modified retrospective approach. The Company is currently evaluating the impact of this ASU on the consolidated financial statements and disclosures.

## 2—Balance Sheet Details

	2019	2018
<b>Inventories:</b>		
Raw materials	\$ 2,337,278	\$ 2,798,918
Work in process	1,201,099	1,878,977
Finished goods	1,869,800	2,001,496
	<u>5,408,177</u>	<u>6,679,391</u>
Valuation reserves	(457,000)	(579,000)
	<u>\$ 4,951,177</u>	<u>\$ 6,100,391</u>
<b>Property, Plant and Equipment, net:</b>		
Land and improvements	\$ 1,636,749	\$ 1,632,299
Buildings and improvements	8,331,804	8,292,749
Machinery and equipment	35,037,010	34,196,661
Capitalized software and other	1,371,736	1,372,215
	<u>46,377,299</u>	<u>45,493,924</u>
Accumulated depreciation	(32,703,246)	(32,235,778)
	<u>\$ 13,674,053</u>	<u>\$ 13,258,146</u>
<b>Other Accrued Expenses:</b>		
Profit sharing plan contribution	\$ 175,000	\$ 277,743
Property taxes	83,475	91,527
All other items	90,594	106,703
	<u>\$ 349,069</u>	<u>\$ 475,973</u>
<b>Allowance for Doubtful Accounts:</b>		
Balance at beginning of year	\$ 140,000	\$ 140,000
Charges to statement of income	4,895	—
Write-offs	(4,895)	—
Balance at end of year	<u>\$ 140,000</u>	<u>\$ 140,000</u>
<b>Inventory Valuation Reserves:</b>		
Balance at beginning of year	\$ 579,000	\$ 564,000
Charges to statement of income	(15,477)	17,870
Write-offs	(106,523)	(2,870)
Balance at end of year	<u>\$ 457,000</u>	<u>\$ 579,000</u>

**3—Income Taxes**—The provision for income tax expense consists of the following:

	2019	2018
<b>Current:</b>		
Federal	\$113,000	\$351,000
State	10,000	20,000
Deferred	22,000	184,000
	<u>\$145,000</u>	<u>\$555,000</u>

The following is a reconciliation of the statutory federal income tax rate to the actual effective tax rate:

	2019		2018	
	Amount	%	Amount	%
Expected tax at U.S. statutory rate	\$143,000	21.0	\$537,000	21.0
Permanent differences	(6,000)	(1.0)	2,000	0.1
State taxes, net of federal benefit	8,000	1.2	16,000	0.6
Income tax expense	<u>\$145,000</u>	<u>21.2</u>	<u>\$555,000</u>	<u>21.7</u>

The deferred tax assets (liabilities) consist of the following:

	2019	2018
Depreciation and amortization	\$(1,171,948)	\$(1,190,597)
Inventory	122,629	164,220
Accrued vacation	74,385	74,177
Allowance for doubtful accounts	31,500	31,500
Other, net	350	(384)
	<u>\$ (943,084)</u>	<u>\$ (921,084)</u>

Valuation allowances related to deferred taxes are recorded based on the “more likely than not” realization criteria. The Company reviews the need for a valuation allowance on a quarterly basis for each of its tax jurisdictions. A deferred tax valuation allowance was not required at December 31, 2019 or 2018.

**4—Profit Sharing Plan**—The Company has a noncontributory profit sharing plan covering substantially all employees. Total expenses relating to the profit sharing plan amounted to approximately \$175,000 in 2019 and \$278,000 in 2018.

**5—Other Income**—consists of the following:

	2019	2018
Interest income	\$144,730	\$120,141
Other	47,000	33,396
	<u>\$191,730</u>	<u>\$153,537</u>



**6—Segment Information**—The Company operates in the United States in two business segments as determined by its products. The fastener segment, which comprises H & L Tool and the parent company's fastener operations, includes rivets, cold-formed fasteners and parts and screw machine products. The assembly equipment segment includes automatic rivet setting machines and parts and tools for such machines. Information by segment is as follows:

	Fastener	Assembly Equipment	Other	Consolidated
<b>Year Ended December 31, 2019:</b>				
Net sales	\$28,989,667	\$ 3,883,335	\$ —	\$ 32,873,002
Depreciation	1,217,174	126,430	38,631	1,382,235
Segment operating profit	1,762,835	1,083,548	—	2,846,383
Selling and administrative expenses			(2,354,799)	(2,354,799)
Other income			191,730	191,730
Income before income taxes				683,314
Capital expenditures	1,522,541	233,697	46,676	1,802,914
Segment assets:				
Accounts receivable, net	4,313,185	296,129	—	4,609,314
Inventories, net	3,985,883	965,294	—	4,951,177
Property, plant and equipment, net	11,047,439	1,686,764	939,850	13,674,053
Other assets	—	—	8,488,832	8,488,832
				<u>31,723,376</u>
<b>Year Ended December 31, 2018:</b>				
Net sales	\$33,712,458	\$ 3,461,791	\$ —	\$ 37,174,249
Depreciation	1,161,082	112,942	34,424	1,308,448
Segment operating profit	3,731,998	1,108,248	—	4,840,246
Selling and administrative expenses			(2,437,598)	(2,437,598)
Other income			153,537	153,537
Income before income taxes				2,556,185
Capital expenditures	1,635,115	49,884	338,191	2,023,190
Segment assets:				
Accounts receivable, net	5,196,437	332,870	—	5,529,307
Inventories, net	5,075,290	1,025,101	—	6,100,391
Property, plant and equipment, net	10,726,191	1,579,497	952,458	13,258,146
Other assets	—	—	8,358,781	8,358,781
				<u>33,246,625</u>

The Company does not allocate certain selling and administrative expenses for internal reporting, thus, no allocation was made for these expenses for segment disclosure purposes. Segment assets reported internally are limited to accounts receivable, inventory and long-lived assets. Certain long-lived assets of one plant location are allocated between the two segments based on estimated plant utilization, as this plant serves both fastener and assembly equipment activities. Other assets are not allocated to segments internally and to do so would be impracticable.

The following table presents revenue by segment, further disaggregated by end-market:

	Fastener	Assembly Equipment	Consolidated
<b>Year Ended December 31, 2019:</b>			
Automotive	\$18,518,987	\$ 193,517	\$ 18,712,504
Non-automotive	10,470,680	3,689,818	14,160,498
Total net sales	<u>\$28,989,667</u>	<u>\$ 3,883,335</u>	<u>\$ 32,873,002</u>
<b>Year Ended December 31, 2018:</b>			
Automotive	\$22,215,719	\$ 237,565	\$ 22,453,284
Non-automotive	11,496,739	3,224,226	14,720,965
Total net sales	<u>\$33,712,458</u>	<u>\$ 3,461,791</u>	<u>\$ 37,174,249</u>

The following table presents revenue by segment, further disaggregated by location:

	Fastener	Assembly Equipment	Consolidated
<b>Year Ended December 31, 2019:</b>			
United States	\$24,626,317	\$3,599,855	\$28,226,172
Foreign	4,363,350	283,480	4,646,830
Total net sales	<u>\$28,989,667</u>	<u>\$3,883,335</u>	<u>\$32,873,002</u>
<b>Year Ended December 31, 2018:</b>			
United States	\$29,470,140	\$3,260,683	\$32,730,823
Foreign	4,242,318	201,108	4,443,426
Total net sales	<u>\$33,712,458</u>	<u>\$3,461,791</u>	<u>\$37,174,249</u>

Sales to one customer in the fastener segment accounted for 16 percent of consolidated revenues during 2019 and 17 percent in 2018. The accounts receivable balance for this customer accounted for 18 and 15 percent of consolidated accounts receivable as of December 31, 2019 and 2018, respectively. Sales to two other customers were each 10 percent of consolidated revenue in both 2019 and 2018. One of these customers accounted for 13 percent and 12 percent of consolidated accounts receivable as of December 31, 2019 and 2018, respectively, while the other accounted for 12 percent and 17 percent of consolidated accounts receivable as of December 31, 2019 and 2018, respectively.

**7—Commitments and Contingencies**—The Company recorded rent expense aggregating approximately \$39,000 and \$26,000 in 2019 and 2018, respectively. Total future minimum rentals at December 31, 2019 are not significant.

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.

**8—Subsequent Events**—On February 17, 2020, the Board of Directors declared a regular quarterly dividend of \$.22 per share, or \$212,549, payable March 20, 2020 to shareholders of record on March 5, 2020.

On January 30, 2020 the World Health Organization declared a Public Health Emergency of International Concern regarding the outbreak of coronavirus COVID-19. The extent to which the coronavirus pandemic may impact business activity or results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.



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## Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Chicago Rivet & Machine Co.  
Naperville, Illinois

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Chicago Rivet & Machine Co. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Crowe LLP*  
Crowe LLP

We have served as the Company's auditor since 2014.

Oak Brook, Illinois  
March 20, 2020



## INFORMATION ON COMPANY'S COMMON STOCK

The Company's common stock is traded on the NYSE American (trading privileges only, not registered). The ticker symbol is CVR. At December 31, 2019, there were approximately 140 shareholders of record.

The transfer agent and registrar for the Company's common stock is:

Continental Stock Transfer & Trust Company  
1 State Street, 30<sup>th</sup> Floor  
New York, New York 10004-1561

The following table shows the dividends declared and the quarterly high and low prices of the common stock for the last two years.

Quarter	Dividends Declared		Market Range			
	2019	2018	2019		2018	
First*	<b>\$.52</b>	\$.51	<b>\$32.10</b>	<b>\$26.80</b>	\$33.41	\$29.89
Second	.22	.21	<b>\$30.02</b>	<b>\$26.46</b>	\$32.40	\$28.70
Third	.22	.21	<b>\$28.63</b>	<b>\$25.85</b>	\$32.65	\$30.18
Fourth	.22	.21	<b>\$28.84</b>	<b>\$25.01</b>	\$34.90	\$30.19

\* Includes an extra dividend of \$.30 per share.

### BOARD OF DIRECTORS

**John A. Morrissey** (e)  
Chairman of the Board  
of the Company  
Chairman of the Board of  
AlgonquinState Bank  
Algonquin, Illinois

**Michael J. Bourg** (e)  
President of the Company

**Edward L. Chott** (a) (c) (n)  
Chairman of the Board of  
The Broaster Co.  
Beloit, Wisconsin

**Kent H. Cooney** (a)  
Private Investor  
Woodstock, Illinois

**Walter W. Morrissey** (e)  
Attorney at Law  
Lillig & Thorsness, Ltd.  
Oak Brook, Illinois

**John C. Osterman** (e) (c) (n)  
Business Consultant  
Sugar Grove, Illinois

**John L. Showel** (n)  
Portfolio Manager  
Maggiore Fund I, LP  
Chicago, Illinois

(a) Member of Audit Committee  
(c) Member of Compensation Committee  
(e) Member of Executive Committee  
(n) Member of Nominating Committee

### CORPORATE OFFICERS

**John A. Morrissey**  
Chairman, Chief  
Executive Officer

**Michael J. Bourg**  
President, Chief Operating  
Officer and Treasurer

**Kimberly A. Kirhofer**  
Secretary

### CHICAGO RIVET & MACHINE CO.

**Administrative & Sales Offices**  
Naperville, Illinois  
Pembroke, Massachusetts

**Manufacturing Facilities**  
Albia Division  
Albia, Iowa

Tyrone Division  
Tyrone, Pennsylvania

H & L Tool Company, Inc.  
Madison Heights, Michigan

Chicago Rivet & Machine Co. • 901 Frontenac Road • Naperville, Illinois 60563 • [www.chicagorivet.com](http://www.chicagorivet.com)



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**Exhibit 21**

**CHICAGO RIVET & MACHINE CO.**

**SUBSIDIARIES OF THE REGISTRANT**

The Company's only subsidiary is H & L Tool Company, Inc., which is wholly-owned and is organized in the State of Illinois.

**Exhibit 31.1**

I, John A. Morrissey, certify that:

1. I have reviewed this annual report on Form 10-K of Chicago Rivet & Machine Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2020

/s/ John A. Morrissey  
John A. Morrissey  
Chief Executive Officer  
(Principal Executive Officer)

**Exhibit 31.2**

I, Michael J. Bourg, certify that:

1. I have reviewed this annual report on Form 10-K of Chicago Rivet & Machine Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2020

/s/ Michael J. Bourg

Michael J. Bourg  
President, Chief Operating Officer and Treasurer  
(Principal Financial Officer)

**Exhibit 32.1**

**Certification Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Chicago Rivet & Machine Co. (the "Company") for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John A. Morrissey, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John A. Morrissey

Name: John A. Morrissey  
Title: Chief Executive Officer  
(Principal Executive Officer)  
Date: March 20, 2020

**Exhibit 32.2**  
**Certification Pursuant to**  
**18 U.S.C. Section 1350,**  
**as Adopted Pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Chicago Rivet & Machine Co. (the “Company”) for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Bourg, as President, Chief Operating Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Bourg

Name: Michael J. Bourg  
Title: President, Chief Operating Officer  
and Treasurer (Principal Financial Officer)  
Date: March 20, 2020