

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

CHICAGO RIVET & MACHINE CO
Form 10-Q
November 13, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

Commission file number 0-1227

Chicago Rivet & Machine Co.
(Exact Name of Registrant as Specified in Its Charter)

Illinois
(State or Other Jurisdiction
of Incorporation or Organization)
Identification No.)

36-0904920
(I.R.S. Employer

901 Frontenac Road, Naperville, Illinois
(Address of Principal Executive Offices)

60563
(Zip Code)

Registrant's Telephone Number, Including Area Code (630) 357-8500

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 is a large accelerated filer,
an accelerated filer, or a non-accelerated filer. See definition of accelerated
filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check
one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

--- ---

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

As of September 30, 2006, 966,132 shares of the registrant's common stock were outstanding.

CHICAGO RIVET & MACHINE CO.

INDEX

| PART I. | FINANCIAL INFORMATION | Page |
|----------|---|-------|
| | Condensed Consolidated Balance Sheets at September 30, 2006 and December 31, 2005 | 2-3 |
| | Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2006 and 2005 | 4 |
| | Condensed Consolidated Statements of Retained Earnings for the Nine Months Ended September 30, 2006 and 2005 | 5 |
| | Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005 | 6 |
| | Notes to the Condensed Consolidated Financial Statements | 7-9 |
| | Management's Discussion and Analysis of Financial Condition and Results of Operations | 10-11 |
| | Controls and Procedures | 12 |
| PART II. | OTHER INFORMATION | 13-23 |

1

Item 1. Financial Statements.

CHICAGO RIVET & MACHINE CO. Condensed Consolidated Balance Sheets September 30, 2006 and December 31, 2005

| | September 30, 2006 | December 31, 2005 |
|-----------------|-----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Assets | | |
| Current Assets: | | |

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

| | | |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 169,029 | \$ 4,730,837 |
| Certificates of deposit | 5,005,000 | 1,005,000 |
| Accounts receivable, net of allowance of \$178,000 and \$210,000, respectively | 6,666,881 | 5,370,611 |
| Inventories: | | |
| Raw materials | 1,442,751 | 1,586,744 |
| Work in process | 2,309,076 | 2,218,774 |
| Finished goods | 2,463,165 | 2,166,177 |
| | ----- | ----- |
| Total inventories | 6,214,992 | 5,971,695 |
| | ----- | ----- |
| Deferred income taxes | 529,191 | 560,191 |
| Other current assets | 348,663 | 232,142 |
| | ----- | ----- |
| Total current assets | 18,933,756 | 17,870,476 |
| | ----- | ----- |
| Property, Plant and Equipment: | | |
| Land and improvements | 1,029,035 | 1,029,035 |
| Buildings and improvements | 6,323,931 | 6,251,144 |
| Production equipment, leased machines and other | 29,597,136 | 29,163,667 |
| | ----- | ----- |
| | 36,950,102 | 36,443,846 |
| Less accumulated depreciation | 26,951,457 | 26,392,338 |
| | ----- | ----- |
| Net property, plant and equipment | 9,998,645 | 10,051,508 |
| | ----- | ----- |
| Total assets | \$28,932,401 | \$27,921,984 |
| | ===== | ===== |

See Notes to the Condensed Consolidated Financial Statements

2

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Balance Sheets
September 30, 2006 and December 31, 2005

| | September 30, 2006 | December 31, 2005 |
|---------------------------------------|-----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 1,644,736 | \$ 1,452,314 |
| Accrued wages and salaries | 907,644 | 680,969 |
| Contributions due profit sharing plan | 252,000 | 125,000 |
| Accrued plant closing expenses | 399,746 | -- |

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

| | | |
|---|---------------|---------------|
| Other accrued expenses | 502,567 | 772,270 |
| | ----- | ----- |
| Total current liabilities | 3,706,693 | 3,030,553 |
| Deferred income taxes | 1,073,275 | 1,313,275 |
| | ----- | ----- |
| Total liabilities | 4,779,968 | 4,343,828 |
| | ----- | ----- |
| Commitments and contingencies (Note 4) | | |
| 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 | 1,138,096 | 1,138,096 |
| Additional paid-in capital | 447,134 | 447,134 |
| Retained earnings | 26,489,301 | 25,915,024 |
| Treasury stock, 171,964 shares at cost | (3,922,098) | (3,922,098) |
| | ----- | ----- |
| Total shareholders' equity | 24,152,433 | 23,578,156 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 28,932,401 | \$ 27,921,984 |
| | ===== | ===== |

See Notes to the Condensed Consolidated Financial Statements

3

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2006 and 2005
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------------|------------------------------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net sales | \$ 9,107,430 | \$ 9,691,683 | \$ 31,053,347 | \$ 31,053,347 |
| Lease revenue | 25,033 | 26,678 | 77,433 | 77,433 |
| | ----- | ----- | ----- | ----- |
| Cost of goods sold and costs related to lease revenue | 9,132,463 | 9,718,361 | 31,130,780 | 31,130,780 |
| | 7,352,636 | 8,258,602 | 24,517,941 | 24,517,941 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 1,779,827 | 1,459,759 | 6,612,839 | 6,612,839 |
| Selling and administrative expenses | 1,491,616 | 1,759,263 | 4,758,465 | 4,758,465 |

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

| | | | | |
|--------------------------------------|------------|--------------|--------------|-------|
| Plant closing expenses | 8,204 | -- | 408,605 | |
| | ----- | ----- | ----- | ----- |
| Operating profit (loss) | 280,007 | (299,504) | 1,445,769 | |
| Other income and expenses: | | | | |
| Interest income | 66,572 | 41,124 | 176,490 | |
| Other income | 3,600 | 3,600 | 12,730 | |
| | ----- | ----- | ----- | ----- |
| Income (loss) before income taxes | 350,179 | (254,780) | 1,634,989 | |
| Provision (benefit) for income taxes | 112,000 | (85,000) | 539,000 | |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ 238,179 | \$ (169,780) | \$ 1,095,989 | \$ |
| | ===== | ===== | ===== | ===== |
| Average common shares outstanding | 966,132 | 966,132 | 966,132 | |
| | ===== | ===== | ===== | ===== |
| Per share data: | | | | |
| Net income (loss) per share | 0.24 | \$ (0.17) | \$ 1.13 | \$ |
| | ===== | ===== | ===== | ===== |
| Cash dividends declared per share | \$ 0.18 | \$ 0.18 | \$ 0.54 | \$ |
| | ===== | ===== | ===== | ===== |

See Notes to the Condensed Consolidated Financial Statements

4

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Retained Earnings
For the Nine Months Ended September 30, 2006 and 2005
(Unaudited)

| | 2006 | 2005 |
|---|---------------|---------------|
| | ----- | ----- |
| Retained earnings at beginning of period | \$ 25,915,024 | \$ 27,154,171 |
| Net income (loss) for the nine months ended | 1,095,989 | (399,032) |
| Cash dividends declared in the period, \$.54 and \$.69 per share in 2006 and 2005, respectively | (521,712) | (666,632) |
| | ----- | ----- |
| Retained earnings at end of period | \$ 26,489,301 | \$ 26,088,507 |
| | ===== | ===== |

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

See Notes to the Condensed Consolidated Financial Statements

5

CHICAGO RIVET & MACHINE CO.
 Condensed Consolidated Statements of Cash Flows
 For the Nine Months Ended September 30, 2006 and 2005
 (Unaudited)

| | 2006 | 2005 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 1,095,989 | \$ (399,032) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,234,514 | 1,270,532 |
| Net (gain) loss on the sale of equipment | (10,330) | 8,003 |
| Deferred income taxes | (209,000) | (133,000) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (1,296,270) | (1,929,881) |
| Inventories | (243,297) | 318,433 |
| Other current assets | (116,521) | (75,266) |
| Accounts payable | 159,361 | 560,267 |
| Other accrued expenses | 483,718 | (105,966) |
| Net cash provided by (used in) operating activities | 1,098,164 | (485,910) |
| Cash flows from investing activities: | | |
| Capital expenditures | (1,154,760) | (573,924) |
| Proceeds from the sale of equipment | 16,500 | 500 |
| Proceeds from held-to-maturity securities | 6,275,000 | 805,000 |
| Purchases of held-to-maturity securities | (10,275,000) | (1,005,000) |
| Net cash used in investing activities | (5,138,260) | (773,424) |
| Cash flows from financing activities: | | |
| Cash dividends paid | (521,712) | (666,632) |
| Net cash used in financing activities | (521,712) | (666,632) |
| Net decrease in cash and cash equivalents | (4,561,808) | (1,925,966) |
| Cash and cash equivalents at beginning of period | 4,730,837 | 5,464,368 |
| Cash and cash equivalents at end of period | \$ 169,029 | \$ 3,538,402 |
| Supplemental schedule of non-cash investing activities: | | |
| Capital expenditures in accounts payable | \$ 33,061 | \$ 27,401 |

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

See Notes to the Condensed Consolidated Financial Statements

6

CHICAGO RIVET & MACHINE CO. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. In the opinion of the Company, the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 2006 (unaudited) and December 31, 2005 (audited) and the results of operations and changes in cash flows for the indicated periods.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. The results of operations for the three and nine-month period ending September 30, 2006 are not necessarily indicative of the results to be expected for the year.

3. 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.

4. The Company is, from time to time, involved in litigation, including environmental claims and contract disputes, 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.

5. On May 30, 2006 the Board of Directors of Chicago Rivet & Machine Co. determined that the Company would close its fastener operation in Jefferson, Iowa and transfer production activities to its facility in Tyrone, Pennsylvania. The Jefferson, Iowa facility had been operating below capacity, and the Company determined to close the facility as part of its cost savings efforts. While the exact timing is unknown at this time, it is expected that the transfer will be substantially complete by December 31, 2006.

The Company has recorded \$408,605, through September 30, 2006, relating to termination benefits and equipment moving expenses in connection with the closing of the Jefferson facility. The Company does not anticipate that it will record a material charge related to asset impairment as a result of this closing. Additional costs associated with the relocation of equipment and closing and disposal of the facility are anticipated, but the amount and timing

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

of such costs are not known at this time.

7

CHICAGO RIVET & MACHINE CO. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

6. Segment Information--The Company operates in two business segments as determined by its products. The fastener segment includes rivets, cold-formed fasteners and screw machine products. The assembly equipment segment includes automatic rivet setting machines, parts and tools for such machines and the leasing of automatic rivet setting machines. Information by segment is as follows:

| | Fastener | Assembly Equipment | Other | |
|---|--------------|-----------------------|-----------|----|
| Three Months Ended September 30, 2006: | | | | |
| Net sales and lease revenue | \$ 7,833,763 | \$ 1,298,700 | \$ -- | \$ |
| Depreciation | 368,575 | 25,377 | 23,152 | |
| Segment profit | 441,743 | 348,214 | | |
| Selling and administrative expenses | | | (498,146) | |
| Plant closing expenses | (8,204) | | | |
| Interest income | | | 66,572 | |
| Income before income taxes | | | | |
| | | | | |
| Capital expenditures | 194,275 | -- | 58,174 | |
| Segment assets: | | | | |
| Accounts receivable, net | 5,907,432 | 759,449 | | |
| Inventories | 4,544,100 | 1,670,892 | | |
| Property, plant and equipment, net | 7,830,427 | 1,207,493 | 960,725 | |
| Other assets | | | 6,051,883 | |
| | | | | |
| Three Months Ended September 30, 2005: | | | | |
| Net sales and lease revenue | \$ 8,488,640 | \$ 1,229,721 | \$ -- | \$ |
| Depreciation | 384,206 | 26,404 | 20,096 | |
| Segment profit | 118,115 | 202,214 | | |
| Selling and administrative expenses | | | (616,233) | |
| Interest income | | | 41,124 | |
| Loss before income taxes | | | | |

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

| | | | |
|------------------------------------|-----------|-----------|-----------|
| Capital expenditures | 39,155 | 33,169 | 30,062 |
| Segment assets: | | | |
| Accounts receivable, net | 6,245,497 | 551,999 | |
| Inventories | 4,030,738 | 1,893,299 | |
| Property, plant and equipment, net | 8,179,240 | 1,311,511 | 977,855 |
| Other assets | | | 5,378,356 |

8

CHICAGO RIVET & MACHINE CO.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

| | Fastener ----- | Assembly Equipment ----- | Other ----- | C |
|---------------------------------------|-------------------|--------------------------------|----------------|----|
| Nine Months Ended September 30, 2006: | | | | |
| Net sales and lease revenue | \$ 26,543,850 | \$ 4,586,930 | \$ -- | \$ |
| Depreciation | 1,091,291 | 76,131 | 67,092 | |
| Segment profit | 2,291,848 | 1,201,764 | | |
| Selling and administrative expenses | | | (1,626,508) | |
| Plant closing expenses | (408,605) | | | |
| Interest income | | | 176,490 | |
| Income before income taxes | | | | |
| | | | | |
| Capital expenditures | 1,115,104 | -- | 72,717 | |
| | | | | |
| Nine Months Ended September 30, 2005: | | | | |
| Net sales and lease revenue | \$ 25,281,006 | \$ 4,584,609 | \$ -- | \$ |
| Depreciation | 1,136,246 | 78,616 | 55,670 | |
| Segment profit | 230,607 | 984,762 | -- | |
| Selling and administrative expenses | | | (1,916,562) | |
| Interest income | | | 101,161 | |
| Loss before income taxes | | | | |
| | | | | |
| Capital expenditures | 411,720 | 34,689 | 154,916 | |

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

9

CHICAGO RIVET & MACHINE CO.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Revenues for the third quarter of 2006 declined \$585,898, or 6%, compared to the third quarter of 2005, as an increase in assembly equipment segment sales was more than offset by reduced fastener segment demand; however, year to date revenues remain ahead of 2005, reflecting an increase of \$1,265,165, or 4%. The decrease in revenues during the quarter was more than offset by reductions in certain manufacturing costs and administrative expenses, which resulted in net income for the quarter of \$238,179, or \$.24 per share, compared to a loss of \$169,780, or \$.17 per share, for the third quarter of 2005. This brings the current year to date net income to \$1,095,989, or \$1.13 per share, compared to a net loss of \$399,032, or \$.41 per share, for the first nine months of 2005.

Third quarter revenues within the fastener segment totaled \$7,833,763, a decrease of \$654,877, or 7.7%, compared to the third quarter of 2005. The reduction in fastener segment sales was due to lower demand from automotive industry customers. Despite the lower sales, we realized a net improvement in gross margin of approximately \$156,000 during the quarter due primarily to a reduction in tooling costs of \$132,000 and lower average material prices during the quarter. Additionally, labor costs declined in the quarter by approximately \$113,000, as work schedules were adjusted to match production needs, and expediting costs declined \$56,000 as such costs returned to more normal levels compared to the third quarter of 2005. The balance of the improvement in gross margin was the net result of a variety of overhead components. Fastener segment revenues have increased \$1,262,844, or 5%, in the first nine months of 2006 compared with 2005, totaling \$26,543,850. Gross margins have improved by approximately \$1,946,000 in the current year. The combination of higher sales and a \$670,000 reduction in tooling expense were the primary factors in this improvement. The reduction in tooling expense is attributed to a higher than normal number of parts being designed during 2005, and the overall longer life of certain tools during the current year. The increased manufacturing volume in the current year has also allowed for greater utilization of plant resources, further contributing to the improvement in margins in 2006.

Revenues within the assembly equipment segment increased by \$68,979, or 5.6%, during the third quarter of 2006, compared with the third quarter of 2005. The improvement was primarily due to an increase in the number of machines shipped during the quarter. The third quarter increase brings year to date revenues for this segment to \$4,586,930, fractionally ahead of 2005. Gross margins for the third quarter of 2006 increased \$164,000, benefiting not only from the increase in sales during the quarter, but also a reduction in labor costs and labor related expenses, due to turnover and headcount reductions. Similarly, the results for the first nine months of 2006 also reflect the aforementioned changes, resulting in an increase in gross margin of \$187,000 compared with 2005.

Selling and administrative expenses for the third quarter of 2006 declined by \$268,000 compared with the third quarter of 2005. Professional fees were \$72,000 lower in the third quarter of 2006 due to initial procedures performed in 2005 related to compliance with the Sarbanes-Oxley Act of 2002. Expenses were further reduced by \$149,000 due to the settlement of a litigation matter in 2005. Bad debt expense was \$63,000 lower in the quarter due to the bankruptcy of a certain customer in the third quarter of 2005, and salaries declined \$38,000 due to headcount reductions. Partially offsetting these lower expense items is an increase in profit sharing expense of \$62,000, related to

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

higher profits for the third quarter of 2006. For the first nine months of 2006, selling and administrative expenses have declined \$434,000 compared to 2005. Professional fees have declined \$289,000 due to initial consulting incurred in 2005 related to Sarbanes-Oxley compliance. Selling and administrative expenses incurred in 2005 also included \$312,000 to resolve a litigation matter. The absence of a bankruptcy filing of a certain customer in the current year has resulted in a net decline in bad debt expense of \$73,000. The reduction in these expense items on a year to date basis is partially offset by the increase in profit sharing of \$252,000, due to more profitable operating results in 2006.

During May of the current year, a decision was made to close our Jefferson, Iowa fastener operation and transfer production activities of that location to our facility in Tyrone, Pennsylvania, to better utilize manufacturing capacity. We continue to make progress in that effort, and expect the transfer to be completed before December 31, 2006. As of September 30, 2006, a charge of \$408,605 has been recorded related to the plant closing. Additional costs associated with the relocation of equipment and disposal of the facility are expected, but the amount and timing of such costs are not known at this time.

Working capital at September 30, 2006 amounted to \$15.2 million, an increase of \$.4 million from the beginning of the year. Accounts receivable balances have increased \$1.3 million since the beginning of the year due to higher sales volumes. Offsetting this amount is an increase in current liabilities of nearly \$.7 million, of which \$.4 million relates to the accrual for termination benefits for the Jefferson, Iowa plant closing. Holdings in cash, cash equivalents and certificates of

10

deposit amounted to \$5.2 million at the end of the third quarter, a year to date decline of \$.5 million. In the current year, almost \$1.2 million has been spent for capital items, primarily to expand our fastener segment production capabilities.

The Company has a \$1.0 million line of credit, which expires May 31, 2007. This line of credit remains unused. Management believes that current cash, cash equivalents, operating cash flow and the available line of credit will provide adequate working capital for the foreseeable future.

Although we are pleased to report a return to profitability for the third quarter and the first nine months of the year, the decline in sales for the third quarter is a matter of concern. News accounts related to the automotive sector, upon which we rely for revenue, continue to be dominated by reports on the challenging conditions in the domestic market. Given the current environment, we do not foresee significant improvements in that market in the short term. Competition from foreign sources also continues to be a significant factor, as domestic manufacturers struggle to deal with higher legacy costs, while their share of the automotive market continues to decline. In response, we will continue our efforts to develop relationships with foreign manufacturers to supplement our existing customer base. We will also continue to work to control costs and make the most of available resources while actively pursuing new business from both new and existing customers.

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

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

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 to two major customers, the price and availability of raw materials, labor relations issues, losses related to product liability, warranty and recall claims, costs relating to environmental laws and regulations, the loss of the services of our key employees and difficulties in achieving expected cost savings. 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.

11

CHICAGO RIVET & MACHINE CO.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief 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.

(b) 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 fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

12

PART II -- OTHER INFORMATION

Item 5. Other Information.

On November 9, 2006, the Company entered into a Consulting Agreement with John C. Osterman, the Company's former President, Chief Operating Officer and Treasurer. Mr. Osterman retired from the Company on May 9, 2006. Under the terms of the consulting agreement, Mr. Osterman will receive a quarterly consulting fee of \$15,000. The consulting agreement is effective as of July 1, 2006, and unless terminated earlier by either party, the term of the agreement is through June 30, 2007. A copy of the consulting agreement is attached hereto as Exhibit 10.1.

Item 6. Exhibits.

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

- 10.1 Consulting Agreement, dated November 9, 2006, between the Company and John C. Osterman

- 31 Rule 13a-14(a) or 15d-14(a) Certifications
- 31.1 Certification Pursuant to Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification Pursuant to Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

13

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHICAGO RIVET & MACHINE CO.

(Registrant)

Date: November 13, 2006

/s/ John A. Morrissey

John A. Morrissey
Chairman of the Board of Directors
and Chief Executive Officer

Date: November 13, 2006

/s/ Michael J. Bourg

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

14

CHICAGO RIVET & MACHINE CO.

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

EXHIBITS

INDEX TO EXHIBITS

| Exhibit Number | | Page |
|-------------------|--|-------|
| 10.1 | Consulting Agreement, dated November 9, 2006, between the Company and John C. Osterman | 16-19 |
| 31 | Rule 13a-14(a) or 15d-14(a) Certifications | |
| 31.1 | Certification Pursuant to Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | 20 |
| 31.2 | Certification Pursuant to Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | 21 |
| 32 | Section 1350 Certifications | |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | 22 |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | 23 |